



THE USE OF CASH AND VOUCHERS **IN HUMANITARIAN CRISES**

DG ECHO funding guidelines

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PART I - OPERATIONAL SUMMARY: TERMINOLOGY, DECISION TREE AND CHECKLIST

1.1. Cash and Voucher Terminology

CASH AND VOUCHER TERMINOLOGY

The terms “Cash” and “Voucher” can be used to apply to a wide array of instruments. In the context of this paper the terms are used to refer to a restricted number of tools where the cash or voucher is given to individuals, households or communities, but not to governments or other state actors.

The use of centralized fee waivers (such as for health, education or water services), tax waivers, direct budget support and micro-finance is excluded from further discussion in this paper.

Cash transfers *“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.”*

If the beneficiaries are required to fulfil a specific obligation or activity (such as attending school, planting seed, building shelter, demobilizing, etc.) to receive the transfer, then this is described as a **conditional cash transfer**. Examples include: Cash for Work (CFW) where payment is made for work on public or community works programmes, or payments made upon completion of certain pre-defined steps of shelter construction; Cash for Training where payment is made for attending training.

Grants paid to beneficiaries without the beneficiary having to do anything specific to receive the benefit are described as **unconditional cash transfers**.

Therefore, conditionality refers to what beneficiaries are required to do to receive the transfer, and not to conditions on how they subsequently use the resources. (NB: some organisations define “conditional cash transfer” as those when restrictions are placed on how the transfer is spent.)

Vouchers Vouchers provide access to pre-defined commodities or services. They can be exchanged in designated shops or in fairs and markets. The vouchers may be denominated either in cash, commodity or service value. These are described respectively as **value-based, commodity-based or service-based vouchers**. Combined vouchers also exist.

Commodity vouchers have been used to provide access to food, NFIs, seeds and livestock for example.

If the vouchers are not tied to a set of pre-defined commodities or services, then they will be treated as cash payments.

“Cash-based” is used in this document to refer to both cash and voucher transfers.

The Framework Partnership Agreement refers specifically to cash based interventions. The reference document is “Fact Sheet D.3 Cash for Returnees, Income Generation, Cash for Work, Revolving Funds, Unconditional Cash: Limits and Constraints”. Vouchers are not covered in the fact sheet as they are considered as an alternative procedure for organising distributions.

1.2. Decision tree to support response analysis

DG ECHO does not advocate for the preferential use of either (i) cash/voucher-based or (ii) in-kind humanitarian assistance¹. The requirement of the Commission is that all modalities of humanitarian assistance be systematically analysed and compared so that DG ECHO can support partners to respond to identified needs in the most appropriate way according to the context.

The decision tree below aims to support the process of response analysis. A thorough situation analysis, including a preliminary market analysis, and needs assessment, are necessary preconditions for using this tool. The questions in the decision tree are intended to promote the use of a consistent logic when identifying the most appropriate transfer modality, i.e. in kind, cash or vouchers, or a combination thereof.

Multiple contextual factors are taken into account, including technical feasibility criteria, security of beneficiaries, agency staff and communities, beneficiary preference, needs and risks of specific vulnerable groups (such as Pregnant and Lactating Women, elderly, child headed households etc), mainstreaming of protection (safety and equality in access) , gender (different needs and vulnerabilities of women, men, boys and girls) concerns and cost-effectiveness. Direct and indirect support to market systems may be associated with a transfer where appropriate.

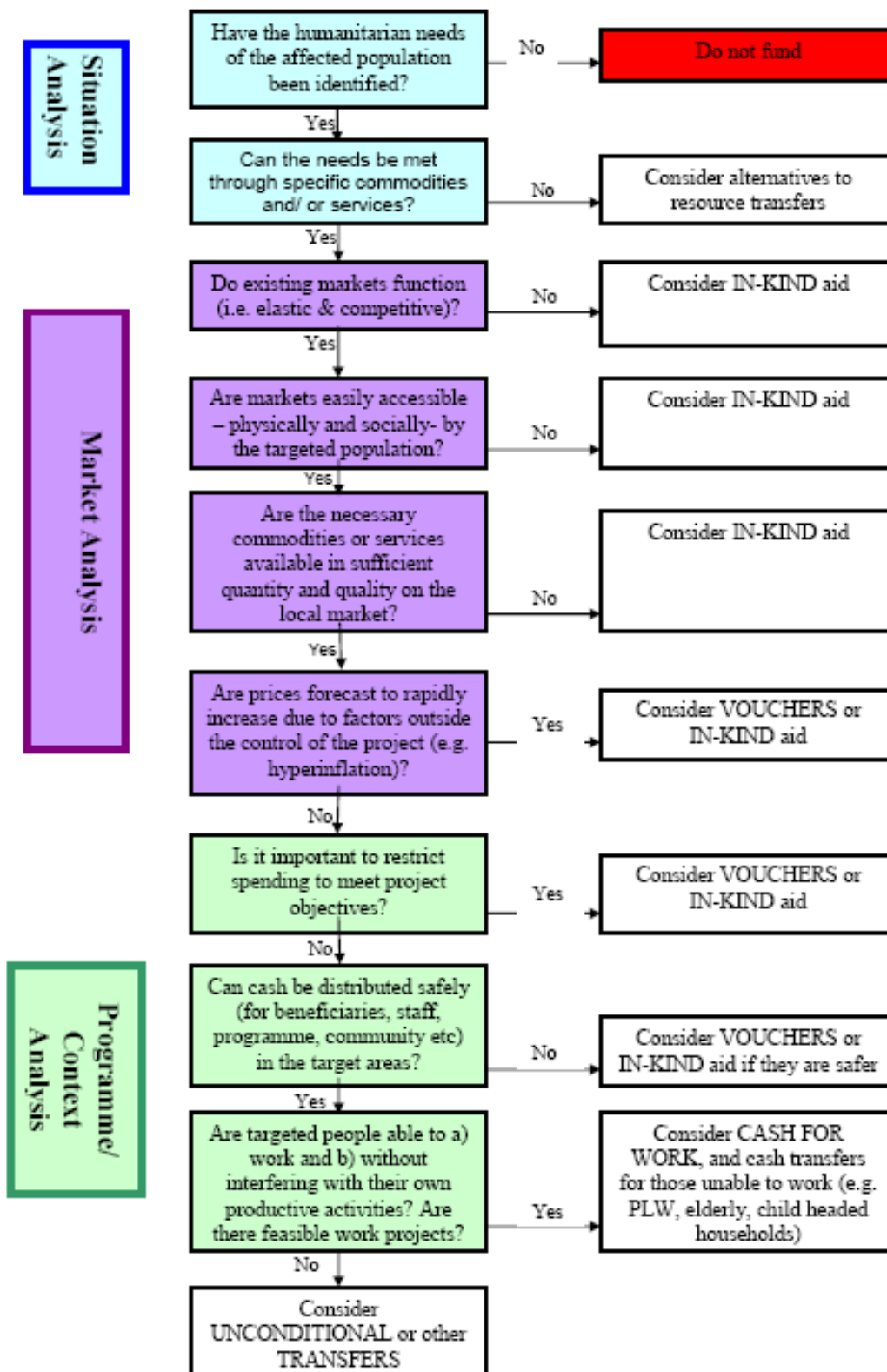
Once the transfer modality has been selected, further analysis is necessary to design the implementation of the project, such as questions around conditionality, procurement markets for in-kind aid, delivery mechanisms for cash-based aid and market support.

