



**10 COMMON PRINCIPLES FOR MULTI-PURPOSE CASH-BASED ASSISTANCE TO
RESPOND TO HUMANITARIAN NEEDS**

March 2015

- 1. Responses to a humanitarian crisis should be effective and efficient, responding to the most pressing needs of affected people and representing the best value for money**
- 2. Humanitarian responses require needs to be met across multiple sectors, assessed on a multi-sector basis and provided to meet basic needs**
- 3. Humanitarian assistance must be provided in a way that enhances protection and upholds the safety, dignity and preferences of beneficiaries**
- 4. Innovative approaches to meeting needs should be fostered**
- 5. Multi-purpose assistance should be considered alongside other delivery modalities from the outset – we need to always ask the question "Why not cash?"**
- 6. A combination of transfer modalities and delivery mechanisms may be required depending on the nature and context of the crisis and used at various stages of the crisis – an optimum response may require them to be used in combination**
- 7. An appropriately detailed assessment of the capacity of markets and services to meet humanitarian needs must be carried out at the outset of a crisis, integrated within the overall assessment and regularly monitored and reviewed**
- 8. Agencies involved in responding to a crisis should establish, from the outset, a clear coordination and governance structure and streamline assessment, beneficiary registration, targeting and monitoring**
- 9. Linkages with national social protection systems need to be exploited whenever possible**
- 10. Accountability considerations require the use of robust impact and outcome indicators, which should be limited in number and which will be a combination of agency specific and broader indicators**

Introduction

The international community is evolving towards multi-purpose assistance. It has always been recognized that beneficiaries have many needs, but these are often met by different actors and in a variety of ways. Sometimes the response is exemplary, but there are also examples of where coordination fails or where delivery of assistance is late or not what is needed. Humanitarian assistance must be able to meet these basic needs on time, every time, effectively and efficiently, if those affected by crisis are to be helped to see out the crisis and to rebuild their lives quickly.

One example of this change is how the international community has shifted from a food aid to a food assistance approach. Recent humanitarian operations, such as the response to the Syria crisis and to typhoon Haiyan in the Philippines, have allowed the international community to meet needs through a combination of in-kind, cash and voucher responses. They have opened the way to meeting multiple needs across sectors through cash-based assistance and have helped to bridge humanitarian and recovery concerns and to build resilience. Cash-based programmes have also demonstrated their worth in less high-profile environments and we have many examples of where such solutions have been used to good effect in South Asia and East Africa in particular.

The principles outlined in this paper apply to humanitarian assistance as a whole, but take food assistance as the starting point. This is due to the scale of food assistance in humanitarian contexts, the perception by beneficiaries of food assistance as a means to meet other basic needs and to policy developments, which have changed the approach to food.

The shift to food assistance is demonstrated by policy developments at donor level, in the modernisation of the Food Assistance Convention, in the approach described in WFP's Strategic Framework and in the way humanitarian assistance partners now deliver aid. Humanitarian food assistance is a holistic response to victims of a humanitarian crisis, which, besides the direct provision of food, also uses a wider range of tools, such as the provision of services, inputs or commodities, the use of multi-purpose assistance such as cash or vouchers, and fostering skills or knowledge. Food assistance aims to ensure the consumption of sufficient, safe and nutritious food in anticipation of, during, and in the aftermath of a humanitarian crisis; it ensures food availability, access to nutritious food, proper nutrition awareness, and appropriate feeding practices. It looks at the avenues, other than food distribution, which can be used to achieve these goals. One of the more visible differences between food aid and food assistance concerns the modalities with which resource transfers can be made to assist people, who are food insecure as a consequence of a shock.

Whereas cash was initially seen as a substitute for food and a means to buy it, it quickly became apparent that cash is an efficient way to meet basic needs, whether food, non-food or services. A shift to cash-based assistance has been supported by the development of reliable delivery mechanisms - telecommunication and other technologies that have greatly improved the efficiency and security of cash delivery.

However, while working in this way offers great potential, it is important to ensure that multi-purpose assistance takes place in a way that upholds humanitarian principles, is appropriate to the situation and meets expectations in terms of effectiveness and efficiency. Humanitarian assistance

should also take place in a way that best encourages coordination with development actors and, where possible, with governments. This favours greater resilience and long-term sustainability.

It was therefore considered useful to develop a set of principles to guide donors and humanitarian partners alike on how best to work with multi-purpose assistance. The principles have emerged from recent experiences with such programmes and are intended to provide a common framework for the way donors and humanitarian partners provide multi-purpose assistance. The principles are also intended to reassure host governments that assistance is provided in a responsible way so that local markets and systems are not disrupted and to satisfy donors that multi-purpose assistance meets accountability standards and requirements.

