



Report

Time for change

Harnessing the potential of humanitarian cash transfers

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Executive summary

From small beginnings a decade ago, cash and vouchers accounted for about \$1.9 billion of international humanitarian assistance in 2015, or 7% of total humanitarian spending. This growth represents a seismic shift. Giving people cash has the potential to drive positive change in humanitarian action by enabling greater choice and dignity and allowing people to prioritise their own needs, generating efficiency gains and reducing duplication of effort because cash can be provided flexibly across sectors.

While there are many signs of positive progress in how cash transfers are being taken forward, both within individual organisations and in particular contexts, the recent High Level Panel on Humanitarian Cash Transfers found that the humanitarian system was at a crossroads. Either cash will incrementally increase and replicate existing weaknesses in the international humanitarian system, or it will be used wherever it is the best response and programmed in ways that cut across sectors and silos – creating opportunities for broader reform of the humanitarian system. The Panel made a series of recommendations, including calling for the much wider use of cash transfers; for cash wherever possible to be large-scale, coherent and unconditionally delivered; for cash to be a central part of humanitarian response; and for humanitarian actors to work more effectively with the private sector and governments in delivering cash programmes. The Panel and other high-level initiatives in 2015 and 2016, most notably the World Humanitarian Summit (WHS), unequivocally established that cash transfers are of strategic importance in improving humanitarian response.

This research builds on the strong momentum surrounding cash transfers to analyse opportunities for, and obstacles to, taking forward the Panel's recommendations. The Overseas Development Institute (ODI) undertook a consultation on the Panel's findings and commissioned research to develop a better baseline of the volume of international humanitarian financing going to cash and voucher responses. Case studies in Ukraine, Iraq, the Democratic Republic of the Congo (DRC), Mozambique and Nepal examined the potential for cash to be provided on a larger scale, more efficiently and effectively, in line with the Panel's recommendations.

The consultation following the Panel's report suggests that its findings are resonating widely. The Panel's recommendation to ask 'why not cash?' has been seized on as a common-sense question. There is widespread support

for investing in preparedness, drawing on private sector expertise and improving data security, financial tracking and coordination – though there is disagreement on the precise form that coordination should take. Delivering cash transfers digitally and linking to social protection systems were viewed as good ambitions, albeit limited by the weakness of these systems in many humanitarian settings. The Panel stated that, where cash was the best way to meet people's basic needs, donors should fund large-scale programmes rather than a multiplicity of smaller projects, and separately finance the delivery of cash from assessment, targeting and monitoring. While there was some agreement with the thrust of this argument, there was a marked reluctance amongst aid agencies to reduce their individual roles. There were also lingering concerns that calls for greater use of cash transfers could encourage the provision of cash when it was not appropriate, or affect funding for other important programmes.

Aid agencies and donors have stepped up their commitments to using cash, notably through the WHS and the Grand Bargain. Many have sought to take stock of their own use of cash transfers, leading to better data within agencies on how much cash they are programming. We estimate that cash and voucher programming in 2015 was worth about \$1.9bn (approximately 7% of international humanitarian assistance) – with a more-or-less even split between cash and vouchers. However, global financial tracking systems still do not distinguish between cash, vouchers and in-kind aid. Systematic tracking is essential to gauge progress, and will require concerted efforts to develop common standards, promote comprehensive and comparable reporting and ensure that information is analysed and used.

The case studies found impressive developments. Cash transfers were central to the humanitarian response in Ukraine, and were provided on a much larger scale in Nepal than in the past. Cash transfers are also expanding in difficult environments such as the DRC. The Iraq Humanitarian Response Plan in 2015 was the first globally to include a separate chapter and budget line on cash transfers, providing a dedicated space for cash in strategic planning. In Iraq, Nepal and Ukraine, aid agencies have made promising attempts to link up better with social protection programmes, albeit with mixed results.

At the same time, however, aid agencies and donors are missing out on meaningful opportunities to harness the efficiency and effectiveness of cash transfers because of restrictive interpretations of mandates,

organisational self-interest and incentives to continue with well-established approaches. In Iraq and Ukraine, arguments over where cash should sit in coordination and humanitarian response plans took up valuable time and energy and prevented cash from being used more strategically. In Nepal, cash was not embedded in contingency and preparedness processes, and more work is needed with the government to agree on how cash programming can be used most effectively in future disaster responses. In DRC, cash transfers have been promoted by a core group of advocates and practitioners, but there is untapped potential for cash to become a more strategic priority. In Mozambique, agencies have not made the switch from in-kind aid to cash transfers for refugees because of inertia and the comparative ease of accessing resources for in-kind aid.

There is a general recognition that, where appropriate, cash should be used to meet a variety of basic needs (so-called ‘multipurpose transfers’), not just needs in a specific sector such as food. Despite this, efforts to use cash across sectors have met staunch resistance, particularly from some operational UN agencies. Even when there is agreement in principle that not every agency needs to develop its own unique registration, targeting, delivery and monitoring systems for cash in a given setting, no one is volunteering to step back so that others can lead.

Alongside these charged questions around power are practical ones on finding and building the necessary capacities to implement efficient and large-scale humanitarian cash transfer programmes. Agencies have made important strides but are still finding it difficult to develop the right partnerships with financial service providers, to take advantage of technology and to capitalise fully on the expertise of businesses and organisations more experienced in payment delivery, information management and data security. Aid agencies’ growing experience and elaboration of internal strategies does not consistently equate to a capacity to design and implement programmes.

Large-scale cash transfers, where appropriate, can encourage change and reform in the humanitarian system by improving coordination, overcoming silos, reducing costs and better aligning aid with what people need most. Donors and aid agencies are on the cusp of seizing these opportunities, but there is a divide between those seeking to use cash transfers to transcend boundaries in the aid system and those holding on to ingrained ways of working. Making cash a catalyst for more systemic and transformative improvements in humanitarian action will require a willingness on the part of individual organisations (and leaders in those organisations) to look beyond

agency self-interest, and a willingness on the part of donor governments to better coordinate their funding and create incentives for more compelling models of cash transfer programming. Leadership from donors and aid agencies will determine whether the obstacles highlighted in this report are merely obstacles on the path to better humanitarian assistance or deeply entrenched barriers.

One logical approach would be for donors to pool resources, or at least coordinate closely, to fund large-scale cash transfer responses to meet basic needs where this is appropriate. Funding a single organisation or combination of organisations working together reduces the need for every agency in a response to maintain separate capacities to assess, monitor and deliver cash transfers. Such an approach would ensure that the starting-point of assistance is a holistic understanding of people’s basic needs and how best to meet them, rather than people receiving assistance only for those needs corresponding to an agency’s sector or mandate. Closer alignment between the largest humanitarian donors in particular could drive much greater coherence in cash-based responses to crises. At the same time, however, focusing on the delivery component of cash transfer programming should not obscure other equally important parts of the assistance process, including assessment, response analysis, identification, registration, targeting, monitoring, beneficiary feedback and evaluation. Decisions on which organisations and programmes to fund should be based on clear and transparent metrics for efficiency and effectiveness: agencies should be competing and collaborating on the basis of measures such as coverage, targeting rigour, partnerships with the government and the private sector and the timeliness and cost of delivery.