¹ See art. 35 of the European Consensus on Humanitarian Aid for the qualifications of the latter regarding the preference for locally-sourced in-kind assistance

² While the main analysis will focus on delivery markets (i.e. local or neighbouring), attention should be paid also to the potential impacts on source markets (both in the case of cash-based and in-kind interventions).

Elements to consider when analyzing the inflation risk include the degree of competitiveness of market actors, the ability of the suppliers to adjust to a changing demand, seasonal price variations, etc. (refer to market assessment tools such as EMMA and MIFIRA for more information).

Figure 1 Decision tree



1.3. Checklist for cash and vouchers projects

This checklist is intended to be used in conjunction with the decision tree to support the analysis in Section 1.2. It is intended to be filled in by DG ECHO (Technical Assistant, Regional Support Office and desks) and partners to both guide the analysis of cash transfer interventions and to evaluate a project proposals' conformity with the DG ECHO Cash and Vouchers Guidelines.

Partners are encouraged to consult their internal resources and www.cashlearning.org for further guidance.

Table 1 Checklist for cash and vouchers projects

Single Form section	Check	Yes	No	DNK	Details – to be clarified by partner
NEEDS ASSESSMENT Problem Statement, Findings of the assessment and link to the action (2.2, 2.3)	1. Have the humanitarian needs of the beneficiaries been defined taking into account the different needs of women, girls, boys and men, as well as specific livelihood groups?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	2. Is the problem a failure of effective demand (e.g. lack of purchasing power)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	3. Is the problem a failure of supply (e.g. a problem of availability)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	4. Have existing institutional social transfers and other humanitarian assistance been taken into account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	5. Does the proposal indicate whether the local market has the capacity to respond to increased demand with sufficient quantity and quality of goods (for example food or necessary NFIs) without resulting in sustained, excessive inflation i.e. is the market sufficiently elastic and competitive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Single Form section	Check	Yes	No	DNK	Details – to be clarified by partner
	6. Is the present rate of inflation and the expected trend (e.g.: price seasonality) compatible with the cash modality i.e. likely to remain stable with the injection of cash?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	7. Do the beneficiaries have access (physical, social, cultural, etc.) to the proposed markets and service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	8. Have the traders and service providers been consulted before/while planning the response?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	9. Have the safety risks to beneficiaries, staff and communities- including Disaster Risk Reduction, implementation period and relative cost-effectiveness of each modality (cash, coupon, fair, in-kind or a combination) been evaluated, also according to the principles of <i>do no harm</i> , and are they acceptable (if the information is available)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	10. Do the needs require that cash expenditure be controlled through conditionality, coupons or fairs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	11. Do the necessary capacities and skills exist (or can they be brought in/built rapidly) in the implementing agency to carry out the proposed intervention?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Stakeholder Analysis (2.2)	12. Is the proposed intervention coordinated with, or complementary to, existing actions, including longer-term actions carried out by the government, donors and organisations? Is it possible to build synergies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
OPERATIONAL FRAMEWORK	13. Are the targeting criteria properly identified (most vulnerable, highest humanitarian needs) and the targeting procedures adequate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Single Form section	Check	Yes	No	DNK	Details – to be clarified by partner
Beneficiaries (4.2)	14. Has meaningful consultation with beneficiaries on the project and modalities taken place and is due consideration given to the particular needs of vulnerable groups such as women, children, elders, disabled, minorities, the poorest (e.g. PLW workload, physical obstacles to collect resource transfers, intra-household resource control, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	15. In the case of conditional transfers, have the possible negative effects (inclusion and exclusion errors, increased vulnerabilities etc) been considered? Are they negligible or do they require additional action, such as direct cash transfers for beneficiaries unable to participate in CFW?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Activities (4.3)	16. Is there a contingency plan to mitigate any risks identified (inflation, trader collusion, corruption, insecurity, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	17. If vouchers or fairs are proposed, are there sufficient suppliers willing and able to collaborate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	18. Are the proposed transfer amounts, frequency and timing clearly defined and appropriate to reach the objective and adapted to the specific context and the targeted beneficiaries? <i>Consider: price levels on local markets for desired goods (e.g. food or expenditure basket), potential cash or in-kind transfers by other actors, targeted population (e.g. livelihood needs), duration and timing of assistance according to seasons, etc.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	19. Have all possible delivery mechanisms been evaluated and is the proposed delivery mechanism safe, feasible and efficient? <i>Consider: timing, human resources, flexibility, existing infrastructures / arrangements, etc.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	20. Does the monitoring system include indicators of sector specific outputs and outcomes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Single Form section	Check	Yes	No	DNK	Details – to be clarified by partner
Monitoring and Evaluation (4.5)	21. In case of an innovative action, will the Monitoring & Evaluation system provide evidence on its effectiveness and efficiency, and are systems/ activities in place to share learning (external or internal evaluation, publication etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	22. Does the post distribution monitoring and control system provide the minimum information requirements (Box B)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
MAIN CONCLUSIONS AND OTHER COMMENTS					
Summarize where the project deviates from the guidelines and recommendation					

