

# CaLP Venezuela Scoping Mission Findings

## Introduction

In December 2019, a CaLP team interviewed operational actors involved in the implementation and coordination of cash and voucher assistance (CVA) in Venezuela. Given the unique challenges of the Venezuela context and the perception globally that risk is the primary barrier to the greater use of CVA,<sup>1</sup> the mission aimed to support actors to consolidate learning to date and identify potential solutions. This report summarises the key findings from the mission.

## Background

Approximately seven million people are in need and over four million people have left the country as a result of Venezuela's economic crisis and political unrest.<sup>2</sup> Hyper-inflation since 2013 have affected the vast majority of Venezuela's population, with significant increases in poverty and the deterioration of health, education, water, electricity and transportation services. The crisis shows little sign of resolution, with the IMF projecting a further 25% contraction in the economy in 2020.<sup>3</sup> However, the increasing dollarisation of the economy since mid-2019, where over 50% of transactions are estimated to take place in US dollars, has contributed to increasing market and political stability.<sup>4</sup>

UN agencies, as well as national and international NGOs have increased their presence throughout 2019, with tacit approval from the Government of Venezuela (GoV). However, the economic and political roots of the crisis have created challenges and questions about the humanitarian community's role and how it can most effectively respond. The cluster system has been established and was rapidly staffed up throughout 2019.

Financial access to goods and services is a major barrier for affected populations, which could be effectively addressed by cash or vouchers, particularly when the accounts are held in dollars until the day of purchase. Markets are functioning in much of the country, however, are limited by demand. As a result of these key factors, at least four humanitarian organisations have directly implemented CVA pilots in the past year and another six were planning pilots in early 2020. The four pilots collectively targeted about 300 HHs with paper vouchers, e-vouchers and cash-in-hand, ranging in value from USD 30-150<sup>5</sup> and over a period of one to six months. The programmatic objectives aimed to address food security, nutrition and/or protection outcomes.

Operational organisations, donors and CaLP identified a number of perceived risks (summarised below) around hyper-inflation, protection, market functionality and access. However, with the increasing dollarisation of the economy since mid-2019; access to numerous digital cash transfer mechanisms; the logistical challenges and high cost of in-kind assistance; and general market functionality of key commodities, humanitarian actors, using global CVA experiences, have identified ways to mitigate these risks and effectively meet people's basic needs.

### Key risks

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<sup>1</sup> CaLP, 2018, "State of the World's Cash," <http://www.cashlearning.org/downloads/calp-sowc-report-web.pdf>

<sup>2</sup> OCHA, 2019, Venezuela Humanitarian Response Plan, August 2019.  
[https://reliefweb.int/sites/reliefweb.int/files/resources/20190814\\_HRP\\_VEN\\_EN.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/20190814_HRP_VEN_EN.pdf)

<sup>3</sup> IMF World Economic Outlook, October 2019, <https://www.imf.org/en/Countries/VEN#countrydata>.

<sup>4</sup> BBC, November 2019, "El dólar en Venezuela: cómo sobreviven quienes solo tienen bolívares,"  
<https://www.bbc.com/mundo/noticias-america-latina-50497749>

<sup>5</sup> Some agencies based the cash transfer values on the food basket estimate endorsed by the Food Security Cluster.

Risk	Impact	Mitigation measures
Hyper-inflation	High, ongoing inflation decreases the value and purchasing power of cash or vouchers, limiting the impact on recipients.	<ul style="list-style-type: none"> <li>● Use of digital cash where transfer values are held in foreign currency as close to the time of purchase.</li> <li>● Use of vouchers with frequent payments to vendors (twice a week).</li> </ul>
Recipient access	Due to logistical, security or technical challenges, users are not able to access or use their cash or vouchers.	<ul style="list-style-type: none"> <li>● SOPs include regularly monitoring recipient experiences and security assessments, including through rigorous complaints and feedback mechanisms using varied methodologies (post distribution monitoring, focus group discussions, secret shoppers, etc.)</li> </ul>
Market access	Depending on the area and population profile, recipients face challenges accessing markets due to the lack of transportation.	<ul style="list-style-type: none"> <li>● Consult affected populations on access challenges and potential solutions and regularly monitor user experiences.</li> <li>● Incorporate the cost of transport and access into the transfer value.</li> </ul>
Protection and safety	Although, digital cash and vouchers offer more discretion than in-kind assistance, targeted populations are, by nature, extremely vulnerable and could be subjected to exploitation, violence and abuse as recipients.	<ul style="list-style-type: none"> <li>● Consult affected populations on protection threats and solutions to inform programme design.</li> <li>● SOPs include regularly monitoring recipient experiences and security assessments, including through rigorous complaints and feedback mechanisms using varied methodologies (post distribution monitoring, focus group discussions, secret shoppers, etc.)</li> </ul>
Data protection	Personal data of recipients is compromised or misused, which could lead to protection issues.	<ul style="list-style-type: none"> <li>● Conduct a privacy impact assessment of selected payment mechanism(s);<sup>6</sup></li> <li>● Ensure data protection and data sharing clauses are included in financial service providers (FSP) tenders and contracts.</li> <li>● Establish rigorous complaints and feedback mechanisms.</li> </ul>
Fraud and corruption	Although digital cash and vouchers offer improved monitoring and traceability of funds, actors internal or external to affected populations and/or aid agencies divert CVA from intended populations.	<ul style="list-style-type: none"> <li>● Regular and random field monitoring.</li> <li>● Segregation of duties.</li> <li>● Establish rigorous complaints and feedback mechanisms.</li> </ul>

