



Australian Government

Department of Foreign Affairs and Trade



DFAT HUMANITARIAN STRATEGY GUIDANCE NOTE CASH TRANSFERS

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DFAT HUMANITARIAN STRATEGY GUIDANCE NOTE

CASH TRANSFERS

THE PURPOSE OF THIS HUMANITARIAN GUIDANCE NOTE IS TO PROVIDE DFAT STAFF WITH AN OVERVIEW OF THE EVIDENCE AND KEY ISSUES SURROUNDING CASH TRANSFER PROGRAMMING (CTP) IN HUMANITARIAN SITUATIONS. CASH TRANSFER PROGRAMS INCORPORATE UNCONDITIONAL AND CONDITIONAL CASH TRANSFERS, CASH / VALUE VOUCHERS, COMMODITY VOUCHERS AND CASH-FOR-WORK. THIS NOTE AIMS TO ENSURE THAT DFAT SUPPORTS CASH AND VOUCHER PROGRAMS THAT ADHERE TO GOOD PRACTICE PRINCIPLES, ARE EFFECTIVE, EFFICIENT, ETHICAL AND ACCOUNTABLE.

The note is intended to support DFAT activity and relationship managers and policy leads. It sits beneath DFAT's Humanitarian Strategy (2016) and World Humanitarian Summit Grand Bargain commitments (2016).

Cash-based assistance refers to all programmes where cash (or vouchers for goods or services) is provided directly provided to beneficiaries. Cash-based assistance can be delivered through electronic or direct cash, or via paper or e-vouchers. In the context of humanitarian assistance, cash-based assistance refers to the provision of cash or vouchers to individuals, households or community recipients. It does not refer to cash or vouchers given to governments or other state actors. Cash-based assistance comprises a number of modalities within the broader concept of market-based programming. [Sphere Handbook, 2018 edition, forthcoming]. **See Annex A**, page 14 for a glossary of key terms.

Cash transfers can be used to deliver multi-sector objectives in response to different situations including rapid and slow onset disasters, seasonal and protracted crises. Cash transfers are not appropriate in all contexts, such as when the economy is not monetised or where an injection of cash risks causing inflation. Their suitability must be assessed in each case. A decision support tool is provided on page 9 of this note.

DFAT POLICY COMMITMENTS

The Australian Government supports the increased use of cash-based transfers as a humanitarian programming option for relief and early recovery where appropriate, based on case by case analysis. DFAT's Humanitarian Strategy also commits DFAT to:

- Aim to... provide cash transfers at scale including by transferring cash via electronic means such as ATMs and mobile phones.
- Support innovations to improve cost-effectiveness, e.g. through cash transfer programming.
- Support the resuscitation of markets and livelihoods, e.g. through cash-based transfers.
- Investigate options to extend existing social protection mechanisms and consider whether [CTPs] in emergencies can lay the groundwork for long-term social protection mechanisms.

In 2016 global humanitarian leaders, including Australia, signed up to the World Humanitarian Summit Grand Bargain through which aid organisations and donors committed to:

- Increase the routine use of cash alongside other tools, including in-kind assistance, service delivery and vouchers. Employ markers to measure increase and outcomes.
- Invest in new delivery models which can be increased in scale while identifying best practice and mitigating risks in each context. Employ markers to track their evolution.
- Build an evidence base to assess the costs, benefits, impacts, and risks of cash (including on protection) relative to in-kind assistance, service delivery interventions and vouchers.
- Collaborate, share information and develop standards and guidelines for cash programming to better understand its risks and benefits.
- Ensure that coordination, delivery, and M&E mechanisms are put in place for cash transfers.
- Aim to increase the use of cash programming beyond current low levels, where appropriate. Some organisations and donors may wish to set targets.

If Not, Why Not?

Given the wealth of evidence on the feasibility and benefits of using CTP in humanitarian response and the Australian Government's policy commitments, the first question now considered by DFAT staff in discussions around humanitarian programming is always... *if not cash, why not?*

WHAT DOES THE EVIDENCE SAY?

“Cash transfers are one of the most heavily researched approaches in humanitarian aid in the last two decades...evaluations have established that [they] can be effective at achieving a wide range of aims – such as improving access to food, enabling households to meet basic needs, supporting livelihoods and improving access to shelter” ([State of Evidence on Humanitarian Cash Transfers, ODI / CGD, 2015](#)).

Although context matters enormously, in comparison to in-kind assistance, cash is usually more cost-efficient and faster, offers more flexibility and choice to recipients, is more dignified and empowering and affords benefits to local markets and trade. Robust global evidence points to the following benefits of CTPs:

Objective	How Cash Transfer Programs can support DFAT’s Humanitarian Strategic Objectives
Strengthen International Humanitarian Action	<ul style="list-style-type: none"> • Speed & Flexibility: CTPs can allow for a more relevant, faster and more flexible response that is better able to meet the priority needs of affected populations. • Cost-Efficiency: It is usually cheaper to transfer money than goods. • Private sector engagement: partnering with the private sector (e.g. to deliver cash) can promote innovative, effective responses and foster private sector development. • Coordination & integration: the cross-sectoral nature of cash transfers can incentivise greater coordination and integration of planning, response, monitoring & evaluation. • Transparency & accountability: CTPs can more clearly show how much aid/cash reaches beneficiaries, enhancing accountability to affected people and Australian tax payers.
Reduce Disaster Risk	<ul style="list-style-type: none"> • Build community resilience: Cash-for-work programs can be explicitly linked to building physical infrastructure to strengthen community level resilience. • Reduce negative coping strategies: CTPs help households avoid damaging actions such as selling productive assets, which can compound the effects of disasters.
Support Preparedness and Effective Response	<ul style="list-style-type: none"> • Use existing social protection programs: where large scale CTPs are already in place and performing well, it may be possible to use them to get more money to more people in a disaster. • Preparedness: CTPs readily lend themselves to preparedness activities, e.g. building baseline information on markets, financial services, regulations and partners etc. • Time-efficiency: where markets are operating, CTPs have the potential to be a more rapid form of assistance than bringing commodities from out of area. • Choice, dignity, empowerment: recipients are best placed to decide what they need and can derive a sense of dignity and control over their situation through cash. • Dynamic in responding to changing needs: CTPs allow recipients to adjust their purchases as their needs and capacities evolve.
Enable Early Recovery	<ul style="list-style-type: none"> • Catalyse economic activity post disaster: CTPs can support local markets, jobs and incomes, extending economic benefits beyond the direct recipients. • Financial inclusion: people can be linked with formal payment systems through CTP payment mechanisms. • Normalisation: withdrawing money and making household purchases in local markets helps people get back to their regular way of life and work.