PART II - SUPPORTING DOCUMENT

2.1. Introduction

An increasing number of humanitarian projects funded by DG ECHO include the distribution of cash and vouchers to beneficiaries². An external evaluation of cash and voucher programmes was commissioned by DG ECHO in 2008, which concluded that they were successful in reaching their objectives, as well as offering greater choice to beneficiaries and helping to foster dignity in the receipt of assistance. Subsequent case studies and research pieces have further demonstrated the efficacy of cash and voucher programming in a variety of contexts and sectors. As such, between 2007 and 2011 there has been an increase from 2% to 23.1% of the budget share of food assistance projects to cash and vouchers and a quadrupling of projects with at least a partial element of cash programming. Both the European Commission Humanitarian Food Assistance Policy (2010) and EC Humanitarian Wash Policy (2012) support consideration of all transfer modalities.

Despite increased use of the modality, cash and voucher programming remains limited in scale compared to in-kind delivery of humanitarian assistance, and consumes a relatively modest share of the total humanitarian budget. It is most commonly used in the food assistance sector, although there is increasing uptake in other sectors reliant on resource transfers, such as water and sanitation and shelter.

This paper summarizes the DG ECHO position on the use of cash and vouchers in responding to humanitarian needs. It provides guidance on the funding of projects which include the distribution of cash or vouchers to beneficiaries. It is an update of the original Cash & Voucher guidelines, which drew on the findings of a two stage evaluation (looking inwards) and review (looking outwards) of the use of cash and vouchers in humanitarian crises, commissioned by DG ECHO in 2007/08³. The continued expansion of cash and voucher programming, in particular into other sectors, and the adoption of new Financial Regulation and Rules of Application in 2013⁴ has expanded the scope for DG ECHO partners to use cash and vouchers.

This document is *not* intended to provide detailed technical directions on managing cash and voucher projects. Other reference materials are available for this purpose⁵.

² Referred to as "third parties" in the revised Financial Regulation applicable as of 01.01.2013, further referred as "2013 Financial Regulation "

³ See Lor-Mehdiabadi and Adams, 2008, Volume 1 and 2.

⁴ 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").

⁵ Guidelines and reference documents are available on www.cashlearning.org.

2.2. Lessons learnt from using cash and vouchers in humanitarian response

Traditionally in-kind assistance, through the provision of commodities and services, has dominated humanitarian aid. More recently there has been a growing interest in the use of cash or vouchers *as an alternative or complementary means* of increasing access to necessary commodities and services.

Several factors support this trend: humanitarian actors are increasingly recognising the effectiveness and efficiency of the tools- particularly in the face of challenges linked to security and logistics, food systems are more integrated, the pace of urbanization is accelerating and basic financial services are increasingly diffused, including in rural areas. Furthermore, the recognition that local markets may be able to respond to increases in demand for a variety of commodities and services together with the fluctuating availability and costs of cereals on the world market encourages the further consideration of cash-based programming.

Over the last decade there has been a rapid growth in experimentation with the use of cash and vouchers. More recently, organisations are actively working on capacity building to increase the quantity and quality of cash and voucher programming, including the establishment of the NGO partnership “CaLP”, and the Cash for Change Unit in the World Food Programme. However, the use of cash and vouchers in humanitarian response is still not institutionalised nor the important step of modality selection systematically considered; pilot projects continue and there are few examples of application of cash and vouchers at larger scales⁶ or as a first phase response by NGOs and the UN.

The 2013 recast of the European Commission Financial Regulation provides even further scope for the expansion of cash programming, in particular with the removal of the EUR 100.000 ceiling on cash grants for FPA partners. The new ceiling of financial support to each beneficiary has been increased from EUR 10.000 to EUR 60.000 in principle⁷, and allows financial support to beneficiaries to be the primary aim/ modality of the action.

A number of important lessons have been learnt with the use of cash and vouchers. The key issues that need to be considered in comparing the relevance of cash, vouchers and in-kind transfers, which are in essence different tools, are summarized below:

- a) *Cost-effectiveness*: In principle, whether a cash-based (i.e. cash transfers and vouchers) or in-kind distribution is more cost-effective will depend on the prices of goods or services in local markets, compared to the price it would cost an aid agency to deliver them. Cash-based programmes are likely to have lower transport and logistics costs, but there may be higher administrative costs.

