

# Cash alone is not enough: a smarter use of cash

NRC Position Paper on Cash Based Interventions

Cash based interventions (CBIs) enable crisis affected people to make choices and prioritise their own needs. They also support markets critical to survival and recovery of communities. NRC is committed to increasing the use of cash across its programmes. Yet, cash based interventions are not a perfect stand-alone solution and will have to be used smartly and in combination with sector specific interventions to generate the best results for the people we are trying to help.

## NRC's Cash Experience

In 2016, direct costs for CBIs alone represented 10% of NRC's total programme portfolio, up from around 5% in previous estimates, and this will grow further in 2017. Over 100 projects in 2016 used cash and/or vouchers serving all NRC sector interventions and multi-sector responses. NRC utilises several types of CBI, as outlined below.

## Sectoral and cross sectoral cash expertise

In addition to the sectoral use of CBIs, NRC has also increased its proportion of multipurpose cash grants (MPCG) – where people receive regular or one-off cash transfer to cover fully or partially their basic needs. NRC is committed to always asking “why not cash?” when choosing its intervention modalities and will continue to invest in developing its capacity to use cash based interventions in the years to come.

Unconditional / unrestricted grant	\$23,481,092.24
Conditional /restricted grant	\$10,385,385.62
Voucher	\$2,100,193.47
Cash for Work	\$1,302,226.94
Modality not defined	\$457,798.95
<b>TOTAL</b>	<b>\$37,726,697.23</b>

Overview of NRCs use of cash and vouchers in 2016

Shelter	\$16,786,523.98
Multipurpose cash grants (MPCG)	\$8,851,540.37
Food Security	\$7,702,708.82
Mixed CC (shelter and WASH)	\$2,709,043.95
Camp Management	\$1,257,423.26
Education	\$401,870.69
ICLA	\$17,586.16

NRCs use of cash and vouchers across sectors in 2016

## High risk and remote cash

CBIs can be an effective way to support people living in insecure areas that are difficult to access for humanitarians. Ensuring “do no harm”, navigating the operational complexity and ensuring compliance with donor regulations are all particularly challenging in insecure and volatile areas. NRC is developing niche expertise in remote cash through the Remote Cash Project, a global initiative building on NRC’s experience in Syria, seeking to mitigate the risks of implementing cash based interventions in insecure and hard-to-access areas. NRC has developed guidance, tools and training materials which have been shared with the wider humanitarian community and is rolling out the learning in other country offices. NRC will continue to develop these approaches and advocate to donors on risk sharing in insecure and volatile areas, to ensure that needs are met in the most effective and timely way.

## Emergency preparedness and response

CBIs are often very effective and appropriate in the acute emergency phase (where markets are functioning). The flexibility of unrestricted and unconditional cash transfers in emergencies allows beneficiaries to choose what to spend the assistance on based on their individual needs. Yet, at present CBIs can be slow to establish as they require considerable time and resources to set up. Organisations often struggle to work in consortia in this phase as all have different tools and procedures that need to be aligned. NRC is trying to address this by investing in prepositioning (for example with framework agreements with financial service providers) of cash transfer systems and working with other organisations to streamline systems and tools before the emergency hits.

## Sector specific programme modalities to complement MPCG

NRC welcomes the increased use of multi-purpose cash grants (MCPG). Recognising that these types of programmes cannot address all needs, NRC will continue to build its capacity to run mixed modality projects, providing additional services *alongside* multi-purpose cash. For instance, NRC will provide targeted legal advice on residency and land tenure to prevent people from being evicted from places

where they use their cash grant to pay rent. Or, similarly, provide safety-critical in-kind items such as an earthquake-resistant roof beam or a smokeless stove if people are spending their cash grants to upgrade their houses. NRC will also invest in improving its M&E systems to better capture information that could be relevant for sector specific interventions - if people spend significant parts of the provided cash on education, NRC could supplement the cash transfers with an education programme to seek to address needs in a more sustainable fashion.

## Key Messages

### Increase use of cash in the humanitarian sector – in a smart way

Through the World Humanitarian Summit and the Grand Bargain, global commitments were made by donors, governments, the UN and NGOs to increase the amount of money they spend on CBIs. NRC strongly encourages humanitarian actors and donors to respect their commitments and support the increased use of CBIs where appropriate. NRC welcomes the increased support for CBIs from donors and humanitarian actors.

At the same time, NRC will be a strong advocate for smarter and more nuanced use of CBIs: where it is the most appropriate modality (based on needs, markets, rights and protection considerations).