A multi-purpose assistance approach is consistent with the principles of Good Humanitarian Donorship as endorsed in 2003, with the SPHERE Code of Conduct and does not seek to duplicate or replace coordination systems in place under the Inter-Agency Standing Committee.

What is multi-purpose cash-based assistance - introduction and terminology

Humanitarian assistance strives to provide the most appropriate, effective and efficient responses to the needs of people affected by a crisis. It is provided in many ways depending on needs and context. The choice of appropriate transfers (in-kind, cash or vouchers), or their combination, must be based on a thorough assessment and context-specific analysis, including cost effectiveness and efficiency, secondary market impacts, the flexibility of the transfer, local availability of goods and services, prioritisation and targeting, gender and protection considerations, and risks of insecurity and corruption. In the past assistance was delivered as food parcels, blankets and packages of soap and medicine, whereas now, increasingly, it is provided in the form of cash. In kind deliveries will continue to have a place, often in combination with cash or vouchers, but in order to understand this fundamental change in the way assistance is delivered, the humanitarian community needs to look at why this change is taking place, where it is likely to lead and what in fact is meant by multi-purpose assistance.

The answers to the first two questions are to be found throughout this document – essentially this change is taking place because our understanding of poverty and vulnerability has evolved to recognise that access to goods and services is a greater problem than availability and one which cash-based assistance is well placed to address. Also this change is taking place because it can. In the past, delivery of cash was hampered by the absence of technological solutions, which are increasingly in place either through mobile phone coverage or the more widespread use of cash cards and which allow cash to be delivered at scale. The ability to register beneficiaries in a way that associates them with an electronic cash card, a bank account or a social security register, improved information sharing and technology and the realisation that markets can rebound to meet needs efficiently in crisis situations, even when those needs grow exponentially, have all helped to encourage greater use of cash. As beneficiaries see that cash-based assistance results in greater purchasing power, dignity and choice, it is difficult to see this leading anywhere else but to a greater demand for humanitarian assistance delivered in the form of cash.

Multi-purpose assistance covers both cash and vouchers that are provided to individuals, households or communities as emergency relief and which contribute to meeting their basic needs or to assisting them in protecting or re-establishing their livelihoods. Cash-based assistance, particularly when delivered in the form of unconditional cash is a people-centred approach. It should be noted that cash-based assistance does not cover assistance to governments or other actors and it does not include funds allocated for local procurement of in-kind commodities.

But what do we mean by cash-based assistance? How do vouchers fit in? What do we mean by service or value or commodity-based vouchers? What is a multi-purpose transfer and should assistance be conditional or unconditional, restricted or unrestricted?

- **Cash transfers** can be defined as the provision of money to individuals, households or communities, 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. Money can be distributed directly using an electronic card, which need not necessarily be associated with a bank account and which beneficiaries can then access as with any cash card. Cash can also be distributed through mobile phone transfers, remittance companies, post

offices or even physically. Beneficiaries decide how to use the cash received. As such, a cash transfer is an unrestricted **multi-purpose cash transfer**, contributing to enabling beneficiaries to meet their basic needs, be they food, non-food or services.

