



Photo by Michael Stulman/CRS

## POLICY NOTE

# saving lives through cash transfer programs

## BACKGROUND

Cash transfer programming (CTP) can be one of the most effective types of lifesaving humanitarian assistance to support the recovery of livelihoods, infrastructure and services. One form of market based programming, CTP provides beneficiaries with cash or vouchers, instead of in-kind assistance, to purchase what they need in functioning local markets. Despite qualifying conditions for receipt or restrictions on spending, CTP nevertheless provides people the freedom to make choices about what their families need to survive and recover with dignity. CTP can help build local economies and livelihoods, encourage local spending, and inject cash into local economies, while increasing financial inclusion and building the resilience of the most vulnerable people.<sup>1</sup>

Over the past 15 years, the body of evidence supporting CTP as lifesaving assistance has grown. In specific contexts, it is more efficient and effective than other forms of assistance. Cash interventions have grown since 2010 to represent 6 percent of humanitarian aid, or \$1.2

to \$1.5 billion.<sup>2</sup> Yet, because cash is fungible and donor agencies are often bound by sector-specific mandates, cash programming faces challenges. Accountability, coordination and capacity to implement CTP are also barriers to more donor financing in this area. The United States, a major donor of humanitarian aid, contributes a disproportionately small amount of its aid in the form of cash.

A primary commitment born of the World Humanitarian Summit's Grand Bargain was to increase the use and coordination of cash-based programming in humanitarian response alongside existing tools. This involves investing in new delivery models like electronic transfers, building evidence around cash-based assistance, increasing collaboration to create standards and guidelines around risks and benefits, and coordinating delivery, monitoring and evaluation. Other commitments of the Grand Bargain will intersect with the commitment to CTP, particularly the commitment to invest more in building the capacity of local and national actors to respond to emergencies, and increasing the focus on including beneficiaries in decision making.

<sup>1</sup> *Doing cash differently: how cash transfers can transform humanitarian aid. Report of the High Level Panel on Humanitarian Cash Transfers.* Overseas Development Institute and Center for Global Development, 2015.

<sup>2</sup> *Ibid.*



Sierra Leone, 2016. Fatmata Amara, 58, participates in cash transfer programming in the aftermath of Ebola, to reinvest in her shop, increasing the goods she can sell, and using the profits to build a permanent structure for her shop. Photo by Elie Gardner for CRS.

Cash-based approaches are increasingly used to achieve development objectives, particularly in food assistance, agriculture, and health and social services. Cash programming has been successful in state-sponsored safety net programs, and has proven effective in improving development outcomes, through regular distributions of cash grants to the poorest and most vulnerable people. Donors support these programs. Cash components were included in USAID's main development program, the Development Food Assistance Program, in FY16.

## CRS EXPERIENCE

Since 2010, CRS has received more than \$37 million for 17 cash and voucher projects for food assistance through the Emergency Food Security Program (EFSP) via USAID's Office of Food for Peace. This programming spans 50 countries in Africa, the Middle East, Latin America, Asia and Eastern Europe, and has grown our cash portfolio to 10 percent of our food assistance programming.

In FY17, CRS and its local partners transferred more than \$72 million in cash and vouchers to beneficiaries in 44 countries, more than doubling the FY16 amount.

Through strategic planning around cash programming, CRS works to ensure that, in cooperation with our local partners, after a crisis and when appropriate, we implement immediately, at scale, quality, cost-effective CTP in support to the most vulnerable, in a safe and dignified manner.

## PURPOSE

This policy note includes recommendations to the U.S. government that will improve cash-based assistance and help meet its Grand Bargain commitments. These recommendations are based on CRS' innovative approach and our leadership in cash programming for humanitarian assistance.

## POLICY RECOMMENDATIONS

During the World Humanitarian Summit (WHS), CRS, as part of the Cash Learning Partnership (CaLP), advanced a series of recommendations in its **Agenda for Cash**. In addition to these recommendations, we offer the following policy recommendations to the U.S. government and, in particular, to USAID and the State Department's Bureau on Populations, Refugees and Migrants (PRM):

### 1. Channel funding for cash transfer programming to INGOs and agencies that are closer to the beneficiaries, so they can implement CTPs more effectively and efficiently.