### There is little evidence to support that cash is riskier than in-kind assistance

CBIs are often perceived as being riskier than other types of assistance, which slows down their adoption. The concerns with using CBIs are generally about how the funds are transferred; what people use them for; cash based interventions leading to an increase in protection risks and do harm; aid diversion and increased dependency. NRC believes risks are not linked to modality but are defined by good or bad project design and implementation. Risk exists with all forms of humanitarian assistance, especially asset transfers, but are less routinely considered with in-kind. Studies such as the Overseas Development Institute’s *Doing Cash Differently* report

[bit.ly/2sRMUHP](http://bit.ly/2sRMUHP)) affirm that risks of CBIs are no greater than with in-kind assistance.

risky if that provider has issues with managing the volume of cash they are handling.

### **Complement multipurpose cash grants (MPCG) with sectoral interventions**

As MPCG alone cannot meet all the needs of vulnerable populations, NRC is concerned that availability of funding for sector specific interventions will dry up when large-scale MPCG are established. MPCG will often not be sufficient for recipients to meet all needs over a period and after the assistance ends. The total sum might simply be too low, needs as well as market conditions might change, and people might have or develop needs that would require services that are not available or cannot be purchased (e.g. healthcare facilities or schools). MPCG and sector specific interventions should be viewed as complimentary rather than mutually exclusive.

### **A single provider and delivery system for MPCG can increase efficiency, but also have negative unintended consequences**

Some donors are starting to support the establishment of a single provider system for delivery of MPCG. ECHO's 2017 guidance note on MPCG in protracted and stable environments articulates an example of the thinking behind these mechanisms. While recognising that having one system for cash transfers can improve efficiency, NRC and many other humanitarian actors have some concerns:

- Limiting flexible, innovative and context-appropriate delivery mechanisms. Cash can be delivered in many ways: through official banks, payment cards, mobile-companies or even through more informal systems, like hawala (which NRC is using in the Middle East and Somalia). NRC takes pride in always trying to find the best modality for the particular context, and be innovative in our approach. Our ability to do so will be limited if we must automatically adopt the systems provided by the chosen provider. These may not work well in all areas and for all groups in each context.
- Could distort the financial services market, and giving an unfair advantage to one provider over others. This is especially true if the service used does not use a local financial service provider. In addition, using one provider could be

#### **Global Clusters and MPCG**

Global clusters are responding to the increased use of MPCG by developing position papers and guidance notes to explain the advantages and limitations of cash when aiming at achieving sectoral impact – see for instance position papers from the global WASH Cluster ([bit.ly/2r4xsHi](http://bit.ly/2r4xsHi)) and Shelter Cluster ([bit.ly/2sffnuJ](http://bit.ly/2sffnuJ)). ECHO's thematic department has also published sectoral guidelines explaining the limitation of cash to achieve specific sectoral outcomes, and rather promotes the combination of modalities to achieve impactful programming.

- The role of NGOs in CBIs will likely change and may become limited to beneficiary selection and M&E, as NGOs will not be big enough to provide single delivery systems, and in the medium term this will likely be done by the private sector. This is not necessarily a problem, but it will raise issues that will need to be factored in. For instance, NGOs will likely continue to be the face of the projects but have close to no control over the quality of the service provided. NGOs would be engaging with communities, identifying beneficiaries, negotiating access. Yet, cannot control when cash is distributed and how reliable transfers will be (as this would sit with single provider of the cash assistance). If people are dissatisfied with the service, the NGOs will not be able to improve it, but will still have to manage the dissatisfaction within communities.

### **Good CBIs can reduce protection risks, but more evidence is needed to understand how they can enhance protection.**

CBIs have shown great potential to help restore dignity as well as reduce protection risks facing vulnerable groups such as female/child headed households or those with different needs (the elderly, people with disabilities, pregnant women and minority groups). As for in-kind programmes, attention must be given to ensure inclusion. Potential barriers groups may face in accessing funds must be assessed and removed. This is particularly important when the delivery mechanism relies on bank or electronic transfers where mobility and literacy are needed. Like in-kind interventions,

protection needs to be mainstreamed throughout a CBI to ensure that it reduces and not exacerbates protection risks. Choosing a modality such as cash or in-kind before protection and risk have been analysed is potentially dangerous and could do harm to targeted recipients. Using CBIs to enhance protection is being tested in various locations. While NRC believes it is important to explore all avenues to enhance protection, it is important that these experiences are properly monitored and evaluated with regards to their protective impact. As with other needs, it is unlikely that protection needs can be solved solely through a cash distribution.

**ECHO guidance note**

On January 31<sup>st</sup> 2017, ECHO published guidance to partners on medium and large scale multi-purpose cash (MPC) transfers in stable protracted crises. The guidance’s key points are:

- Response to be appropriate to the context and consistent with humanitarian principles
- 90:10 efficiency ratio with at least 90% of the grant reaching the beneficiary ('Component A').
- Activities such as beneficiary targeting, needs assessments, complaints management, monitoring and evaluation covered under a separate contract ('Component B').
- A single contracting partner per component per territory/crisis and a single delivery system

NRC is keen to support ECHO and other donors to ensure that MPC transfers are implemented in the best way, minimising any unintended negative consequences.