COMMON CONCERNS, EVIDENCE AND RISK MITIGATION

Any resource transfer involves risk. Many of the risks in CTPs also apply to in-kind transfers. Risks must always be balanced against the benefits, mitigation measures and comparison with alternative interventions.

Programs should develop a comprehensive risk analysis and mitigation plan. For each risk, the plan must indicate a) the specific measures to be taken to minimize the risks; b) the arrangements to monitor whether the risks develop, and c) if so, the response measures to mitigate the consequences. Examples of mitigation measures for common risks are outlined below. For further guidance, see [here](#) and [here](#) as well as Chapter 7 of DFAT's *Aid Programming Guide on aid risk management*. Indicative questions to ask on these issues, when assessing CTP proposals are outlined in **Annex D**, page 19 below.

Safety & protection

Evidence: Evidence shows that ways can usually be found to distribute cash safely and securely. In Afghanistan and Somalia, agencies have used local remittance companies to deliver money to people in remote and insecure areas. In Haiti, prepaid cards were issued to reduce security risks.

Mitigation: Beneficiaries and other stakeholders are likely to have a good idea of the risks they face and mitigation strategies. Discuss these openly with the people concerned at the outset. Use third-party companies (e.g. banks, post-offices, remittance companies) and electronic delivery mechanisms (e.g. ATM cards, mobile money) to deliver cash. For direct distributions, vary the payment days and locations. If mitigation measures are not sufficient, consider using vouchers.

Community Tension and Conflict

Evidence: Evidence is context specific and points to both the positive and negative impacts which CTPs can have on community cohesion and dynamics. A key area of tension can be around targeting – if communities don't understand or agree with the targeting criteria this can lead to conflict within communities and hostility towards program implementers.

Mitigation: Ensure participation of the community throughout all stages. Ensure the program objectives and targeting rationale is clearly explained. Ensure the targeting approach is based on easily verifiable criteria and is transparently applied. Agencies must always be able to rationally answer the question: *Why do others receive this support but not me?* Co-ordinate between agencies to ensure that transfer rates are harmonised and discrepancies are accepted by the community (e.g. larger family size). Ensure a well-designed complaints and appeals system. Universal targeting approaches, where everyone in an affected area receives a transfer, may also be considered. A **Do No Harm** analysis may be required.

Price Inflation

Evidence: Evidence suggests that concerns around CTP resulting in inflation are usually not realised.

Mitigation: Quality market assessments conducted before and throughout the intervention are essential. Many guides to market assessment, pre, and post crisis are available (see page 12 and 17 below) but essentially aim to collect information on supply and demand, market integration, competition and different groups' access to the market. Government regulation of staple prices may also help.

Misuse of funds

Evidence: There are many rigorous studies on this issue. Evidence overwhelmingly shows that people tend to use cash transfers wisely and buy items they need most.

Mitigation: If there are evidence-based concerns around the misuse of funds, consider strengthening program communications on the purpose and expected use of the CTPs, or consider using commodity vouchers that are tied to specific goods or services.

Dependency **Evidence:** A review of 165 studies by the Overseas Development Institute found – on the whole – that they increased the likelihood of an adult being in work and increased the number of hours they worked per week.

Mitigation: Clearly communicate program objectives and timelines, including transition and exit strategies, to all stakeholders.

Corruption and diversion **Evidence:** there is no evidence that cash transfers are more prone to corruption or diversion than other forms of assistance. E-transfers can reduce the risk of theft. Giving cash directly to beneficiaries actually avoids intermediaries – such as procurement, storage and transport – reducing the opportunity for corruption.

Mitigation: Adopt measures at the targeting/registration phase when corruption or fraud is most likely such as designing beneficiary ID cards in such a way that they are hard to copy, or using fingerprinting or iris scans to identify beneficiaries. Ensure the implementing agency has clear financial procedures and documentation, such that money can be traced from end to end. Ensure monitoring systems are robust and that complaints and appeals systems include mechanisms for reporting fraud.

Contact DFAT's Contracting and Aid Management Division (ACD) for further guidance regarding:

- DFAT's Due Diligence Framework applied to organisations/implementing partners managing CTPs; and
- DFAT's Counter-Terrorism Financing Policy, 2017.

Power dynamics and gender-based violence **Evidence:** Impacts on gender and power dynamics are highly context specific. The balance of evidence does not point strongly towards CTPs either exacerbating or ameliorating such issues.

Mitigation: Quality context analysis and ongoing monitoring is essential. The high prevalence of gender-based violence in some DFAT focus countries underscores the need for this. Ensure good communication on program objectives and clear explanation if women are explicitly targeted.

Communication strategies may be required in some instances to make the case for CTP. A basic guide to simple advocacy approaches around CTPs – Making the Case for Cash - can be found on the CaLP website or [here](#).

PREPAREDNESS FOR CASH TRANSFER PROGRAMMING

To maximise efficiency and effectiveness, planning for CTPs should take place before a disaster strikes. Appropriate due diligence could be conducted on a periodic basis as part of the preparedness process. Key areas to strengthen preparedness include:

- Conducting CTP feasibility and preparedness assessments.
- Developing internal procedures, capacities and systems and considering how these complement other providers.
- Enhancing localisation by identifying relevant systems, infrastructure and partners, building capacity and systems. This includes building relationships with government counterparts and understanding their policies and processes.
 - If a partner government is a potential implementing partner, **DFAT's Assessment of National Systems** and sector assessment can be completed well in advance. For further guidance, contact DFAT's Contracting and Aid Management Division (ACD).
- Working with partners, including government, to generate baseline information on: markets (for example using the [Pre-Crisis Market Analysis tool](#)), wage rates, regulatory frameworks, cultural and political attitudes towards CTP, social relations (e.g. gender), delivery mechanisms and financial service providers, risks and opportunities for working with existing social protection schemes etc.
- Supporting the pre-positioning of materials – e.g. pre-printed vouchers or smart cards or public works administrative tools - to facilitate rapid scale up.
- Supporting the pre-positioning of data such as registries of vulnerable households.
- Developing risk financing strategies.
- Ensuring CTP is included in national DRR plans and coordinating contingency planning activities, including establishing coordination mechanisms.
- Considering cash branding of CTP interventions to aid public diplomacy efforts well in advance. For further guidance, refer to **DFAT Humanitarian Guidance Note: Cash Branding**, 2017.

