



# #CashExpertMeeting

## Takeaways

**Introduction** On August 31 2017, around 70 persons came together from a wide range of backgrounds - including INGO's, private sector, knowledge institutions and government - to discuss Cash Transfer Programming (CTP) in humanitarian responses.

This meeting was organized by the Dutch Relief Alliance (DRA) and the Dutch Platform for Humanitarian Knowledge Exchange (KUNO) to share knowledge on best practices, challenges and innovative/adaptive solutions. With the aim to enable different stakeholders to optimally utilize opportunities as well as better inform policy makers and practitioners to increase the use of CTP with evidence based methodologies and processes in line with global commitments. Experts on CTP included Sarah Bailey (ODI), Steve Harvey and Bilal Khanzada (Save the Children International), Caitlin Tulloch and Gregory Matthews (IRC) presented on a wide range of topics including risks, efficiency and innovation. During the high-level panel, where different stakeholders were represented through Jelte van Wieren (Dutch Ministry of Foreign Affairs), Louise Holden (Mastercard), Marta Valdés García (Oxfam), Maarten Voors (Wageningen University) and Isabelle Pelly (Cash Learning Partnership) joint next steps were defined.

We can look back at a very successful cash expert meeting and we would like to thank all that participated. This 'takeaway' document captures the key messages of the speakers and next steps defined:

## Cash Transfer Programming: opportunities and limitations

by Sarah Bailey (Research Associate, Overseas Development Institute)

Cash and vouchers accounted for about \$1.9 billion of international humanitarian assistance in 2015, or 7% of total humanitarian spending. In the last few years, the potential implications of cash for the humanitarian system have become more apparent, because cash transfers challenge sector divisions, cluster coordination, mandates and how aid agencies divide up the hard work of assisting people. Cash transfers offers opportunities to improve how people receive aid and even to transform the humanitarian system to make it more accountable and dignified. Cash can also lead to important efficiency gains by reducing duplication of effort and because cash can be provided to meet a range of basic needs.

### Key issues on increasing cash and seizing opportunities

Cash transfers are an opportunity to work across sectoral and mandate divisions in the humanitarian system. However, this challenges how aid agencies and donors typically work. Aid agencies often conceptualise cash transfers based on their missions and mandates more so than the holistic needs of people. The inclusion of 'multipurpose' cash transfers as a separate line item in humanitarian response plans, rather than solely within sectors, has been controversial. At the same time, sector-specific experts have raised concerns that enthusiasm for cash could lead to it being programmed inappropriately, such as expecting money alone to ensure safe shelter. What is needed are productive conversations on how cash transfers and sector expertise can have better synergies. The ways that donors typically fund assistance encourages disjointed programming rather than more coherent cash transfer responses, because multiple donors often fund several partners to do cash transfers for relatively similar objectives. Coordination is ham-strung by the lack of predictable coordination groups, limited capacity and contested legitimacy.

Having donors coordinate or pool their resources from the beginning is more logical than trying to harmonise multiple cash transfer programmes after they have begun. While this implies a reduced role for some aid agencies, it does not necessarily mean that cash transfers will only use one agency to programme them or one bank to deliver them, as diversity may be necessary to reach all the people in need. Seizing opportunities for cash transfers also requires continued capacity-building amongst aid agencies, as global experience and progress does not necessarily equate to capacity at the country level.

### What next?

- All: seize opportunities: always consider cash transfers, overcome the silos of organizations/agencies (look beyond agency self-interest)
- Donors: better coordinate funding and create incentives for more compelling models of cash transfer programming (pool resources and coordinate)
- IASC (Inter-Agency Standing Committee): ensure that the coordination of cash is predictable and resourced



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## Risks of Cash Transfer Programming

by Steve Harvey (Head of Treasury Advisory Services, Save the Children International)

### Key risks associated with Cash transfer programming:

**Budget hidden costs:** Cash transfer programming incur hidden costs. Hidden costs can often consists out of: costs associated with pre-financing and/or costs associated with providing funds to beneficiaries. Such as service providers fees, cash withdraw fees or system costs (not able to withdraw the exact amount needed).

**Working capital needed:** The flow of cash from donor to NGO, to CTP agent, to beneficiary must be as free flowing as possible. In many instances working capital is needed to pre-finance CTP. Costs associated with funding the project (sacrifice of interest income or borrowing costs) must be budgeted and preferably made an allowable cost to the project.