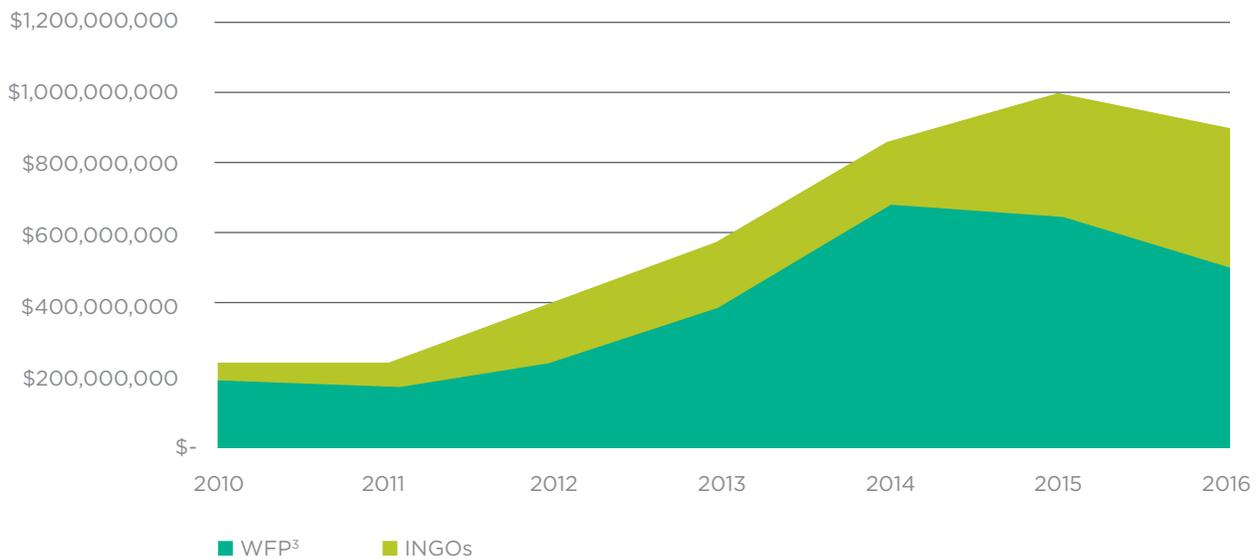
Currently, cash programming for emergency food assistance is through the World Food Program (WFP) and INGOs, with an increasing proportion going to INGOs (see Graph 1).

We recommend that funding continue to flow to the most effective and efficient implementers. INGOs are increasingly able to scale their CTPs through collaborative efforts like the Collaborative Cash Delivery (CCD) platform<sup>3</sup> which helps them assign technical responsibilities for cash delivery, use single-delivery providers, share technical assistance or common databases, or simply ensure that all actors are using high standards for cash delivery. INGOs can scale with quality—meeting Sphere Standards, the Minimum Economic Recovery Standards and other guidelines promoted by the Cash Learning Partnership (CaLP).

Further, INGOs are often more nimble and flexible in adapting to changing contexts and security situations than the bureaucracies of the U.N. Through our strong relationships with local communities, governments, civil society and the private sector, we are better able to target responses for the most vulnerable and marginalized groups. We map local markets pre-crisis, so we understand a market system before crises occur, and prepare local vendors for a CTP. In addition, we have

<sup>3</sup> CRS is part of a Collaborative Cash Delivery (CCD) Platform, a group of INGOs and NGOs committed to providing cash to people affected by disaster, through close collaboration and by learning from best practices in cash delivery.

**GRAPH 1**  
**US GOVERNMENT FUNDING FOR THE EMERGENCY FOOD SECURITY PROGRAM (EFSP)**



relationships with international financial institutions and experience using technologies like remittances or pre-paid cards that help make our responses more efficient

**2. Support cash-preparedness of INGOs through U.S. funding, technical support and shared learning.**

The great advances INGOs have made in implementing CTP were made possible in part by U.S. government funding, support for coalitions of INGOs to partner with research institutions like the Local and Regional Procurement Learning Alliance, and the sharing of lessons learned through TOPS<sup>4</sup>, CALP<sup>5</sup> and other avenues. As part of its commitments to increasing the use of cash, made at the World Humanitarian Summit, we urge the U.S. government, particularly through USAID, to continue to prioritize research, learning and sharing about market analysis, beneficiary needs and the opportunities created by digital payment systems.