- **Vouchers** are used to provide access to pre-defined commodities or services. They can be paper or electronic, and are usually exchanged in designated shops or fairs. They may be denominated in cash, commodity or service value. **Vouchers** come with some restrictions. Commodity or service based vouchers – i.e. vouchers that must be exchanged for a given commodity or service are by definition **restricted** transfers. Value-based vouchers are designated in terms of cash value and are closer to a cash transfer – like cash, they offer greater choice to the beneficiary. In general vouchers have to be redeemed in designated shops or through special events such as fairs (e.g. for seeds, construction materials, etc.) Vouchers may be in the form of paper, but increasingly electronic cards are used, with restrictions built into the card. For example the card might only be valid in designated shops and, within these shops, only certain products may be purchased. Again, often beneficiaries do not need a bank account. Vouchers can be used to provide access to education or health services, but it may also be possible to directly subsidise these facilities and to identify the people who are entitled to benefit from them. Finally, vouchers are better suited to addressing a specific need (e.g. nutrition, shelter, health care), unlike cash, which is multi-purpose in nature.
- As previously mentioned, there are many ways to deliver multi-purpose assistance. However, **electronic cards** (bank cards, debit cards, prepaid cards) as well as other electronic devices (i.e. mobile phones, virtual wallets) are increasingly the system of choice for both cash transfers and vouchers with the difference being the degree to which use is restricted. For example, cards may be mixed with part of the card in voucher form and part in the form of unconditional cash. Absence of identification documents should not be used as a pretext to prevent access to the means to deliver cash.
- Assistance may be **conditional** or **unconditional**. Unconditional assistance is given to beneficiaries or households without the recipient having to do anything in return. It can be provided to meet immediate needs and/or build assets to safeguard against future shocks and stresses and increase resilience. Conditional assistance requires beneficiaries to undertake a specific action/activity (such as attending school, building a shelter, attending nutrition screenings or trainings, hospital deliveries) to receive the assistance. It may also be provided in instalments, with each instalment dependent on the use to which the previous instalment has been put. Conditional assistance, in the form of food or cash for work, has long been a favoured way of delivering assistance, which remains appropriate in certain circumstances, but "lighter" conditions (e.g. attending a training session, participation in nutrition screenings may be more effective in targeting specific groups such as pregnant or lactating women, the disabled, the elderly, etc.). Unconditional assistance may be more beneficial in terms of encouraging a speedy recovery, is easier to implement and may favour a shift from the need to monitor compliance with conditionality to a focus on monitoring the impact of assistance.

- **Multi-purpose cash-based assistance** can be defined as a transfer (either delivered in several tranches regular or as an ad-hoc payment) corresponding to the amount of money that a household needs to cover, fully or partially, their basic needs that the local market and available services are able to meet appropriately and effectively. Multi-purpose transfers demand greater coordination between humanitarian actors and donors to assess needs and to translate this into a single monetary value, the Minimum Expenditure Basket (MEB). Realistically, humanitarian assistance will contribute to this figure. Beneficiaries will be faced with the need to prioritise how best to use the assistance received so as to ensure that their basic needs are covered.

Considering recent developments in the humanitarian sector and the lessons learnt, unconditional multipurpose cash assistance is increasingly becoming a relevant and appropriate response. The opportunities to use cash at scale are growing and the benefits of in-kind transfers are diminishing.

Major humanitarian crises such as the Asia Tsunami (2004), Pakistan earthquake (2005), Haiti earthquake (2010), Pakistan floods (2010), Horn of Africa and Sahel (2011), Syrian refugees (2012) and more recently Philippines (2013), have allowed cash transfers to be tested and have demonstrated their feasibility and benefits in many diverse contexts, increasingly at scale. They also demonstrate that multi-purpose cash transfers will be a key element of the response strategy at all stages of the life cycle of a programme.

In encouraging the use of multi-purpose assistance, donors need to take a broad approach. Assistance, whether in the form of in-kind goods, vouchers or cash are often seen by beneficiaries as income. Multi-purpose assistance gives beneficiaries the flexibility to meet their needs, but it should nevertheless be possible to demonstrate, through appropriate impact indicators, that both food and non-food needs are being met and that the assistance provided has contributed to the recovery of livelihoods, when this is part of the objective.

Where in-kind donations or vouchers are being sold, primarily to meet other non-covered, essential needs, which may change over time and from beneficiary to beneficiary, this effectively means that there is a gap in these other sectors or point to a need for improved needs assessment and prioritisation, targeting and coordination among humanitarian actors. It also raises questions about the current system of allocating funding to specialised agencies and humanitarian actors, which tend to be sector driven.

It is recognised that donations sometimes come with conditions attached. For example, a donor may offer in-kind items to come to the aid of those affected by a crisis. Such donations are not always accompanied by funds for transport, storage, distribution, etc. While no donation is likely to be refused, providing assistance in this way is not consistent with a modern humanitarian approach, which seeks to respond to the identified and assessed needs of beneficiaries and not to dispose of in-kind surpluses, whether food or non-food.

For their part, donors are urged to provide assistance to their partners in a form that allows them to respond to the needs of beneficiaries with flexibility and in the most appropriate way possible. Recipient countries, on the other hand, should ensure that government policies are modality neutral

and that levies or taxes are not applied to the assistance received by beneficiaries, regardless of how it is delivered.

Challenges and Risks

A multi-purpose cash-based approach is not of course without its challenges and risks. Cash-based assistance has been used successfully in a wide range of situations, at scale as well as on a more limited basis and the way assistance is delivered should be appropriate for each circumstance. Concerns have been voiced, for example, on whether cash-based assistance is more prone to corruption or diversion than in-kind assistance or on the way in which cash may affect intra-household or community dynamics. There is however little evidence to suggest that cash-based responses are more risky than other approaches and it will be important, regardless of the delivery modality, to design a programme that best fits the situation.