<sup>6</sup> ELAN, 2016, "Tipsheet: Privacy Impact Assessment," <http://elan.cashlearning.org/wp-content/uploads/2016/05/Privacy-impact-tipsheet.pdf>

Decline of national financial institutions	Financial services would be significantly curtailed. Aside from affecting most cash transfer mechanisms, limited financial services would significantly affect the entire economy and hinder humanitarian operations.	<ul style="list-style-type: none"> <li>● If markets and humanitarian operations continue to function, a closed loop system could be considered as a contingency measure.</li> </ul>
Government restrictions on CVA	The GoV imposes restrictions on the use of CVA, which could impact the amount, delivery mechanism, the implementers involved or ban the use of humanitarian CVA entirely.	<ul style="list-style-type: none"> <li>● Like other humanitarian activities, CVA programmes should seek the acceptance of affected populations and be well targeted and implemented in a low-profile manner.</li> </ul>

## Objectives and methodology

In line with its objective of providing guidance, capacity and support to CWGs at the national level, CaLP has been engaging with CWGs in LAC to respond to identified needs. CaLP was contacted when the Venezuela CWG was first established in mid-2019 and provided remote guidance, in terms of access to resources and training courses. The purpose of CaLP’s visit to Venezuela was to understand the strategic and technical capacity needs and gaps in Venezuela to define areas for support to the CWG.

In December 2019, a CaLP staff member and a consultant interviewed over 15 humanitarian actors who have implemented or were planning to implement CVA pilots in Venezuela, as well as coordination actors. Key informants included representatives from international and national NGOs and UN agencies. The team developed a semi-structured questionnaire to understand the feasibility of CVA in Venezuela, initial findings of the CVA pilots and opportunities to strengthen practice. This report is based on analysis of the CVA feasibility data shared by implementing actors, and other information from KI interviews. A draft report was shared with key stakeholders for review and the initial findings presented in English and Spanish webinars to about 100 stakeholders from organisations operational in Venezuela. Feedback from both processes was incorporated into this report.

## Key findings and gaps

### **Acceptance**

CVA, including digital cash, appears to be well-accepted – and highly prioritised - across population groups<sup>7</sup> based on Venezuela’s sophisticated financial infrastructure and cash-based social assistance programmes. Although none of the agencies surveyed were significantly concerned with recipient acceptance and capacities to access CVA, digital financial literacy challenges have been reported with Venezuelan migrants in

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<sup>7</sup> A HelpAge International assessment found that cash was ranked as the top priority across both older men and women in rural and urban areas of Bolívar, Lara and Miranda states, <https://reliefweb.int/sites/reliefweb.int/files/resources/Rapid%20needs%20assessment%20of%20older%20people%20in%20Venezuela.pdf>

neighbouring countries. Therefore, aid agencies should not assume acceptance and ensure all targeted population groups have the information, capacities and access to transfer mechanisms.

While the Government of Venezuela (GoV) accepts and uses CVA in its social assistance programmes, there is little experience to inform its stance when it comes to CVA delivered by non-governmental actors. None of the organisations actively sought official government approval at the national level to undertake CVA pilots, which is in line with the low-profile approach taken by humanitarian actors in this context. However, CVA was highlighted with a dedicated section in the HRP, which was shared with the GoV. One concern is that large-scale CVA would force the GoV to take notice and it could be seen to undermine its efforts in social assistance.

