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EXECUTIVE SUMMARY

The use of cash and voucher assistance (CVA) has grown rapidly in recent years, nearly doubling as a proportion of international humanitarian assistance since 2016 and now accounting for approximately 19%. The development is generally regarded as key evolutions in the humanitarian system in the last decade and change continues.

A study in 2016 by the Global Public Policy Institute (GPPi) found that cash and voucher assistance (CVA) could account for 37–42% of all humanitarian assistance if it was the default modality where feasible and appropriate. The current use of CVA is far from that level and, while it continues to increase, the pace of growth has slowed. This begs important questions:

- WHY IS THE PACE OF GROWTH SLOWING?
- WERE THE PROJECTIONS WRONG?
- WHAT IS THE SCOPE FOR GROWTH?
- WHAT ARE THE OPPORTUNITIES TO INCREASE THE USE OF CVA?

Looking at what is happening now, what people think is possible, and what the numbers are telling us – it is clear that there is potential to increase the use of CVA significantly more. It is also clear that there is no one large reservoir for growth and no simple accelerators – rather the growth potential will only be realised through multiple actions, by multiple organisations, in multiple places.

The research examined the scope for further CVA growth from three different angles:

1. Existing organisational targets for the use of CVA were modelled by combining:
   - the volumes that would have been achieved if agencies that had set a target for the use of CVA had met their goals by 2021; and
   - the CVA volumes reported by agencies that had not set a target.

   Using this approach, the global use of CVA would have reached 30% of the total reported humanitarian operations in 2021. This is significantly higher than the currently reported rate of 19%, but still considerably lower than the GPPi estimate.

2. The challenges to scaling CVA were examined with a focus on three countries – Yemen, Zimbabwe and the Philippines. Major challenges to further scaling CVA included:
   - Overall funding shortfalls.
   - The need for nuanced responses that take account of how feasibility varies in terms of location and timing e.g., CVA may not be feasible in the first days of some responses but usually becomes possible when markets and networks recover.
   - Harmonisation of approaches among actors remains a challenge, including the need for greater interoperability around beneficiary registration and targeting.
   - Managing frequent contextual changes requires agile programmes to respond effectively.
   - The influence of donor views on the use of CVA in any given context.
   - The role of pre-positioned relief items in humanitarian response, including pressures to use stocks and issues related to response visibility.

2 GPPi (2016). Drivers and Inhibitors of Change in the Humanitarian System, p. v.
The potential to switch in-kind assistance to CVA was explored, focusing mostly on food aid but also considering non-food items (NFIs). While there is clear scope to change some of this in-kind assistance to CVA, it is impossible to estimate a global figure given the lack of tracking and public reporting of in-kind assistance.

Some resources provided by donor governments define the type of assistance to be used. This usually takes the form of in-kind resources provided by the donor, or to a lesser extent, relief items procured and shipped by the donor – often in the wake of a sudden-onset disaster. The single biggest volume of aid with such restrictions is food aid from ‘Title II’ of the US Farm Bill. Title II aid includes direct donations of US agricultural commodities, restrictive shipping costs, and some flexible funding for emergency relief and development programming (including, but not limited to CVA). The impact of substituting the entire Title II budget to CVA, as modelled. Had a change been made in 2017, for example, total global volumes of CVA that year would have been 21% rather than 15% of total international humanitarian assistance.

The choice of modality also becomes restricted once funding is used to procure and pre-position relief items. Increased cash preparedness should, in theory, allow agencies to reduce the pre-positioning of relief items. It is impossible to work out what this would mean in terms of additional CVA, since there is no collective tracking of pre-positioned goods.

While most of those interviewed feel the ‘burden of proof’ that CVA is more effective than in-kind assistance has been achieved in the food security sector, views were divided regarding other sectors – with some seen as making good progress and some as being hesitant to further increase the use of CVA. The use of multi-purpose cash (MPC) raises questions about where accountability lies for achieving sectoral outcomes – a fact that may impede its scale-up. It is possible that the larger potential to scale CVA is in MPC and not in sectoral CVA, as the former is the area where the humanitarian system’s response planning has not shifted significantly.

To better understand the most effective balance between MPC, sector-specific CVA and in-kind assistance, there is a need for stronger tracking and reporting, particularly, of in-kind assistance. There is also need to
address the missing institutional dialogue between logistics actors and CVA actors about reducing pre-positioning of in-kind goods alongside strengthening cash preparedness.

In some contexts, the greatest potential for increasing the use of CVA comes from stronger links to social protection and from new sources of financing in crisis-affected countries, such as international financial institutions (IFIs). For instance, in the current humanitarian crisis in Sri Lanka, the US$160 million World Bank support to existing social protection benefits far exceeds humanitarian agencies’ cash or in-kind support. Humanitarian actors should advocate for increased financing from IFIs, climate financing and domestic taxation to fund social protection in order to better meet basic needs in crises through a combination of resources. Rather than a focus on simply adjusting the mix of modalities provided by international humanitarian aid, a more holistic view beyond the traditional humanitarian system should enable more diverse forms of financial assistance to reach people in crisis.

The increasing use of CVA is putting pressure on the humanitarian system to change and at the same time, the system requires changes to scale up CVA – there is clear pressure in both directions. The study found that as the use of CVA increases it is likely that, at some point, funding patterns will change and – potentially – the logic of primarily organising the system based on sectors. While many felt such change is needed for CVA to grow, and that it will happen in time, many are sceptical with regards to the pace of change.

Looking at the implications of scaling CVA to its potential, many people expect a consolidation of the existing tendency towards fewer and larger grants to big organisations, predominantly the UN, but also some large INGO consortia. This trend brings a tension between the emerging funding patterns for CVA and commitments to localise humanitarian response and funding. While these issues may be pulling in different directions at present, there are ways of addressing this – particularly as the system evolves.

When scaling CVA, donors see a potential for efficiency gains in terms of transaction costs and time, and possibly also effectiveness gains. While there is a general fear that national and international NGOs would lose out in the process of consolidation of CVA delivery, some NGO actors emphasised that there will always be a role for them to: (a) monitor from the community level to ensure accountability to affected populations, (b) transfer skills to local actors, and (c) empower local civil society in its accountability function. Unsurprisingly, private sector actors welcomed the trend towards fewer, larger contracts, which is viewed as more cost effective.

In the face of increasing humanitarian needs globally, there is the need to increase both the amount and types of financing to meet needs, as well as the need to use existing resources more effectively. Further growth in the share of CVA within the humanitarian system requires careful context-by-context and sector-by-sector analysis of trade-offs to determine the most appropriate mix of CVA and in-kind modalities. To the extent that targets are useful to galvanise ambition and action, the research concluded that if CVA were delivered wherever feasible and appropriate, it could account for at least 30% and up to 50% of global humanitarian assistance.
INTRODUCTION

The growth of cash and voucher assistance (CVA) is regarded as a key driver of change in the humanitarian system. Humanitarian stakeholders committed to ensuring the routine use of CVA under the 2016 Grand Bargain framework, and substantial work done in this area since then making it one of the most successful of the Grand Bargain’s workstreams.

A study by the Global Public Policy Institute (GPPi) in 2016 concluded that cash-based programmes could account for 37–42% of all international humanitarian assistance if CVA was used as the default modality wherever feasible and appropriate. These figures are widely referenced in the humanitarian discourse and based on the following assumptions: ‘Cash programmes would be delivered in 70 to 80 percent of all humanitarian contexts. There, they would account for different shares per sector, ranging from food (~90 percent) and shelter and non-food items (~70 percent), to education (~30 percent) and sectors where cash would not be used at all (e.g., protection).’

The GPPi report made various predictions for how the scaling-up of CVA could change the delivery of assistance. Six years on, some of those predictions have been realised and some not. For instance, the ‘burden of proof’ no longer fully rests with CVA but the shift towards multi-purpose cash assistance (MPC) has not occurred to the extent anticipated. Things continue to evolve.

According to Development Initiatives, the percentage of humanitarian assistance delivered as CVA has increased to 19% in 2021, making it roughly half of what GPPi projected it could be.

So where are the untapped reservoirs of growth that could explain the difference between the current use of CVA and projections of what could be possible? This report explores that question and, to a lesser extent, explores how growth could be unlocked.

AN INCREASE IN THE SCALE OF HUMANITARIAN CVA COULD BE ACHIEVED IN THREE WAYS:

01 A shift in the balance of existing activities e.g., providing less in-kind food and non-food items and more CVA where feasible and appropriate;

02 Developing stronger links with development aid and national social protection systems that provide cash to people in need; or

03 An increase in overall humanitarian financing – growing the overall envelope rather than reorganising it.

3 GPPi (2016). Drivers and Inhibitors of Change in the Humanitarian System, p. v.
This study focuses on the first option, i.e., the potential for shifts within existing activities, although the scale of need and growing disaster risks require all three actions to be taken. A three-track approach was used to explore this question:

**The first focused on agencies’ own quantitative targets.** Here, the research examined what percentage of total humanitarian operations would have been delivered using CVA if all agencies had reached their own quantitative targets in 2021. This exercise looked at 22 organisations with internal or external targets and which, combined, implemented around 90% of total international humanitarian CVA in 2021.

**The second looked at contextual barriers to scaling CVA, exploring situation in three country contexts** – Yemen, Zimbabwe, and the Philippines.

**The third explored what in-kind assistance could feasibly be switched to CVA.** Focused mostly on food aid, but with some non-food items, this track unpacks the question of where decision-making power sits regarding modality choices and the barriers to change.

The report then reflects on the possible organisational and systemic implications of scaling up CVA. It examines scenarios for changes in funding patterns, organisational practices for donors and implementing actors, as well as the humanitarian coordination system. It indicates where further research is needed and the need for continuous advocacy to maintain momentum for the scaling of CVA.

The study draws on key informant interviews with 62 interlocutors from 32 agencies, either working at the global level or in one of the three country contexts (Yemen, Zimbabwe and the Philippines), a review of the relevant literature and data analysis of financial volumes of CVA.
WHAT IF ALL AGENCIES HAD MET THEIR OWN QUANTITATIVE TARGETS?

2.1 EXISTING QUANTITATIVE TARGETS AND ACTUAL ACHIEVEMENTS TO DATE

The most comprehensive data for the global volume of humanitarian CVA is based, largely, on self-reported data from implementing agencies. The data is collected annually by CALP and Development Initiatives and is reported in DI’s Global Humanitarian Assistance report and CALP’s State of the World’s Cash report.