The choice of modality or the combination thereof is one, albeit highly significant, element of the programme design. It will always remain highly context-dependent and should take account of efficiency and effectiveness considerations and beneficiary preferences.

More effective and efficient humanitarian assistance

Principle 1

Responses to a humanitarian crisis should be effective and efficient, responding to the most pressing needs of affected people and representing the best value for money – assistance must be appropriate and arrive quickly in a way that suits beneficiaries, who, whenever possible, should be involved in the planning.

Responding to a humanitarian crisis is context specific – each crisis will have its own life cycle and time-frame for recovery and will demand a unique set of responses.

Humanitarian actors need to consistently question both the modality and the delivery mechanism proposed. We live in a world where goods and services are exchanged for cash, so this must be the starting point. Where markets work, it should no longer be acceptable to ship commodities, equipment and products around the globe, when similar items are available locally. Besides the costs of shipping, storage and the environmental footprint, a proportion of in-kind donations will invariably be lost or sold by beneficiaries, usually at a discount, which fundamentally penalises the beneficiary. The real cost of in-kind assistance is higher than the combined product, shipping, storage and distribution components. Local purchases of goods and services are a step forward, but even this does not eliminate some of the problems associated with in-kind (sale, appropriateness or acceptability of the products provided, etc).

Humanitarian assistance should be seen as a multi-faceted response to the human misery and suffering that result from conflicts and disaster and can be a first step to reinvigorating local business and agriculture and to helping people rebuild their lives and livelihoods.

Humanitarian responses should "do no harm" and should lay the basis for more durable solutions, with longer-term development efforts or government interventions taking over as soon as possible. Value for money should be seen in this context. The most appropriate response may not necessarily always be the least expensive one – shipping in kind products in bulk may sometimes be a cheaper option, but ultimately may not represent the best value for money if commodities are sold on at a discount and local markets are disrupted.

More generally, value for money pertains to the cost of assistance, whether in the form of commodities or cash delivery systems, the degree of efficiency with which assistance actually reaches the beneficiary (without having to be exchanged at a discount) and the extent to which expected outcomes are achieved.

A shift from in-kind to multi-purpose cash-based assistance

Principle 2

Humanitarian responses require needs to be met across multiple sectors, assessed on a multi-sector basis and provided to meet basic needs - individuals and households who are affected by disaster have different sets of needs, which require a response that is flexible and dignified. Separate single sector, silo-based responses are not sufficient.

Since 2000, the extent and scale of cash-based assistance has grown significantly. Such programmes have been used since then mainly in the food sector and the use of cash and vouchers has facilitated the shift from “food aid” to “food assistance”. Cash is now increasingly used to meet needs across multiple sectors, whenever these needs can be adequately accessed through the market: non-food items (NFIs), shelter, water, etc. Multi-purpose cash-based assistance has the potential to respond quickly and efficiently to a variety of urgent needs, offering dignity, flexibility and choice to beneficiaries and supporting local markets.

A shift to multi-purpose cash-based assistance has been supported by the development of efficient and reliable delivery mechanisms such as smart cards, mobile phones and the infrastructure that support them.

Multi-purpose assistance is a cash transfer (either regular or ad-hoc) corresponding to the amount of money a household needs to cover, fully or partially, their basic needs that the local market and available services are able to meet appropriately and effectively. Where conditions allow, this is how humanitarian assistance should be delivered. Increasingly conditions for the delivery of multi-purpose assistance are satisfied and there is growing evidence of its value for money.

A multi-purpose cash-based assistance programme requires a holistic assessment of beneficiary needs and an appropriately detailed market analysis to assess if markets and services can be used or developed to support the humanitarian response.

In effect, it is a basic needs assistance programme.

Principle 3

Humanitarian assistance must be provided in a way that enhances protection and that upholds the safety, dignity and preferences of beneficiaries – *multi-purpose assistance is a people-centred approach, placing choice and responsibility in the hands of beneficiaries and providing assistance, for the totality of their basic needs.*

A response that upholds the dignity and preferences of beneficiaries and that provides a useful and efficient answer to the predicament in which they find themselves is likely to be most appreciated by them. In order to ensure that assistance responds to the needs and priorities of beneficiaries, they should, where possible, be involved in needs assessment and decision-making, regardless of the aid modality and have recourse to a complaints mechanism.