### **Market Status**

Government price controls, the lack of purchasing power, hyper-inflation and currency exchange regulations have negatively contributed to market functionality. Market functionality varies widely across the country, however, markets are reportedly functioning in major urban areas, where the majority of Venezuelans reside. For example, markets in Caracas are highly functional and generally goods there are cheapest nationally, although prices may vary according to the neighbourhood. Rural and remote areas face more difficulties and shortages due to limited transportation (driven by lack of fuel and spare parts) and checkpoints. Humanitarian organisations had focused their assessments on food and NFI markets.

Since early 2019, however, the GoV eased its currency exchange and private import regulations and has increasingly accepted the de-facto dollarisation of the economy,<sup>8</sup> which has positively contributed to stabilising the markets. There are, however, reports that specific food commodities are not consistently available (though substitutes are often available) and/or items are expired. Therefore, regular market monitoring is needed.

Due to hyper-inflation and significant geographical variations, there is a need for strong market monitoring to support effective CVA. In addition to GoV entities, economic institutions and academics, several humanitarian organisations have conducted market assessments in discrete geographic areas. Challenges were noted, including:

- conducting price monitoring at the required frequency as exchange rates vary within a single day;
- the lack of general data collection capacities among local organisations, which generally undertake this task due to the sensitivities of international organisations collecting data at the field level; and
- addressing sensitivities among key informants (vendors) in the data collection process. To mitigate this, some aid agencies act as customers in order to collect data as neutrally as possible, although this approach is more resource intensive.

### **Payment Mechanisms**

Supported by its oil wealth, Venezuela has extensive experience in the delivery of cash-based social assistance since the late 1990s, including monthly and/or conditional cash transfers under El Carnet de la Patria platform. These cash transfers continue to be active, however, are limited in value due to hyper-inflationary effects. GoV cash transfers are delivered through advanced systems that channel an estimated USD 3 billion in direct subsidies each year through social registries with about 11 million individuals and various digital wallets. Despite its reach, these programmes have been politicised, in terms of inclusion of recipients and timing of transfers to coincide with elections and other political events. Nonetheless, these programmes, systems and capacities are important for humanitarian actors to account for as new CVA systems are developed.

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<sup>8</sup> Reuters, November 2019, “Maduro says ‘thank God’ for dollarization in Venezuela,” <https://www.reuters.com/article/us-venezuela-economy/maduro-says-thank-god-for-dollarization-in-venezuela-idUSKBN1XR0RV>

In the last quarter of 2019, the Venezuela CWG developed a SWOT analysis and identified several promising transfer mechanisms. Among the 14 transfer mechanisms, the group identified bank account transfers, exchange currency agents, cryptocurrency, and various digital cash and voucher mechanisms supported by multi-national companies. The identification of transfer mechanisms, which hold accounts in US dollars as close as possible to the point of purchase, is key to mitigating the effects of hyper-inflation.

One way in which some humanitarian organisations addressed this was by setting up a closed loop voucher mechanisms in bolivares with frequent vendor payments,<sup>9</sup> for about 100 HHs in Caracas. Key lessons included the need for dedicated expertise to set up and manage frequent payment processes with vendors to mitigate against hyper-inflation and a degree of risk tolerance to accept some losses due to the volatility of the exchange rates. The organisation reported increases in recipient confidence and resilience, based on post-distribution monitoring. The organisation is scaling up this programme aiming to reach 1,800 HHs in different areas of the country, including rural and border areas.

Paper vouchers proved to be more of a challenge for another organisation, as it resulted in intensive efforts to prepare and implement the programme. Due to the small number of vendors and transportation challenges, the organisation organised transport for recipients to markets. As a result of this experience, the organisation is planning to use digital cash and was in the process of negotiating with two financial service providers (FSPs) to cover about 1,000 HHs in the next programme.

A promising mechanism which had not yet been tested among the four pilots, but which was being contracted for planned pilots, is the use of prepaid cards, supported by multi-national companies. Two types were identified, which allow the account to be held in dollars until the point of purchase. Despite the potential of this type of transfer, it was noted by one organisation that strong communication with recipients on how the mechanism manages the currency exchange. For example, recipients are likely to continue to spend their digital transfer immediately upon receipt due to concerns that the value will immediately diminish due to inflation.