**Counterparty risk:** When using a third party to disburse cash to beneficiaries, you risk losing funds due to failure of the third party. If you do not have access to credit-rating services, request from the third party their published financial statements/statutory accounts. Request your accountant analyse their balance sheet and consider their credit-worthiness before signing any agreement. In any case, some kind of performance bond or financial guarantee should be considered to cover you against financial losses caused by third party failure. Where there is material counterparty risk, the donor should be notified and the selection of the third party justified.

**Lost or diverted funds:** The transfer of cash outside the banking system attracts additional risk of fraud and theft. In regions of conflict, where there is terrorist activity and no functioning banking system, terrorist financing and money laundering can become prevalent. Such risks must be mitigated as much as possible.

- There will never be zero risk so you cannot have a zero-tolerance policy whilst working within these regions. Instead, a risk-based approach should be deployed.

**Geography vs. liquidity:** A large number of CTP projects rely on the supply of physical cash to beneficiaries. Cash can be supplied by local cash agents in regions of little or no banking infrastructure. However, in these regions the cash agents may not have the capacity or the supply of physical cash to accommodate the introduction of a CTP project. The NGO should conduct two assessments: first a feasibility assessment to consider the project's modality (i.e. the technical design of how and what aid should be provided to beneficiaries). Secondly a market assessment of the local economic environment and financial infrastructure. Where appropriate, the NGO should identify potential local banking partners willing to work with NGO's, in order to provide market intelligence and even the supply of cash into remote regions.

**Making payment to beneficiaries:** Ensure appropriate verification (for example personal ID/Family card or official documentation from local council) sign and/or fingerprint a that cash is accurate amount of cash is received.

## Cost-efficiency and cost-effectiveness of Cash Transfer Programming

by Caitlin Tulloch (Technical Advisor, Best Use of Resources Initiative, International Rescue Committee) and Gregory Matthews (Deputy Director of Economic Programs for Cash Initiatives, International Rescue Committee)

The Indian Ocean Tsunami in 2004-2005 is seen as a turning point in humanitarian cash transfers. Since then CTP in humanitarian responses has gained momentum. The current CTP in humanitarian responses can be characterized by digitalization of payment methodology and new models in delivering cash to beneficiaries.

CTP can facilitate financial inclusion and economic growth and allows freedom of choice of the recipient (democratizing aid). How is IRC learning about cash delivery? Two fold, through cost-efficiency and cost-effectiveness. Cost-efficiency is adopting cost analysis methods such as the Cost Transfer Ratio, indicating the cost per dollar transferred. Cost-effectiveness is more complex, the impact per dollar transferred to desired outcomes. This is currently conducted through impact evaluation.

### What do we (so far) know about cash delivery based on cost-efficiency analysis?

Lesson 1: Cash (for NFI) can be more efficient than in-kind NFI

Lesson 2: Scale has more impact on cost transfer ratio than modality (f.e. a large in-kind NFI programme can be more efficient than small cash programme). Therefore, donors will not realise efficiency gains if they push NGO's from large in-kind programmes to small cash programs; the emphasis must be on bringing cash to scale.

Lesson 4: Rigorous targeting mechanism only worth the investment (based on efficiency) in high price places. For lower transfer values high costs associated with rigorous targeting significantly impacts the cost transfer ratio.



Lesson 3: Expect very different cost transfer ratio by Region. For example in low value for money countries transfer costs per dollar will be compared higher since beneficiary receives smaller amounts of money. As a result, a single cost-transfer ratio cannot be applied as a blanket benchmark across  
Lesson 4: Rigorous targeting mechanism only worth the investment (based on efficiency) in high price places. For lower transfer values high costs associated with rigorous targeting significantly impacts the cost transfer ratio.

### Lessons for policy conversations:

- Collaboration in consortia is good for reaching scale and can have cost-efficiency gains. However scale should be reached in consortia without increasing management of coordination costs
- Collaboration models need to address cost drivers at multiple points. Cost-efficiency as a performance indicator should be country (or region) specific taking into consideration transfer value.
- Transparency in cost data is critical for effective cash delivery partnerships. The IRC is currently piloting a cost analysis software with several INGO's, which could make consistent and transparent analysis significantly easier.

## Innovative and adaptive solutions in Cash Transfer Programming

by Bilal Khanzada (Senior Cash Transfer Operations Advisor, Save the Children International).

Cash can be transferred in many ways to a potential beneficiary. For example by making use of electronic transfer methods (using existing banking infrastructure or e-vouchers), through cash/vouchers or through mobile money. CTP can bring many challenges during the actual implementation. The current financial infrastructure is not always suitable to support CTP. For example beneficiaries that do not have ID's are unable to open a bank account to receive cash. Also high charges can be associated with using existing financial infrastructure such as cash withdraw charges and redemption charges.



