Foreword

In the three years since the *State of the World's Cash* report in 2020, we have seen huge changes in the global context, and humanitarian needs have grown.

Massive floods, unprecedented wildfires, and record-breaking heat are becoming more frequent and severe, providing a clear message – if one was needed – about the climate crisis and its impact. With the invasion of Ukraine in 2022, and ensuing regional crises, supply chains of basic food items have been affected in many countries. Alongside this, inflation rates have soared around the world. Protracted crises have continued in many countries, with conflict underpinning or fueling many. All this, alongside a menu of other disasters, small and large. In 2022, we saw a massive increase in humanitarian funding, spiked, in part, by the Ukraine regional response.

In 2023, global humanitarian response requirements stand at US$55.2 billion[1] to target 230 million people, out of 339 million, requiring assistance. This is a 25% increase compared to the beginning of 2022[2]. However, while needs are continuing to grow, we are seeing increasing pressures on funding, and many donors cutting budgets. While we should always be looking for the most effective and efficient ways of working, the current situation makes that imperative ever more important.

In a system often criticized for being slow to change, the use of cash assistance has been one of the most significant adjustments in humanitarian work in recent years. In 2022, the Cash Coordination Caucus of the Grand Bargain saw agencies from different parts of the eco-system coming together to solve political blockages to cash coordination. This report shows things continue to evolve, with progress on cash coordination, continuing to use new technologies, an increased focus on linkages with social protection, and much more.

At the same time, more change is needed. At first sight, it's impressive to see the growth in volume of CVA since the last report in 2020 from US$6.6 billion to US$10 billion in 2022. Yet, much of this growth can be attributed to an overall increase in humanitarian funding: when volumes of CVA are considered as a proportion of international humanitarian assistance, the increase is very small – just 0.3% since 2020 (a rise to 20.6% in 2022 from 20.3% in 2020). This is worrying. The report clearly shows that CVA can and should be a much higher proportion of humanitarian assistance – reaching 30% to 50% of international humanitarian assistance if used when appropriate. So there remains a long way to go.

More change is needed, and it is possible. It should be driven by the fact that most people in most situations say they prefer cash to other forms of assistance, since it allows them to choose how they cater for their own needs. Alongside this, of course, there are other well evidenced arguments around effectiveness and efficiency.

At the start of the last *State of the World's Cash* report, Dr. Jemilah Mahmood reflected that we should also 'push harder to make cash the backbone in the humanitarian sector's struggle to promote the localization of response'. In many ways, cash represents the most local response possible – with choices about needs and priorities made by the person who receives it.

Looking more broadly, linkages with social protection, and associated efforts to strengthen national systems, offer another clear means of localizing response. It's good to see this is garnering greater interest. Encouragingly, this report offers great examples of local and national actors driving forward change, with new operational models based on local networks and collaboration. However, progress is slower than it should be, and barriers remain high. Those holding power and the keys to funding, and those developing the policies that continue to advantage international actors need to break these barriers down. Indeed, everyone reading this report needs to act.
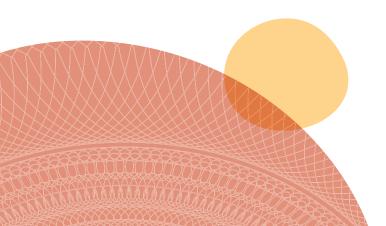
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1   OCHA Appeals and response plans 2023
2   OCHA Response plans: Overview for 2023

Overall, this report shows progress on many fronts, but it also shows that more substantial change is needed to achieve more people-centred, locally-led, and efficient cash and voucher assistance. The report identifies key debates and priority actions, offering a clear path for the way forward. It is now incumbent on us all to act. I believe change is possible if we switch from intention to action and if we work together. Collectively we can do better.

Smruti Patel
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Smruti Patel is a co-lead of the *Global CVA and Locally-Led Response Working Group*. In November 2021 she was elected by local and national NGOs to represent them on the Grand Bargain Cash Coordination Caucus and now has observer status to support local NGO representatives on the Global Cash Advisory Group. In the run up to the World Humanitarian Summit in 2016, she led the engagement of local and national NGOs in Asia, Africa and the Middle East to create a global south network to raise the profile of their role in humanitarian and development work. She is the founder and co-director of *Global Mentoring Initiative* and a member of the International Convening Committee of the *Alliance for Empowering Partnership*.

Overview

Increasing the use of cash and voucher assistance is a people-centred issue – it is the form of assistance people in crisis usually want. It is also about more effective aid. This report details progress and challenges and identifies what needs to happen to achieve better CVA. Fundamentally, this report is about how to design and deliver better aid.