A review of the CVA policy landscape in 2022 found that 22 actors had, at some point over the last six years, set a quantitative target for CVA. This group included four donors (the EU, the UK, Spain, and Belgium), one UN agency (UNHCR), the International Federation of Red Cross and Red Crescent Societies (IFRC), one national society (the British Red Cross), three local NGOs (Juba Foundation, Action pour le Développement du Sahel, Yemen Family Care Association) and 12 INGOs.

Organisations used a variety of approaches for setting and adjusting the value of the target:

- Some were cautious in their assessment of how far they could scale up CVA for fear of falling short or owing to concerns regarding radical change.
- Some chose an ambitious target – using the opportunity to ‘aim high’, show a vision and create momentum. Whether the target would eventually be reached on time or not was seen as secondary.
- A small group of agencies have exceeded their targets but have not renewed them at a higher level.
- The research found only one agency that had reduced its target after having understood the complexity of not only scaling cash, but also correctly tracking the increase.

As well as showing strategic ambition, there were a range of factors that determined the scale of CVA different organisations aimed to achieve. The nature of programming, in terms of sectors and the possibility to shift assistance to CVA, was an important determinant. For one INGO with the seemingly low target of 14% for CVA, the provision of medical equipment makes up a large share of their budget and cannot be monetised. So individual organisational targets may be seen as conservative or ambitious depending on context and the types of humanitarian assistance provided.

Most of the CVA targets were set as a percentage of overall humanitarian portfolios (most common) or official development assistance (ODA) (e.g., Spain). Amongst the donors, the European Civil Protection and Humanitarian Aid Operations (ECHO) had the most ambitious target at 35%. GiveDirectly is the only operational organisation that aims to give all its assistance in the form of cash. Of the other operational actors interviewed, the targets varied from below

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5 Ibid.
8 12 INGOs which set targets are Action Aid, CRS, Danish Church Aid, Food for the Hungry, GiveDirectly, IRC, Islamic Relief, MDM-Belgium, Mercy Corps, Oxfam, People in Need, World Vision.
9 Germany has no target, but the Federal Foreign Office tracks the percentage of CVA annually and reports having reached 20.6% in 2020 (14.5% cash and 6.2% vouchers).
5% to 50%, with IFRC/BRC and World Vision having the highest percentage target (50%). Three actors set volume targets. UNHCR, set both a volume target (US$670 million by 2021) and a percentage target (22% by 2025, double the baseline of 11% in 2015) and is the only UN agency having established a quantitative target.

Several Country-Based Pooled Funds (CBPFs) also have quantitative targets. The Grand Bargain annual independent report 2022 found there was a drop in the percentage of CERF [the Central Emergency Response Fund] funds provided to affected people as cash and vouchers – from 16.2% in 2020 to 8% in 2021. OCHA reports that the exceptionally high figure for 2020 reflects the unique US$80 million CERF cash allocation for food insecurity fuelled by the Covid-19 pandemic. Interestingly, even the high figure is lower than the global average (19%) of international humanitarian assistance delivered in the form of CVA.

Given that CERF funding is free of earmarking by delivery modality, this begs the question why the receiving UN agencies generally seem to choose CVA less than the global humanitarian system as a whole. There are positive examples that veer in the other direction, for example the response to Typhoon Odette in the Philippines where 60% of the CERF funding was deployed as CVA transfers to people in crisis. Further research on this topic could shed light on whether CERF funding could be considered a reservoir for untapped CVA potential.

The tracking of targets is highly variable. Some agencies don’t track progress; some track progress but don’t publish the data; and a few agencies, for example, publish an annual cash report and World Vision publishes annual milestones. When contacted for updates, several organisations reported that the target had fallen out of use or was never fully institutionalised. One agency reported that senior management had lost interest in tracking the figure and so they had decided to discontinue tracking efforts; another realised it could only track ‘in a very light and flexible manner’ and the data was not seen as sufficiently rigorous to share externally. With all these caveats, the targets and progress made were compiled where data exists.

### FIGURE I QUANTITATIVE TARGETS AND ACHIEVEMENTS TO DATE

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<td>Sources: Agencies own public reporting on CVA and humanitarian operations, Grand Bargain Self-Reports or ODI/HPG Grand Bargain Annual Independent Reports.</td>
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*WFP does not have a quantitative target, but its reported progress is included in the graph as it transfers by far the largest volume of CVA.

10 ODI/HPG (2022). The Grand Bargain in 2021: An independent review, p. 76. Overall, CERF resources increased marginally from 2020 to 2021. It can be assumed but would have to be verified that Covid-19 allocations were seen as MPC and not food security-related, hence the increased use of CVA.

2.2 EXISTING QUANTITATIVE TARGETS AS A MEASURE FOR THE POTENTIAL OF SCALING CVA

CVA targets provide a statement of an agency’s own ambitions for scaling CVA and an indication of their view of what they think is achievable. On this basis, the research used these targets to arrive at a potential value of CVA.

The advantages of this bottom-up approach to calculating a new global figure are:

**CREDIBILITY:** the value is based on organisations’ own assessment of their potential, generating an aggregate of self-defined targets and not an externally imposed measure.

**ACCOUNTABILITY:** those actors who have established a target and mechanisms to monitor it, have introduced ways to hold themselves to account for the scaling of CVA.

Most of the targets that exist were expressed as a proportion of humanitarian programming or expenditure.

To develop an overall figure, data was combined as follows:

- External-facing quantitative targets were used. Agencies with such targets delivered approximately 40% of the CVA implemented in 2021, according to CALP’s and DI’s data collection and calculations.

- Proxy targets were identified for other agencies, based on the assessments made by key informants. This increased the coverage of the CALP and DI dataset to approximately 90%. By applying the proxy targets to the humanitarian expenditure of the respective agency in 2021, the hypothetical potential volume of CVA was calculated.

- For organisations without any information on CVA targets, we added actual volumes of CVA implemented in 2021 alongside humanitarian expenditure for the same year to our sample, bringing coverage of the CALP and DI dataset to 97%.

- The calculated volumes of CVA and actual humanitarian expenditures were then aggregated across all organisations to achieve a global total. The final sample included data for 41 organisations spanning UN agencies, NGOs and the RCRC Movement, with their aggregate humanitarian expenditure representing close to 80% of total global international humanitarian assistance provided in 2021 (US$33.2 billion).

With this approach, the total global volume of CVA would have amounted to US$7.8 billion if all organisations in our sample had reached their respective CVA targets in 2021. **This would be an increase of almost a fifth (19%) in the total volume of their CVA operations and would represent 30% of the total humanitarian expenditure across all those organisations.**

This share could be described as the current self-assessed, global ‘potential’ for CVA within the total humanitarian assistance provided by those actors. This estimate is lower than GPPi’s estimate (37–42%) for the global potential of CVA within the humanitarian system. The difference comes from very different approaches which are not directly comparable. The 30% figure generated by this research is based on a ‘bottom-up’ methodology and comes with the caveat that different organisations display widely varying levels of ambition to scale up CVA, meaning it should be regarded as a conservative estimate.

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11 For a small number of organisations, data on humanitarian expenditure in 2021 was not yet available and 2020 was used as a proxy instead.

12 For a small number of organisations, data on humanitarian expenditure in 2021 was not yet available and 2020 was used as a proxy instead.

13 This figure is calculated from the same underlying data as that presented in the Global Humanitarian Assistance (GHA) Report 2022. However, total IHA in the GHA report is adjusted for inflation, i.e., in constant prices, to have more comparable figures over time. This figure is in current prices and therefore not adjusted for inflation, same as the CVA and humanitarian expenditure data by organisation, as those only represent a single calendar year.

14 As WFP is by far the single largest implementer of CVA, the research projected the change if WFP also aimed for 50% of its entire operation being delivered as CVA. In this case, the global percentage would increase from 30% to 34%. 
2.3 VIEWS ON THE CURRENT PROPORTION OF CVA AND THE POTENTIAL TO SCALE UP

All key informants thought there is scope for further growth in the use of CVA. Only a smaller group were ready to estimate a range, mostly oriented around existing ambitious targets such as the one set by the IFRC and World Vision: 50%. Five key informants saw this as an ambitious target, but within reach. One caveated that a lot of political will, coordination and cooperation would be required for such a drastic change, but conceded that the significant moves made by WFP over the last 15 years towards CVA shows that shifts of that magnitude were possible.

Two respondents proposed that regional targets should be set within their organisation, since regions have different potentials. Establishing regional targets in a context-driven, participatory way could increase collective ownership and reduce scepticism about a biased, externally imposed approach. Collective input into those targets could also lead to greater accountability to ensure they are achieved. One agency set regional targets alongside a global one, but these are not publicly available.

Two key facts were identified by key informants when they were asked for an estimate of how much CVA would be possible.

01 CONTEXT DETERMINES WHERE AND HOW MUCH CVA IS POSSIBLE.

Strong regional differences in the percentage of CVA that organisations deliver were highlighted. In addition, the reaction of the humanitarian system to different crises can cause significant variations in the scale of CVA. One INGO gave an example of their new CVA programme in Ukraine that is more than double the size of all its other CVA programmes combined. Several actors involved in the Emergency Social Safety Net (ESSN) in Turkey mentioned the size and influence of that one programme compared their overall CVA portfolio. Furthermore, as the example of Zimbabwe illustrates (see section 3.2), views of CVA can change over time and affect perceptions regarding feasibility.

02 CONFLICTING COMMITMENTS MAY HINDER THE POTENTIAL TO SCALE CVA.

Since donors have committed to provide more unearmarked funding as part of the Grand Bargain, several donor interviewees stated that they do not impose a modality choice on their partners, though some do promote and encourage the systematic consideration of CVA. The same argument was made by INGO representatives that work mainly through local organisations. In both cases, the value of allowing the implementing agency to determine the appropriate programme design was deemed more important than imposing CVA as a delivery modality. For an INGO that works exclusively through local partners, the ‘cash literacy’ of the partner (i.e., the willingness, experience, and capacity of partners to conduct CVA) was seen as a more important factor for their ability to scale CVA than the feasibility or market functionality in a specific context.