However, assessing cost effectiveness is rather more complex than this basic calculation. For example, it is necessary to consider factors including the secondary economic effects

⁶ The Somalia famine response in 2011 is probably the first example of an at scale cash response by non-government actors.

⁷ The EUR 60.000 ceiling is removed when the financial support to third parties is the primary aim of the action.

of cash-based transfers, and the extent to which vouchers or in-kind transfers are monetized by beneficiaries to meet other needs.

- 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- or traders are able to increase the supply- of the necessary commodities, as well as evaluate the risk of causing, or contributing to, an inflation in the prices of key goods. 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*: Competing issues need to be considered in deciding on the most appropriate degree of beneficiary choice. Greater choice fosters dignity and allows beneficiaries to meet their most pressing needs, in particular the heterogeneous needs of individual disaster- affected households and individuals; cash provides the flexibility to move beyond a standard kit/ ration that meets the average need of the average household. Conversely, a restricted type of transfer may be more directly linked, and have a larger impact on, a specific objective, for example providing food of a specific nutritional composition.
- d) *Targeting*: Targeting remains a problematic issue for all transfers, cash, vouchers and in-kind. There is a delicate balance to be struck between inclusion and exclusion errors, and the costs, including time, of the targeting exercise compared to financial and impact losses incurred through poorly targeted resources or delayed assistance. The need for effective targeting arrangements for cash in particular has been highlighted, given the attractiveness of the resource. Self-targeted transfers – for example conditional transfers dependent on work – may be simpler to target than unconditional transfers, but risks exclusion errors.
- e) *Corruption and security risks*: Cash may be more attractive than in-kind assistance, and so might be more prone to being captured by elites, to diversion or to seizure by armed groups. The attractiveness of cash may create risks both for staff transporting cash and for recipients once they have received it. Cash can be easier to hide though and may be easier to distribute discreetly and thus could turn out to be a safer modality as compared with more visible commodities.
- f) *Skills and capacity*: Implementing cash and voucher projects requires new skills and capacities from managing in-kind transfers. If logistics are often simpler, there is a need for additional administrative and finance capacity. Assessments and monitoring need to include analysis of markets and distribution networks.

2.3. Handling cash and vouchers through the project cycle

This section provides guidance for the programming, identification, completion of proposals, implementation and evaluation⁸ of cash and voucher programmes. It clarifies *the standards expected* from implementing partners and the *decision making criteria* applied by DG ECHO. These funding criteria are summarized in the checklist given in Part 1.

2.3.1. Programming

In principle cash and voucher transfers may be used to respond to the range of assessed humanitarian needs, by increasing the purchasing power of disaster-affected people. This may enable them to meet their minimum needs for food and non-food items, provide access to basic services, or to support emergency livelihood recovery.

BOX A: Examples of possible cash and voucher transfers

- unconditional cash grants in early stages of emergency recovery;
- the use of cash to meet nutritional needs;
- milling vouchers to complement food distributions;
- provision of cash or vouchers in place of NFIs;
- the use of cash for shelter (supporting hosting, helping households construct transitional shelter, transfers conditioned to completion of steps in house construction);
- to help households access basic services (water, health and education) where these are not free and;
- to procure livelihood inputs and assets.

The relevance of cash and vouchers varies in the differing phases of natural disasters, conflicts and complex emergencies:

- a) The *early stages of sudden onset emergencies* (whether natural disasters or conflicts) may prove challenging for establishing cash transfers or voucher programmes. Markets may be disrupted, infrastructure damaged, people displaced and security threatened. But markets can recover quickly and in some contexts cash transfers may have a particular niche at the start of an emergency as an ideal tool to meet the heterogeneous needs of affected households.
- b) In *protracted crises* markets often re-establish themselves, creating opportunities for cash and vouchers.

⁸ See the DG ECHO manual on Project Cycle Management for a definition of these phases.

- c) Cash and vouchers may have a particular value in building resilience and assisting the *transition towards recovery and development, in particular* through protecting or restoring livelihoods. Cash and voucher projects can help to revitalize local economies by increasing the volume of trade and number of traders, thus developing local markets. This in turn can stimulate production, dynamize trade, help traders establish new links with other markets and stimulate labour markets, thus supporting resilience and the transition out of the humanitarian phase.

Despite the constraints in using cash or vouchers in certain contexts *no a priori assumptions are made on restricting the use of cash or vouchers to specific contexts.*

2.3.2. Assessment

The common starting point for any humanitarian intervention is an *assessment of the actual humanitarian needs*, taking into account also the possible existing institutional social transfers. A secondary decision is which resource transfer modality will deliver the necessary aid in *the most relevant, effective, efficient, safe and rapid* manner possible⁹. In some cases this will entail an in-kind response; in others a cash or voucher approach will be preferable, while in other situations a combination will be most appropriate.

Seasonality is important to consider. For example, it may be appropriate to provide cash as a means to improve food access in the period after harvest when supplies are plentiful, but appropriate to switch to in-kind transfers during the lean season. Alternatively, across a large region there may be areas where cash is more appropriate and other areas where in-kind transfers are preferable. Conditional cash transfers must also take into account seasonal trends. For example a conditional cash transfer modality (e.g. cash for work) may be switched to an unconditional cash transfers during the seasons with high labour demands, such as clearing or planting land. Opportunities to combine or sequence cash, vouchers and in-kind transfers as well the conditionality will thus be assessed.

Cash-based transfers may also *complement* in-kind assistance. Therefore, cash should not necessarily be seen as a replacement for other forms of aid, but may be an additional, complementary instrument. Depending on the situation, the use of cash, vouchers and in-kind transfers may be phased or integrated.