Case Study: Disaster-Responsive Social Protection: Fiji's Response to Tropical Cyclone Winston, 2016

As the humanitarian system comes under increasing strain there is growing interest around the extent to which social protection transfers can be scaled up in an emergency. In countries with nascent systems, agencies are also asking whether humanitarian CTPs could provide a starting point for developing buy-in to longer term approaches.

In the wake of TC Winston, Fiji's Government provided emergency CTP interventions through its existing social protection schemes. These included:

- Disbursement of F\$19.9 million (US\$9.4 million) in **cash** to 43,524 recipients, over three months, to help people meet immediate expenses.
- A **food voucher** payment of F\$4.6 million, provided with Australian support, channelled through WFP, for two months. The NGO, ADRA also used the government's beneficiary lists to provide vouchers for people not on the government's social protection system, therefore piggybacking off the system.
- The Fiji National Provident Fund, Fiji's largest social insurance scheme, allowed members to withdraw **cash**, totalling F\$250.2 million, in the first two months following the disaster.

A F\$70 million 'Help for Homes' scheme also provided **electronic vouchers** for building materials, though this was delivered outside the social protection system.

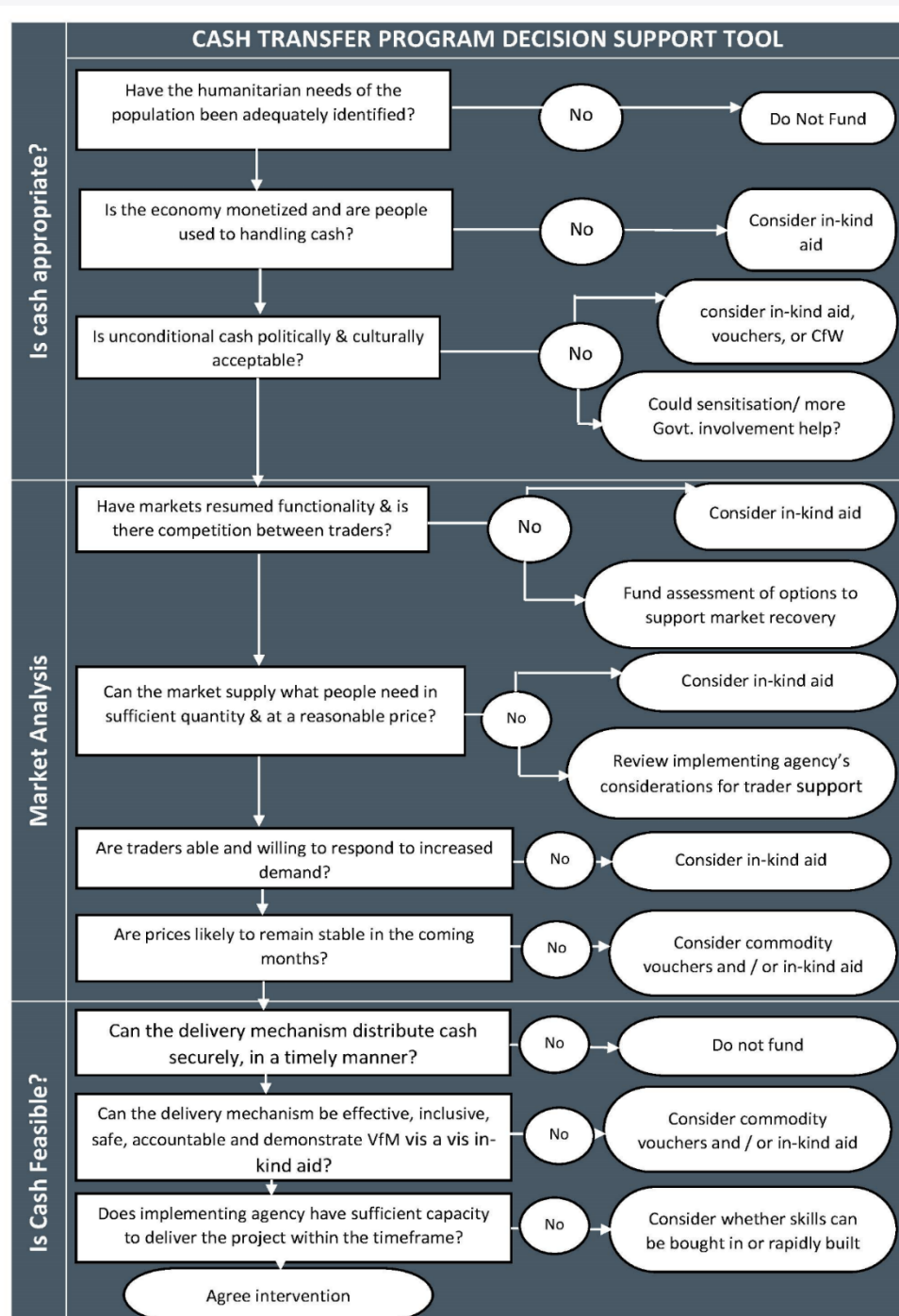
Australia funded the World Bank to undertake an [evaluation](#) of the social protection top-ups. It found:

- The interventions are estimated to have reached more than 170,000 families and injected approximately US\$160 million (equivalent) into the economy.
- 99% of payments were used for essentials - food, house repairs, clothes, school and medical supplies.
- Households receiving the top-up transfers were quicker to recover.
- Nearly all beneficiaries reported receiving the correct amount.
- Markets were re-established to near pre-cyclone levels within four weeks.
- The in-kind humanitarian assistance provided effective immediate assistance to all affected households, also and played a crucial role in sustaining the families until the markets were restored.

See [here](#) and [here](#) for further guidance including a decision tree on disaster responsive social protection.

DECISION SUPPORT TOOL

This tool should be used in the initial stages of considering an intervention to help guide decisions as to whether a CTP response is feasible and appropriate, particularly compared to other forms of assistance.