Several key informants highlighted their efforts to improve cash preparedness as a precondition for scaling CVA, mainly by strengthening CVA capacities of their country teams but also that of local partner organisations. While several saw strong progress, some stressed that the increase in cash preparedness was not necessarily accompanied by a reduction of in-kind preparedness. One person perceived colleagues in the agency as still being ‘addicted to boxes and stickers’, another stressed the fact that in-kind implementation is easy, predictable and a very ‘safe’ modality to implement, as prices are known, quantities of stocks can easily be reported on and, from an administrative and visibility perspective, ‘everybody is happy’. This person emphasised the need to change from ‘what is comfortable to what is efficient’. The visibility aspect was also highlighted by several interlocutors working in the Philippines and by donor staff working on global supply chains.
The few key informants that were sceptical of fixed quantitative targets suggested the use of other CVA markers. As a proxy for tracking the quantitative evolution of the modality, some agencies are already tracking the number of programmes using CVA; and some are tracking the number of partner organisations using CVA. One person also suggested that qualitative criteria for response analyses should be found, and monitored, to measure that CVA is used ‘100% of the time when appropriate’.

Key informants from a global cluster highlighted that quantitative targets, even in specific contexts, are not equally applicable across all sectors and in some cases even counterproductive, with too much focus on the solution instead of the problem. They underscored that the potential for CVA to address barriers to accessing basic social services heavily depends on context, and more CVA does not equal more effective programming. Thus, the response strategy and programme design should be driven by robust problem analysis. To this end, the global health cluster set itself a target to systematically analyse the barriers to accessing healthcare across humanitarian response plans, with guidance on how to consider CVA as a potential solution in that barrier analysis.15

When asked which parts of the humanitarian system held the greatest potential for growth in CVA programming:

- Key informants most frequently identified features such as those seen in middle-income countries, wherein markets tend to be more resilient and financial service providers (FSPs) offer their services across the entire country.
- Two key informants saw particular potential in new crises.
- Only key informants working for US INGOs named funding coming through ‘Title II’ of the US Farm Bill as a reservoir for growth (see section 5.1.1).
- With regards to the potential to scale up CVA in the different sectors (see section 5.2.2), key informants frequently saw room for improvement in specific non-food sectors that involve the transfer of assets, and one respondent said that globally, ‘food is well cashified’.

The lack of sector disaggregated CVA data was identified as a barrier to more detailed quantitative analysis. Two actors, however, made internal data available: one found that 78% of its CVA was MPC, 18% was predominantly CVA in education, 2% nutrition and 2% WASH. Another reported that 96–97% of its CVA used to be for addressing basic needs but this share has reduced to 92%, with the remaining 8% going into sectoral programmes with continued emphasis on finding suitable sectoral applications for CVA.

Discussions about the growth potential across the various sectors quickly led to scrutiny of the way that a minimum expenditure basket (MEB) is calculated, i.e., which sectoral expenses are included, and the implications of shifting from sectoral cash to MPC in terms of accountability for achieving sectoral outcomes. One interviewee from a UN agency emphasised that their approach was not to monetise assistance (e.g., by turning jerrycans into vouchers or including them into the MEB calculations) but to employ financial assistance to remove barriers that prevent access to basic social services.

Several interviewees pointed to the fact that there is still no ‘home’ for MPC within the humanitarian architecture. The recent work on the indicators for MPC was mentioned by three interlocutors as a useful and positive step to engage the different clusters, and something that should be maintained. According to one donor representative, scaling CVA should be about shifting the mindset of the entire system to a multisectoral response.

Context is, of course, key to the design of any effective response. Contextual issues can emerge as both enablers and barriers to scaling CVA with factors changing over time such that a country which was once unfavourable for CVA becomes favourable and vice versa. In this section, contextual barriers are explored, drawing learning from Yemen, Zimbabwe and the Philippines.

### 3.1 YEMEN

Yemen provides an example of a large-scale crisis where, given the volume of international humanitarian assistance (US$2.7 billion in 2021\(^{16}\)), even a small increase in the percentage of CVA would be noticeable at the global level.

Humanitarian needs in 2022 remain high with almost three-quarters of the population (23.4 million people) in need of humanitarian assistance and protection, of which 19 million people need food assistance.\(^{17}\) The significance of CVA, especially MPC, as part of the crisis response in Yemen has grown in recent years. While actors in Yemen perceive there to be scope to scale up CVA further, the overall lack of funding to sustain the response and the need to harmonise existing CVA programming are seen as obstacles to achieving this.

According to the cash and markets working group (CMWG) in Yemen, total CVA transfers increased from US$435 million in 2020\(^{18}\) to US$604 million in 2021.\(^{19}\) This amounted to 22% of HRP funding in 2020 and 25% in 2021, with further funding used for associated CVA programming costs. Most of the CVA transfers took place under the food security cluster (US$476 million, 79% of total).

In 2021, MPC transfers amounted to US$80 million, representing an almost five-fold increase compared to 2020 (US$17 million), across the multisectoral refugee and migrant response (RMMS), the rapid response mechanism (RRM) and other MPC activities. Growth has continued and, for the first time, MPC is captured in the Yemen 2022 HRP as a distinct chapter, with requirements totalling US$69 million. Despite the growth, MPC still only accounts for 3.3% of the total HRP requirements. The major actors implementing MPC in Yemen are the Cash Consortium of Yemen (CCY) and UNHCR.

Key informants agreed there was scope to further grow the volume of CVA and increase its significance within the overall crisis response, with one interviewee estimating that CVA could account for up to 50% or 60% of all relief activities.

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\(^{16}\) This equates to 12% of the total, country-allocable humanitarian funding reported to the Financial Tracking Service (FTS) in 2021


\(^{19}\) This is based on preliminary data shared bilaterally by the CMWG. Once finalised, it will be made available on its website: https://www.humanitarianresponse.info/en/operations/yemen/cash-and-marketing
Yemen has a well-established cash infrastructure due to its historical reliance on remittances and social protection systems dating back to the 1990s, resulting in a large number of FSPs with experience in facilitating cash transfers and outreach to remote areas. Yemeni communities are used to and favourably disposed toward cash transfers, with, according to key informants, between 90% and 100% of households expressing a preference for CVA across surveys. Key informants also pointed out that while the macroeconomic situation in Yemen has deteriorated significantly over the course of the crisis, local markets are functioning almost everywhere in their provision of items to fulfil basic needs.

According to interviewees, Yemen remains a complex context in which to implement CVA. Inflation, for food and fuel in particular, and a volatile national currency requires that regular assessments are conducted to ascertain whether CVA continues to be the most effective modality to meet programming objectives. The ongoing revision of the survival minimum expenditure basket, with different values for North and South Yemen, to account for the different economic circumstances, seeks to address this.

Key informants recognised that the Yemeni authorities are overall in favour of cash assistance but have, at times, halted some CVA activities or tried to influence programme design. For recipients of unconditional cash through the Social Welfare Fund (SWF), one of the two social protection mechanisms alongside the Social Fund for Development (SFD), the beneficiary list has remained largely unchanged since the start of the conflict in 2014, owing to the extensive political process that would be required to update it. In short, relationships with the different authorities are complex and need to be carefully navigated by implementing agencies.

Key informants indicated that declining humanitarian funding to Yemen as a result of other crises (e.g., Ukraine, Afghanistan) and donor fatigue is a major challenge to sustaining even the current level of response, so scaling up CVA is not straightforward. Yemen has been among the three largest recipients of international humanitarian funding since 2015, yet needs remain as high as ever. Given funding shortfalls, several key informants reported the need to reduce the scale of overall assistance, including CVA, despite their desire to scale up CVA. UNHCR, for example, had intended to expand its CVA portfolio following growth in 2020 and 2021, but so far has seen it reduce due to a lack of funding. Equally, WFP reports a funding shortfall of over 80% for its CVA programmes from October 2022 onwards (a larger shortfall than for in-kind food assistance) and so will discontinue commodity voucher programming in the last quarter of 2022. WFP’s in-kind distribution is largely funded through in-kind contributions from the US Title II envelope, representing almost a quarter of total funding to the 2022 HRP so far.

It is not simple to substitute in-kind donor contributions with cash. Activities in Yemen that receive the more flexible International Development Assistance (IDA) funding from the US are already underfunded, and other medium-sized donors are unable to step in due to the sheer scale of contributions needed. The resulting need to rationalise response activities has led to calls for better targeting. One donor key informant noted that the requirement for partners to evidence that they are targeting those most in need is of greater importance than their choice of modality in order to sustain donor support. In line with this, ECHO advocates moving towards targeting criteria that are increasingly based on an assessment of vulnerability rather than status.

The need for greater harmonisation of cash programming across humanitarian actors and with existing social protection mechanisms was seen by some as a precondition for the further scale-up of CVA in Yemen. At present, there is little understanding of the overlaps between the different beneficiary lists, partly due to a lack of systematised data-sharing, aside from a few bilateral agreements. Multiple interviewees called for better interoperability of lists to help reduce duplication and enable more referrals between CVA programmes and/or to social protection systems. While some progress has been made, e.g., the CCY was set up to harmonise programming around MPC and has been building referral channels with the RRM, UNHCR and other actors, there is a long way to go. Referrals will become especially important in light of declining funding to ensure a continuum of care.

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22 This is according to data from UN OCHA’s FTS at the time of writing, 22 August 2022.
An added challenge limiting the expansion of CVA programmes in the North of Yemen are significant delays in the biometric registration of potential recipients. One key informant also noted the absence of real-time information on which CVA actors operate where, even though the CMWG is working to improve data availability.

Following the UN-brokered truce in April 2022, some thinking was emerging to expand livelihoods programming, with CVA potentially playing a role. Humanitarian donor interviewees feel that implementers need to build the business case for CVA with development donors. Consolidation in terms of social safety nets is currently underway, with the SFD integrating the unconditional cash transfers under the SWF, cementing the SFD’s central role as a social protection provider and as focal point for humanitarians to establish better links with their CVA programmes. Efforts to operationalise those collaborations are still in their early stages. The SFD is also rolling out national IDs for its recipients, inviting actors to get on board with the initiative to make some much-needed progress on harmonisation.

One key informant called for greater recognition that some districts in Yemen require humanitarian relief, while others need stabilisation efforts and investments in health and education infrastructure. Integrated programming (e.g., ‘Cash Plus’) can support the latter. Looking ahead, it seems reasonable to think that CVA is a suitable modality to support the transition from humanitarian to development assistance.