In order to make an informed choice on the best form of resource transfer (cash, voucher or in-kind), it is necessary to ensure that any proposal is supported by an analysis of the most *appropriate* and *feasible* type of transfer to meet identified needs. A decision tree to guide the selection of the most appropriate form of response is given in the operational summary.

Most of the elements of the comparative analysis of cash or voucher proposals are shared with in-kind projects. However, a pre-requisite for cash-based programming is to determine whether the local market can supply the required quantity and quality of commodities and services. For example, beneficiaries may have a particular nutritional requirement (the very young, pregnant

⁹ It is acknowledged that one response option may not necessarily meet all these criteria simultaneously and compromises may be necessary.

and lactating women, the sick- especially those with HIV/AIDS, elderly, undernourished). The local market may not be able to supply these specific types of food.

Market *assessments* are necessary not only to determine whether or not a market functions but also to inform on household level of vulnerabilities and coping strategies. It may indicate where indirect market interventions could support essential market systems, and how the market performed before the crises. The complexity of the market assessment should be adapted to the phase of the emergency, the scale of the project and the practicalities of the situation. It is also acknowledged that humanitarian interventions often take place in a challenging environment, where ideal standards may be hard to achieve. Therefore, in specific circumstances, a community level consultation on markets that includes traders and beneficiaries may suffice.

As the scale and complexity of projects increase, or the immediate emergency subsides, then increasingly rigorous assessment is required to better understand the potential impact of a large cash programme on markets and to better identify opportunities for building resilience and supporting communities to recover. While tools have been developed such as the Emergency Market Mapping and Analysis tool kit (EMMA) and Market Information and Food Insecurity Response Analysis (MIFIRA) to this end, specialised market assessment skills may be scarce, and this requirement may prove an impediment for some partners. DG ECHO encourages the coordination and exchange of information and the use of common assessment results, when possible.

In addition to an appreciation of whether local markets are in place to support a cash-based transfer, it is necessary to consider a number of other criteria in making a final decision on the best transfer modality. This includes cost efficiency, secondary market impacts, the flexibility of the transfer, targeting, social and cultural obstacles and risks of security and corruption. A list of questions to guide a comparative analysis is given in the Annex. This annex should be used to complement the decision tree presented in the operational summary.

Where possible, the *cost-efficiency* of the alternative response options should be compared on the basis of the desired project outcome. For example, if the objective of the project is to improve food access, the comparison between response options should be based on the cost of delivering a specific quality and quantity value through in-kind food distributions compared to delivering sufficient cash to purchase an equivalent quantity and quality on local food markets, including the cost of different delivery mechanisms (as well as fairs). However, this requirement may be waived depending on the urgency and scale of the proposed response.

The analysis must also evaluate the necessary *capacity*, amongst in-country partners, to implement the preferred response option, as well as the time necessary to increase the capacity. Implementing cash and voucher projects requires different types of skills and capacity from managing in-kind transfers. Logistics may be simpler, but there is a need for additional administrative and finance capacity. Several capacity building initiatives now exist that can be accessed¹⁰.

¹⁰ Refer to CaLP (www.cashlearning.org), Adeso (www.adesoafrica.org), and WFP Cash for Change etc.

It is particularly important to carefully assess the *risks of security and of corruption* of each modality. The security implications, for beneficiaries, agency staff and communities must be assessed and deemed acceptable. Each context presents different risks for each modality, with cash safer in some contexts, for example when transferred through a mobile phone, and in-kind safer in others, for example where transport of cash must be done by road in insecure environments. The final decision on the best modality requires a case-by-case approach, calculating the trade-offs at the local level.

2.3.3. *Presentation and evaluation of proposals*

All proposals to DG ECHO for the distribution of cash and vouchers must clearly articulate the humanitarian outcome(s) that the distribution of these resources is intended to lead to, and be consistent with the humanitarian mandate of DG ECHO as described in Article 2 of Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid listing the principle objectives of the humanitarian aid operations. The proposals will be coordinated with existing actions, including long term actions carried out by the other services of the European Commission and other relevant donors and organisations, with a view to enhance synergies between the different types of actions from different actors in the field.

In a humanitarian context, the money must be used to cover basic needs or to support the reestablishment of livelihoods, with the needs identified through assessment. Cash and vouchers are modalities and therefore cannot be an end in themselves; the action must aim for a clear result and outcome at the household or community level.

Supporting needs assessment(s) should be referenced in section 2 of the Single Form.

In conformity with the 2013 Financial Regulation and its Rules of Application¹¹, DG ECHO can consider funding the following financial support to beneficiaries¹²: **unconditional cash transfers** (grants) and **conditional cash transfers** (e.g. cash for work). It can besides that fund **vouchers** redeemable against specific commodities or services, in accordance with normal procedures.

For all type of cash transfer, the following conditions must be defined in the grant agreement, and specify:

- (a) the maximum amount of financial support that can be paid to a beneficiary which shall not exceed EUR 60 000¹³ and the criteria for determining the exact amount;
- (b) the different types of activities of the partner¹⁴ that may receive such financial support, on the basis of a fixed list;

¹¹ Article 137 of the Financial Regulation and Article 210 of the Rules of Application: see Fact Sheet D3.

¹² “Financial support to third parties” is the legal terminology for cash and vouchers to beneficiaries.

¹³ 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.

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

For all proposals submitted to DG ECHO including either conditional and / or unconditional cash transfers, the partner should also specify the amounts of cash transfer that can be paid to a beneficiary and the criteria for determining the exact amount.

All proposals must define the specific control, as well as the monitoring and the reporting procedures.