There are many examples of how beneficiaries choose to use cash transfers. Frequently, sacrifices will be made by families so that part of the transfer will be saved to invest in small businesses or to pay school fees. A multi-purpose response empowers people and trusts them to make sensible choices in their best interests. It offers the potential for gender sensitive programming and delivery of humanitarian assistance and the empowerment of women. If basic needs can be covered in a predictable way, humanitarian assistance can offer the potential to reduce negative coping strategies. Monitoring the impact of such interventions and how they are in fact used is essential to better understand the potential value of assistance delivered in this flexible way and the issues it can raise in terms, for example, of impact on the economic fabric of a country or region and intra-household dynamics.

Multi-purpose cash-based assistance is not to be seen as a compensation for protection violations. Protection of beneficiaries is independent of the modality but may warrant special attention in the case of cash-based assistance.

Openness to innovation and to learning

Principle 4

Innovative approaches to meeting needs should be fostered – *multi-purpose cash-based assistance is an innovative approach.*

Provision of humanitarian assistance in the form of cash, which by nature is multi-purpose, is innovative. The modality itself has demonstrated its worth – it has been tested at small, medium and large scale and advances in technology offer a variety of ways to deliver the assistance securely and at scale. The crises that spark humanitarian assistance require humanitarian actors to operate with agility and to be open to solutions that have the potential to offer a better service to beneficiaries.

Working with new or innovative ways of delivering humanitarian assistance demands that particular attention is devoted to the development of best practices. Experiences need to be documented and are shared so that lessons can be learnt as to what works best, with future actions adapted accordingly.

The innovation represented by multi-purpose cash-based assistance is not technological. While technology advances facilitate a shift to cash-based solutions, the innovation is more about an approach, which looks at the basic needs of beneficiaries and seeks to identify how best to meet these.

What needs to be in place for multi-purpose cash transfer systems to work well?

Principle 5

Multi-purpose cash-based assistance should be considered alongside other delivery modalities from the outset – we need to always ask the question "Why not cash?" – too often the question is not asked. Better known modalities should not be favoured over cash due to lack of knowledge on the part of donors or implementing partners as they may not be the most appropriate response in a given situation. All modalities should be given equal consideration.

A cash-based response may not always be the best initial response – we have many examples where immediate needs are best served by the provision of shelter material, hygiene kits and food parcels. However, often in-kind assistance (frequently sourced internationally) continues for too long and, in so doing, can inhibit recovery. A gradual injection of cash can help markets recover quickly. Once markets are functional again and able to cope with the additional demand generated by a cash intervention, and the infrastructure to deliver cash-based assistance is (re-) established, it is difficult to see why in-kind assistance should continue, in particular where this includes goods sourced internationally. There are also circumstances where cash- transfers can and should be used as a first response in a crisis, for instance when markets and services have not been disrupted to a great extent, and when beneficiaries are familiar with financial services.

Markets need in any event to be constantly monitored for signs of overheating and problems of supply. The benefits of cash-based assistance (or indeed any form of assistance) can be undermined by the creation of localised monopolies.

The question of predictability of funding is one which arises particularly with cash. Predictability will be managed in different ways by donors and their partners, but should be seen in conjunction with improved planning and coordination. This is not unique to cash-based responses, but shortfalls in cash can be more keenly felt than shortfalls in in-kind – hence the need to ensure a continuous pipeline.

How multi-purpose cash-based assistance fits into the humanitarian assistance toolbox

Principle 6

A combination of transfer modalities and delivery mechanisms may be required depending on the nature and context of the crisis and used at various stages of the crisis – an optimum response may require them to be used in combination – *responding to a crisis is complex and the best response will often require donors and agencies to use a combination of tools, readjusting the mix as needed.*

Multi-purpose cash transfers aim to provide a people-centred and, insofar as possible, holistic response to the humanitarian needs of affected people. This demands greater coordination and flexibility between humanitarian actors and donors to assess needs and to translate this into a single monetary value (the Minimum Expenditure Basket (MEB)) to which each specialised agency or organisation (UN or NGOs) can contribute. It also requires humanitarian actors and donors to agree on those elements of the response that need to be protected, or are unlikely to be met through the market or available services. An example of a situation that requires the response to be protected could be where the objective is to enhance nutrition. There will also be groups of the population where distribution of cash may be inappropriate, such as to young children, the elderly, chronically ill or disabled people. In such cases in-kind or voucher responses may be the right option.

Three distinct transfer modalities can be distinguished – cash, vouchers and in-kind. All three may be conditional or unconditional. We have a range of options, both in terms of modality and delivery mechanism and we must identify the most appropriate set of responses depending on the context. They may also have to be used in parallel. The precise set of responses demands a solid analysis of individual situations.