3.2 ZIMBABWE

Zimbabwe was chosen as an example of a small response that has the potential to be delivered predominantly as CVA. The context for the development of CVA has significantly changed several times in Zimbabwe, sometimes in favour of, but also frequently against, the feasibility of CVA. Aid agencies struggled to maintain the agile programme implementation capacity that is necessary to adjust to these frequent changes in real time.

The food insecurity situation has deteriorated over several years as a result of natural resource shocks (drought, floods, cyclone, fall armyworm, livestock disease), economic challenges (falling GDP, hyperinflation, a cash liquidity crisis, foreign currency shortages), high formal unemployment (85%) and epidemics (Covid-19, malaria, diarrhoeal diseases).

Crop production was significantly below average over the last years, and smallholder farmers are struggling with already visible signs of climate change. Over the last 10 years, 60% of seasons were yielding a harvest that was significantly below the average. This increased the dependency on imports, and higher prices have proven unaffordable for food insecure households, particularly in urban areas. The Covid-19 pandemic has disproportionately affected people who were already vulnerable. Government social safety nets are under-resourced, inconsistent and unreliable, fragmented in coordination and coverage, and with limited capabilities to scale up to meet needs. Only 5.5% of the urban poor report being supported by the government’s social safety net.

The support provided by the humanitarian community consists of an annual large-scale lean season assistance, supporting up to 1.5 million people per year across the country. There is also an urban CVA response that reached approximately 326,000 people at its peak in early 2021, but coverage has since reduced to only 50,000 recipients as a result of a drastic reduction in funding, primarily from the UK, which used to be the single largest donor for this programme.

The evolution of the lean season assistance provided by WFP reflects the key challenges in maintaining CVA as the dominant modality. This assistance was provided mostly as cash until the end of 2019, when the use of US dollars in Zimbabwe became impossible due to lack of available notes, and later was made illegal by government regulations. Though the US dollar was reintroduced as legal tender in mid-2020, persistent liquidity shortages have been a key barrier to its use, alongside a widening gap between the official and parallel exchange rates. Government regulations

allowing private sector actors to operate with the parallel rates – and aid agencies to peg the transfer value to the US dollar – frequently change. This poses a significant challenge to ensuring that recipients maintain the full purchasing power of the received transfer value. The ability of the private sector to ensure that markets continue functioning, especially in more remote rural areas where the lean season assistance is most needed, is unclear. Some aid agencies, notably INGOs, believe the market has capacity for the scale-up of their programmes, but others, WFP for example, assess the capacity as largely insufficient.

Given these different perspectives, various approaches to dealing with these challenges have evolved. One INGO, for example, implements around half of its overall programme as CVA, focusing mainly on urban and semi-urban areas. They use CVA in a broad spectrum of programme activities: as part of their nutrition intervention (with a focus on prevention), as part of urban food security, and as an emergency social safety net intervention. They report that aid recipients confirm their preference for CVA in post-distribution monitoring and cite buy-in within the organisation as a key prerequisite to continue using CVA, despite the macroeconomic challenges. The key informant noted that being the grant holder rather than an implementing partner was also an important precondition, enabling them to choose the modality themselves.

WFP highlighted the need to ‘err on the side of caution’ and justified its decision to implement 100% of the lean season assistance in-kind on the basis of its risk analysis, coupled with a concern over the ability to cover as many people as initially planned. As the price of the food basket has doubled over recent months, deploying CVA would have meant a huge increase in costs and thus a significant reduction in the caseload of assisted people. The fact that food commodities had already been ordered at a time when global prices were lower was seen as a key factor ensuring the capacity to respond – though admittedly through a modality less preferred by recipients. While WFP implements ‘hybrid’ responses in other countries, i.e., mixing in-kind and CVA, the country management team in Zimbabwe did not consider this to be possible even though the nature of the underlying funding would have allowed it, albeit with an increased grant management burden for both WFP and the donor.

Programme agility, switching between aid modalities and mixing them over a larger geographic area, have proven to be key aspects in the scaling up of CVA in Zimbabwe. However, a key informant of a large donor agency highlighted that their internal processes are not conducive to responsiveness and agility. For example, the lead time to sign grant agreements forces them and partners to take decisions on modality months before the harvest, and later changes can take weeks or months to agree (even when the grant period is only one year). This reality is seen as a strong deterring factor to considering programme adjustments such as revisiting a modality choice.

The influence of donor preference for CVA was highlighted several times in the interviews as a significant factor in the scaling up of CVA that occurred in 2021. One donor is perceived as supporting mainly those NGOs that can deliver CVA. One key informant presumed that some NGOs would be unable to access some funding opportunities, as they have not shown the resolution and expertise necessary to mobilise CVA in the challenging current economic and political environment.

The fact that the UK, known as a particularly CVA-oriented donor, is no longer contributing to the humanitarian response in Zimbabwe was seen as a factor that led to the decline in the use of the modality. With a reduction in the use of CVA, coordination activity has also declined – a fact linked to the loss of human resources having part of their time dedicated to (co-)chairing the CWG. If CVA increased again, key informants assume the interest in the CWG would increase and would have a positive effect on programming-related activities.
3.3 THE PHILIPPINES

The Philippines provides an example of a context of recurrent natural disasters where local actors, governmental and non-governmental, play a significant role, where pre-positioning of relief items is widely used, alongside CVA that is linked with the government’s social protection scheme.

The Philippines ranks among the top countries in the world for population exposure and vulnerability to hazards. The government has strong coping mechanisms based on their experience with disasters. The Department of Social Welfare and Development (DSWD) is the lead agency for disaster response as well as social protection. In 2022, DSWD together with the World Bank launched an operations manual for Emergency Cash Transfers (ECT) during disasters. The manual recognises cash as a valuable modality of assistance in disaster response and includes opportunities for harmonisation and standardisation of CVA protocols and procedures.

The most recent large-scale disaster was Typhoon Rai, known locally as Odette, which struck the Philippines on 16 December 2021. The typhoon brought torrential rains, violent winds, floods and storm surges. It affected an estimated 16 million people, leaving about 2.4 million people in need of assistance. The humanitarian community appealed for US$107.2 million to respond to the most urgent humanitarian needs during the first six months. US$61 million was received, with the US, Japan and CERF being the three most important contributors. The US and ECHO both funded consortia for the typhoon response and pushed for the use of CVA but other donors opposed the use of MPC. Key informants also mentioned examples of two other donors who either requested agencies to use vouchers or not to use their funding for CVA at all, despite the fact that the effective and efficient use of CVA had been demonstrated in the country during earlier responses.

Humanitarian agencies started to use CVA for disaster response in the Philippines in 2009, and the number of organisations and programmes delivering CVA has increased since then. CALP’s assessment of the response to Typhoon Haiyan in 2013 surmised that 40% of the entire response was implemented as CVA, whereas 60% of the CERF funding for Typhoon Odette was transferred as CVA (data for the entire Odette response is not yet available).

Key informants highlighted the importance of sequencing different transfer modalities effectively as key to an agile and appropriate response that takes into account both the feasibility of CVA as well as community preferences. In the first days after a disaster, network connectivity is generally down and markets are frequently interrupted, hence an initial in-kind response is often the most appropriate modality. In that phase, the government and local agencies respond with pre-positioned items while international actors play a support role, e.g., WFP provides the logistical capacity to transport family food packs provided by the government. When markets resume and connectivity is restored, agencies can then top up the local response with additional cash transfers and/or add increase the number of recipients if government’s capacity is stretched.

WFP is currently running the largest humanitarian CVA programme, followed by the International Organization for Migration (IOM). In the case of IOM, the cash is directed at shelter needs but as there are no restrictions it is de facto MPC, as is WFP’s support. NGOs provide CVA across various sectors, including for shelter and sanitation facility repair work, for replacing lost or damaged legal documents, and to facilitate access to health services. According to the monitoring data of the CWG, 64% of the supported households received MPC, 26% received sector-specific CVA, and there was no data for the remaining 10%.

Key informants spoke of the strong emphasis on delivering humanitarian cash assistance through local operational partners and strengthening CVA capacity, including at subnational level. Looking ahead, while people felt funding for large-scale humanitarian MPC programmes might continue to go to either a UN agency or an INGO consortium, it is non-government agencies, especially local groups, who will still be the ones having ‘the pulse closest to the ground’.

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26 UN OCHA Financial Tracking Service Philippines: Super Typhoon Rai (Odette).
The use of cash in anticipatory action is also tested in the country. Some organisations such as the Philippines Red Cross (supported by the German Red Cross) and the Food and Agricultural Organization (FAO) are piloting the feasibility of working with DSWD and the national social protection systems to deliver cash, and to target and pre-register people using the national social registry and other databases. UNICEF will also test the provision of anticipatory MPC transfers using existing national government social protection systems with the aim of mitigating the impact of disasters. Evidence generated will contribute to DSWD policy development that strengthens national social protection systems for future humanitarian and disaster response.

Key informants in the Philippines believe that CVA could be a higher proportion of the overall response, as it is a middle-income country, densely populated, with fairly easy access to markets, an established presence of financial service providers and a government that is increasingly in favour of using cash. A number of factors are limiting its potential including the fluctuating capacity of responders and the fact that the standardisation of CVA approaches (e.g., MEBs, targeting, transfer values) is only just beginning. In addition, some actors referred to the need to be seen to be acting publicly and visibly, and distributing cash might not generate the same media attention as distributing boxes and parcels, which can be a motivation for actors – local authorities, operational agencies as well as some donor governments – to respond in-kind. Private actors are also an important part of the overall response and often use in-kind assistance as the default modality.

The CWG has been successfully reactivated over recent months and has identified three priority issues for review and resolution going forward: the harmonisation of transfer values among all agencies based on an agreed MEB; the standardisation of the targeting process based on the country’s social registry; and the identification of key common vulnerability criteria for targeting cash beneficiaries. Key informants also highlight the importance of the CWG being perceived by the government as an experienced, harmonised group so it can act as the key interlocutor for all discussions.
The scale up of CVA to-date has involved, to varying degrees, switching from in-kind. There is potential to switch more, the question is how much? In this study, in-kind assistance is seen as ‘expendable’ (i.e., can be replaced) if, for the given response and programme objectives, CVA would be an appropriate substitute, considering market functionality and the preferences expressed by the affected population.

There are three main categories of in-kind resources in relation to this research:

01 In-kind resources that, due to context and/or operational requirements, are used to deliver assistance that cannot be provided as CVA.