All proposals must include a comprehensive risk assessment of the chosen modality or modalities in the relevant section of the Single Form. For each of the major risk factors the proposal must indicate a) the specific measures to be taken during implementation to minimize the risks; b) the arrangements to monitor whether these risks develop, and c) if so, the response measures to mitigate the consequences.

The Do No Harm principle to beneficiaries and communities should also be taken into account for each modality. The risk of in-kind distributions destroying poor roads and thus potentially increasing a communities' vulnerability or of Cash for Work interfering with the agricultural season or other essential activities must be evaluated in each proposal. Remedial activities can be considered where relevant.

For cash-based instruments the proposal must specifically address the risks of inflation, and for in-kind the risks of deflation. For all transfer modalities the partner must monitor security and corruption and define the circumstances that would justify a switch to in-kind or cash distributions as appropriate.

In budgetary terms it is acknowledged that a well-designed and implemented cash or voucher project could be more cost-intensive in terms of technical human resources, including different use of existing staff such as finance human resources, but less costly in terms of logistical and procurement costs.

2.3.4. *Implementation*

Targeting procedures attract considerable attention. Cash transfers in particular are perceived to be at higher risk of potential inclusion errors, although targeting of *all types of resource transfers* remains a problematic issue. There is commonly a trade off between exclusion errors (those who should receive the transfer, and do not) and inclusion errors (those who should not receive it, but do). All projects need to demonstrate adequate targeting procedures to minimize targeting errors yet still be achieved within reasonable limitations of time, cost and complexity.

¹⁴ The term "activities" is used to describe 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, for example for conditional cash transfers.

A variety of targeting mechanisms can be used. The choice of the methodology will be determined by the context and the nature of the crisis. In an emergency context, timeliness may prevail over efficiency. In a protracted crisis scenario, more elaborated, in-depth methods will be preferred. Here an initial geographic targeting process will be followed by a household level targeting process using community-based methods, demographic, socio-economic criteria, self targeting mechanisms or a combination of these approaches. Verification exercises, including home visits during implementation, are regarded as crucial to effective targeting.

A wide number of cash distribution mechanisms exist, varying from cash in envelopes to mobile phone transfers and depositing into beneficiary bank accounts. All these systems (many of which are already widely used for the remittances of overseas migrants) come with their own preconditions, advantages, and limitations¹⁵. Some of the more innovative distribution systems may be more cost effective, and used to mitigate risks of corruption and security for the agency involved in distributions. Partners must therefore carefully assess and select the most efficient and effective distribution mechanism.

Attention should be given to the fact that the choice of a specific delivery mechanism could exclude certain groups among the most vulnerable, for example children who head households may not have the right to have a bank account, women who may have less access to mobile phones and marginalised groups who may not have access to documentation necessary for phone ownership or establishing accounts.

Intra-household roles and relations must also be considered. For example, women often have more control over food and household goods than money. The decision on who to distribute to within the household should take into account the different roles each gender plays, the objective of the programme, the potential impact this may have on how the cash is spent and household dynamics. Empowering women through a cash distribution can create potential risks or have potential benefits, which should be monitored and mitigated.

Implementation and the market environment need to be monitored to identify and mitigate potential risk factors and the project outcomes. Monitoring must help to verify the original response analysis made, and fine tune ongoing response analysis to enable adjustments to the operational strategy.

Monitoring systems established for cash and voucher transfer schemes will collect and analyze realistic amounts of data and provide products which are directly usable by the programme managers for an appropriate implementation, including a quick response to changing circumstances and erroneous assumptions in the project design.

Markets and contexts may change over the course of an action, and as such monitoring systems and projects need to identify criteria where a change in transfer modality may have to be considered.

¹⁵ See *Delivering Money. "Cash transfer mechanisms in emergency" June '10 – CaLP.*

Post Distribution Monitoring (PDM) should be done routinely for all transfers, although additional questions should be monitored for cash transfers. Monitoring and control mechanism should be quick and efficient, and provide an early indication of any problems which can be corrected during implementation. It also provides information which can be used to judge outcomes and results.

BOX B: Minimum set of questions to be monitored for cash distributions

- Did people get the right amount of transfer?
- Were transfers made on time?
- What are people spending the cash transfer on?
- Are the items that people want to buy available on the market?
- Where and how far do people have to go to collect the cash transfer?
- How far do people have to go to buy what they want, and in suitable quality?
- Were people able to collect and use their cash transfer safely, without facing social, cultural or other barriers?
- Has the intervention had an impact on other sectors (in the case of unconditional cash grants)?
- Has the cash distribution had an effect on prices?
- Does the modality support achieving the programme's specific objective?

If inflation of key commodities or services, particularly those that beneficiaries are expected to purchase, is an identified risk then the prices of these items will need to be monitored over the course of the project, taking into account usual seasonal price fluctuations. Price increases above an acceptable threshold may be used to trigger remedial actions – including those identified at the planning stage.

DG ECHO is committed to a results-based management approach. Therefore there is a requirement to monitor outcomes, in addition to outputs and activities; the fungible nature of cash makes it even more important to measure outcomes at the household level. The appropriate and specific outcome indicators for all transfer projects (cash, voucher or in-kind) will be determined by the relevant humanitarian objective as defined in the proposals. The results indicator must measure progress towards the sectorial outcome identified in the proposal, rather than simply reporting on activities.

2.3.5. Evaluation

Evaluations of cash and voucher projects can play a vital part in the learning process for both DG ECHO and its partners. This knowledge can contribute directly to refining and validating the use of cash and voucher projects and their accountability systems.

Partners are encouraged to routinely conduct an evaluation of cash and voucher projects. When financially feasible, external evaluations are encouraged. Evaluations should be seen as a learning process contributing to institutional, local and global learning, rather than as an audit function.