We have no new recommendations to add to those made by the High Level Panel on Humanitarian Cash Transfers and the Grand Bargain commitments. What is needed are not more recommendations, but consolidated efforts to implement existing ones. There is a particularly urgent need for greater clarity from the Inter-Agency Standing Committee (IASC) on where cash should sit within formal coordination structures, and agreement that cash transfers to meet basic needs should have dedicated space in strategic planning processes. In many contexts, the challenge is not that aid agencies are jostling to use cash transfers, but rather that they are inappropriately turning to familiar in-kind approaches and struggling with how to take cash forward in meaningful ways. Nuts and bolts work has to continue to increase the acceptability of cash amongst humanitarian leaders and national responders, develop capacity to deliver cash through training and technical support and embed cash in contingency planning processes.

1. Introduction

After a decade of focus on technical research and good practice, cash transfers became an issue of strategic importance in the run-up to the World Humanitarian Summit (WHS) in 2016. Statements from the High Level Panel on Humanitarian Cash Transfers, former Secretary-General Ban Ki-moon's report for the Summit, *One Humanity, Shared Responsibility*, the High Level Panel on Humanitarian Financing and the Grand Bargain have resonated amongst those who believe that cash transfers offer a pragmatic way to improve assistance and drive improvements in the humanitarian system as a whole (High Level Panel on Humanitarian Cash Transfers, 2015; Ban, 2016; Grand Bargain, 2016). This attention has been grounded in evidence that giving people money can be an effective and efficient way to meet a variety of basic needs in the face of crisis and disaster, and the logic that there is little sense in distributing commodities that people could purchase locally.

From negligible beginnings, cash and vouchers accounted for about \$1.9 billion of international humanitarian assistance in 2015, or 7% of total humanitarian spending. This growth is impressive, and cash transfers are arguably the most significant development in international humanitarian assistance over the last decade. At the same time, however, cash transfers challenge established ways of assisting people affected by crisis and disaster. Cash questions the implicit assumption that aid agencies and donors know best what people need. The humanitarian 'system' is organised largely along sector lines, but a cash grant can be spent on goods and services that cross these divisions. Despite the substantial evidence base, it took the critical self-reflection surrounding the WHS and multiple high-level initiatives to establish unequivocally that cash has a central role to play in humanitarian assistance. These initiatives have created an opportunity to translate high-level recommendations on cash transfers into concrete action.

Building on this growing momentum, the UK Department for International Development (DFID) asked the Overseas Development Institute (ODI) to analyse the obstacles and opportunities to putting the recommendations of the High Level Panel on Humanitarian Cash Transfers into practice. The research consisted of three parts. ODI first consulted staff from UN agencies, NGOs, donor governments and the private sector about the Panel's findings, in order to better understand which recommendations resonated with whom, areas of contention and how their thinking and actions were

evolving on cash transfers. A total of 48 people were consulted either in person or via Skype, telephone or email between February and October 2016.

The second strand applied the Panel's global-level analysis to specific country contexts. We looked at the humanitarian responses in Ukraine, Iraq, the Democratic Republic of Congo (DRC), Nepal and Mozambique to understand the factors that could enable or hinder implementation of the Panel's recommendations (Bailey and Aggiss, 2016, Smart, 2017; Bailey, 2016; Willitts-King and Bryant, 2016; Bailey, 2017b). This involved document reviews and interviews, workshops and meetings with 152 individuals from governments, UN agencies, NGOs and businesses between June and December 2016. The interviews for Ukraine were conducted remotely, and the other case studies involved both in-country and remote interviews. In Mozambique, group interviews were conducted with 65 refugees, asylum-seekers and local leaders.

The third component sought to establish a more accurate baseline for the amount of international humanitarian assistance provided in the form of cash transfers. The Panel roughly estimated cash and vouchers together to account for 6% of international humanitarian assistance in 2014. The Panel recommended more systematic disaggregation of cash, vouchers and in-kind assistance in the tracking of international humanitarian financing, which currently does not categorise assistance based on the type of transfer. With this recommendation in mind, Development Initiatives was asked to calculate a more accurate figure for humanitarian cash transfer programming in 2015 and develop practical recommendations on tracking (Spencer et al., 2016).

Vocabulary around cash transfers is not entirely consistent across humanitarian actors. While consensus on terminology is not the biggest challenge to taking forward cash transfers, it is useful to clarify the terms used here.

- 'Cash transfers', 'cash grants' and 'cash' mean giving people money – whether cash in envelopes, via mobile phones or distributed by money transfer agents.
- 'Vouchers' refers to paper coupons or digital credit that must be spent on specific goods and services from specific vendors. When aid agencies create temporary markets specifically for redeeming vouchers, these are 'fairs'.
- 'Conditional' means that action must be taken to receive a transfer (e.g. sending children to school, attending training, rebuilding part of a house).

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- ‘Unconditional’ means that no action need be taken in order to receive assistance.
 - ‘Multipurpose’, a relatively new addition to the lexicon, specifies that a cash transfer programme is based on an analysis of a household’s basic needs across sectors (as opposed to needs corresponding to a specific humanitarian sector, such as food). The term came about to discourage the tendency among aid agencies to design cash transfers based primarily on their missions and mandates, rather than on recipients’ needs (see Box 2, p. 11).
 - ‘Cash-based responses’ includes both cash and vouchers, though the High Level Panel on Humanitarian Cash Transfers emphasises that cash transfers and vouchers should not be conflated as they present quite different opportunities and constraints.

This report begins by revisiting the Panel’s recommendations and important developments on cash transfers since the publication of the Panel’s report in September 2015. The main findings across the five case studies are then discussed. The final section considers implications and ways forward.

2. The state of cash transfers

The High Level Panel on Humanitarian Cash Transfers published its report in September 2015. Much has happened since. This section recaps the recommendations of the Panel and subsequent progress in 2016. It also provides an estimate of the amount of international humanitarian assistance provided as cash transfers in 2015.

2.1 Progress since the High Level Panel on Humanitarian Cash Transfers

DFID convened the High Level Panel in 2015 to explore the transformative potential of cash transfers for international humanitarian assistance. With the humanitarian architecture under strain, questions around how to improve the system had never been more urgent. The Panel recognised that the argument about whether or not cash transfers should form part of humanitarian action had largely been won, underpinned by a decade of successful implementation, research, technical guidance and documentation of good practice. What the Panel questioned was whether cash was being used as efficiently or effectively as it could be, and at the right scale.

The Panel concluded that greater use of humanitarian cash transfers in settings where it is appropriate could align the humanitarian system more closely with what people need (rather than what humanitarian organisations are mandated and equipped to provide); increase transparency, including by showing how much aid actually reaches the target population; increase accountability, both to affected people and to the tax-paying public in donor countries; reduce costs and make limited budgets go further; support local markets and jobs and the incomes of local producers; increase support for humanitarian aid from local populations; increase the speed and flexibility of humanitarian response; and promote financial inclusion by linking people with payment systems. Most importantly, cash transfers provide affected people with choice and more control over their lives (High Level Panel on Humanitarian Cash Transfers, 2015).

The Panel made 12 recommendations designed to increase the use of cash transfers and realise their broader benefits. They were grouped under three themes – doing

Box 1: Recommendations of the High Level Panel on Humanitarian Cash Transfers

A. More cash transfers

1. Give more unconditional cash transfers. The questions should always be asked: ‘why not cash?’ and ‘if not now, when?’.
2. Invest in readiness for cash transfers in contingency planning and preparedness.