02 In-kind resources provided by the donor government, i.e., at source. This can include resources that are legally bound to be provided in-kind, and resources where donor staff take the decision to use them as in-kind assistance.

03 Goods procured by an operational agency, based on a set of programme design choices, using funding provided by a donor. Such goods can take the form of pre-positioned relief items or procurement after a response has been designed.

**FIGURE 2 IN-KIND ITEMS THAT HAVE LITTLE POTENTIAL TO BE TURNED INTO CVA**

- Non-food items and shelter materials in the immediate aftermath of acute emergencies and displacement before markets can respond or where there are specific technical requirements that can’t be met in local markets.

- Seeds and food aid with specific agricultural or nutrition objectives where CVA is not an effective substitute (e.g., therapeutic feeding products, seeds not available in local markets).

- Most health and nutrition services and supplies, and support to the supply-side of the health sector, although there is growing evidence that CVA can improve access and utilisation of health services.27

- Most expenditure related to the supply side of education (e.g., school infrastructure, the learning environment and the workforce).

- Parts of WASH services (e.g., engineering work), especially those focusing on the supply side.

- Protection-related services (e.g., services for survivors, counselling services), although there is significant evidence of the positive impact of CVA on protection outcomes.28

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See also various resources on CALP’s thematic webpage on health and CVA.

THE THREE MAIN CATEGORIES OF IN-KIND RESOURCES IN TERMS OF THEIR POTENTIAL TO BE CONVERTED TO CVA ARE:

01 Resources that due to context and/or operational requirements cannot be delivered as CVA

02 Resources provided as in-kind by the donor government

03 Goods procured by an operational agency where the type of programming and context are both potentially favourable to CVA

4.1 CONTEXTS AND OPERATIONAL REQUIREMENTS NOT SUITABLE FOR CVA

Specific contexts or operational needs mean in-kind assistance may be the best option and should not be monetised. Moreover, there are some services provided to affected populations that do not function as a marketplace or suffer from market failures, and where market-based programming is therefore not appropriate.

Contextual factors that preclude the delivery of CVA include:

- Where markets are too weak or too distorted, in very remote areas during acute famine, rapidly rising prices, very active conflict, immediately after sudden-onset natural hazards (e.g., as highlighted in the Philippines) or other similar challenges.
- Restrictions on the use of CVA as a result of national government policies (e.g., restrictions that existed during certain times in Zimbabwe).
- Protection risks for recipients to access transfers or security challenges and access restrictions for aid agencies and FSPs.
- Restrictions as a result of anti-money laundering and/or counter-terrorism legislation and related de-risking strategies applied by donors or FSPs.

Given these forms of in-kind assistance do not lend themselves to being converted to CVA, they are excluded from the research related to scaling CVA.
Olena, 45, mother of one was forced to flee from Kyiv due to the conflict in Ukraine. She received a cash card from the Red Cross and plans to spend some of the money to buy her young son toys as they had to leave all of his at home.

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4.2 MODALITY RESTRAINTS AT THE SOURCE OF FUNDING

A percentage of global humanitarian resources are provided in-kind by donor governments, either from their own production (mostly food commodities) or, to a lesser extent, in the form of relief items that are directly procured and shipped by the donor into a country, often in the wake of a sudden-onset disaster (e.g., shelter materials after a cyclone).

The single biggest volume of aid with such restraints is the so-called ‘Title II’ of the US Farm Bill. These are direct donations of US agricultural commodities, some of which have to be shipped using US shippers, supplemented with some flexible, cash-based assistance for emergency relief and development. Between 77% and 86% of the resources in Title II have been used for emergency purposes between 2012–2021, representing between US$1.3 billion and US$2 billion annually of global international humanitarian assistance.

In-kind contributions procured by staff of a donor government, even though there are no budgetary or legal requirements for the donor to do so, could be provided as cash. This is a smaller percentage of resources than Title II and is primarily associated with governments with small humanitarian budgets, e.g., South Korea which, in 2020, was reported to have provided 50,000 MT of rice worth US$37 million. The rice was processed and supplied by the Government of the Republic of Korea and then shipped to the Philippines and locally distributed by WFP.

Most financial support to agencies is based on agency programmes that define whether support will be provided in the form of CVA or in-kind assistance. As such, this in-kind assistance becomes ‘expendable’ in situations where CVA is possible and represents an important part of the ‘untapped potential’ to be turned into CVA.

It is not possible to quantify the scale of this ‘untapped potential’ given the lack of comprehensive data on the type of donor contributions (cash v in-kind), the flexibility of that funding, and the lack of publicly available data by implementing agencies on delivery modality by sector or country.

The bulk of this in-kind assistance is procured as part of country-specific programmes and the degree to which it is expendable can therefore only be assessed at a country level. A smaller part is used for the pre-positioning of stocks that agencies, especially large UN agencies and the RCRC Movement but also some INGOs, hold as part of their contingency planning and global preparedness activities. While they allow the agency to react very swiftly in case of a sudden-onset disaster, they represent a ‘modality liability’, since in the absence of a major disaster, stocks must be renewed due to shelf-life and other constraints.

As shown earlier, there is no single way to reach a significantly higher percentage of CVA by turning ‘expendable’ in-kind assistance into CVA. Rather it will require action at a number of levels and will involve multiple decisions-making points involving both donors and operational agencies.

The flowchart below visualises how resources for asset transfers enter the humanitarian financing system and flow through it until they reach people in crisis. The chart shows who holds the power to determine modality choices and at what point in the implementation process. Influencing these decision points could be the focus of future advocacy by the CVA community.

**FIGURE 4 ILLUSTRATION OF MODALITY DECISION POINTS**

[Diagram of asset transfer program flow]

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31 Financial flows supporting humanitarian assistance other than asset transfers, including services such as the provision of healthcare or education, are not covered in the chart.
One problem is that the data needed to identify those critical decision points is not sufficiently available. There is some transparency around in-kind contributions by donors, with FTS capturing around US$2.0 billion in 2021 – representing 6% of total reported funding to FTS that year. However, this does not seem to be comprehensive – for example, in-kind contributions from the US in 2021 captured on FTS were US$1.2 billion, which is much lower than humanitarian in-kind food assistance provided by the US under Title II in the same year, listed as US$1.9 billion (even when accounting for different reporting periods). The biggest gap continues to persist for comparable data on CVA and in-kind assistance implemented by country and sector.

As mentioned previously, the annual global totals for volumes of humanitarian CVA transferred to people in crisis largely relies on aggregate, global data directly gathered from agencies. Despite agreements and recommendations reached by the Grand Bargain Cash Workstream on CVA reporting, there has been little progress in the availability of publicly accessible, timely and disaggregated CVA data. Only a few country contexts, such as Yemen, Somalia and Ukraine, have made progress in collecting and publishing data disaggregated sub-nationally and by cluster, which can provide valuable input to discussions at the country-level on where potential for growth in CVA could be realised. Overall, there was a clear view that the reporting burden is biased against CVA and that this should be balanced by tracking in-kind assistance in the same way. This would allow comparing like with like and remove the negative perception that CVA places unhelpfully high reporting demands on teams.

One global cluster representative shared that the lack of CVA data is partly due to a lack of funding for information management support for field clusters, which limits data collection and reporting on sectoral CVA. In addition, the focus on increasing the use and reporting of CVA in the Grand Bargain also means that the drive for greater transparency regarding where and how much CVA is implemented is not accompanied by comparable efforts for in-kind assistance. The Grand Bargain Cash Workstream recommended the discussions on this to be taken up by other fora, such as the Information Management Working Group, but with no conclusive interagency decision on this so far, there continues to be the risk of an additional reporting burden for CVA compared to other delivery modalities.

## 5.1 REMOVING RESTRATMENTS AT SOURCE OF FUNDING

### 5.1.1 IN-KIND FOOD ASSISTANCE

The research focused on US Title II funding, as it is the single-largest identifiable budget line that has a legal restraint on modality choice. *As a thought experiment, the following question was asked: How much would CVA increase as a percentage of international humanitarian assistance if the entire Title II budget was delivered as CVA?*

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**FIGURE 5**

**CURRENT REPORTED PERCENTAGE OF IHA DELIVERED AS CVA AND THE POTENTIAL IMPACT OF CONVERTING TITLE II FUNDING INTO CVA, 2017–2021**

- Reported % for CVA out of total IHA
- Hypothetical % for CVA if Title II was CVA

*Source: Authors’ analysis based on Development Initiatives’ data on global volumes of CVA and international humanitarian assistance and on annual USAID Food Assistance Reports to Congress.*

*Notes: The current reported percentage of international humanitarian assistance that is delivered as CVA is calculated by comparing data on CVA, mostly collected from implementing organisations, with data on humanitarian funding, mostly reported by donors, and therefore is an approximation.*

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If the entire Title II budget had been delivered as CVA between 2017–2021, the global volume of CVA would have seen substantive growth, in particular during the early years for which data is available e.g., there would have been a 40% increase in global volumes of CVA in 2017 up from 14.7% to 20.7%.

In terms of CVA as a global percentage of international humanitarian assistance, this would still fall far short of the potential estimated by GPPi (37–42%) and the 30% figure calculated in section 2 of this report. This finding is counter to the view held by some33 that US food aid is the only significant obstacle to scaling up CVA.

In recent years, the vast majority of increases in the overall US humanitarian budget have occurred in International Development Assistance (IDA) funding, while the volume of Title II budget has remained relatively unchanged. This reflects the evolving understanding that more flexibility in funding and the choice of delivery modality is important. In specific countries, like Yemen (see section 3.1), the significance of Title II funding can still loom large. According to FTS data, if in-kind contributions provided by the US to the 2021 HRP in Yemen had been implemented as CVA instead, the share of CVA as part of the response plan would have increased from 25% to 39%. This again highlights the need to investigate the different potentials for scale-up of CVA at country level as well as globally.

Zooming out again, an analysis of US food assistance shows that two-thirds of its total volume (US$2.3 billion) was legally restrained due to the Farm Bill in 2021. However, the modality choice was free for the remaining one-third (US$1.1 billion) as it came from IDA resources. For that amount the recipient agency and not the donor would usually decide whether to deliver it as in-kind or CVA. Only key informants working for US INGOs named funding coming through ‘Title II’ of the US Farm Bill as a reservoir for growth. One of them also mentioned that instead of monetising the food commodities by selling them in-country – as they used to do in the past – they are now identifying useful ways of absorbing them.