New innovative solutions are currently being piloted by different actors to avoid challenges associated with using existing financial infrastructures in CTP, or in places where there is no existing financial infrastructure. For example Block Chain is indicated as a solution. The system facilitates security of data and at the same time implementing agencies to conduct detailed spending analyses of grants provided. Another innovation called 'SIM skin' can allow ordinary SIM cards to received mobile money (SIM converted into a mobile wallet).

## High Level panel

Participating in the high-level panel: Jelte van Wieren (Director, Stabilization and Humanitarian Aid department, Ministry of Foreign Affairs), Louise Holden (Vice President, Government and Development, Mastercard Advisors), Marta Valdés García (Deputy Humanitarian Director, Global Humanitarian Team, Oxfam), Maarten Voors (Assistant Professor, Development Economics Group, Wageningen University) and Isabelle Pelly (Technical Coordinator, Cash Learning Partnership). Moderated by Peter Heintze (coordinator KUNO).

Every panel member was asked to define - based on the discussions of the day - an urgent next step that needs to be addressed on short notice, and which partners are needed to materialise this next step:



**Action:** DRA Cash Taskforce and KUNO will invite relevant actors together to discuss the proposed preliminary learning agenda:

1. Clarify roles of each actor, including (re)defining mandate of (I)NGOs and added value. Develop a common vision to effectively reach change.
2. Define, pilot and research harmonized standards and models (in the CBI approach) as input for indicators that can be put in framework agreements and inform donors on how 3. Impact measuring (move beyond outputs to impacts (focus on quality))
4. Dealing with data to make the CBI change happen.

**Takeaway:** Continue investing in change and innovation in partnership. Finding and using technology to do things better. Establish multifunctional partnerships early in the process, tackle bottlenecks or foster (demand driven) innovation in CBI through facilitating think thanks, hackathons, wicked model plaza where all relevant actors come together and join forces.

**Action:** DRA Cash Taskforce and KUNO will conduct mapping to assess bottlenecks in CTP in the Joint Responses and (when needed) organise think thanks, hackathons, wicked problem plazas with all relevant stakeholders to address these bottlenecks and pilot potential solutions.

## Further reading

In March 2017 the Overseas Development Institute published this solid report: 'Time for Change. Harnessing the potential of humanitarian cash transfers.' For more information: <https://www.odi.org/publications/10764-time-change-harnessing-potential-humanitarian-cash-transfers>

In July 2017 CaLP published a report called 'The Cash Reform in Action' capturing the global cash forum held in Geneva June 2017. Find the full report here: <http://www.cashlearning.org/downloads/gcf-final-report-august-2017-1.pdf>

*Photo credits: Save the Children, Rik Goverde*

**Private sector:** *Next steps:* To work on standard agreements between financial organisations and NGO's.

*Who do you need?* The Financial organisation is the supplier and responsible for the quality of the financial mechanic and the transfer. But the financial organisation will never replace the role of NGO's. NGO need to assess needs, target beneficiaries and set the rules for the financial provider to operate upon. Making clear how the roles are divided in these types of partnerships and build upon each other's added value.

**Donor:** *Next steps:* To redefine mandate and added value of INGO's. To find modern technology to do things better and keep learning.

*Who do you need?* INGO's to support national responders in capacity building to step in CTP, private or public actors to invest in and link to more new technologies

**INGO's:** *Next steps:* To voice people's perceptions, opinions of beneficiaries of CBI (focus on quality of programming and put people at the centre) .

*Who do you need?* With relevant stakeholders re-define added value and involve the communities we serve (ensure community engagement in CTP developments).

**Knowledge institutions:** *Next steps:* To clearly define a learning framework and set a learning agenda across the sector- shift towards real-time evaluations. Agree on a collective vision on the CBI commitments made in the high level forum 2015 and Humanitarian Summit 2016. Increase funding, build capacity, ensure quality programming and increase coordination. Work on operational models: define quality standards and assess programmes across counties to these standards *Who do you need?* NGO's ad private sector collaborate on learning with academics (make data available).

## Concluding remarks and takeaways

**Takeaway:** Clearly define a learning framework and set a learning agenda across the sector – including thematic impact evaluations (move beyond outputs to quality) and 'what you do not know yet'. Joint learning in collaboration with DRA, KUNO, WUR, CaLP, local responders and other (private) actors. Base learning on real-time data and share data across the sector. Link the learning agenda to already available frameworks (CaLP).