Source: Adapted from Humanitarian Guidance Note: Cash Transfer Programming, DFID, 2013

WHAT DOES A GOOD CTP PROGRAM LOOK LIKE?

Once a decision to support a CTP has been made, consideration is given to what the intervention should look like. Annex B, page 15 contains an illustration of the basic building blocks of a CTP. Annex C, page 16 is a typology and comparison of cash transfer modalities (cash, vouchers etc.). Annex D, page 17 contains guiding questions in the design of CTP programs and links to resources on design issues such targeting etc.

Institutional	Coordinated	With the national government and Humanitarian Country Team, cluster system and UN appeals process. Where possible, uses multi-sector, inter-agency approach to assess, analyse, design & implement, using government processes where possible. Coordination is also needed within DFAT to ensure e.g. that humanitarian interventions support recovery, resilience and long-term development. An additional aspect of the co-ordination consideration is that of whether programs are 'complementary' (e.g. clear division of labour between partners that addresses all potential gaps).
	Aligned	Where possible, with existing or planned formal social protection programs. Where this is not possible, pooling available funds rather than creating multiple parallel programs and systems outside of government systems is essential.
	Localised	Appropriately utilises local systems and infrastructure. Effectively engages with and builds capacity of local communities, organisations and government systems.
	Leverages private sector	Leverages private sector skills and technologies – e.g. for delivering cash.
Operational	Accurate & Appropriate	Informed by high quality assessment and analysis. A market assessment is essential.
	Adequate	Enables beneficiaries to purchase goods and services which, together with the range of other interventions, meet Sphere and Core Humanitarian Standards.
	Harmonized	Uses, or creates, where possible, common targeting systems such as a single registry and common operational platforms (e.g. payment cards used by multiple agencies).
	At Scale	Covers significant number of the target population.
	Timely	Delivers at least as quickly as in-kind approaches.
	Efficient	Delivers a high percentage of total value to recipients, not overheads.
	Stimulating	Supports resuscitation of markets and livelihoods, enables people to get back to work.
	Safe	Strong risk management procedures to ensure the safety of staff, communities and beneficiaries.
	Inclusive & participatory	Ensures the inclusion and active participation of communities including vulnerable groups e.g. inclusion in decisions around who should benefit and what the payment modalities and mechanisms and targeting approach should be.
	Protective	Upholds the rights, dignity and preferences of beneficiaries.

	Transparent & accountable	Effective complaints & appeals and communication systems that are accessible and accountable to beneficiaries, host governments and donor government tax payers.
	Monitored	Sufficient monitoring and evaluation, including on-going market and protection monitoring, to inform current and future programming.
	Dynamic	Responds to changing needs and circumstances throughout the intervention period.
	Compliant	Complies with relevant national and international rules, including Know Your Customer (KYC) and with data protection standards .

SETTING THE TRANSFER VALUE

The value of a transfer should reflect the program objective, which may be to cover specific expenses or more usually to help meet the cost of basic needs. The Minimum Expenditure Basket (MEB) is generally used for calculating the cost of basic needs. It is defined as what a household requires in order to meet its basic needs – on a regular or seasonal basis – and its average cost. Affected populations are the best source of information on this. The value of a transfer will be the cost of achieving the objective (e.g. the MEB), minus the recipient's own resources and the value of other assistance (such as food) that he/she receives. There is an increasing trend to set transfers values at 70% to 80% of the MEB. The appropriateness of the transfer value should be assessed throughout implementation.

Whether or not a transfer is adapted to household size should be based on practicality. This is unlikely to be feasible in a rapid onset disaster but more so in a protracted crisis. The frequency of payments is again largely determined by practicality. For transfers aimed at meeting ongoing basic needs, monthly transfers may be appropriate. For transfers aimed at supporting bulky purchases such as shelter materials or assets for livelihoods, or where populations are mobile, a lump sum payment may be appropriate. The transfer value, frequency and duration should be established in coordination with other humanitarian actors delivering CTPs. See [here](#) and [here](#) for further information on transfer values. See **Annex D**, page 19 for guidance questions to consider when assessing a CTP proposal.

PROTECTION

Integrating protection concerns into CTPs involves considering issues of: i) safety and dignity; ii) meaningful access iii) accountability and iv) participation and empowerment with particular reference to vulnerable groups. Programmes should consider protection issues through an age, gender and diversity lens. Diversity refers to ethnic background, nationality, sexual orientation, gender identity, ability, health, social status, skill and other specific personal characteristics.

Communities are often best placed to identify protection risks, self-protection capacities, and prevention and mitigation measures. A protection assessment should be included as a core element of any context/needs assessment. Include protection risks and benefits in monitoring and evaluation systems. *Illustrative examples* of protection risks and mitigation measures are outlined below. Further info available in **DFAT Humanitarian Strategy Guidance Note: Protection** and [Guide for Protection in Cash Based Interventions, UNHCR](#).

Adapted from Guide for Protection in Cash Based Interventions, UNHCR, 2015

Protection Area	Protection Risk	Humanitarian agency possible mitigation measure
Safety & dignity	Theft and looting; extortion	<ul style="list-style-type: none"> Complaints and feedback mechanisms for beneficiaries and non-beneficiaries Electronic transfer modalities
Access	<ul style="list-style-type: none"> Lack of ID or knowledge of new technologies e.g. mobile phone transfers leading to exclusion. Those who are already socially marginalised may be excluded from community-based targeting processes. Elderly, people with disabilities and women cannot travel to access pay points due to physical or time constraints. 	<ul style="list-style-type: none"> Include non-formal payment service providers e.g. local traders or hawala Identify local NGOs/CBOs with access to marginalised groups. Adjust targeting methods and/or use mixed methods to minimise exclusion. Include option of a registered alternate recipient to collect payments on behalf of beneficiary. Flexibility in payment collection times e.g. to fit in with women's other responsibilities.
Data protection & privacy	<ul style="list-style-type: none"> Sharing personal data of people with third parties, potentially putting them at risk of violence, detainment or discrimination 	<ul style="list-style-type: none"> Data protection policy dissemination and adherence to data protection principles Contracts with service providers include provisions in line with data protection policy
Social relations	<ul style="list-style-type: none"> Intimate partner violence and/or GBV, particularly if women are the direct recipients of assistance Inter-group tensions, e.g. IDP/refugee and host community including trader. 	<ul style="list-style-type: none"> Gender-specific sensitization Post distribution monitoring to include questions on social and household relations. Inclusion of a proportion of hosting vulnerable families in the assistance scheme
Market impacts & access	<ul style="list-style-type: none"> Elderly and those with disabilities cannot travel to access Illegal taxes and bribes on the way to the market, leading to limited or disrupted access to markets 	<ul style="list-style-type: none"> Consider the inclusion of transport costs when calculating the transfer amount. Encourage communications trees and information relays to warn about checkpoints, advocacy with local authorities.