### 5.1.2 PRE-POSITIONING OF NON-FOOD ITEMS BY DONOR AGENCIES

The Emergency Supply Pre-positioning Strategy Project (ESUPS) conducted a mapping exercise in 2021 identifying 18 different agencies, including from six donor governments, which operate a global warehouse/depot where pre-positioned relief items are stored.34 The volume of funding that goes into pre-positioning is impossible to determine, given there is no system tracking in-kind assistance in the way that CALP/DI are tracking CVA.

Three donor agencies interviewed for this study reported using their own stocks in the case of a sudden-onset disaster. One interviewee reported that recent deliveries to Ukraine were a reminder of how costly this is and the high level of administrative efforts involved. Another representative highlighted the importance of these stocks for donor governments in terms of the visibility their delivery represents, showing the domestic public and the media that they are assisting disaster-affected people.

The volume and value of pre-positioned stocks compared to CVA is not specifically tracked by most of the interviewed donors. However, the US government’s Bureau for Humanitarian Assistance (BHA) confirmed that its own global stock represents an approximate value of US$5 million, i.e., only around 0.5% of its overall annual humanitarian budget.

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33 See for example GPPi (2016). Drivers and Inhibitors of Change in the Humanitarian System, p. 5.
34 ESUPS (2012). Humanitarian depots for pre-positioning of relief items.
5.2 CHANGING MODALITY DECISIONS AT THE LEVEL OF OPERATIONAL AGENCIES

5.2.1 PRE-POSITIONING BY OPERATIONAL AGENCIES

Increased cash preparedness should lead to a decrease in the pre-positioning of relief items. Examples provided by operational agencies show evidence of such changes in the practice of pre-positioning, but the lack of collective tracking of pre-positioning makes it impossible to compare volumes and budgets and assess the ability to unlock a specific potential for more CVA. A few agencies do publish figures and these are illuminating. UNICEF, for example, reported that in 2021 it spent US$687 million on procurement for emergencies. Of that, US$399 million was used to purchase medical supplies and equipment, i.e., for commodities that would not – except in very exceptional cases – be substitutable by CVA. The remaining US$288 million was spent on other supplies – an amount representing 82% of the US$351 million it transferred as CVA.

As with donors (see section above), some key informants cited the importance of media coverage of delivering in-kind assistance. An INGO key informant saw visibility as a key element in the modality decision-making process, citing pressure from public relations colleagues. This aspect was also raised in discussions about the Odette response in the Philippines. In contrast, there were also reports that requests from INGO partners for funding for pre-position relief items were diminishing.

One key informant explained that the volume of existing stocks rather than the most appropriate modality could be the determining factor in decision-making, citing colleagues asking first: ‘what’s in the warehouse?’ when designing a response.

Change is happening. One key informant emphasised the need to distinguish cause and effect, feeling that suboptimal response analysis, not stock volumes, was the problem. They felt that additional capacity building in this regard would see programme teams further developing their response preparedness/contingency plans and reviewing and determining the required level of pre-positioned stock, if any. Further, while physical stocks contribute to ‘locking-in’ modality choices, ‘virtual stocks’ help address this issue: the required stock is secured through contracting suppliers to hold the stock, payment for which is only made upon delivery.

Other examples of change efforts exist. A key informant working for an INGO reported that they established a markets unit in their supply chain team to influence the agency’s ongoing huge investments in the delivery of in-kind assistance and build complementarities with CVA. Another reported that in 2013/2014 they invested time and money into building global stocks for NFI and tents in the UN Humanitarian Relief Depot in Dubai, but they later discontinued the practice due to the low use of these stocks. Another agency has reduced its holding of pre-positioned stocks and is increasingly relying on Framework Agreements, and in some cases supplier-held stock. In 2021, for example, this organisation did not use any of its pre-positioned stocks, mainly due to the cost of shipping, which for many countries is more expensive than buying locally.

Several individuals saw a missing link between humanitarian CVA and the logistics sector. Several key informants identified a lack of institutional dialogue between logistics actors and CVA actors and recommended that discussion of the need to decrease in-kind preparedness alongside the increase of cash preparedness would merit further attention, both within agencies and in global policy dialogue. One key informant pointed to the change coming from new staff entering the sector, given the fact that the older generation of logisticians have spent most of their career with little exposure to CVA, whereas the younger generation encounters CVA in their training.
5.2.2 INCREASING THE USE OF CVA AT COUNTRY LEVEL AND WITHIN SECTORS

As described earlier, there is untapped potential for increasing the use of CVA at country level. Key factors are the overall levels of funding for specific crises and whether or not CVA is assessed as feasible, especially in large-scale crises. Another factor is the willingness of crisis-affected governments to enable CVA programming and the relative ambitions or risk-aversion of the organisations that receive funding in relation to CVA programmes. Some actors still prefer to err on the side of caution by opting for in-kind assistance, as shown in the Zimbabwe example (section 3.2).

Delivering assistance as CVA often requires crafting a nuanced response, either in terms of geography (because CVA is feasible in certain areas but not others) or in terms of time – in situations where CVA is not feasible in the first days of a rapid response but becomes feasible as markets and networks resume. Even in the same context, as the example of Zimbabwe shows, different organisations come to different conclusions regarding the feasibility of CVA, partly because of the different locations and sizes of their programmes but also because of different levels of risk appetite.

Where and when INGOs work through local partners, they may allow the local partner to decide the modality choice. Some of these organisations still have limited experience of using CVA and thus opt for providing aid in-kind, even where markets might be functioning. INGO partners then have to balance the value of partnership against the principle of ‘cash first’ if it is the modality preferred by the recipients.

With regards to scaling the use of CVA in sectors, the lack of comprehensive global data on sectoral CVA makes it difficult to evidence the scale (in terms of volume) of progress. Key informants held very different views, some saw strong progress, others felt there is still a long way to go.

For the shelter sector, some felt that substantial progress had been made and that there is widespread commitment to increase CVA for shelter and NFIs where possible, as reflected in corresponding position papers.

For education, one interlocutor highlighted that education is not a typical marketplace, actors are advocating for free access to primary education and sector actors do not see advantages in introducing elements of market-based programming.

The health sector has very similar concerns, though a few interlocutors gave examples of how CVA can support the demand side, facilitating access to health services or piloting vouchers for pharmaceuticals. Guidance on the potential effectiveness gains and drawbacks for CVA in the health sector has helped build greater understanding on where CVA can be applied and where other modalities are more appropriate.

Nutrition and child protection were portrayed as highly dependent on the work of other sectors, but some key informants highlighted progress regarding the scale of CVA in each of these areas.

The WASH sector has significant experience working with private sector entities and using market-based programming, due in part to transferable knowledge from using CVA in development WASH interventions. Some informants saw notable progress made in the WASH sector, while others pointed to missed opportunities: one informant reported regularly seeing project proposals that combine MPC with in-kind distributions of jerrycans.

One interviewee noted that there is a big incentive to reduce costs, and that investing in cash preparedness on top of pre-positioning stocks, seen as essential preparedness elements, adds costs for sectors such as WASH and shelter and is thus ‘not easy to sell’, especially for smaller sudden-onset disasters. Logistics actors interviewed for this study also pointed to the potential to save costs by pooling pre-positioned items, and to take better account of the existence of CVA programmes or cash preparedness capacity when planning necessary stock levels.

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35 UNHCR internally tracks how it provides core relief items: in 2021, 65% were provided through CVA and 35% through in-kind distributions. The latter percentage was reported as having come down from an earlier 45%.


37 See, e.g., CALP Network. Case studies from Jordan, Burkina Faso and Bangladesh and various resources on CALPs thematic webpage on health and CVA.
Some key informants felt some sectors still show signs of reluctance in further scaling of CVA due to fears of losing funding, feeling the need for more evidence. In the food security sector, the ‘burden of proof’ that CVA is as, or more, effective than in-kind assistance has shifted, but in some sectors, such as WASH and shelter where a significant proportion of assets are still transferred in-kind, the need for evidence dominates most of the policy discourse. One key informant felt that there was too much emphasis on waiting for evidence instead of adopting a ‘can do’ attitude, by trialling CVA modalities for sectoral interventions while adhering to ‘do no harm’ principles without a massive, pre-existing evidence base. Several key informants felt there was still a tendency among sector colleagues to maintain sole control over sectoral outcomes, potentially resulting in promotion of sector-specific, sometimes conditional, CVA at the expense of MPC. However, this was not seen as a principal obstacle to scaling cash across sectors, and interlocutors voiced support for the valid concerns over technical questions and focus on maintaining quality standards.

For some sectoral experts, the question of how to ensure that implementers remain accountable for meeting sectoral needs when opting for MPC programming remains unresolved. Multiple key informants recognised that the collaboration between the cash community with cluster experts in the formulation of the MPC outcome indicators built greater mutual understanding. However, two sectoral CVA focal points were uncertain which criteria were applied to decide which sectoral MPC outcome indicators to monitor. They also noted that, so far, the reporting on the contribution of MPC programmes to sectoral outcomes has not notably improved, meaning that the increasing scale of MPC in some contexts led to a less clear understanding for some clusters of how the overall humanitarian response addressed specific sectoral needs. Nevertheless, one key informant in Yemen implementing MPC programmes noted that data from post-distribution monitoring (PDM) provides information on sectoral expenditure by affected populations and that PDMs should perhaps be given more priority to understand the contribution of MPC interventions to alleviating sectoral needs.

Some key informants mentioned examples of good practices in which they were able to influence the increased use of CVA in sectors. For example, one INGO places cash advisors with specific sector focus within their technical advisory teams to build awareness among sectoral experts for appropriate CVA use cases. One UN agency has requested a CashCap advisor as technical support to their global cluster leads. It was noted that when technical cluster coordinators are asked to mainstream the use of CVA in the response, it adds complexity to the job profile in addition to their sectoral expertise but it was seen as important that they are comfortable with promoting the use of CVA where appropriate and feasible (see section 6.3).

One key informant felt that the full potential to scale CVA is in MPC and not in sectoral CVA, but that MPC is the area where the humanitarian system is least conducive to growth. This person cited Ukraine as an example of a response that used significant levels of CVA because the humanitarian system there experienced some problems, at least initially, in building a traditional, sector-based response. One sectoral CVA expert highlighted that work by sectors such as education, WASH or health on the supply side will continue to be required for MPC to be effective, though with potentially greater emphasis on synergies between MPC and sectoral interventions, and that this work is not substitutable with CVA.