Evaluations of DG ECHO funded projects are specifically encouraged to fill key knowledge gaps on:

- a. the advantages and risks of different beneficiary identification and targeting approaches;
- b. rapid market assessment methodologies;
- c. the implications of different resource transfer options on control over resources at the intra-household level including women and children, the elderly or persons suffering from a specific vulnerability (ex. disabled persons);
- d. impact of intra-household targeting on the results of the programme (as women are generally seen as better providers of household's care and needs)
- e. the extent of inflationary impacts and consequences, and the adequacy of contingency options;
- f. the impact of different modalities on beneficiary households;
- g. the indirect impact on the traders and market development, including price fluctuations;
- h. linkages between humanitarian cash programming and social safety nets;
- i. the coordination of cash programming within and across sectors;
- j. cash modality as a tool in rapid onset and large scale humanitarian responses;
- k. the cost efficiency of cash and voucher projects; and;
- l. the role of cash and vouchers in fostering resilience, disaster risk reduction, early recovery and the transition towards longer term development.

2.4. Capacity building

The field capacity of DG ECHO partners is (with a few notable exceptions) weighted towards sectorial interventions and logistics consistent with the design and implementation of in-kind, commodity or service-delivery type projects.

DG ECHO recognizes that, for cash and vouchers to become a more routinely considered option for resource transfer, increased capacity and institutional changes are required by implementing agencies. This in turn requires a system-wide investment to strengthen the capacity of partners and the humanitarian system as a whole to complement the project level financing.

The further development of tools to compare the relative efficiency, effectiveness and feasibility of alternative resource transfer strategies is needed, in particular market analysis and response option analysis tools. Therefore DG ECHO has supported (specifically through enhanced response capacity funds) the further development and dissemination of such tools and standards amongst the global humanitarian community.

Training is also required of programme staff responsible for implementation. In particular, training of partners' financial staff and increasing financial literacy amongst beneficiary communities, may contribute to reducing financial risks.

ANNEXES

1. Additional criteria for comparing alternative transfer modalities

Table A-1 Criteria for comparing transfer modalities

Issue	Cash	Vouchers	In-kind
Cost efficiency	<p>Are there savings on delivery, distribution and logistics costs?</p> <p>How much does it cost beneficiaries to access markets?</p> <p>Can the response be mobilized faster?</p>	<p>Are there savings on delivery, distribution and logistics costs?</p> <p>How high are the administrative costs?</p> <p>Will the establishment of the system – particularly in the case of fairs- delay the start-up and timeliness of the response?</p>	<p>Are there savings on commodity costs through bulk purchases?</p> <p>What are the costs of procurement and transportation?</p> <p>What proportion of the commodities may be sold to meet other needs and at what cost?</p>
Market impacts	<p>What are the possible positive secondary impacts on the local markets and economy?</p> <p>Is there a risk of a supply failure affecting beneficiaries?</p> <p>May inflation erode the purchasing power of beneficiaries and non-beneficiaries?</p> <p>Could the intervention have positive or negative impacts on non beneficiary consumers?</p>	<p>What are the possible positive secondary impacts on the local markets and economy?</p> <p>Could the market benefits be monopolised by a few suppliers?</p> <p>Is there a risk of a supply failure affecting beneficiaries?</p> <p>May inflation erode the purchasing power, require supplier agreements to be renegotiated or affect the project budget?</p>	<p>Does this address an availability problem?</p> <p>Are local purchases used to support local markets?</p> <p>Is there a risk of undermining local production and markets, especially if transfers are sold by beneficiaries?</p>
Flexibility	<p>How important is it for beneficiaries to have high flexibility and individual choice in the use of resources?</p> <p>Can the necessary quality of commodities or services</p>	<p>How important is it to restrict the commodity or service provided to meet specific project objectives?</p> <p>What is the risk that the specified commodities or services may not meet</p>	<p>How important is it to restrict the commodity or service provided to meet specific project objectives?</p> <p>What is the risk that the specified commodities or services may not</p>

	<p>be assured?</p> <p>Have the needs and targeting of beneficiaries been thorough enough that the cash won't be used for unintended or 'anti-social' uses?</p>	<p>priority needs?</p> <p>Are the modalities of payment to the shop owner/suppliers acceptable by both parties and sufficiently flexible?</p>	<p>meet priority needs?</p> <p>Is the reliability of the in-kind pipeline suitable during the entire action?</p>
Security	<p>What are the specific risks with distribution of cash to agency staff and beneficiaries?</p> <p>Can different transfer mechanisms reduce the visibility of the transfer and lower the security risk?</p> <p>Is anonymity beneficial for <i>Do no harm</i>?</p>	<p>What are the specific risks with distribution of cash to agency staff and beneficiaries?</p> <p>What are the risks of copying vouchers?</p>	<p>What are the specific risks with distribution of cash to agency staff and beneficiaries?</p> <p>What are the specific risks with distribution of in-kind to agency staff and beneficiaries?</p>
Corruption	<p>What are the specific threats linked to theft and corruption?</p> <p>Can different transfer mechanisms reduce the risk?</p>	<p>What are the specific threats linked to theft and corruption?</p> <p>Is there a lower theft risk for vouchers?</p> <p>Can the coupons be copied or the redeeming outlets attract corruption?</p>	<p>What are the specific threats linked to theft and corruption?</p> <p>What are the corruption risks distribution points?</p> <p>What are the corruption risks at other stages (eg. contracting)?</p>