Using a combination of approaches may ultimately reduce costs and shorten the period of intervention. Value for money, efficiency and effectiveness considerations will be critical regardless of context. However, achieving the best outcomes and impacts requires that the most appropriate combination of delivery modalities and mechanisms is used. To this end organisations should be ready to respond in different ways, to have contingency planning in place and to be open to forging the necessary partnerships to ensure delivery in new ways.

The essential difference between the choice to use cash or vouchers is the extent to which donors and implementing agencies wish to control how transfers will be used. This might be for reasons linked to the mandate of each organisation, to reach a specific objective or to ensure that a specific commodity or *quality* of commodity (such as seeds) be transferred to beneficiaries. Beneficiary perception of any restriction is important as beneficiaries may in fact prefer to receive restricted vouchers – examples could be the provision of some nutritious foods for children under a certain age. It may be difficult to set aside part of a cash allocation for such products and providing the items through vouchers or in-kind may be more effective and in line with beneficiary preferences.

How cash transfers are used by beneficiaries can be assessed by the inclusion of appropriate impact and outcome indicators in the programme design. Regular monitoring of these indicators will give information on the use of transfers and allow the success or otherwise of an intervention to be assessed.

The use to which vouchers are put can be more easily foreseen in advance. However, establishing and managing a voucher programme can be costly and takes time to set up and this will need to be weighed against the expected benefits to beneficiaries. The decision to opt for cash or vouchers should rely on a thorough understanding of markets, expenditure patterns, beneficiary needs and how they prioritise spending.

As for cash transfers, the inclusion of appropriate impact and outcome indicators in the programme design and regular monitoring of these indicators is the best way to assess the success of a voucher-based intervention. The effects on the local economy (multiplier effect), and not just on participating businesses, should also be assessed and monitored.

The ability of donors to direct how assistance of any form is used may be an illusion. In-kind commodities are routinely sold and appear in local markets, vouchers are also traded and sold and these transactions invariably lead to the devaluation of the amount provided by donors. With multi-purpose cash-based assistance, beneficiaries may exercise their choice to use a portion of the cash they receive to purchase items that may not be absolutely essential to meet their basic needs (such as school fees), but it cannot be said that the allocation is devalued.

The importance of market analysis

Principle 7

An appropriately detailed assessment of the capacity of markets and services to meet humanitarian needs must be carried out at the outset of a crisis, integrated within the overall assessment and regularly monitored and reviewed - *assistance needs to adapt to an evolving situation and to the capacity of the market; this requires review as the situation evolves.*

Multi-purpose cash-based assistance programmes rely on a functioning (or potentially functioning) market and stable prices. If goods and services are unavailable, of itself, the provision of cash will not help and other solutions will be needed. There must also be safe and equal access to markets.

Whereas techniques to assess beneficiary needs and preferences are tried and tested, methods for analysing markets in humanitarian contexts have only been developed relatively recently and there is limited (but growing) expertise residing in partner agencies. The tools exist, but they may not be systematically used at the assessment and monitoring stages of an intervention. It is important therefore to ensure that humanitarian actors have the capacity to carry out a professional market

analysis. Market analysis is often complicated by the significant movements of people, resulting in rudimentary markets having to adapt to exponential increases in demand over a short period, even though this increase in demand may not be permanent. Limiting price fluctuations, while at the same time boosting capacity to serve the new arrivals, is a constant challenge.

It is also noted that markets may take time to adjust or to return to normal. The role of preparedness is key to having an understanding of markets pre-crisis and how they might be expected to change as a result of a crisis.

Whenever the analysis identifies market failures and constraints, alternative solutions need to be found. These may take the shape of in-kind assistance, or a voucher programme may be used to encourage investment in particular goods or services by traders. A multi-purpose assistance programme may need to be combined with other responses if the desired impact is to be reached. Nutrition is a case in point, where voucher or in kind distributions may need to be included for some beneficiaries.

Multi-purpose cash-based responses necessitate greater coordination, but do not necessarily require improved assessment methodologies as the tools in place today are already effective. They may nevertheless need to be more systematically used and there may be a need to strengthen analysis on the way in which markets, both formal and informal might be affected. Working in a multi-purpose way should offer better value for money at the assessment, delivery and monitoring stages of an operation, due among others to potential economies of scale and better sharing of information. It also requires a genuine wish on the part of humanitarian actors to work together.

How do cash transfer programmes impact on the role of humanitarian aid partners?