One key informant identified the discussion over increasing sector-specific cash as a ‘red herring’. They felt the real potential lies in partnering with governments and linking humanitarian cash assistance with national social protection. Several interlocutors mentioned social transfer or social assistance as a ‘massive opportunity for straightforward transactions’. One agency reported specific efforts to fundraise for unearmarked funding to run such programmes in addition to established sector-specific (mostly non-CVA) programmes. But there was also uncertainty over whether such transfers would still be counted as ‘humanitarian cash’ and the persisting challenge of ensuring that sectoral needs are met.
The potential impact of scaling up CVA on the humanitarian system

All key informants expect that further scaling up of CVA will lead to substantial changes in the way that the humanitarian system is organised. Funding patterns are expected to change, as is the logic of primarily organising the system based on sectors or clusters. Further changes in the way humanitarian aid is coordinated are also anticipated, though many are sceptical with regard to the pace of those changes.

Key informants were asked three primary questions with regards to potential changes resulting from further scale-up in CVA around funding patterns, organisational implications and the coordination architecture.

Many of the issues raised have been voiced in earlier publications. The initial GPPI report, for example, conducted a thought experiment on ‘What if the Shift to Cash Were Fully Implemented?’ Other processes (especially the work done under the cash workstream of the Grand Bargain) and publications further refined the analysis. This research was used as an opportunity to establish a snapshot of the main issues and concerns five years down the line from the initial GPPI report.

6.1 Changes in funding patterns

Both donors and implementing agencies anticipate that further scaling of CVA will lead to significant changes in funding patterns. Most key informants expect a reinforcement of the existing tendency towards fewer and larger grants to big organisations, predominantly the UN but also some big INGO consortia. However, that tendency was identified by one person as not being dependent on a modality but driven by rationalisation of grant and relationship management processes for donors, reducing the ability of donors to shape the way that humanitarian assistance is delivered. One person even pointed to a co-dependency between large donors and large agencies: donors need to disburse budgets with limited grant management capacity and want to be sure they attract appropriate visibility for their contributions. The easiest way to achieve this is through providing large contracts to UN agencies that count on these resources to grow their operations. Hence, both groups have vested institutional interests in reinforcing the trend.

One key informant cited value for money arguments for reducing the number of actors delivering cash in a crisis and saw the need to (re)structure the set-up and funding of CVA responses. This would include a re-definition of the type of organisation that is needed for each function within the humanitarian response, with specific agencies still delivering on their mandate, especially those focusing on protection aspects, and others ensuring that sectoral standards are upheld. Key informants still see a possibility to leverage the added value of local organisations, e.g., in terms of community mobilisation and ensuring accountability. A representative of a local organisation stressed that it was also important for them to channel the budgets for actual transfers, as the overheads on these budgets allow them to cross-fund necessary human resources for other tasks – an issue experienced by INGOs as well.

GPPI (2016). Drivers and Inhibitors of Change in the Humanitarian System, p. 4.
One donor representative characterised the ‘ideological debate’ of whether to partner with larger organisations through mechanisms that are not suitable for smaller partners or to move towards leaner contracting procedures. Another quite openly admitted that more funding for MPC – seen as very welcome – would lead to less sectoral funding, given the overall shortage of resources. But even within that donor organisation, there are internal quotas for certain sectors which are a barrier in this regard. More area-based funding was also suggested, in accordance with shifts towards more area-based coordination.

There is a clear tension between the emerging funding patterns for CVA as it is scaled up – increasing the concentration of funding amongst primarily UN agencies or INGO consortia – and the Grand Bargain commitment to localise humanitarian response and funding. Several key informants noted that the commitments to scale up CVA and localise were in conflict. While all reinforced their commitment to localisation, few solutions were proposed to resolve this tension, except for greater engagement with social protection systems run by national governments.

The option of channelling more funding through governments was met with scepticism by most of the donor interlocutors. Two said they are legally prohibited from using humanitarian funding in this way, another said that while technically conceivable it would not be practically possible at the moment. One independent person challenged the system by suggesting that the current default mode of avoiding funding through governments should be challenged with the rubric of ‘if not, why not?’ One key informant in Yemen called for greater engagement from development donors to step in and reinforce emerging efforts by the humanitarian system to connect with social protection systems, seeing it as beyond the scope of humanitarian donors, given that humanitarian need was continuing to outgrow available funding.

Some actors pointed to multilateral development banks (MDBs) as potential providers of increased funding to shift crisis responses further to CVA, given their increasing engagement in crisis contexts in recent years. The volume of official development assistance provided by MDBs to the 20 largest annual recipients has doubled since 2015 from US$5.8 billion to US$11.6 billion in 2020.40 In 2020, US$1.2 billion of that funding reportedly supported social protection systems in that group of crisis countries. However, this funding was highly concentrated, with 90% of it reaching only seven countries, and almost half being directed to Bangladesh. Two-thirds of it was also provided in the form of loans, meaning this support from MDBs is less accessible for crisis countries with limited ability to borrow funds. In addition, even where MDB funding is available to support cash transfers in crisis contexts (e.g., in Yemen), the challenges for humanitarian actors to coordinate in terms of targeting, referrals and more remain.

6.2 IMPLICATIONS FOR DONORS AND OPERATIONAL AGENCIES

The donors interviewed for this study held more positive views regarding the potential shifts in the humanitarian system and their implications compared to those of operational agencies. One donor said that ‘possible losses will be far outweighed by gains for the entire humanitarian system’. Interlocutors from all groups were aware that further scaling of CVA will have an impact on agencies’ business models. A practical example of a proactive operational and strategic shift is the Malaysian Red Crescent senior management’s decision to dissolve all its logistical infrastructure over the next years to focus entirely on CVA. In contrast, the current response in Ukraine was seen as problematic by donors due to there being several parallel delivery mechanisms, while often INGO informants saw themselves as being crowded out by the UN.

When scaling CVA, donors see a potential for efficiency gains, at least in terms of transaction costs and time, and possibly also effectiveness gains. Two interviewees saw a need to invest more resources in independent third-party monitoring, which was suggested as a possible niche or specialisation area for organisations. However, one operational agency stressed that there was insufficient funding to be gained from such a type of activity, given that the bulk of funding to support CVA-related activities comes alongside funds intended for transfers. Three key informants gave examples of individuals in leadership functions successfully advocating the use of CVA, both within their own
organisations but also across a wider response by leading through example and showcasing that a significantly higher proportion of CVA was feasible. NGO representatives frequently mentioned the leadership of donors in this regard, but one donor representative also referred to leadership of operational organisations as ‘setting the tone’.

Several INGO representatives voiced concerns over an imbalanced playing field, biased in favour of a few UN agencies and possibly the RCRC Movement. The Common Cash Delivery Network (CCD) was seen as one way for INGOs to create strength in numbers. Some key informants perceive a trade-off between the ability to deliver at a very large scale and the ability to uphold quality standards for CVA. The segregation of tasks within a CVA programme whereby one (big) agency delivers the cash, while targeting and monitoring are assured by other, potentially smaller actors, was described by one interlocutor as ‘outsourcing labour to NGOs’. While there is a general fear that INGOs as well as local NGOs would lose out in the process of consolidation of CVA delivery, some INGO actors emphasised that there will always be a role for them to monitor what is happening in the communities: a staff member working in the Philippines saw it as a unique strength of local actors that they had ‘the pulse on the ground’ and could thereby ensure accountability to affected populations. Other tasks identified were to build capacity for local actors and to empower local civil society in its accountability function, especially if transfers are channelled through, or aligned with, national social safety net systems. Several INGO key informants reported intensifying efforts to raise private funds to implement CVA programmes independently from institutional donors and in parallel to the big UN-led operations.

One key informant perceived the increased scale of CVA budgets as an opportunity to secure more funding for developing local actors’ capacity for CVA, as set costs for training and building systems would consequently decrease in proportion to the overall budget. Another reported how local actors’ relationship with WFP, for example, changes if they no longer implement WFP’s in-kind assistance and move to a role in a CVA programme with other funding sources. In this scenario, they acquire greater influence over programme design choices, and their work receives more overt recognition.

Private sector actors welcome the trend towards fewer, larger contracts, since this enables them to benefit from operating at scale rather than having to administer many small contracts. They voiced frustration over the multitude of global requests for proposals to establish pre-agreed framework contracts that rarely lead to actual business as country offices ultimately choose local financial service providers that often offer cheaper solutions. One company representative highlighted that pre-positioning a global capacity to deliver CVA comes with a cost, and that fees paid, for example, in the Philippines, cross-subsidise a company’s willingness to also provide financial services in South Sudan.

The ability to collect, store and manage recipient data was seen as a key competitive advantage in the competition for large-scale CVA contracts. One key informant argued that organisations which have data-sharing agreements in place in anticipation of emergency response interventions will be the ones to secure contracts with donors, especially if they also have agreements with governments in countries where social registry exists and/or where a meaningful social safety net is operational. Another key informant agreed with the competitive advantage of advance preparedness, arguing that the actor that dominates the digital ID market will influence the shaping of the overall landscape. Whether aid agencies should build this kind of technology – as have both WFP (with SCOPE) and UNICEF (with HOPE), for example – was questioned by private sector actors, referencing the mandates of these organisations and highlighting long-term private sector expertise in developing technology and systems that cannot easily be replicated within UN agencies.
Many interlocutors expressed satisfaction that a new cash coordination model was reached in early 2022. Donor representatives in particular were cautiously optimistic, though one expected ‘growing pains’ and another highlighted the need to maintain the momentum towards meeting basic needs through more MPC, which could be facilitated by the new model, based on joint and intersectoral needs assessments.

One donor felt that ‘further scaling would put the coordination architecture under pressure, since there would be a larger amount/more partners to coordinate’. In the view of some key informants, this provides a challenge for effective scale-up as they see strong CVA coordination that facilitate more harmonised programming as a pre-condition to avoiding fragmented responses. One representative of a UN agency welcomed the fact that a non-programmatic chair in the form of OCHA could mitigate challenges around MPC and sectoral cash.