2. DG ECHO funded cash and voucher interventions

Table A-2 Example of cash and voucher interventions

Examples of activities	
Providing beneficiary with cash or vouchers as a direct grant	<p>Grants to Chechen refugees in Baku, Azerbaijan and Syrian refugees in Lebanon (primarily to cover a portion of shelter rental expenses)</p> <p>Cash for host families in Kosovo</p> <p>Grants to cover food needs during famine in Somalia and the Sahel</p>
Paying beneficiaries in cash or vouchers for taking part in a public works programme or other forms of employment creation	<p>Palestine job creation programme</p> <p>Road clearance in Afghanistan</p> <p>Road construction/rehabilitation in DR Congo</p> <p>Irrigation channels clearance in Pakistan</p> <p>Water and sanitation projects in Somalia</p> <p>Vouchers for work in Mali and Niger</p> <p>CFW for DRR projects in Bangladesh</p>
Providing a cash grant during training	<p>Afghanistan: cash was provided to encourage trainees; the trainers were elderly women with craft-making skills which risked being lost to the community</p> <p>Pakistan: training for vulnerable women who are unable to work outside home.</p>
Paying beneficiaries to repair their own houses or rehabilitate farm land	<p>Afghanistan</p> <p>Liberia clearing of cash crop farm land for returnees</p>
Repatriation grants	<p>Grant for Afghan families returning to Afghanistan from Pakistan and Iran (provision of cash at transit centres in country of return)</p> <p>Transport allowance for families returning to Liberia from Ivory Coast</p>
Cash for de-stocking	<p>Livestock purchase in Ethiopia</p>

Providing beneficiaries with vouchers for a particular type of good or a bundle of goods	Seed voucher fairs in DR Congo Seed/fertilizer/tools voucher schemes in Lesotho Seed/tuber replication in Zimbabwe Donkey vouchers in Sudan Water vouchers in Madagascar Vouchers for food (DR Congo, Palestine) Vouchers for fuel in Lebanon Vouchers for seed (exchanged through market traders) in Liberia
Early stages of a sudden onset emergency	North Lebanon, vouchers during the first weeks of displacement to provide refugees with NFI (clothes and shoes)
In the transition to recovery and development	A swamp reclamation project in an Ituri district, DR Congo. A combination of cash and work—combined with the new access road—encouraged small-scale agriculture and road side stalls.

Table A-3 Examples of projects where cash, vouchers or in-kind were chosen as delivery mode and rationale behind

Country	Reasons for adopting cash and voucher projects
Dem. Rep. Congo (Ituri district): cash for work projects	These cash and voucher projects followed similar projects where food aid was provided to beneficiaries. The main reason for change stemmed from the high costs of commodity supply. Secondary benefits included opening up markets, through road construction, for returnee populations. However, the cash projects were only directed at populations who returned to areas where markets were functioning.
Azerbaijan: cash subsistence allowance, which covered basic needs and particularly a proportion of the costs of renting.	The decision to provide cash to Chechen refugees living in Baku, the capital of Azerbaijan, to cover part of the cost of renting, accompanied the steep rise in the cost of housing and living. Alternatives (resettlement, construction) were not possible due to political reasons, and the most appropriate assistance was cash grants. The subsistence allowance was accompanied by (in-kind) food parcels provided through the Red Cross, to maintain coherence with the government national social support system.
Democratic Republic of Congo: seed	Seed voucher fairs were designed to address two issues simultaneously: the first was to provide recent returnees with a variety of quality seeds;

voucher fairs	the second was to enable those who had returned earlier (and who had been provided with certified seeds the previous season) with improved marketing opportunities.
Chad: in-kind food and fresh food vouchers	During the 2011/2012 food crisis in Chad, a market evaluation was conducted that showed insufficient supply of sorghum and millet to meet food needs. An in-kind distribution of cereals was provided in combination with fresh food vouchers.
Afghanistan: in-kind food distribution and cash for work	Poor rainfall in central Afghanistan meant farmers had not produced sufficient food to cover their needs during the winter, during which time all access to the area was blocked by snow. Traders informed that they would only be able to bring in sufficient food to meet some of the food gap. As such, a programme was designed to provide in-kind food aid for the most vulnerable and Cash for Work for those who were able to work. The food needs of the population and the local markets were thus simultaneously supported.
Sudan: cash transfer replaced by food in-kind transfer.	Early 2012; due to market price volatility cash vouchers were suspended in one of the targeted area and replaced with a more appropriate in-kind transfer modality. WFP has continued to monitor market prices, and resumed cash transfer modality few months later.

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Further resources can be found on: www.cashlearning.org.

4. Abbreviations

ACF	Action Contre la Faim
AIDS	Acquired Immune Deficiency Syndrome
ATM	Automated Teller Machine
CFW	Cash for Work
DG ECHO	Directorate General for Humanitarian Aid and Civil Protection
DR Congo	Democratic Republic of Congo
EC	European Commission
FAO	Food and Agricultural Organization (of the United Nations)
FPA	Framework Partnership Agreement
FR	Financial Regulation
HIV	Human Immunodeficiency Virus
ICRC	International Committee of the Red Cross
IDP	Internally Displaced Person
IFRC	International Federation of the Red Cross & Red Crescent
LRRD	Linking Relief, Recovery and Development
M&E	Monitoring and Evaluation
NFI	Non-Food Items
NGO	Non-Governmental Organization
ODI	Overseas Development Institute
OPT	Occupied Palestinian Territory
PDM	Post Distribution Monitoring
PLW	Pregnant and Lactating Women
RAP	Rules of Application (in reference to the Financial Regulation)
SCUK	Save the Children UK
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund

UN-OCHA	UN Office of Humanitarian Coordination
UNRWA	United Nations Relief Works Agency
WFP	World Food Programme