MONITORING AND EVALUATION

As with any humanitarian intervention, cash transfer programs demand investment both upfront and ongoing in monitoring and evaluation. It is essential to know if all recipients were safely able to receive and spend their transfer, if they were able to secure their basic needs and, if not, what needs to change – as well as any other effects, such as impacts on the price of goods and services. Monitoring and evaluation should be as participatory and independent as possible, either by using different organisations or having different teams within the same organisation handle implementation versus monitoring and evaluation.

The World Humanitarian Summit Grand Bargain commits donors, including Australia to “*build an evidence base to assess the costs, benefits, impacts, and risks of cash (including on protection) relative to in-kind assistance, service delivery interventions and vouchers, and combinations thereof.*”

The following core indicators should be monitored for all DFAT-funded CTP activities, and can be aggregated to report at country, regional or global levels, as appropriate:

- DFAT expenditure on humanitarian cash and voucher transfers by financial year, and as a proportion of overall humanitarian spending;
- Total numbers of beneficiaries receiving cash / voucher transfers (disaggregated by sex, age and ability, where possible).

In addition, it is recommended that the monitoring and evaluation system consider the following questions, supported by both quantitative and qualitative data:

- Did the intended beneficiaries receive the right amount of transfer according to the donor/implementing provider/beneficiary and the agreed regulatory and timing of transfers?
- Were any changes in prices, supply and demand, and beneficiary access to goods or services, observed during the period of CTP assistance (broken into different components)?
- Are the items that people want to buy available on the market? As this is likely to change over time, there may be need to monitor and report on the situation before, during and after a humanitarian CTP intervention. How far do people have to travel?

Case Study: If Not Now, When? Attempts to Move to a Single-Agency Approach in Lebanon

Humanitarian actors in Lebanon have pioneered the use and coordination of electronic cards to support refugees. Since 2015 UN agencies and NGOs have provided multi-purpose grants and e-food-vouchers to economically vulnerable Syria refugee families, via a common ATM payment card. Although each agency still has its own independent program, they use a common approach for targeting and cash and voucher delivery. Targeted families can use one ATM card to withdraw cash provided by these agencies and use the same card to purchase food, via a network of WFP-contracted shops.

In late 2016, partly in response to commitments made at the World Humanitarian Summit, DFID and ECHO took this approach one step further by proposing an US\$85 million project that would: a) have one lead agency manage all cash transfers from the two donors, use one card, one management platform, one targeting system and one communication and appeals system b) issue a separate contract to an independent agency to monitor the program and c) only supply cash and not vouchers.

In a presentation entitled– *If Not Now, When?* – which echoed the top recommendation of the [High-Level Panel](#) on Humanitarian Cash Transfers, the agencies argued that this more streamlined approach would improve on the current one-card system by ensuring a fully harmonized package of assistance which is more cost-efficient, transparent and accountable to Syrian refugees in Lebanon, the host government, and tax payers in donor countries.

- Are there any changes in the situation of vulnerable groups (define the changes to be monitored)? Are people able to collect and use their cash transfer safely, without facing social, cultural or other barriers? Have the transfers caused any positive or negative changes in relations within the community?
- What was the feedback on preferred options of cash, vouchers or in-kind assistance by recipients?
- What are people spending the cash transfer on? Has the intervention had an impact on other sectors? Or the local economy?
- What is the value of overheads relative to cash provided over time?
- Is there any risk of double-dipping by implementing entities (e.g. providing the service once but being paid more than once for it by separate donors)? To do this the total amount of funding to the CTP program needs to be monitored.

ASSESSING VALUE FOR MONEY IN CASH TRANSFER PROGRAMS

Value for money is a key consideration in decision-making for all aspects of DFAT's aid program. DFAT's Value for Money Principles seek to ensure the effective, efficient, economical and ethical management of Australian aid. The Grand Bargain commits Australia to build an evidence base on the costs and benefits of cash relative to other forms of assistance including in-kind. Basic VfM analysis should be conducted at all stages of the project cycle including at appraisal and throughout implementation.

Value for Money is not only about minimising costs; **it is about maximising the impact of money spent to improve people's lives**. Low overheads are not necessarily a good thing if it means the agency has compromised on management and oversight functions. It is also important to recognise that VfM is not absolute; costs will vary considerably from program to program depending on the context. For example, the geography and infrastructure of a country, the objectives, design, coverage and duration¹ of a program will influence cost-efficiency enormously. VfM efforts should also be proportionate to the context and level of funding – there is an opportunity cost to complex analyses.

However, DFAT expects partners to be able to clearly and systematically demonstrate that the transfer to beneficiaries is maximised as compared to the cost of delivery.

One of the most basic measurements of VfM is **cost-efficiency**. This asks, *'how much did it cost to run the program?'* It allows accountability for spending, without considering what result was achieved. This is commonly expressed as the **total-cost-transfer ratio (TCTR)**². This is the total dollar cost, including transfers, of delivering one dollar's worth of transfer to a beneficiary. If, for example, a program costing a total of \$50 million delivers \$40 million in transfers to beneficiaries and spends \$10 million on administrative costs, the TCTR is 50/40 or 1.25. The more TCTR exceeds one, the less cost-efficient the program is. Using this TCTR metric also better supports a comparison with in-kind transfers, compared to other ways of measuring cost-efficiency (Measuring and Maximising Value for Money in Social Transfer Programmes, DFID, 2013).

The wide variation in program context makes international benchmarking of cost-efficiency in humanitarian cash transfers challenging and potentially misleading. A [review](#) of seven humanitarian cash transfer programs which used e-payments found that the TCTR ranged from 1.11 to 1.64. DFID's guidance on ['Measuring and Maximising Value for Money in Social Transfer Programmes'](#), presents TCTR data from several, mostly development/social protection cash transfer programs. The TCTR in these programs ranges from 1.05 to 2.11.