Principle 8

Agencies involved in responding to a crisis should establish, from the outset, a clear coordination and governance structure and streamline assessment, beneficiary registration, targeting and monitoring –multi-purpose cash-based assistance requires humanitarian actors to put the needs of the beneficiary first and to improve coordination, using existing coordination mechanisms to the full.

Multi-purpose cash-based assistance programming shifts decision-making power and responsibility to the beneficiary, who decides how and what resources and services he or she needs. This offers new opportunities, but also raises challenges especially for specialised agencies and humanitarian actors. A clear and comprehensive analysis of beneficiary needs and priorities is essential to understand how cash transfers are expected to be used. Humanitarian actors must ensure through assessments, targeting, selection methods and outcome indicators that beneficiaries will be able to use cash to reduce their vulnerability and limit negative coping mechanisms.

A way needs to be found to reconcile the need to respond to humanitarian needs across multiple sectors with the internationally agreed mandates of specialised humanitarian agencies and actors in order to provide the best possible response to the victims of crises and conflict. It is important to distinguish between sector based responsibilities to uphold minimum standards and sector based responses. Ensuring the former does not oblige donors and partners to work in a sector based manner. The basic needs of those affected by crises do not conform to sectors.

A holistic, multi-sector response relies on effective coordination between humanitarian actors and donors, using the various clusters in place to the full and tools such as the MIRA (Multi-Cluster/Sector Initial Rapid Assessment). Agencies will also have to develop expertise in market assessments and coordinate efforts to come to a multi-purpose assessment of needs that can be distilled into a single figure and to identify those elements that will need to be provided on an in-kind basis or through vouchers or "protected" in some other way. In recent crises where cash, and particularly multi-purpose cash transfers, have become an important part of the response, cash working groups have been set up to coordinate at field and headquarter levels. This typically falls either under the food security cluster, or falls between clusters. The coordination of multi-purpose transfers is therefore both a challenge and an opportunity to improve inter-cluster coordination.

Delivery mechanisms can be used to facilitate and foster coordination and can side-step the issues prescribed by mandates of humanitarian actors and specialised agencies. Where assistance is delivered using a cash or bank card, funds can be loaded on an individual card by multiple agencies to correspond to the assessed needs. In effect, different organisations contribute to a card and meet "their portion" of an agreed MEB. Beneficiaries need not be aware of how the card has been loaded – in a given month they may need to spend more on food and less on health, but overall, if needs have been properly assessed, it can be expected that the "sectoral" allocations will correspond to

beneficiaries' actual expenditure. In this situation, agencies can therefore be reassured that money is being used in line with their mandates and costs to donors should fall.

Beneficiary identification, selection and registration needs to be streamlined – this may take the form of identifying one agency to take care of the logistics of registering beneficiaries, receiving allocations from individual specialised agencies and putting this on single monthly allocation on the card. Or it may be more suitable to agree on a joint methodology and process. In some situations, it may be possible to make an allocation directly through existing government safety net systems. However, efforts to streamline data collection and management must not compromise beneficiary protection. More generally, governance is an issue - working with multiple independent mandate specific agencies and actors will not always be a smooth process and an overall governance/decision making entity needs to be foreseen if agreements are to be reached, enforced and implemented. Working with cash-based assistance does not require the establishment of any new structures or coordination mechanisms. However it does require that existing mechanisms are used effectively and with goodwill for the ultimate benefit of beneficiaries, which often asks partners to go a step beyond formal coordination.

As this method of working becomes more commonplace, it may be the case that an individual agency will be able to deliver a full multi-purpose response. While this would help to streamline administration and reduce costs even further, care needs to be taken to ensure that the appropriate expertise can be brought to bear on a given situation and that the comparative advantages of individual agencies are harnessed.

Multi-purpose cash transfers and social protection

Principle 9

Linkages with national social protection systems need to be exploited whenever possible – *the development and funding of social protection systems is still in its infancy in many of the countries affected by humanitarian crises; nevertheless such linkages should be exploited where possible.*

The development of social transfers/safety nets has occurred globally, including in crisis-prone countries, primarily using cash as a multi-purpose, predictable contribution to meet the needs of the most vulnerable. In many ways, these large-scale programmes have shown the way for humanitarian cash transfers, and perhaps more importantly, offer opportunities for emergency efforts to link more closely with longer term processes.