**Enough funds should be provided to ensure proper beneficiary selection and monitoring and evaluation**

While NRC strongly supports the idea that as little funding as possible should be used to support the implementation of a project, it is important to highlight that selection of beneficiaries and monitoring and evaluation of a project are crucial to ensure its effectiveness and accountability towards beneficiaries.

As with other programmes, ensuring that the right people benefit is a challenge. Making sure that vulnerable groups and individuals are included is often a complicated and time-consuming process. The attractiveness of cash, especially unrestricted cash, means it is even more important to be able to explain targeting decisions to the community. Getting this communication right is crucial to ensuring interventions do not create additional tensions and conflict.

Similarly, being able properly to monitor is important to ensure the success of the project. In addition to monitoring that the MPCG distribution is efficient and reaching the right people, further monitoring of what people spend the cash on can reveal whether multipurpose cash is the right modality to address the needs or if other sector specific interventions are needed to complement the multipurpose cash grant. As with in-kind programmes, it is therefore important that funds are made available to support proper beneficiary selection processes and M&E for CBIs.

**Cash expertise within the humanitarian sector needs to be strengthened if significant scale up is to happen**

There is a lack of overall expertise within the humanitarian sector to deliver cash at scale, and the demand is growing rapidly. Standalone training components are not able to address capacity gaps at individual and organisational levels as well as the blockages that exist within the humanitarian architecture. While investments in capacity building have increased, the outreach and consolidation of expertise is still far too limited. For instance, the NRC managed Cash and Markets Capacity Building Roster (CashCap), has been addressing gaps. However more investment is needed in this area, including in cash coordination.

**Risk should be shared between implementers and donors**

NRC operates in many volatile and insecure places, where needs are great. CBIs are often the most appropriate methodology also in these contexts. As with other programmes, the risks when operating in these environments are higher in terms of do no harm, safety of beneficiaries and staff and aid



diversion. Flexible approaches and alternate procedures, suited to these contexts, are needed. NRC continues to focus on how to improve the organisational ability to work in volatile and insecure environments and mitigate the associated risk. However, it will be important that donors are flexible in how assistance is provided and willing to share the risks associated with providing assistance that use flexible and alternate procedures to populations living in insecure environments – including for the use of CBIs.

### **Donors should invest in innovative cash programmes beyond MPCG**

CBIs have enormous potential, which is far from fully exploited. While MPCG is an important innovation within the humanitarian sector, there might be other innovative and very effective solutions yet to be found. NRC is enthusiastic about multi-purpose cash grants, but encourages donors who want to see a broader range of cash-based solutions to engage on this with NRC. For instance, cash within education programming is far from fully developed in the sector as a whole. Similarly, cash-based interventions can be an important avenue to improve access to assistance for people in extremely difficult contexts, including people on the move, an area NRC has been exploring through its remote cash project. NRC is also investing in pre-positioned e-cards and e-vouchers for quicker responses to rapid-onset emergencies. Donors could support this work by investing in hardware and technological solutions. Similarly, donors could support efforts to develop consortia of NGOs, with common systems and procedures that will allow for a quicker and more coordinated response.

#### **NRC recommendations:**

- Humanitarian actors and donors should not be modality driven. Modality - whether cash or in-kind - should always be chosen based on context, needs, and market analyses for the particular response, not based on a pre-conceived idea of what type of programming should be done.
- Humanitarian actors and donors should ensure that MPCG are not implemented separately from sector specific interventions. All interventions should be seen as complementary to enable a holistic response. Better and more streamlined coordination across sectors is required to ensure timeliness. Agencies delivering MPCGs should share data on expenditures with sectors to identify priorities and gaps.
- In emergency settings and unstable environments single provider and delivery systems should never be the default set up as these contexts require maximum flexibility to ensure a rapid response.
- Donors should make sure that enough funding is dedicated to beneficiary selection and M&E in cash programmes, and that partners facilitating the interaction with communities and conducting the monitoring of projects are given access to M&E data to enable proper analysis and adjustments of approach.
- Cash capacity within the humanitarian community needs to be strengthened. Humanitarian organisations should invest in capacity building of staff and donors should support such activities. This should cover both the sectoral and multipurpose use of cash.
- Ensure risk between implementers and donors is shared when using cash based interventions; especially in insecure and difficult to access locations.
- Humanitarian actors and donors should invest in innovative cash programmes beyond MPCG.

Links to other relevant information:

<https://www.nrc.no/what-we-do/themes-in-the-field/cash-and-vouchers/>  
<http://cash.nrc.no/remote-cash.html>

Contact: [mark.henderson@nrc.no](mailto:mark.henderson@nrc.no) / [roger.dean@nrc.no](mailto:roger.dean@nrc.no)