The *State of the World's Cash report 2023* is packed with analysis and reflections; it pulls together the views of people involved in CVA policy and practice from around the world; synthesises research from the last three years; and cross references findings with what the evidence tells us about the perspectives of people in crisis. The report finds that substantive changes have taken place in some areas, with little or no movement in others.

The journey of CVA has challenged the humanitarian system, especially over the last decade, requiring changes in the way aid is thought about and managed. Every percentage increase in the use of cash has required multiple changes in ways of thinking and working within and between organizations. Systemic change needs to continue.

This report reflects on issues discussed in previous editions, highlights emerging issues, and draws attention to those that are gaining more traction. Much as the CVA ecosystem is large and complex, it is not an island – it exists as part of and within the wider humanitarian system, within financial and political systems, and many others. Understanding the context within which CVA is evolving is important, with some of the key drivers of change being external to the humanitarian system.

With a wealth of information, this neutral and authoritative report is for anyone, and everyone involved in CVA, from policy makers, practitioners, donors, and academics to CVA champions and advocates. It can be used to inform strategic thinking, influence policy, and act as a reference point for those seeking to deepen their understanding of CVA trends. It is a data-rich resource with the key arguments and recommendations needed to inform progress towards more effective and people-centred aid. Each chapter has a one-page overview, with summary recommendations. Looking at the findings overall, three overarching themes emerged.

More and better CVA: the use of CVA has increased, the quality improved but there's still a long way to go

Most people in crises prefer cash over other forms of assistance, so maximizing the use and the quality of CVA is about responding to people's preferences – it's also about achieving greater aid efficiency and effectiveness. The use of CVA has increased but is still far from what is possible. Quality improvements have been made and there is an increasing commitment to people-centred CVA. With an expanding evidence base of how CVA can be used to achieve a myriad of outcomes, attention needs to focus on the uptake of guidance and engagement of people in crisis to tailor work according to needs, context, and preferences. Unlocking the full potential of quality CVA requires systematic context-based analysis, innovative approaches, collaborative efforts, and constant questioning.

Digging deeper:

1. **The use of CVA is increasing but progress is slowing.** In terms of volume, there have been year on year increases in the use of CVA since 2015. US$10 billion of aid was directed to CVA in 2022 and it now accounts for 21% of international humanitarian assistance (IHA). However, it is far from the estimated 30% to 50% of IHA that is possible if CVA is used wherever feasible and appropriate, and progress is slowing.

2. **Large-scale CVA entails inclusion trade-offs** between standard design and tailored approaches to meet differentiated needs. Perspectives on the trade-offs between coverage and transfer values vary, with

crisis-affected people often preferring more people to be assisted with smaller transfers, while humanitarian actors focus on giving more support to the most vulnerable.

3. **The focus on large-scale CVA risks embedding bias into policy** by reinforcing the 'forgotten' status of responses with large funding gaps or crises that go underreported. CVA in these contexts tends to generate less analysis and so learning opportunities are lost, and the experiences of affected people risk being excluded from learning, policy debate and guidance development.

4. **The commitment to people-centred CVA is growing but change is slow**. Quality improvements have been made, but the perspectives of people in crisis still need more attention as does the uptake of evidence-informed guidance. While feedback mechanisms have increased, there is questioning about the degree to which information is being used to inform CVA design. Engaging with crisis-affected people in design processes is crucial to strengthening CVA. Quality CVA requires systematic context-based analysis of differentiated needs and response options. It requires flexible and adequate funding, with a willingness to innovate in ways that are informed by crisis-affected people and humanitarian actors. Pathways to better reaching the 'most vulnerable 20%' in any crisis include developing specialized CVA to address the additional needs of specific groups, and improving linkages to other services. More appropriate and measurable targets are needed for participation, accountability, and inclusion, alongside systematic monitoring of the perspectives of people receiving CVA and a commitment to act on feedback.

5. **Adoption of CVA is happening but progress comes with risks**. Some feel that the use of CVA is now accepted and the 'battle is won'. This is risky. There remains huge potential to increase the volume of CVA and to make it more people-centred. CVA will not reach its potential unless further substantive changes are made to the underlying structures, mindsets, and day-to-day processes of the humanitarian system. This requires ongoing collective effort and commitment from all stakeholders.

Constant adjustment: Needs are changing and perspectives evolving

The use of CVA has increased and it is seen as a flexible and efficient tool in a rapidly evolving world. Humanitarian needs are changing, with longer-term, complex crises and more people on the move than ever before. Operating contexts are evolving with, for example, economic volatility identified as a greater concern than in previous reports, and the increasing frequency and intensity of the impacts of the climate crisis. As things change, new capacity and preparedness gaps are emerging – including major needs in relation to digitalization and data. As CVA evolves and technical processes are adopted, there is recognition that some processes risk being excessive in comparison to the problems they are seeking to resolve. The coming years require strategic thinking and agile programme design to adapt CVA to anticipate and respond to pressing issues such as economic volatility, the climate crisis, and financial inclusion.