B. More efficient cash transfers, delivered through stronger, locally-accountable systems

3. Measure how much aid is provided as cash transfers and explicitly distinguish this from vouchers and in-kind aid.
4. Systematically analyse and benchmark other humanitarian responses against cash transfers.
5. Leverage cash transfers to link humanitarian assistance to longer-term development and social protection systems.
6. Capitalise on the private sector’s expertise in delivering payments.
7. Where possible, deliver cash digitally and in a manner that furthers financial inclusion.
8. Improve aid agencies’ data security, privacy systems and compliance with financial regulations.
9. Improve coordination of cash transfers within the existing system.
10. Implement cash programmes that are large-scale, coherent and unconditional, allowing for economies of scale, competition and avoiding duplication.

C. Different funding to transform the existing system and open up new opportunities

11. Wherever possible, make humanitarian cash transfers central to humanitarian crisis response as a primary component of Strategic Response Plans, complemented by in-kind assistance if necessary.
12. Finance the delivery of humanitarian cash transfers separately from assessment, targeting and monitoring.

more cash transfers, doing them in better ways and realising their transformative potential.

The consultation following the Panel's report suggests that its findings are resonating widely. There is much more that people agree with than disagree. 'Why not cash?' has been seized on as a common-sense question.¹ Support for preparedness, drawing on private sector expertise and improving coordination, data security and tracking were seen as important and generally uncontroversial. However, consensus on the need for improved coordination was coupled with a large degree of disagreement on the form coordination should take. Delivering cash transfers digitally and linking to social protection systems were viewed as good ambitions, albeit with practical constraints given the absence or weakness of these systems in many humanitarian settings.

The more transformative the recommendation the more divisive. The Panel stated that, where cash was the best way to meet people's basic needs, donors should fund large-scale programmes rather than a multiplicity of projects and agencies. While there was some agreement with the overall thrust of this argument, there was a marked reluctance to step back and let someone else take the lead. Some organisations found the recommendation to separately finance the delivery of cash transfers and other functions intriguing and even intuitively appealing as it suggested a new way of working, compared to every agency fulfilling each of these functions. But they also felt that success would depend on the competencies of the agencies involved, and that there was a risk of distancing agencies from the people they served. Others have been more receptive. A World Bank report on cash transfers for the Inter-Agency Standing Committee (IASC) recommended that the separation of responsibilities for assessment and implementation be tested, and guidance from European Civil Protection and Humanitarian Aid Operations (ECHO) issued in 2017 indicates that ECHO will finance the delivery of cash transfers separately from assessment, registration and monitoring for its medium- and large-scale cash programmes.

There were also lingering concerns that the Panel's calls for more cash transfers could lead donors to push agencies to deliver cash when it was not appropriate, to reduce funding for other important aspects of humanitarian action or to reduce agencies' capacity for on-the-ground presence by assuming that remote or digital delivery of cash was all that was needed. For example, some of those consulted thought that 'why not cash' implied a call to 'always do cash', or that tracking cash was part of a global drive to increase cash transfers irrespective of their appropriateness. The concern was not so much about the Panel's recommendations, but rather how its call for more cash

programming might be interpreted and taken forward, by donors in particular.

Several other initiatives in 2015 and 2016 pushed the dialogue on cash forward from a technical conversation among practitioners to a strategic discussion among policy-makers. These initiatives were mutually reinforcing because they highlighted similar opportunities for cash transfers to improve the effectiveness and efficiency of humanitarian assistance, and called for their increased use. The World Bank report for the IASC Principals, for instance, reviewed the strategic implications of cash transfers and options for significantly scaling them up (World Bank Group, 2016). In 2016, the Cash Learning Partnership (CaLP) published an Agenda for Cash, which calls for 55 steps from donors, humanitarian agencies and governments to take cash transfers forward (CaLP, 2016). Secretary-General Ban Ki-moon's report ahead of the WHS called for cash-based programming to be the 'preferred and default method of support where markets and operational contexts permit' (Ban, 2016).

The High Level Panel on Humanitarian Financing's 'Grand Bargain' on humanitarian funding (High Level Panel on Humanitarian Financing, 2016) led to over 50 commitments from donors and agencies in the run-up to the WHS, including several focused specifically on cash. The Grand Bargain was endorsed by 17 donors and 16 aid agencies. For cash transfers, they committed to:

- Increase the routine use of cash alongside other tools, including in-kind assistance, service delivery and vouchers, with markers to measure increase and outcomes.
- Invest in new delivery models which can be increased in scale, while identifying best practice and mitigating risks in each context.
- Build an evidence base to assess the costs, benefits, impacts and risks of cash relative to in-kind assistance, service delivery interventions and vouchers.
- Collaborate, share information and develop standards and guidelines for cash programming in order to better understand its risks and benefits.
- Ensure that coordination, delivery and monitoring and evaluation mechanisms are put in place for cash transfers.
- Aim to increase cash programming beyond current low levels, where appropriate (Grand Bargain, 2016).

At the Summit itself, aid agencies and donors made additional commitments related to cash transfers:

- World Vision stated that, by 2020, 50% of its humanitarian programmes would adopt a cash-based approach, where contextually appropriate.

¹ See for example Soskis (2016).

- The International Rescue Committee (IRC) committed to delivering 25% of its humanitarian assistance in cash and to having cash transfer programmes in 75% of country offices by 2020.
- Save the Children committed to working with governments and humanitarian and development actors to scale up and better coordinate cash transfers in humanitarian interventions, in a way that responds to needs across sectors and enables cash transfers to be integrated with or developed into social protection systems.
- Following the WHS, the UN High Commissioner for Refugees (UNHCR) committed to doubling its funding for cash-based interventions by 2020 (UNHCR, 2016).

Agencies are now putting in place plans to turn commitments into action. For instance, the International Federation of Red Cross and Red Crescent Societies (IFRC) has embarked on a roadmap for increasing cash-based responses, Oxfam is drafting a new cash strategy in 2017 and a number of organisations are investing in technical capacities, skills and resources to enable them to implement cash on a larger scale and more effectively. Organisations are beginning to look outside of their individual capacities to consider how to work together from the outset of a response to provide cash transfers across sectors at scale. Several international NGOs and CaLP are exploring possible models for NGOs to work together to implement large-scale cash transfer programmes. Similarly, the UN Office for the Coordination of Humanitarian Affairs (OCHA), the World Food Programme (WFP), UNHCR and the UN Children’s Fund (UNICEF) have started discussions around a more coherent UN approach to cash transfers and enhanced interoperability, and have tested four country cash preparedness initiatives to increase inter-agency readiness.

The increased attention to cash and calls to use it flexibly to meet basic needs through multipurpose transfers (see Box 2) have prompted reflection within sectors that have sat largely outside the discussion. Since 2005, humanitarian cash transfers have mainly been used as an implicit or explicit substitute for in-kind food aid, and guidance, evidence and capacity as a result have been concentrated in the food security and livelihoods sector. However, cash transfers have been used to meet other objectives (e.g. for rent in the Balkans in the 1990s), and people often spend money on a range of different needs regardless of the intended purpose of a grant. Until recently, there has been a lack of sector-specific policies and guidance on cash transfers in the shelter, health and education sectors. This is starting to change. In 2016 the Global Shelter Cluster developed a position paper on cash, and the World Health Organisation (WHO) is undertaking a similar initiative looking at humanitarian cash transfers in the health sector (Global Shelter Cluster, 2016). These efforts have been driven in no small part by concerns that

Box 2: Multipurpose cash transfers

Cash transfers in both humanitarian assistance and social protection programming have long been described as ‘unconditional’ or ‘conditional’ depending on whether action needed to be taken to receive them (e.g. sending children to school). In 2014, some humanitarian donors and aid agencies began also using the term ‘multipurpose’ or ‘multi-sector’ to describe certain humanitarian cash transfers.