Given the highly context-sensitive nature of cost-efficiency calculations, a sensible tactic is to assess programs on a case by case basis, considering whether approaches have been chosen which appear to offer the best value for money in the given context. It is also important to ensure that budgets are structured and approaches documented in such a way as to allow thorough ex-ante and ex-post value for money analyses.

Looking beyond cost-efficiency, **cost-effectiveness** measures costs against program outcome and impacts. A number of methods are available both ex-ante and ex-post. Most simply, cost-effectiveness measures **the cost per measure of outcome or impact** e.g. the unit cost of a percentage point reduction in the 'food gap'. Cost-effectiveness should be measured at the design and evaluation stages, if the program outcome or impact can be quantified. Broader measures of cost effectiveness are available, including those which consider the positive effects of transfers on the local economy. See [here](#) and [here](#) for further guidance.

¹ Overhead costs tend to decline over time.

² Or alternatively the **cost-transfer ratio (CTR)** which is the ratio of administrative costs to transfers

FURTHER READING, PRACTICAL TOOLS AND RESOURCES

The [Cash Learning Partnership \(CaLP\)](#) has a wide range of resources on humanitarian cash transfer programming including topic-specific tools and guides on, for example, protection, market assessment and payment and delivery mechanisms, as well as training modules on the basics of CTP. Various [e-Learning](#) resources are also available from the CaLP website.

DFAT Strategy, Policy and Guidance

- [Humanitarian Strategy, 2016](#)
- [Strategy for Australia's Aid Investments in Social Protection, 2015](#)
- [World Humanitarian Summit Grand Bargain Commitments, 2016](#)
- ['Draft internal DFAT Counter Terrorism Financing Paper' Final, DFAT Contracting and Aid Management Division, 2017](#)
- [DFAT Humanitarian Guidance Note: Cash Branding, 2017](#)
- [DFAT Humanitarian Guidance Note: Protection, 2017](#)

Other Agency Policy and Guidance

- [Doing cash differently: How cash transfers can transform humanitarian aid, ODI / CGD, 2015](#)
- [Strategic Note, Cash Transfers in Humanitarian Contexts, World Bank Group, 2016](#)
- [Guidance to partners funded by ECHO to deliver medium to large-scale cash transfers, DG ECHO, 2017](#)
- [The Use of Cash and Vouchers in Humanitarian Crises, DG ECHO, Funding Guidelines, 2013](#)
- [Humanitarian Guidance Note: Cash Transfer Programming, DFID, 2013](#)
- [Measuring and Maximising Value for Money in Social Transfer Programs, DFID, 2013](#)

Operational Guidelines and Tools

- [Operational Guidance and Toolkit for Multi-Purpose Cash Grants, CaLP, 2015](#)
- [Cash and Vouchers Manual, WFP, 2014](#)
- [Good Practice Review: Cash Transfer Programming in Emergencies, ODI, 2011](#)
- [Minimum Standard for Market Analysis \(MISMA\), CaLP, 2017](#)
- [Pre-Crisis Market Analysis, USAID, IRC, Oxfam, 2016](#)
- [Emergency Market Mapping & Analysis Toolkit, \(EMMA\)](#)
- [Emergency Food Security and Livelihoods 48-hour Assessment Tool, Oxfam, 2015](#)
- [Guide for Protection in Cash Based Interventions, UNHCR, 2015](#)
- [Delivering Money: Cash Transfer Mechanisms in Emergencies, CaLP, 2010](#)
- [CTP Organisational Capacity Assessment Tool, CaLP, 2016 -
<http://www.cashlearning.org/downloads/calp-ocat-user-guide-2.0.pdf>](#)
- [Know Your Customer Standards and Privacy Recommendations for Cash Transfers, UNHCR, 2015](#)
- [Working with Cash Based Safety Nets in Humanitarian Contexts, CaLP, USAID, 2016 \(this is a guide to decision making and operationalising disaster-responsive social protection\)](#)
- [A Basic Guide to Field Advocacy in Cash Transfer Programming, CaLP, 2011](#)

Evidence Papers

- [State of Evidence on Humanitarian Cash Transfers, ODI, 2015](#)
- [Humanitarian Cash Transfers: Cost, Value for Money and Economic Impacts, ODI, 2015](#)
- [Cash Transfers: What does the Evidence Say? ODI, 2016](#)

Expertise you can access

- HumanitarianPolicy@dfat.gov.au
- povertyandsocialtransfers@dfat.gov.au
- DFAT (Poverty and Social Transfers Section, Development Policy Division) also has an expert panel set up to help you review a proposal, or formulate policy.

ANNEX A: GLOSSARY OF KEY TERMS

Cash delivery mechanism: The means of delivering a cash or voucher transfer (e.g. smart card, mobile money transfers, cash in envelopes etc.).

Cash for work: payment (in cash or vouchers) is provided as a wage for work, usually in public or community programs.

Cash payment mechanisms Refers to the financial system used for making payment to beneficiaries e.g. banks, post office, micro finance institution, remittance company etc.

Cash / Value Vouchers: A paper, token or plastic card that can be exchanged for a set value of goods at specified local shops/traders or at voucher fairs set up by the implementing agency. The traders are paid by the contracting agency upon production of these vouchers or evidence of exchange between the trader and beneficiaries

Commodity vouchers: A paper, token or plastic card that can be exchanged for a set of pre-determined goods or services at specified local shops/traders or at voucher fairs set up by the implementing agency.

Conditional Cash Transfers: where beneficiaries are required to fulfil a specific obligation or activity (such as attending schools or health clinics, building a shelter) to receive the transfer. Cash for work is considered a conditional transfer.

Multipurpose Cash Grants (MPGs) Multipurpose Cash Grants are by definition unrestricted cash transfers. They are a regular or one-off transfer corresponding to the amount of money that a household needs to cover, fully or partially, a set of basic and/or recovery needs that span across different sectors, such as shelter, food and livelihoods. The term can be used interchangeably with Multipurpose Cash Transfers and Multi-Sector Cash Grants.

Restriction is a limitation on the use of a cash-based intervention after it has been received by a beneficiary. Commodity vouchers are examples of restricted modalities. Restriction is distinct from conditionality (see above), which pertains only to conditions that a beneficiary must fulfil in order to receive a transfer.