Further, the U.S. government should clarify acceptable levels of risk for scaling up cash assistance in specific contexts, from an audit perspective, so agencies can manage their own risk better. This includes creating policies and guidelines to ensure that the risk of CTP is not borne solely by the implementing partner.

Finally, to ensure our programs follow the humanitarian principle to do no harm, we urge USAID to continue working with implementing agencies to provide training for market monitoring to ensure CTPs do not negatively impact markets. Integrating and engaging market actors can improve response, ensure competitiveness among vendors, and decrease the risks of fraud, collusion and rapid price fluctuations. Further, USAID can help develop minimum standards and best practices in risk management, protection analysis, data protection and privacy.

**3. Emphasize the role of local institutions to deliver CTP by building their readiness, and by integrating them into government planning and budgeting as a part of the social safety net.**

Local and national institutions play an important role in carrying out lifesaving work during emergencies, as recognized by the Grand Bargain. Building local capacity to provide cash-based assistance—by working through local government planning and budgeting processes and by preparing financial service providers and vendors to engage in CTPs—will be essential to meeting this WHS commitment.

On the development side, there are many opportunities to link humanitarian cash transfers to social protection systems. For example, in Ethiopia, the national Productive Safety Net Program (PSNP) kept people from sliding into poverty during widespread drought in 2012, and was also pivotal in protecting people from starvation during

<sup>4</sup> For more information on TOPs, see <http://www.thetopsprogram.org/about-tops>

<sup>5</sup> For more information on CALP, see <http://www.cashlearning.org/english/home>

El Nino in 2015–16. The U.S. government should support INGOs to connect bilateral development institutions, such as the World Bank, with local governments to build local CTP capacity in safety net programs.

**4. Find political space for multipurpose/multisector cash.** Currently, U.S. funding silos based on sector, as well as development versus humanitarian needs, make multisector, unrestricted/unconditional CTPs difficult to implement. People’s needs are holistic, not sector specific, and vulnerable people often need both development and humanitarian assistance. We encourage the U.S. government to seek reforms in both funding and programming to make unrestricted/unconditional multisector CTP more feasible. This includes analyzing whether sector-specific, single-mandate agencies in the U.S. government and the U.N. are fit for purpose, and how to best meet the integrated, holistic needs of beneficiaries.

USAID’s Office of Food for Peace and OFDA are making headway toward a new approach in which two funding streams are combined to fund emergency CTP for both food and non-food assistance. We encourage the U.S. government to identify other ways to effectively coordinate cash programming, break down sector silos and involve those who are best able to ensure safe, effective delivery of cash programming.

**5. Create transparent and evidence-based criteria to define “appropriateness” in cash-based assistance.**

INGOs are called on to use cash based assistance “where appropriate,” but the criteria can be vague. Appropriateness can be subjective—depending on donor preference, agency capacity, or biases favoring other assistance mechanisms. CRS and peer organizations are working together to systemize learning to support decision making about cash and vouchers in humanitarian and development assistance projects in Guatemala. Our findings will be available in early 2018. We encourage the U.S. government to do likewise through its own procurement analysis, and to work with INGOs to clarify criteria. Funding for research will be required.

**6. Support more effective coordination among all actors (donors, implementers and financial institutions) engaged in CTP, including joint assessments, data sharing, and coordination of roles and responsibilities in humanitarian to increase CTP efficiency.** USAID

should support the creation of “grab and go” platforms and protocols that can be used in emergency situations, to help make CTP more accessible. They should include tools for assessments and analysis at the onset of a crisis and throughout the response to inform decisions about program modality and design. In addition, they should include the creation of agreed-upon minimum standards and protocols for assessing needs, protection concerns, market capacity, and the safety and efficiency of cash distribution mechanisms.

Similarly, CTP should also be included in all preparedness programming. As specified in the Agenda for Cash, the U.S. government should work with other donor agencies to commission “cash preparedness audits,” in various contexts, to test the suitability, delivery time and efficiency of digital dispersal of cash and e-payment options in an emergency.

Also, because CTP depends on markets, the U.S. government has a role to play in coordinating databases and other sources of information about changing market conditions. Housing market data in an agency like FEWSNET (Famine Early Warning Systems Network) would align with its existing mandate, and collaboration at a U.S.-INGO level with WFP’s Vulnerability Assessment Mapping (VAM) platform would also align data needs.