The ‘multipurpose’ label emerged out of discussions on cash-based assistance to Syrian refugees in Lebanon, where dozens of aid agencies were providing cash and vouchers within individual sectors, calculating the transfers based on a limited set of needs. Donors, particularly DFID and ECHO, wanted to encourage the provision of cash transfers more broadly to meet basic needs that spanned sectors (i.e. cash for multiple purposes), rather than different agencies choosing certain needs corresponding to their missions and mandates (e.g. cash for food, cash for winter supplies), which undermines efficiency for donors and flexibility for recipients.

The High Level Panel on Humanitarian Cash Transfers strongly endorsed this principle, stating that ‘the aim should be to have large-scale cash programmes to meet a range of basic needs’. Regardless of the precise terminology used, the goal is to encourage donors and aid agencies to consider the spectrum of needs of people affected by crisis and disaster, and programme cash transfers accordingly. This challenges the organisation of humanitarian aid into sectors and clusters.

In March 2015, the Council of the European Union adopted ‘10 Common Principles for Multipurpose Cash-Based Assistance to Respond to Humanitarian Needs’. The principles state that ‘humanitarian responses require needs to be met across multiple sectors, assessed on a multi-sector basis’, and that ‘multipurpose assistance should be considered alongside other delivery modalities from the outset’.

donors could inappropriately turn to multipurpose cash transfers in the future to replace safe-shelter processes or health interventions.

High-level initiatives in 2015–16, combined with more than a decade of experience and evidence, have created a decisive tipping point on cash. But how cash will be taken forward, and whether or not it will transform or reinforce

Box 3: New models for cash transfer programming in Turkey and Lebanon

The most significant developments for cash are around programmes for Syrian refugees in Turkey and Lebanon. In 2016, the European Union launched a €348 million cash transfer programme in Turkey. The programme, implemented by WFP in collaboration with the Turkish Red Crescent and the government, will create a medium-term safety net to help up to one million refugees meet their basic needs. This is the largest humanitarian project in the history of the European Commission (ECHO, 2017).

In December 2016, ECHO and DFID issued a joint call for proposals of \$85m to provide assistance to refugees in Lebanon, encouraging potential partners to use cash to meet basic needs based on a minimum expenditure basket (MEB). This would be a shift from the approach used since 2011, whereby multiple agencies provide vouchers and cash transfers for various objectives (as of 2015, some agencies have loaded their cash transfers onto the same pre-paid card used by WFP for electronic food vouchers, enabling recipients to spend the voucher credit at designated stores and withdraw the cash portion at ATMs) (WFP, 2016). The launch of large, competitive tenders for cash transfer programmes in Turkey and Lebanon and the lessons arising from them could lay the groundwork for future responses by encouraging new models of programming.

the status quo, is unclear. Cash challenges the sectoral divisions within the humanitarian system and the roles and mandates of different organisations. As we discuss in later sections, debates over how cash should be coordinated and organised are playing out in different ways in different places. Strong leadership from donors, senior aid agency officials and Humanitarian Coordinators is needed to enable cash to be provided as efficiently and effectively as possible, and to drive through positive change in humanitarian action.

2.2 Counting cash: a 2015 baseline on cash transfers²

A good baseline regarding what proportion of humanitarian assistance is delivered as cash transfers is critical for understanding the extent to which cash assistance will increase (or not) in the future. Financial data is also a crucial entry-point for building evidence on efficiency over time. The High Level Panel on Humanitarian Cash Transfers estimated very roughly that cash transfers and vouchers together comprised about 6% of international humanitarian assistance in 2014, based on data from WFP and UNHCR and an estimate of cash transfer programming by NGOs. Humanitarian financial tracking systems, notably OCHA's Financial Tracking Service (FTS), do not distinguish between the types of transfer provided. CaLP has helped improve the picture with Cash Atlas, a data repository specifically on cash and voucher programming, but it is incomplete and inconsistent, relies on voluntary reporting and is divorced from established global financial tracking mechanisms.

The good news is that the tide on tracking cash is slowly turning. As aid agencies and donors have stepped up their commitments to using cash, so too they have sought to take stock of their own policies and programming on cash transfers. For some this process has involved determining the amount of cash programming they have done relative to other types of assistance. Development Initiatives drew on these recent steps to estimate a 2015 baseline for cash and voucher programming. The baseline is derived from data from 20 major humanitarian agencies, triangulated with data from projects identified through a keyword search of the OCHA FTS and CaLP's Cash Atlas. While not the first attempt to quantify humanitarian expenditure on cash and voucher programming, it is the most accurate and comprehensive yet.

According to this analysis, cash and voucher programming in 2015 was worth about \$1.9bn. Of this, two-thirds (\$1.2bn) was delivered by UN agencies, \$541m by NGOs, \$102m by the Red Cross and Red Crescent Movement and \$3.9m by 'others'.³ Caution is urged when using the \$1.9bn baseline to estimate the proportion of total international humanitarian assistance provided in the form of cash and vouchers. The data on cash and vouchers is derived from different sources than those used to calculate annual amounts of total international humanitarian assistance.⁴ However, taking this caveat into consideration, cash-based programming was equivalent to

2 Drawn primarily from Spencer et al. (2017).

3 'Other' includes funding reported directly to us and delivered by a government agency, as well as data reported to OCHA's FTS under the private organisations and foundations and 'other' appealing agency types.

4 Development Initiatives' annual estimate of international humanitarian assistance is derived from a combination of data from the Organisation for Economic Cooperation and Development Development Assistance Committee (OECD DAC), OCHA FTS, the UN Central Emergency Response Fund (CERF) and a unique dataset on private humanitarian assistance. See Development Initiatives (2016) for more detail. As these sources do not provide detail on funding for cash-based programming, the estimate in the report is derived from data collected directly from organisations implementing cash-based programmes, triangulated against data from OCHA FTS.

Box 4: Options for systematically tracking cash, vouchers and in-kind assistance: FTS, IATI and Cash Working Groups

The International Aid Transparency Initiative (IATI) and OCHA's FTS represent the most viable long-term options for systematic global reporting on cash and voucher expenditures. FTS is a widely used system designed to provide information on humanitarian assistance through data on financial expenditures, making it an obvious starting point for systematic tracking. The most relevant proposed modification to FTS would be creating a space for donors to provide an estimate of how much of a funded programme will be delivered as cash, voucher and in-kind assistance (entries could later be updated based on the actual amount of assistance provided as cash, vouchers or in-kind aid provided). A second change would be adding functionality to present 'Who What Where' cash/voucher implementation data collected from country-level coordination groups, providing a picture of actual expenditure and delivery by modality.

IATI is a global campaign to increase transparency on how aid money is spent. The IATI Standard is a technical publishing framework allowing data to be compared (FTS publishes all of its data to the IATI Standard). Significantly more data is reported to FTS than to IATI. However, reporting of humanitarian assistance to the IATI Standard may increase as a result of the Grand Bargain commitment on transparency, and the situation may reverse whereby FTS could instead access much of its data from data published to the IATI. If this occurs, agencies publishing good-quality, timely IATI data will no longer need to report separately to the FTS.

The IATI does not currently offer a way of disaggregating data by modality. This would require developing new IATI fields and corresponding code lists and proposing them to the IATI Secretariat as additions to the Standard at the next upgrade in spring 2017 or a subsequent upgrade. Donors need to drive this process, for example through parties working on the Grand Bargain commitment on transparency or the Good Humanitarian Donorship initiative. Donors and agencies may wish to coordinate among themselves to test the proposed modifications to namespaces, and potentially also build their own tools to analyse data reported to these fields. Any new code lists would need to be regularly reviewed, updated and shared.