Digging deeper:

1. **Increasingly CVA offers a means of meeting needs in multiple contexts** and supporting the resilience of crisis-affected people. CVA can be used to respond to needs in a myriad of situations including the needs of the growing number of people on the move, communities facing recurrent climate-based shocks, people in contexts of chronic crisis, and the financially excluded. The COVID-19 pandemic underscored the versatility of CVA, as governments and humanitarian agencies around the world used cash as a central part of their response.

2. **Technical processes can be at odds with people-centred CVA**. It is increasingly recognized that overly technical processes and approaches can lose sight of what affected people want as the central principle, and can be inefficient as a result. Regular sense checking is needed to ensure that processes are fit for purpose and do not have unintended consequences.

3. **The current framing of financial inclusion in CVA is too narrow**, focused exclusively or primarily on formal financial services. This risks not giving due consideration or support to the informal financial mechanisms that many crisis-affected people already use, and/or that may be better suited to their current requirements. Informal mechanisms have the potential to connect with CVA, and link to formal financial services as relevant and requested.

4. **Digital technologies present opportunities and risks for people-centred CVA,** but there are major gaps in the capacities of humanitarian organizations to effectively manage them. Technology needs to be designed and managed to avoid risks linked to exclusion, data and cybersecurity; this requires better collaboration across humanitarian actors, the private sector, and governments. Progress in payment and accountability technologies raises the possibility of increasing recipient choice and supporting financial inclusion, particularly where design is strongly informed by the needs and preferences of crisis-affected people.

5. **The focus on climate and the environment is increasing, with recognition that CVA can play an important role** in anticipatory action, post-shock response and recovery, adaptation, and resilience. To achieve this potential, CVA actors need to collaborate with others beyond their usual partnerships to engage with different government offices, plus agencies involved in development, social protection, and climate sectors.

6. **Preparedness and capacity needs are changing** and critical gaps emerging. Strategic investments are needed in digitalization and effective data management, amongst other areas. New thinking, investments and partnerships are required to address preparedness requirements in relation to anticipatory action, economic volatility, climate and environment, and financial inclusion.

Structural constraints: Greater systems change needed for CVA to meet its full potential

There is some change at the level of the humanitarian system, with agreement about a new cash coordination model, emerging models of locally-led response, much greater focus on linkages between CVA and social protection and more. Much of that change has been slow and strides are often greater in terms of commitments and policies, than in practice. There is little improvement in terms of the visibility in the reporting of implementing partners. There is need for more progress in terms of working more effectively across different areas of work. Mindsets as well as systems and funding streams need to change to enable faster and more substantive progress towards maximizing the potential of CVA and increasing its effectiveness.

Digging deeper:

1. **There has been movement on cash coordination** with the new cash coordination model widely considered a success that could facilitate increased and more effective use of CVA. On the other hand, some see this as a missed opportunity to facilitate wider reform to support a more people-centred approach to aid, as well as better realizing the potential of CVA.

2. **Progress towards locally-led CVA continues to be slow**. Faster progress will depend on wider structural and systemic changes to humanitarian funding mechanisms, partnerships, due diligence requirements, and how aid is designed and organized overall. Such change requires a willingness to substantially shift power and resourcing within the system.

3. **Evolving operational models may facilitate an increase in locally-led CVA**. Some equate the capacity to deliver large-scale CVA as requiring a replication of existing operational models, but this starts from an international perspective of how aid is managed and reflects prevailing power dynamics. Large-scale

locally-led CVA is being approached differently in some contexts based on the strengths and potential of local actors. Locally-led CVA offers potential for stronger linkages to social protection systems and context-appropriate approaches to financial inclusion.

4. **The role of implementing partners is still not visible in CVA reporting**. UN agencies and their partners continue to deliver an increasing percentage of CVA, but the roles of hundreds, if not thousands, of implementing partners, many of them local actors, are largely invisible in reporting. This lack of visibility was highlighted in the last report, but little progress has been made to resolve this issue.

5. **Operational, funding, and programmatic structures continue to inhibit progress**. Strong linkages between CVA and other forms of financial assistance, including social protection, offer the potential for greater efficiency and effectiveness. However, the divides between humanitarian and development thinking and practices offer major barriers to change. Issues such as potentially conflicting principles, funding streams, coordination models, skillsets, mindsets, and issues related to responsible data management and interoperable systems need to be addressed.

In summary, there is a clear need for concerted and collective efforts across the system to improve the scale and reach of CVA as part of an overall drive to improve aid effectiveness.