Social Protection: Social protection refers to programs that address risk, vulnerability, inequality, and poverty through a system of transfers to people in cash or in kind. It has three core functions: 1) protection of the poor from the worst impacts of poverty, 2) prevention against income shocks and drops in well-being, 3) promotion of opportunities and livelihoods.

Transfer modalities: refers to different types of cash transfer program such as cash (conditional and unconditional), vouchers (commodity or value) or cash for work.

Unconditional Cash Transfers: A direct cash or voucher transfer given to individuals or households without the recipient having to do anything in return – including work requirements. There is no requirement to repay any of the money, and recipients are entitled to use it however they wish. Unconditional grants can be provided to meet immediate needs and / or build assets to protect themselves and increase resilience against future shocks.

ANNEX B: BUILDING BLOCKS FOR A CTP PROGRAM

The illustration below sets out the basic building blocks of a humanitarian CTP. The appropriateness of CTPs depends on needs, markets and other factors which vary considerably between locations. Blended responses, combining different modalities of cash, vouchers and cash-for-work, might be used.

SITUATION ASSESSMENT & RESPONSE ANALYSIS		PROGRAM DESIGN	
Appropriateness	<ul style="list-style-type: none"> - Needs assessment - Impact, needs, capacities, who is doing what - Political & cultural context for CTPs - Is affected population used to purchasing in markets and handling cash? 	policy	<ul style="list-style-type: none"> - Modality (e.g. cash/ voucher/ combination) - Who benefits - How much? How often? For how long? Against which standards? - Options for using existing SP-CT schemes
	Market Assessment <ul style="list-style-type: none"> - Quality market assessment of: <ul style="list-style-type: none"> - Level of competition - Availability, quality & price of goods - Ability of traders to respond - Recent inflationary trends - Vulnerable groups' access to markets - Relevant Govt. policies 		
	Feasibility Assessments <ul style="list-style-type: none"> - CTP preparedness plans, previous CTP lessons learned - Existing SP -CT schemes - Risk assessment - Possible payment methods - Access, inclusion & protection - Gender, age, disability - Value for money - Partners & capacity 		
		Operations	<ul style="list-style-type: none"> - Partnership & localisation plan - Risk management system - Beneficiary identification process - Registration & enrolment process - Payment delivery method - Communication & sensitisation - Complaints & appeals system - Monitoring & evaluation system

ANNEX C: CASH TRANSFER MODALITIES

Modality	Circumstances When Used	Advantages	Disadvantages
Unconditional Cash Transfers	Often the default modality unless indicators show otherwise; Security situation adequately stable; Project objectives do not restrict expenditure to specific goods and services	Minimal administrative burden; Generally, more cost efficient than vouchers; usually maximises empowerment, dignity & choice; may maximise food security & nutrition outcomes; more dynamic in responding to changing needs.	Recipients may spend money in ways not linked to project objective; Spending decisions may be made by individual family members, not in the best interests of the household; communities & govt. staff may have concerns around handing out 'free money'.
Conditional cash transfers	Specific needs have to be met (e.g. attending health clinics or building shelter); there are strong concerns amongst stakeholders about handing out 'free money'.	Agency can influence recipient behaviours to promote project objectives; may be more culturally and politically acceptable in some contexts.	Requires staff to verify conditions have been met – significantly increasing admin. burden and reducing cost-efficiency; can penalise the most vulnerable; may be incompatible with a rights-based approach.
Cash / Value Vouchers	Strong program justification needed for using. Chosen when there are concerns over the handling of cash for reasons of security, corruption or diversion.	Recipients do not directly handle cash Quality of goods & prices can be monitored May be more culturally and politically acceptable in some contexts.	Limits recipient choice to a number of vendors; requires significantly more admin. than UCTs; potentially offers less value for money for recipients, as beneficiaries are less able to hunt for sale items at a range of stores; May decrease purchase of fresh produce as beneficiaries may be more likely to buy foods in bulk at approved stores, rather than shopping daily in local markets; Traders not involved in the project may be disadvantaged; participating traders may be supplying imported goods – potential limiting impact of program on stimulating local food production & markets; vendors may increase prices.
Commodity Vouchers	Strong program justification needed for using. Offers control over the items purchased & used when there is a reason to restrict purchases to specific, identified items or when concerned that cash is spent in unhelpful ways.	In addition to the advantages listed above, agency directly controls recipient choice.	In addition to above commodity vouchers further limit the choice of beneficiaries and are more complicated to set up and monitor than cash vouchers because participating vendors must sell the chosen items and those purchases must be monitored.
Cash for Work	Public or community works are required; Equipment, technical assistance and supervision can be provided; Population has capacity to undertake work; Capacity to maintain assets is created	Can create community assets, including for DRR, or facilitate early recovery (e.g. debris clearance); potential for self-targeting; may promote community mobilisation & solidarity; may be more culturally and politically acceptable in some contexts.	Disruption to labour markets if wage rate is too high; Can take away time from other activities incl. food production, livelihoods & child care; may increase child labour (directly, or through substitution); May exclude those without capacity to work & women with restricted mobility; complex to administer.

ANNEX D

Example questions to ask when assessing a CTP proposal

Issue	Indicative questions
Needs	<p>What are people's humanitarian needs? Considering women, men, girls & boys and other vulnerable groups</p> <p>What are people's coping strategies and capacities?</p> <p>Has the objective of the intervention been identified?</p> <p>What are people likely to spend cash on?</p> <p>Do people have a preference for cash or in-kind approaches?</p>
Markets See here , here , and here for guidance	<p>Has a market assessment been undertaken, with a clear objective and geographical scope?</p> <p>Are markets integrated and competitive?</p> <p>Are the items that people need available in sufficient quantities and at reasonable cost?</p> <p>How quickly will local traders be able to respond to additional demand?</p> <p>Are prices already on an unusual inflationary trend? What are the risks of inflation?</p> <p>What are the likely wider effects of a cash intervention on the local economy, compared to in-kind alternatives?</p> <p>What govt. policies are there which may affect the availability of food or other items?</p>
Co-ordination, cultural & and political context	<p>What other forms of assistance are being planned?</p> <p>How do CTPs align with govt. policies? Will there be permission to distribute cash?</p> <p>What is the culture and attitudes in government and in communities around cash transfer, including unconditional CTs?</p> <p>Is there a cash working group operating? Is the government involved in this?</p> <p>Is there co-ordination around the Minimum Expenditure Basket, transfer size or Cash for Work daily wage?</p> <p>What opportunities are there for using, or developing, common systems – e.g. targeting approaches, or delivery & payment mechanisms used by all agencies?</p>
Alignment with existing initiatives See here and here for guidance	<p>Are there any existing CTP preparedness plans?</p> <p>What lessons have been learned from previous CTPs (emergency or social protection)?</p> <p>Could the existing social protection system, if it exists, help the response? E.g. though using existing beneficiary lists and payment systems to get top-ups to existing SP beneficiaries, or expanding the (geographical) coverage of existing systems to get cash to more people, or using operational elements such as complaints and appeals systems for communicating with affected populations?</p> <p>Could the proposed CTP response align with existing government social protection policy commitments?</p> <p>How could it be designed to maximise possibilities for eventual government take-over of the CTP?</p>