The primary purpose of Cash Working Groups is to promote country-level coordination, which makes for a less obvious avenue for financial tracking. They are, however, an important vehicle for collecting other types of useful data. At present, gaps in predictable coordination mean that 'Who What Where' data on cash-based responses is not routinely collected. This urgently needs to be addressed. Amongst other relevant data, future templates could include both the amount transferred to households and the total project budget. Data on both would enable triangulation with FTS/IATI and efficiency analysis. Investments are needed to support country-level Cash Working Groups to track in-country operations, and assistance is also required at the global level to improve the quality, comparability and consistency of country-level reporting.

approximately 7% of international humanitarian assistance in 2015. Within that \$1.9bn there was a more-or-less even split (51% to 49%) between vouchers and cash. The sizeable proportion taken up by vouchers resulted from the large volume of WFP assistance and that agency's predominant use of vouchers rather than cash transfers. In 2015, WFP delivered four times as much of its cash-based programming in vouchers (\$545m) compared to cash (\$135m). In contrast, UNHCR delivered the majority of its cash-based programming in the form of cash transfers in 2015.

About 84% of cash and voucher transfers were provided unconditionally, meaning no action was required of recipients in order to receive the transfer. Disaggregated data is not available on the types of conditions applied to the remaining 16% of cash-based programmes, but a logical hypothesis is that these are mainly cash for work initiatives, which is a relatively common humanitarian intervention. Conditions designed to promote behaviour change (e.g. by encouraging parents to send children to

school and access health services) are common in social protection programmes aiming to reduce poverty, but rarer in humanitarian programmes addressing acute needs. There are exceptions, such as large shelter and livelihood grants, where certain steps need to be taken in order to receive instalments, and nutrition programmes that seek to improve caring practices.

Box 4 outlines options for tracking cash, vouchers and in-kind assistance via FTS and the International Aid Transparency Initiative (IATI). Important issues will need to be resolved before these systems are able to provide reliable, accurate and comparable data. Standards are required to address inconsistencies in the data reported. Implementing organisations and donors track cash and voucher expenditure differently and to varying levels of detail. Cash and vouchers are often provided alongside other humanitarian activities that are lumped into overall programme costs, and the resultant data has not been comparable. The language different stakeholders use

to describe cash-based programming also needs to be standardised within tracking systems.

Establishing a common approach requires a concerted global effort to develop and align systems and standards, promote comprehensive and comparable reporting and ensure that information is analysed and used. Leadership, in particular from donors, will be crucial for developing systems for standardised reporting of data on cash, voucher and in-kind programming and to ensure that recommendations on tracking are implemented. Due to the proliferation of humanitarian fora and working groups, there is little appetite for establishing a new cash-related forum for tracking. One sensible approach would be for different aspects of the work to be taken forward by existing groups and organisations, in close coordination with one another. Relevant initiatives include the Good Humanitarian Donorship initiative (specifically the work stream on cash co-chaired by the UK and Norway);

working groups following up on the Grand Bargain commitments on cash-based programming, transparency and harmonised reporting; country-level Cash Working Groups; OCHA's Inter-Cluster Coordination section at the global level; the IASC's Humanitarian Financing Task Team; and CaLP and its various thematic working groups.

Financial data, even if necessary improvements are made, only offers part of the overall picture on progress on cash transfers. Efforts to improve reporting of financial expenditure must be accompanied by work to improve reporting more generally, for instance on outcomes, coverage and timeliness. Donors and operational agencies can lead this process by initiating discussions around common results indicators and continuing to support research on evidence across programmes. As part of an independent annual review of Grand Bargain commitments, efforts are under way to establish measures of progress.

3. Case study findings: the devil in the detail

The High Level Panel stated that cash transfers, where appropriate, should be used more widely, and in better and more transformative ways. However, any ambitions to improve humanitarian aid run into two challenges. The first is that the international humanitarian system is a complex web of donor and host governments, UN agencies, the Red Cross and Red Crescent Movement, international NGOs and national civil societies. While united by the common goal of saving lives and alleviating suffering, they each have varying missions, mandates and constraints. Second, the places humanitarians work are difficult. Humanitarian assistance often takes place in conflict-affected settings where insecurity is rife and access limited, with significant variance in the host government's capacity and willingness to ensure assistance to and protection of people affected by crisis and disaster.

Reforming and improving humanitarian assistance requires navigating these local and global realities. For this reason, five case studies were undertaken to examine what would help or hinder efforts to take forward the Panel's recommendations. While not losing sight of technical issues, the case studies focus on political and strategic questions around scaling up cash transfers. Ukraine, Iraq, Nepal, DRC and Mozambique were selected based on regional diversity, the type of crisis and the extent of cash transfer programming. The following synopses are explored at length in the case study reports.

- In Ukraine, mass demonstrations in November 2013 were followed by conflict and the annexation of Crimea by Russia in March 2014. Cash transfers were at the heart of the humanitarian response in areas controlled by the government. The majority of the cash response was intended to meet basic needs, and multipurpose cash had a dedicated, albeit small, budget line in the 2016 humanitarian plan. However, the limited capacity of humanitarian agencies, their lack of experience in Ukraine, heavy bureaucracy and interagency politics created significant operational and strategic obstacles.
 - In Iraq, cash transfers and vouchers have been used extensively to meet the needs of refugees and internally displaced people (IDPs). The 2015 Iraq Humanitarian Response Plan (HRP) was one of the first globally to include a separate budget line on multipurpose cash transfers, but it was small and fraught with controversy.
- Coordination of cash transfers has been hampered by limited capacity and the contested legitimacy of coordination arrangements. While cash transfers are moving up the humanitarian agenda, the tendency of aid agencies to act in their own organisational self-interest is another barrier to change.
- The provision of cash transfers in Nepal following the April 2015 earthquake marked a major shift in programming, with an estimated 10% of the international response in the first six months delivered through cash transfers, as well as a significant government response. Some of these transfers were provided through topping up government social welfare grants in districts affected by the earthquake. While the building-blocks are in place to enable greater use of cash in the future, the pace of change is likely to be slow because of insufficient government will and capacity, weak international coordination mechanisms and limited financial infrastructure.
 - Vouchers have been the dominant form of cash-based assistance in DRC, where more than a decade of instability and conflict has led to repeated and protracted displacement. The support of a few key donors and the creativity and collaboration of aid agencies have driven recent efforts to provide unconditional cash transfers, although they still represent less than 2% of humanitarian programming. Financial infrastructure remains a logistical barrier, but aid agencies could increase cash transfers in DRC and capitalise on their growing engagement with money transfer companies, mobile network operators and traders.
 - There are two areas where cash transfers could play a role in humanitarian aid in Mozambique – in response to natural disasters and to support the small, long-term refugee population at Maratane camp (the focus of the case study), where in-kind food and non-food assistance has been distributed for over a decade. Switching from in-kind aid to cash transfers would be a more dignified way of providing assistance, create efficiency gains, support local traders, reinforce the government's central role in assisting refugees and connect refugees to existing financial systems. However, making this shift would require dedicated multi-year funding at a time of shrinking budgets and competing priorities for limited resources.