As a transfer modality, cash is well suited to being integrated in an existing government run social transfer system, or at least linking with such systems to ensure that increased need and gaps in delivery are filled with a time-bound humanitarian cash transfer – this should be a key element of preparedness strategies. A good example of a scalable risk financing mechanism is the Productive Safety Net Programme in Ethiopia: triggered by early warning data, additional funds are released to

increase transfers of existing beneficiaries and to include new temporary beneficiaries affected by the crisis. Such linkages can be part of the longer term disaster risk reduction and exit strategies of humanitarian and even development actions.

Some caveats are however in order. Humanitarian principles need to be guaranteed and particular attention will therefore be needed to ensure that beneficiary lists are established in a way that meets these considerations. Attention needs to be paid to questions of coverage and design before deciding to channel assistance in this way and to the how those affected by a crisis can be included.

The role of the private sector in delivery of cash transfer programmes is crucial. For the most part, the private sector manages to ensure the infrastructure needed to deliver cash – cash cards, cash withdrawal points, point of sale, reading devices, mobile phone coverage, etc

Accountability issues

Principle 10

Accountability considerations require the use of robust impact and outcome indicators, which should be limited in number and which will be a combination of agency specific and broader indicators – unconditional cash transfers are still quite recent. It is therefore to be expected that donors, government and other stakeholders will want to be assured that they are the right instrument. Decisions on the way assistance is provided must be guided by the need to ensure that assistance is more accountable to the end beneficiaries.

Provision of assistance in the form of cash should not raise more accountability issues than in-kind. However, the reality is that it does; it also raises issues related to accountability that do not arise with in-kind assistance, with the perception that cash is more easily diverted to terrorism and purchase of weapons or that cash allocations contribute to inflation. This should be seen as an opportunity to raise the bar on accountability across the board: for in-kind transfers as well as cash.

Work done on the risks of diversion of cash has not concluded that cash is more high-risk than in-kind and yet this perception persists. Multi-purpose assistance programmes need therefore to be accountable towards donors and affected populations alike. Programmes need to be designed so that targeting is properly done, checks and balances are in place and impact and outcome indicators are carefully thought out, using, where available, those which are accepted internationally. In this way opportunities for diversion are minimised.

Programmes need to be designed to include robust impact and outcome indicators to assess the success or otherwise of the interventions. Targeting of beneficiaries, no matter how good, will not avoid all inclusion and exclusion errors, but efforts should be made to minimise errors, while also being quick, cheap and reliable. The use of a cash delivery system makes it easier to rectify errors as this can be done remotely by changing the allocation to a group of beneficiaries or individually.

Unfortunately diversion occurs in many ways – assistance can be stolen by thieves or hijacked by combatants while being transported; it can be stolen or misappropriated at the distribution stage, sometimes even by aid workers; it can be diverted, through improper targeting, to groups or individuals who are not the intended beneficiaries; it may unintentionally benefit family members of beneficiaries, who may not be in need or who may be combatants.

Vigilance therefore needs to be maintained to watch for signs of diversion of funds for illicit purposes, which can also occur in the case of in-kind transfers, although it needs to be remembered that the size of transfers to the individual are small. Careful targeting, delivery and distribution should reduce the risk of inclusion and exclusion errors. This includes the risk that in-kind, cash or other assistance is misappropriated, for example, by combatants. It is important that humanitarian interventions are not diverted to worsen conflicts.

It is nevertheless important not to exaggerate risks of diversion, which are no higher for cash-based assistance than for other modalities.

Accountability refers equally to affected populations. One of the elements of the Transformative Agenda is the establishment of a reference framework built around a set of shared values to which all actors can be held accountable. Some of the ways in which accountability to beneficiaries can be enhanced are through beneficiary selection, the establishment of complaints mechanisms, regular monitoring to ensure that the needs of affected populations are met and the use of markers or other such tools to assess the impact of assistance programmes on particular groups. The choice to use cash-based assistance does not necessarily pose additional accountability issues, but care must be taken to involve beneficiaries from the beginning and to be guided not only by the need to reduce the costs of an operation.

In conclusion, it is hoped that these principles will complement existing guidance on cash-based assistance and policy positions on those thematic areas which lend themselves to a multi-purpose approach. Food assistance is perhaps the natural starting point, but the thrust of the principles is precisely to move away from a one dimensional response and towards one that uses the tools at the disposal of donors and humanitarian partners alike to address basic needs, whatever these may be.

Donors and their partners are therefore encouraged to take these principles into account in designing and implementing their responses to humanitarian crises. The principles should also be used to reassure host governments that assistance provided in this way is not only effective and efficient, but is a way to means to meet needs responsibly, while helping to foster recovery and resilience.