All the above mechanisms are operating in the country, which illustrate the level of experience of affected populations and opportunities to mitigate against hyper-inflation. In addition to the FSP SWOT analysis, at least five agencies are conducting in-depth FSP mapping to determine the best match with their operational capacity, geographical coverage, delivery time, population experience, infrastructure, monitoring features, etc. Organisations should have a clear understanding of what targeted populations prefer, direct and indirect transfer costs, and payment mechanism functionality during their selection process.

### **Organisational capacities**

Organisational capacities in CVA have not been a significant barrier to date. However, as more organisations pilot programmes and do so primarily through local organisations, there is a significant learning curve in terms of humanitarian response, as most are more experienced in addressing poverty with development approaches; and lacking in confidence in overseeing CVA. Many of the INGOs have relied significantly on technical advisors from regional offices or headquarters, thus there is a need to build capacity among national staff and local organisations.

### **Coordination**

A Cash Working Group (CWG) called the Grupo de Trabajo en Asistencia en Vouchers y Efectivo (GTAVE) was established in June 2019 with coordination support from local and international NGOs and UN agencies. The initiative was spurred as 15 agencies had proposed approximately USD 14 million in CVA through the 2019 HRP process. This resulted in the inclusion of CVA in the 2019 Humanitarian Response Plan (HRP) with a section

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<sup>9</sup> According to the CaLP Glossary, a closed loop system is one in which the institution that issues the payment card is always the same institution that provides the acquiring infrastructure. The card or password can only be used on the acquiring infrastructure of that one institution.

noting that the Plan would “aim to improve the design and use” of CVA.<sup>10</sup> The NGO staff member co-lead who had been providing technical leadership, stepped down from the role, leaving it vacant since October. Due to the global lack of clarity on the scope and role of CWGs, the CWG has limited technical capacities, limited resources dedicated to inter-agency coordination, and unclear links to the formal cluster system.<sup>11</sup>

There is a significant effort required to strengthen the coordination of CVA across the response. CVA can meet a variety of sectoral outcomes, when coordinated and sequenced with other types of programming. In addition, the design of CVA would benefit from the input of protection and gender stakeholders to ensure safe access for recipients. However, the CWG is a sub-group of the Food Security Cluster, where it is limited in its reach to other sectors. It also lacks its own terms of reference which limits clarity on its scope and purpose<sup>12</sup>. Globally, the Inter-Cluster Coordination Group (ICCG) terms of Reference<sup>13</sup> state that CWGs should be situated as a sub-group of the ICCG, increasing its reach and role in coordinating CVA across sectors, and formalising the group in this way may help to increase effectiveness.

With the increased need for humanitarian assistance in Venezuela, as well as more humanitarian organisations identifying CVA as a priority, there is a significant gap in ensuring that CVA is well coordinated. Effective coordination would ensure that experiences and lessons are shared; make the best use of limited resources through an effective response analysis and targeting process; joint FSP mapping; and in the future, potentially joint contracting; and managing risks collectively where feasible. The mission findings support four of the five cash coordination principles outlined in a 2017 paper by the Global Public Policy Institute:<sup>14</sup>

1. Cash coordination involves both technical and strategic functions.
2. Cash coordination requires dedicated and predictable resources.
3. Cash coordination needs to be inter-sectoral.
4. Cash coordination should be linked to the overall coordination architecture.

The key priorities for technical coordination in Venezuela should include risk management, mapping of FSPs, market monitoring. Given that actors are still in the process of experimenting with different CVA approaches, these areas require varying degrees of collective action and standardisation:<sup>15</sup>

- Risk management: Based on CVA experiences in Mali<sup>16</sup> and Yemen,<sup>17</sup> implementing agencies should be encouraged to share their risk analyses and mitigation measures to identify where collective action could be most effective.
- FSP mapping: Building on the CWG efforts to draft a SWOT analysis of various transfer mechanisms, a more in-depth FSP assessment and mapping based on CWG member inputs and experiences, would contribute to a better understanding of the available transfer mechanisms.
- Market monitoring: Given hyper-inflation and regional variations across the country, regular market monitoring is necessary to ensure the transfer values can purchase the necessary goods and services.

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<sup>10</sup> OCHA, 2019, “Venezuela Humanitarian Response Plan 2019,”  
[https://reliefweb.int/sites/reliefweb.int/files/resources/20190814\\_HRP\\_VEN\\_EN.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/20190814_HRP_VEN_EN.pdf)

<sup>11</sup> See CaLP’s forthcoming “Coordination Tip Sheet,” <http://www.cashlearning.org/resources/library>

<sup>12</sup> Sample CWG ToRs in the CaLP Cash Coordination tipsheet may help to support the development of Terms of Reference for this group.