3.1 Main findings

3.1.1 Cash transfers are increasing as a result of important strategic and operational changes

Aid agencies and donors have made significant progress in adapting their strategies and programming to include cash transfers. As a result of increased technical capacity and acceptance, cash transfers played an important role in the humanitarian responses in each of the study contexts except Mozambique. In Nepal, cash transfers comprised about 10% of the international response in the first six months, buoyed by donors' and aid agencies' consideration of cash from the outset of the response and by international agencies' surge capacity and expertise. In Iraq, cash transfer programming expanded from a low base in early 2014 to become a major humanitarian response tool by 2016. In Ukraine, around 14% of international humanitarian funding ended up directly in the hands of Ukrainians as cash, and 3% as vouchers. Depending on agencies' operational costs, cash transfer programmes may have comprised between a quarter and a third of the humanitarian response. In DRC, the introduction and expansion of cash-based responses has been the biggest evolution in humanitarian assistance in the last decade, with country-specific evidence playing an important role. UNICEF, WFP and NGOs implementing unconditional cash transfer programmes are working with traders, banks, mobile network operators and money transfer companies to expand into new areas.

3.1.2 Aid agencies often set narrow objectives for cash programming in line with their missions and mandates

It has long been established that, unlike in-kind assistance, cash transfers can achieve objectives and outcomes relevant to different sectors, clusters and mandates. In Iraq, cash and vouchers were provided for food and non-food items and used in education and shelter programming. Even if cash is provided for one purpose, it may be used for others that better correspond to people's own priorities. For example, 'winterisation' grants in Ukraine, intended to enable people to purchase items such as fuel and blankets, were used predominantly for rent, household goods, healthcare and food.

One of the greatest merits of cash is that it enables people to decide themselves how best to meet their basic needs. The High Level Panel on Humanitarian Cash Transfers therefore called for cash transfers to have broad objectives around meeting a range of basic needs. This is happening to varying extents in Iraq, Ukraine and DRC, driven mainly by DFID, ECHO and certain NGOs. In Ukraine, multipurpose cash transfers were the dominant form of cash-based response, and UNICEF's partners and other NGOs have delivered multipurpose cash transfers in DRC.

Despite the flexibility of cash, the tendency to tailor transfers according to organisational missions and mandates

is strong. In DRC, UNICEF has typically provided vouchers for non-food items and WFP for food, and only recently have cash transfers been used to cover both needs. In Mozambique, a monthly cash grant to refugees could easily replace both in-kind food provided by WFP and non-food items from UNHCR, yet these agencies have tended to examine the potential for separate cash-based programmes rather than a single transfer. In Ukraine, one evaluation questioned why WFP preferred electronic vouchers over other modalities, and advocated for multipurpose cash transfers (Gardner et al., 2016).

3.1.3 Cash transfers challenge the humanitarian system – particularly when used across sectors

The fact that cash can achieve outcomes within and across different humanitarian sectors is at the core of many of the issues explored in this section. In particular, multipurpose cash transfers magnify these challenges because they deliberately span sectoral and mandate divisions. Some donors, notably ECHO and DFID, have called on aid agencies to provide multipurpose cash transfers as an alternative to cash transfers for a narrow set of needs (e.g. food). People's needs vary from context to context, and multipurpose grants are usually based on a 'minimum expenditure basket' – how much money people need to survive or stay out of poverty.

The novelty of the term 'multipurpose' has led to confusion about which needs are covered and, implicitly, what other types of assistance are substituted with the grant. Clusters and operational UN agencies in Iraq and Ukraine raised concerns that multipurpose transfers could be used inappropriately to substitute for comprehensive shelter and basic services interventions (i.e. a takeover of or infringement on these sectors by 'cash experts'). Some aid agencies worry that people will make inappropriate, unsafe or uninformed choices when purchasing shelter materials, rebuilding houses or buying medicines. There are also concerns that overly focusing on cash could mean that donors do not sufficiently fund complementary in-kind and technical support for particular sectors where it is still needed. There is as yet no evidence of donors doing this, but agencies may need to make the case in future for where sector-specific in-kind and technical assistance is needed to complement multipurpose cash grants. Focusing on cash grants to meet a range of basic needs should also not preclude the use of cash for other purposes, such as shelter or larger lump sum grants to support livelihoods recovery.

3.1.4 There is opposition to separate budget lines for cash transfers in humanitarian strategies

The High Level Panel on Humanitarian Cash Transfers proposed that, where cash transfers are appropriate, they should have a primary budget line item within humanitarian strategies and response plans. The IASC and OCHA have not issued guidance on how cash transfers

should be included, and the decision has been left to the country-level actors involved in preparing response plans. This has created plenty of opportunities for resistance, and even small budget lines proved very controversial with operational UN agencies in Iraq and Ukraine.

Whether cash and voucher programming should be included in response plans is not contentious: they have been for years under food security headings and less frequently under the shelter and non-food item sectors.⁵ The 2015 Iraq plan, though, was the first that included a separate budget line for cash transfers. In 2016, out of 33 response plans globally, only those for Afghanistan, DRC, Iraq and Ukraine had dedicated budget lines for cash transfers. In Ukraine, views on cash transfers in the humanitarian strategy were highly political, mandate-driven and largely removed from analysis on the best way to assist people. The process of determining whether multipurpose cash transfers had a place in the HRP was controversial and involved multiple meetings and consultations over several weeks. The three major cash transfer donors (DFID, ECHO and USAID), NGOs, OCHA and the Humanitarian Coordinator were all in favour of including a separate section on multipurpose cash. WFP, UNHCR, UNICEF, the World Health Organisation (WHO) and clusters were against it. A compromise was reached to have a separate budget line but not a separate section. The small budget line for multipurpose cash transfers (5% of the total request) did not reflect the operational fact that they were already a major element of the response.

In December 2015, WFP, UNHCR, UNICEF and WHO wrote to the IASC Principals and its Chair, the Emergency Relief Coordinator, expressing their reservations about ad hoc coordination around cash and the inclusion of multipurpose cash in response plans, citing Ukraine as an example. The agencies expressed concern that separate multipurpose cash sections presupposed that cash would be used and undermined sector-based planning by the clusters. Underpinning these concerns are fears that funding to some operational UN agencies would decrease if donors fund a single agency to provide multipurpose cash grants covering needs normally met by multiple agencies.

In DRC, by contrast, the inclusion of a multipurpose cash transfer budget line in the 2016 Humanitarian Action Plan generated more debate than controversy. This may be a function of good inter-agency working relationships and because the scale and acceptance of cash-based responses in DRC have been steadily increasing over the last eight years.

3.1.5 How donors fund assistance encourages disjointed programming

Donors fund NGOs individually and in consortia, contribute to pooled funds and provide funding to UN agencies. As a result, each humanitarian agency has varying commitments to different donors, and each uses their own delivery mechanisms, monitoring tools and transfer values.

In Ukraine, donors played an important role in encouraging common values for multipurpose cash transfers. However, they only pushed for standardising transfer values after they had funded agencies that opted for different transfer amounts. While some donors have recently encouraged the use of more multipurpose cash transfers in an attempt to promote more harmonised responses, for now this appears to be increasing the number of separate cash-based interventions, rather than consolidating parallel or duplicative programmes targeting the same people or addressing the same needs.

Diversity is not necessarily a bad thing. In Nepal, housing reconstruction grants from the government were \$3,000 per household when cash grants for immediate needs were \$150, because they served different and complementary purposes. However, for people with similar needs and programmes with similar objectives, standardising cash transfer amounts and targeting criteria is essential to provide assistance impartially, to avoid confusion among recipients and to avoid duplication or exclusion. Donors could plan to pursue more aligned and complementary approaches from the beginning, rather than each choosing partners with whom they are familiar and then having to rein in the fragmentation that results. Stronger alignment between USAID, ECHO, DFID and the German government in particular could drive much greater coherence because they are the largest humanitarian donors, and all support cash-based responses.