<p>Security and delivery options</p> <p>See here, here and here for guidance</p>	<p>Have all the security risks to staff, beneficiaries and all relevant stakeholders been assessed? Has this assessment included discussion with communities? What are the risks compared to in-kind alternatives?</p> <p>Has a risk management plan been developed?</p> <p>Are financial service providers working – e.g. banks, remittance companies?</p> <p>Has there been a rigorous assessment cash delivery mechanisms (mobile money, smart card, etc.) against clear criteria including: security, cost, timeliness, reliability, inclusion and scale up capacity?</p>
<p>Corruption</p>	<p>What are the risks of diversion by staff, partners, contractors, communities, elites, compared to in-kind alternatives?</p> <p>What safeguards can there be to minimise this risk?</p>
<p>Protection, Access & Inclusion</p> <p>See here for guidance</p>	<p>Has a protection assessment been carried out? Does it consider issues of: Safety and dignity of beneficiaries and communities, humanitarian access to crisis-affected populations, crisis-affected populations' access to aid (physical, social, cultural), data protection and beneficiary privacy, individuals with specific needs or risks, social relations and market access?</p> <p>Are there risks of excluding particular groups using a CTP?</p>
<p>Gender and power</p> <p>See here and here for guidance</p>	<p>How will cash be used in the household?</p> <p>Do men and women have different priorities?</p> <p>How will the use of cash be decided on within the household?</p> <p>Should cash be specifically distributed to women?</p> <p>Are CTPs likely to exacerbate or ameliorate gender-based conflict within the household?</p> <p>What impact will cash have on existing social and political divisions within communities?</p>
<p>Cost & time efficiency</p> <p>See here and here for guidance</p>	<p>What are the costs of the CTP?</p> <p>What is the Total-Cost-to-Transfer Ratio? i.e. the total dollar cost, including transfers, of delivering one dollar's worth of transfer to a beneficiary.</p> <p>What is the cost per beneficiary?</p> <p>How do these figures compare to in-kind transfers?</p> <p>How quickly can cash and in-kind alternatives be delivered?</p> <p>If the proposed option is not the most cost-efficient, what is the justification, if any, for proposing to fund? Remember: Value for Money is not only about minimising costs; it is about maximising the impact of money spent to improve poor people's lives.</p>
<p>Partners, localisation & capacity</p> <p>See here for guidance</p>	<p>Does the implementing agency have the skills, capacity and systems to implement?</p> <p>If not, can the required skills be bought in or rapidly developed?</p> <p>Does the program appropriately utilise local systems and infrastructure?</p> <p>Does it effectively engage with and build capacity of local communities, organisations and government systems?</p> <p>Does the program draw on the skills of the private sector?</p>

Transfer Modality	<p>If conditional cash transfers, vouchers or cash-for-work is being proposed, is there a strong rationale?</p> <p>Will the use of conditional CTs, vouchers or cash-for-work help address government or community concerns around the unconditional, unrestricted distribution of cash?</p> <p>Could sensitisation, advocacy or stronger government involvement help address concerns?</p> <p>If vouchers are proposed are there sufficient suppliers willing and able to collaborate?</p>
Targeting	<p>Are the targeting criteria clearly linked to the needs assessment?</p> <p>Are targeting criteria clear and rational? Is the targeting process transparent?</p> <p>Have communities been consulted on the targeting criteria?</p> <p>Has the targeting criteria and process been coordinated with other actors?</p> <p>Do the targeting criteria ensure that the most vulnerable people receive assistance first?</p> <p>Are there feasible ways of (reasonably) accurately identifying, registering & enrolling beneficiaries?</p> <p>Has the targeting approach considered protection, vulnerability and exclusion issues?</p>
Transfer Value, Frequency, Duration	<p>Is the proposed transfer amount, frequency and timing appropriate to achieve the program objective?</p> <p>What is the rationale for the proposed transfer amount, frequency and duration? Does it consider beneficiaries' capacities and other planned and ongoing interventions? Is it linked to the Minimum Expenditure Basket?</p> <p>Has the transfer value, frequency, duration been established in coordination with other humanitarian actors delivering CTPs? What is the rationale for any differences?</p> <p>For cash for work programs has the wage rate been set with reference to local wage rates? It should usually be just below the local rate to enable self-targeting.</p> <p>Are there plans to review the appropriateness of the transfer value throughout implementation?</p>
See here and here for guidance	
Communication & sensitisation	<p>Does the agency have a communication and sensitisation plan?</p> <p>Does the plan include processes for explaining project objectives, targeting criteria and procedures and complaints & appeals processes?</p> <p>Does it include a plan for addressing any stakeholder concerns around CTPs?</p> <p>Is the plan accessible to people who speak different languages or are illiterate?</p>
Complaints & appeals system	<p>Does the proposal include plans for a complaints & appeals system?</p> <p>Is this accessible to people who speak a different language or are illiterate?</p> <p>Is the system sufficiently independent from program delivery staff?</p> <p>Does the system enable beneficiaries to raise complaints on a range of issues, beyond targeting appeals, such as corruption and protection issues?</p>
Monitoring & Evaluation	<p>Does the proposal contain an adequate M&E plan which will enable monitoring of indicators outlined on page 10 of this note?</p> <p>Will the M&E system enable monitoring of the continued appropriateness & feasibility of the CTP?</p> <p>Will the system enable assessment of efficiency & effectiveness and gender and protection issues?</p>