One interviewee from the private sector pointed to the fact that few of the actors involved in humanitarian coordination, including those dealing with CVA, are systematically looking at, let alone leveraging, mobile phone network capacity, even though many sectors and actors are highly dependent on a ‘good-enough’ network to conduct their increasingly digital activities.

Several interlocutors, mostly from operational agencies, highlighted the lack of adequate funding for coordination roles, particularly with regards to enabling local NGOs to co-chair CWGs. They called on the donor community to invest resources into CWG capacity and to throw their authority and legitimacy behind the new model and its application in different contexts. One person raised the question of how to implement the new model in a country where the Inter-Agency Standing Committee (IASC) model is not activated, i.e., where there are no clusters and cash coordination takes place under the leadership of the Resident Coordinator (RC). These instances were perceived to still require better definition around cash coordination processes and links with the formal humanitarian system. Several key informants, mostly from INGOs, voiced concern over the fact that early experiences with cash coordination in Ukraine are not encouraging. Some interlocutors working for UN agencies expect it will take time to institutionalise the changes, with one person predicting that, ‘we will stumble along for three to five years’.

Key informants frequently expressed the opinion that taking CVA to scale, partly through growth of MPC, would call into question and possibly reduce the role and power of clusters within the coordination architecture. A number of key processes, especially joint needs assessments and the preparation of Humanitarian Response Plans, are designed for the cluster system, so a much larger reform of the entire system would be necessary, which would take a long time. One interviewee highlighted the advantage of more easily linking MPC to social transfers provided as part of national social protection systems. But another referred to the limited interaction between CWGs and national social protection actors as a challenge. One person saw a need to refocus the work of sectoral agencies on their normative function of overseeing quality and standards, and another person also saw a strong role for sector actors on prevention. Two key informants were of the opinion that coordination – and possibly funding – should become more geography-based but that this would quickly lead to the question of who is in charge and ‘that is when the problem starts’.

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41 Inter-Agency Standing Committee (2022). Cash coordination model.
If all agencies that set a quantitative target had reached it in 2021, and all those which did not set a target achieved the actual reported levels, the percentage of total humanitarian operations in 2021 delivered through CVA would have been, conservatively, 30%. This figure is significantly higher than the reported 19%, but still considerably lower than the GPPi estimate.

The research found that there is not one single huge reservoir of untapped potential for scaling CVA. Rather, there are multiple areas that need to be tackled and it is more apparent that the journey ahead is one of continual advocacy and cumulative change.

The full potential of CVA is a moving target that varies from crisis to crisis. Key factors are the overall levels of funding for specific crises, the willingness of crisis-affected governments to enable CVA programming, plus the specific capabilities, attitudes towards CVA, and risk aversion of the organisations that receive funding. Some actors are pursuing the ambitious agendas to scale up CVA, whereas others take a more risk-averse approach by opting for in-kind assistance. Agencies working through longer-term local partnerships uphold the principal value of respecting their local partners’ preferences regarding the delivery modality of response, potentially at the expense of implementing CVA wherever possible and at the expense of the preferences of crisis-affected populations. If the commitment to localisation results in more direct funding of these local partners, this trade-off might become more significant than it is currently.

To better determine the most effective balance of CVA and in-kind assistance, there is a need for stronger tracking and reporting of in-kind assistance and a consistent disaggregation of the use of CVA in different sectors. This would enable much better evidence-based discussions about the most effective balance of cash and in-kind assistance across a range of different crises, including the most effective level of global and regional level preparedness that includes pre-positioned goods.

Uncertainties over data and inadequate tracking and reporting of in-kind assistance makes it hard to arrive at a more concrete estimate than that calculated in section 2. Without significant shifts to how humanitarian aid is organised, that is probably as much as can be expected.

A greater shift from US-tied food aid remains politically unlikely and would shift the dial less than is sometimes assumed. Potential exists in reducing pre-positioning of relief items but, given the lack of tracking of resources used for this, it is impossible to quantify the importance of this area to further scaling of CVA. A missing link was identified in the policy discourse between logistics and CVA actors, as few agencies associate the internal changes towards scaling up their cash preparedness with corresponding efforts to reduce pre-positioning and stockpiling of in-kind assistance. Logistics specialists showed strong awareness of the need to factor in CVA programmes, establishing cash capacity into their planning for in-kind relief items and showing interest in pursuing this dialogue in a more structured way.

Further ‘reservoirs for growth’ exist at country level, especially in those, often middle-income, countries where markets are functioning across the entire country, where FSPs are present and phone networks cover envisaged intervention areas. The food sector is seen as contributing already large volumes to CVA, though still falling short of the expected full potential. There is mixed progress with regards to other sectors and it would be useful to further examine the different attitudes in sectors towards CVA. Are CVA programmes perceived as an option to change and potentially replace existing ways of implementing programmes without a damaging effect on achieving sectoral outcomes or are they seen as a ‘nice to have’ additional component? If the approach is not to monetise sectoral assistance but to use CVA to remove financial barriers to goods and services, then the feasibility of CVA does not depend on market functionality. Rather, it depends on the intention behind the transfer and the incentive to maintain control over intended sectoral outcomes. This question would merit further research.
Significant shifts would come with a concerted move towards MPC, possibly aligned with national social protection systems. Interlocutors are sceptical about how quickly this could happen given general inertia in the humanitarian system and the overall reluctance of the sector to undergo a fundamental restructure.

It is important not to imply that the choice between CVA and social protection modalities is zero-sum, and that an increased emphasis on one will inevitably lead to a reduction in support to the other. There is no value in increasing humanitarian cash to help people meet basic needs if it means leaving them with no access to healthcare, clean water or other aspects of social protection. Humanitarian actors should advocate for increased levels of other forms of financing from IFIs, climate financing and domestic taxation to fund social protection, in order to better meet basic needs in crises through a combination of resources. To fulfil the ultimate aim of ensuring that people in need receive the best possible support, we should look beyond the traditional humanitarian system rather than focus merely on adjusting the mix of modalities provided by international humanitarian aid.

Some efficiency savings would ensue from removing the restrictions currently in place in the delivery of food aid. Other efficiency benefits may be seen by consolidating the number of big multi-purpose cash grants and organisations involved, thus reducing operational costs and freeing up more cash to be delivered directly to people in crisis. This would require major systemic changes, and the relative costs of different agencies would need to be reviewed, given that many of the variable costs don’t relate to payment systems, but accrue from the need to undertake targeting, monitoring and other core implementation roles.

In the face of increasing humanitarian needs globally, there is need to both grow the overall size of the pie and programme current resources more effectively to meet needs. Further growth in the share of CVA within the humanitarian system will require context-by-context and sector-by-sector analysis of trade-offs and the most appropriate mix of cash and in-kind modalities.

To the extent that a global aspiration for CVA as a share of global humanitarian assistance is beneficial to galvanise ambition and action, a range of at least 30% up to 50% for some organisations remains as helpful an estimate as it is currently possible to make.
ANNEX

RESEARCH OBJECTIVE, SCOPE, METHODOLOGY AND LIMITATIONS

RESEARCH OBJECTIVE

The objective of the research project was to update the understanding of the potential of CVA within humanitarian assistance. To this end, it focused on two key areas of inquiry:

01 | What does the available data say on the full potential of CVA and where can its use be expanded?
02 | If expendable in-kind assistance was transferred into CVA, what would the consequences be for the different constituents and for coordinating assistance?

SCOPE OF THE RESEARCH AND LIMITATIONS

Though it would have been ideal to separate cash and vouchers in this research, given the limited time and budget as well as the severe limitations on available data, the separation was not possible and the study therefore uses the terminology and definition of CVA.

Equally, it would have been interesting to assess the potential for CVA for all sectors of humanitarian assistance. However, the bulk of CVA programmes are implemented in the area of food security, shelter/NFI and WASH, so shifting the balance between CVA and in-kind assistance in these three sectors would have the biggest impact. Hence, the primary focus of the study was on these sectors. Nevertheless, key informant interviews with agencies that implement programmes in other sectors such as health, education and protection were also held to investigate the potential for scale-up in these technical areas.

The most significant limitation was the time available for discussing the systemwide implications of more CVA, since this would have raised additional fundamental questions regarding the way that humanitarian assistance is delivered. Although it was not possible to examine such issues in further detail, the overview conducted here was still seen as useful, given that the scaling of CVA is neither an end in itself nor a process that occurs independently from other developments in the sector.

The time limitations also severely impacted on the ability to conduct a more in-depth analysis of the situation at country level. The analysis presented in Section 3 of the report is thus a snapshot that serves to illustrate different dynamics in different context scenarios rather than aiming for a comprehensive picture of all the factors that influence modality choices in the countries studied.
CRITERIA TO SELECT THE COUNTRY EXAMPLES

The country examples were chosen to represent different regions and as examples of the following different contexts:

01 A highly visible crisis in which a significant proportion of humanitarian resources is spent. Even small percentage increases of CVA in these contexts would have an impact on the level of CVA globally. Context: Yemen

02 A medium-size crisis where a significant proportion of the resources allocated to the country can be expected to be implemented as CVA. While this would not significantly change the percentage at the global level, it illustrates how the balance between in-kind and CVA can be significantly shifted within a country. Context: Zimbabwe

03 A country that is prone to recurrent natural disasters and where pre-positioning of relief items plays an important role and where local actors – government and non-government – play an important role. Context: the Philippines

SELECTION CRITERIA TO IDENTIFY AGENCIES TO BE STUDIED BY THE RESEARCH

The research conducted interviews with 10 non-operational CVA actors (donor agencies, global coordination bodies and Cash Working Group coordinators) and 22 operational agencies.

Predominantly, the operational agencies were selected from the three sectors that form the bulk of CVA (food security/livelihoods, shelter/NFI and WASH). However, it was seen as important also to include some representatives from other sectors where CVA is not (yet) an important modality.

The key informants were selected based on the following criteria:

- Representation of different groups of humanitarian actors (UN, RCRCM, national and international NGOs, donors, global clusters);
- Donors’ membership in the Food Assistance Convention (yes/no) and donors deciding to provide in-kind assistance instead of CVA, even in the absence of administrative obligations to do so;
- Representatives of OCHA (cash coordination, FTS) and CWG coordinators in the selected countries;
- Size of CVA operations (mostly big players but also some smaller actors who could provide ‘proof of concept’ in certain contexts);
- Operational agencies that have an ambitious target regarding the proportion of budgets to be delivered as CVA;
- Geographical balance of presence.