3.1.6 Coordination is hamstrung by the lack of predictable coordination groups, limited capacity and contested legitimacy

Most coordination of cash transfers occurs at the technical and operational level through Cash Working Groups, which operate largely outside of the formal coordination system. As a result, they are often ad hoc and under-resourced. The High Level Panel recommended improving the coordination of cash transfers (including bringing Cash Working Groups into the formal system) and increasing the capacity

⁵ The 2005 Indian Ocean tsunami mid-term review is perhaps the earliest mention of cash transfers in a consolidated humanitarian strategy, with the exception of cash for work projects, which have a longer history in humanitarian response.

of Humanitarian Coordinators and Humanitarian Country Teams (HCTs) so that they can provide strategic direction. It is not clear, however, that this has been satisfactorily resolved, with the IASC yet to take significant steps following the World Bank report published in June 2016. Leadership and clarity for heads of agencies and Humanitarian Coordinators are sorely needed here.

Across the case studies, the capacities of Cash Working Groups and their level of acceptance varied considerably. In Ukraine, energy that could have been spent progressing technical issues through the Cash Working Group instead was expended justifying the legitimacy (mainly to clusters) of OCHA's leadership of the working group. In DRC, OCHA's role in national coordination and UNICEF's role in provincial coordination are not contested, but both lack dedicated and predictable resources. In Nepal, the lack of clarity on the role and mandate of the Cash Coordination Group reduced its influence, including with the government.

HCTs are struggling to act as strategic forums for determining the role of cash within an overall response. There are differing opinions on where cash fits in strategies and coordination, and a lack of clear guidance on coordination from the IASC. In both Ukraine and Iraq, the disagreements between operational UN agencies and NGOs on the inclusion of multipurpose cash transfers in the HRP played out in HCT meetings. Cash transfers were not high on the agenda of the HCT in Nepal, either in relation to clarifying the role of the Cash Coordination Group (CCG) or in terms of high-level advocacy on cash transfers with the government.

Amidst these larger questions around coordination are smaller, pragmatic ones. Ukraine was the only case study where the national Cash Working Group had a relatively comprehensive 'Who What Where' list of cash-based responses, and even then lack of data-sharing amongst organisations led to duplication or gaps in cash assistance. Cash coordination groups in Nepal and Iraq do not have a complete overview of cash-based responses, and there is no standard template for this data. Tackling these weaknesses requires that technical coordination be predictable and well-resourced. Even so, Cash Working Groups can only address fragmentation to an extent because they rely on the willingness of individual agencies to share registration data and agree to a common basis for calculating transfers.

3.1.7 Leadership is needed to address turf battles and support more strategic use of cash transfers

Humanitarian Coordinators have been a key part of country-level debates around the coordination of cash and the inclusion of multipurpose cash transfers in appeals. In Ukraine, the Humanitarian Coordinator championed cash transfers and played a critical role in getting multipurpose cash transfers into the response

plan. In Iraq, the Humanitarian Coordinator's support was key to the development of a strategy on multi-purpose cash transfers and their inclusion in the response plan. The manner in which cash was included in the Iraq and Ukraine response plans was a compromise whereby all agencies retained their stake in cash transfers. Leadership is needed at senior levels within the UN to resolve agency turf battles and to enable more effective leadership by Humanitarian Coordinators, in line with existing commitments under the Transformative Agenda. There also needs to be recognition amongst in-country leaders that cash transfers are a strategic issue as much as an operational one. In Nepal, discussions around cash were rarely at the level of heads of agencies. Senior leaders were not fully engaged.

3.1.8 In-kind assistance remains deeply entrenched with few incentives for change

While cash-based responses are firmly accepted as appropriate tools, in-kind assistance continues to be used where cash would be a better option. In DRC, cash-based assistance as an alternative to food aid has taken a long time to gain traction and has accounted for only a small portion of food assistance, despite concerns as far back as 2004 that most food aid distribution was inappropriate given the causes of food insecurity and the availability of food locally (Levine and Chastre, 2004). In Mozambique, cash transfers would be vastly more appropriate for refugees than in-kind assistance, and would offer important opportunities to make humanitarian resources go further and help people better. However, inertia and the comparative ease of accessing resources for in-kind aid have perpetuated in-kind assistance.

3.1.9 Global experience and progress does not necessarily equate to capacity at the country level

Individual organisations have made significant investments in training and developing organisational skills and capacities to implement cash. Agencies have re-engineered business systems in finance, IT, logistics and legal departments to enable cash programming, and CashCap and CaLP are engaged in ongoing attempts to strengthen skills and capacities beyond individual organisations.

The case studies demonstrate, both that more needs to be done, and that progress has to be sustained both through agencies' own efforts and through donor support. In Ukraine, limited capacity at the outset of the response meant that resolving basic questions, such as when cash transfers were appropriate, took up substantial time and energy that should have been spent on more strategic questions. Capacity is increasing in DRC as experience slowly grows, but it remains limited and concentrated within a small number of organisations.

3.1.10 Agencies are finding it hard to develop the right partnerships with financial service providers

Cash provides opportunities to work with private sector financial service providers to deliver money more efficiently, enable economies of scale and connect people with existing financial services. Agencies are clearly making a concerted effort to explore options to deliver money to people including through digital transfers, which can bring gains in transparency and reduce certain fraud risks. However, getting these partnerships right and deciding what is appropriate at global, regional and country levels is proving a challenge. Aid agencies have dramatically varying capacities to engage effectively with financial institutions. NGOs in DRC have worked with mobile network operators to deliver transfers, but engagement has been rocky, with misunderstanding on both sides and limited capacity among network operators. Understanding opportunities for digital transfers (and the investments necessary to seize them) requires engaging with actors with a better understanding of these systems.

Agencies are still feeling their way with using technology to better manage registration and payments, and may be overly focusing on products (e.g. software, information management platforms) rather than developing a broader understanding of payment ecosystems and implications for registration processes, ‘know your customer’ requirements and data management. Even moving from paper-based registration and data collection to mobile technologies – a time saving regardless of the intervention type – remains slow and patchy because agencies often lack the right local capacities and partnerships to adopt these technologies. Agencies also tend to focus on their own systems and not the ‘user experience’ of the people receiving aid. These gaps would best be filled by working with people, businesses and organisations in the financial and technology sectors, which are increasingly engaging with humanitarian agencies.

3.1.11 Limited progress has been made on supporting host government systems

The High Level Panel called for greater support to governments to put in place effective contingency plans for assisting people following disasters, for opportunities to be seized to link humanitarian cash to longer-term social protection systems and for international aid to support these processes whilst maintaining respect for humanitarian principles and recognising the difficulties of working with weak governments and/or governments in conflicts.