<sup>13</sup> December 2017, Standard Terms of Reference for Inter-Cluster (Sector) Coordination Groups,  
<https://www.dropbox.com/s/pdfb8czsizkxhze/Standard%20ICCG%20ToR%20Final%20Version%20December%202017.pdf?dl=0>

<sup>14</sup> Global Public Policy Institute, 2017, “Cash Coordination in Humanitarian Contexts,”  
[http://www.cashlearning.org/downloads/gppi-\(2017\)-policy-paper-on-cash-coordination.pdf](http://www.cashlearning.org/downloads/gppi-(2017)-policy-paper-on-cash-coordination.pdf)

<sup>15</sup> Guidance on each step can be found in the CaLP Coordination Tipsheet

<sup>16</sup> Key Aid Consulting, August 2018, “Case Study on CTP and risks in northern Mali,”  
<http://www.cashlearning.org/downloads/160818calp-mali-case-studyfinalenweb.pdf>

<sup>17</sup> Hutton et al, October 2018, “Case Study on CTP and risks in Yemen, 2015-18,”  
<https://reliefweb.int/sites/reliefweb.int/files/resources/1540822102.CaLP%20Yemen%20CTP%20Case%20Study.pdf>

One assessment organisation is planning a joint market monitoring initiative, which should be supported by implementing actors and donors. This effort could ensure greater rigor and regularity of market assessments, if coordinated with the CWG, and a broader picture of market functionality and price fluctuations as CVA expands outside of Caracas.

These technical efforts require considerable time to coordinate across agencies and therefore require dedicated coordination capacity.

While there has been a push to develop a full Minimum Expenditure Basket (MEB)<sup>18</sup> across clusters to inform transfer values, it may be a challenge for the CWG to take this on immediately, given that CVA is still in the piloting phase and has been primarily food security focused. Many actors reported using the food baskets endorsed by the Food Security Cluster, since access to food is a high priority. Alternative ways of calculating transfer values<sup>19</sup> may make more sense given that CVA is currently in the piloting phase; nonetheless, it would be useful to analyse the outcomes from the pilots against the transfer values.

## Conclusions and next steps

The use of CVA has significant potential to meet the immediate needs of affected populations in Venezuela, but must be well-designed to ensure recipients can safely and effectively access and use the assistance. The following are key conclusions from CaLP's scoping mission:

- The **CVA pilots are promising** and further pilots in different areas of high need in Venezuela should be resourced. In order to build on lessons learned, implementing actors and donors should support the sharing of experiences through the CWG and inter-cluster coordination mechanisms.
- Donors should **support the resourcing of dedicated cash coordinators for the medium-term** to optimise aid delivery and resources, particularly through collective processes to manage risks, map FSPs and monitor programming, as well as markets. Stronger, clearer, better resourced cash coordination<sup>20</sup> would support quality CVA delivery across the response, in particular as new actors start to deliver CVA.
- Due to the nature and impact of the economic crisis, 'stand alone' CVA is unlikely to be effective. **CVA should be integrated with other programme activities** (e.g. 'Cash Plus' programming) and very well-targeted. Such programmes are likely a better entry point for targeting recipients, which will help mitigate tensions between recipients and non-recipients and support more sustainable outcomes.
- In this unique context, **risk-taking and innovation by all stakeholders are required**. Venezuela presents unique contextual factors, but also offers sophisticated financial technology and a high user capacity to offset risks.

CaLP will continue to support the Venezuela CWG and specifically, will work with the coordinators to organise CVA trainings for programme staff, as well as a short courses targeting representatives in the Humanitarian Country Team and the inter-cluster coordination actors to ensure awareness of CVA evidence globally and in the region.

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<sup>18</sup> According to the CaLP Glossary, MEB requires the identification and quantification of basic needs items and services that can be monetised and are accessible in adequate quality through local markets and services. Items and services included in an MEB are those that households in a given context are likely to prioritise, on a regular or seasonal basis. An MEB is inherently multisectoral and based on the average cost of the items composing the basket. It can be calculated for various sizes of households.

<sup>19</sup> CaLP, 2020 "Minimum Expenditure Basket Decision Making Tools," <http://www.cashlearning.org/downloads/mebcalpv4.pdf>

<sup>20</sup> The CWG should build on forthcoming guidance in the CaLP Cash Coordination Tip Sheet to define leadership, scope and priorities.