There have been some signs of progress in this respect. Interest in developing evidence and options for linking humanitarian cash transfers with social protection systems has grown significantly, and DFID has funded a two-year

Box 5: Digital transfers and financial inclusion – findings from Ethiopia, Zimbabwe and Bangladesh

Humanitarian cash transfers offer an opportunity to increase aid recipients’ exposure to financial services. However, evidence suggests that transfers on their own will not automatically lead to more widespread and sustained use of financial services. The Electronic Cash Transfer Learning Action Network (ELAN) recently carried out case studies of cash transfer projects in Ethiopia, Zimbabwe and Bangladesh exploring links between transfers delivered through mobile money and the uptake of digital financial services (including savings, credit, money transfers and purchasing goods and airtime). The studies found that, beyond withdrawing the transfer, digital financial services were generally not very relevant to the people the projects reached. Pressing needs deterred people from keeping a balance in their mobile money accounts for future use, and they prioritised ways of saving and investing that were accessible, familiar and profitable (e.g. livestock, savings groups). While many recipients purchased phones and some did make mobile money transfers after the projects ended, the limited exposure to mobile money through the programmes was not sufficient to enable recipients previously unfamiliar with mobile money to conduct transactions independently (Bailey, 2017).

study on ‘shock-responsive’ social protection.⁶ UNICEF in Nepal built on its existing partnership with the government to provide supplementary grants to people registered with the Social Welfare Programme in districts affected by the earthquake. However, tackling issues related to targeting, beneficiary lists and timeliness will require sustained engagement and investment if this mechanism is to become sufficiently reliable and universal to support responses in different parts of the country. In Iraq, a consortium of NGOs has set up a system to refer people to government social protection programmes. Funded by ECHO, the programme includes hiring lawyers to assist households with documentation and registration. However, government systems face severe budget constraints. The government had been providing one-off cash payments to displaced households, but scaled back these payments in 2015 and suspended them in 2016. Development donors are not interested in plugging funding gaps without reform of the national social protection system, which is unlikely in the short term at least.

6 See www.opml.co.uk/projects/shock-responsive-social-protection-systems.

Progress on supporting governments to prepare for and manage cash transfer responses remains slow. In Nepal, difficult relations between donors and the government meant that opportunities to improve preparedness to provide cash were missed. In Mozambique there is scope for plugging cash responses into government preparedness planning for droughts and floods, but advocacy by some

donors and NGOs has not convinced the government of the merits of cash transfers. Promisingly, WFP sees promoting and supporting greater national ownership of humanitarian cash transfer programmes as a priority. UNHCR has also committed to developing synergies with national social protection programmes where feasible (UNHCR, 2016).

4. Conclusion

Recognition of the transformative potential of humanitarian cash transfers has been a decade in the making. When cash transfers were first seriously trialled as an alternative to in-kind aid in the mid-2000s, the focus was on whether they would work. When evidence established that cash could be an appropriate response, donors and aid agencies focused on how to adapt their systems and approaches. In the run-up to the WHS, attention shifted to the potential of cash to drive positive change in the overall effectiveness and efficiency of humanitarian action. The building blocks are in place for larger-scale responses and positive transformation. The question now is whether donors and aid agencies will seize this opportunity.

Two things are required if cash is to be a catalyst for more systemic and transformative improvements in humanitarian action: a willingness on the part of individual organisations (and leaders in those organisations) to look beyond agency self-interest, and a willingness on the part of donor governments to better coordinate their funding and help to drive change. Leadership from donors and aid agencies will determine whether the obstacles highlighted in this report are merely difficulties on the way to better humanitarian assistance, or deeply entrenched barriers that will change more through the disruptive nature of cash transfers than through deliberate efforts by aid agencies to work across sectors and silos. Change, though, is inevitable.

A logical approach is for donors to pool resources, or at least coordinate more closely, to fund large-scale cash transfer responses to meet basic needs where this is appropriate. Funding a single organisation or a combination of organisations genuinely working closely together reduces the need for every agency in a response to maintain systems and capacities to assess, monitor and deliver cash transfers. This funding approach would move from relying solely on agencies to share data and harmonise transfer values through Cash Working Groups to promoting coherence from the beginning. It would ensure that the starting-point of assistance is a holistic understanding of people's basic needs and how best to meet them, rather than giving people cash assistance only for needs that correspond to an agency's sector or mandate. Such shifts could drive genuine reform in the humanitarian system through more efficient and people-centred assistance. Stronger alignment between the largest humanitarian donors – USAID, ECHO, DFID and the German government – in particular could achieve much greater coherence in cash-based responses.

Deciding which organisations and combinations of organisations should run large-scale cash grants in different contexts should be based on clear and transparent metrics for efficiency and effectiveness. Agencies should be competing and collaborating on the basis of measures such as coverage, targeting rigour, partnerships with the government and the private sector and the timeliness and cost of delivery mechanisms. In 2016, the EU launched a €348m cash transfer programme in Turkey, and DFID and ECHO jointly issued a call for proposals for cash transfer programming in Lebanon. Much will be learned about whether and how these new programmes can bring improvements in efficiency, effectiveness and transparency.

The transformative potential of cash transfers is about much more than distributing funds from a donor to a beneficiary. Cash transfers are closely linked with broader questions around improving how disaster affected populations are identified, registered, targeted and monitored. The tendency of agencies to provide cash on their own terms and inconsistently share data on recipients results in an incomplete picture of who is in need and who is reached with assistance. This overall process of information management has huge potential for more secure, accountable and efficient identification, registration and targeting. Competition over who controls the delivery of cash should not obscure the scope for collaboration and the need for improvement in processes of assessment, response analysis, identification, registration, targeting, monitoring, beneficiary feedback and evaluation. Care needs to be taken that a move to more coherent cash responses does not leave these important functions under-resourced. The efficiency gains from increasing the scale of cash programming should free up time, capacity and resources to implement other aspects of humanitarian action better.

There are concerns that calls to use cash transfers across sectors could inappropriately lead to cash supplanting technical expertise and sector-specific responses, for example replacing healthcare provision or expecting that money alone can lead to safe housing reconstruction. While the case studies found no evidence that this has occurred, these concerns need to be heeded by donors and cash units within aid agencies. The stress should be on finding constructive ways for cash, in-kind responses and technical and sectoral expertise to work together.

The case studies do not offer models of cash responses to replicate in the future, but they do offer important insights: that diverse and fragmented responses cannot be made coherent and efficient through operational coordination

alone; that better preparedness and leveraging of social protection programmes requires dedicated effort and investment; and that cash transfers remain a hotbed of innovative programming. Donors and aid agencies are making progress, but are still finding their way in developing effective partnerships that can capitalise on the different strengths of aid agencies, governments and the private sector. They are using their roles and systems as the starting-point for designing programmes, rather than focusing on the user experience of cash transfer recipients. Donors need to encourage a move to more people-centred responses by creating incentives for compelling programming models.

We have no new recommendations to add to those made by the High Level Panel on Humanitarian Cash Transfers and the Grand Bargain commitments. What is needed are not more recommendations, but consolidated efforts to implement existing ones. In particular, there is an urgent need for more clarity from the IASC on where cash should sit within formal coordination structures, and agreement that cash transfers to meet basic needs should have dedicated space in appeals and strategic planning – making cash a central component of responses where appropriate.

In many contexts the challenge is not that aid agencies are jostling to use cash transfers, but rather that they are inappropriately turning to familiar in-kind approaches and struggling to take forward cash programming in meaningful ways. Nuts and bolts work has to continue to increase the acceptability of cash amongst humanitarian leaders and national responders, develop capacity to deliver cash through training and technical support and embed cash in contingency planning processes. Establishing good, specific indicators for the Grand Bargain will be important in tracking progress.

The use of cash and vouchers should increase significantly in coming years. For this growing volume of humanitarian spending to be programmed as efficiently and effectively as possible, donors, humanitarian organisations and the private sector need to collaborate and compete to develop better approaches to getting money to those who need it most in times of crisis and disaster. Doing so requires humanitarian agencies to move beyond hard-wired ways of working and seize the opportunity cash represents to make the humanitarian system more efficient, responsive and accountable.

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