

# **Cash Transfer Programming: Best Practices**

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## **Abstract**

*In recent years cash transfer programming has been used in most of the major quick on-set emergencies and in many other development projects. This brief gives a description of what cash transfer programs are, draws attention to why they should be used, and lists a few of the best practices that have come out in the past years.*

**(Keywords: cash transfer programming, best practices)**

## **Overview:**

Cash transfer programming (CTP), while often thought of as a new concept, has been used throughout history by people such as Clara Barton and in countries such as Botswana in the 1980s.<sup>12</sup> The idea of using cash or vouchers for aid is one used by most Western countries, as seen by the food stamps or education vouchers given to many impoverished families. Though the idea has been used for many years, it is now becoming more prevalent as evidenced by the fact that Sphere standards and Good Practice Review now include CTP.<sup>3</sup>

CTP rests on the premise that people in need can often meet their needs best by buying them from the local markets rather than having in-kind donations made to them from outside sources. Though it is called “cash” transfer programming it comes in various forms:

- Vouchers- these can be paper, electronic, or some other form which can be exchanged for services or goods of a predetermined value
- Cash- actual money which can be given physically or through wire transfers
- Conditional - there are only certain things beneficiaries are allowed to use the funds for and there may be stipulations on what they have to do before they can get the funds.
- Unconditional - can be used to buy anything; there are no restrictions or limits on what the money can be used for though people can be encouraged to use them for a certain service or good.

There has been extensive use of CTP in the last ten years by organizations such as Horn Relief, WFP, Save the Children, Christian Aid, and Action against Hunger. It has been used in situations such as the Somali famine, the Haiti earthquake, and the Afghan war. The variety of situations CTP has been used in and the amount of organizations working with this program

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<sup>2</sup> Harvey, Paul, and Sarah Bailey. "Cash transfer programming in emergencies."

<sup>3</sup> USAID. "Roundtable on Responding to Emergency Food Insecurity through Cash Transfer and Food Voucher Interventions."

mean that many lessons have been learned to help people better implement CTPs. According to ALNAP, as of 2007, there were over 200 lessons learned reports and evaluations.<sup>4</sup>

### Why use CTP

CTP is growing rapidly, to the point where most of the largest and many of the smaller, humanitarian organizations are using it in their relief, aid, and development program implementation. An example of such an organization is UNHCR, which uses CTP for refugees and IDPs partly because they “consider it to be a dignified and flexible form of assistance.”<sup>5</sup> These ideas of flexibility and dignity are important when thinking about what is best for the beneficiaries of aid.

Often in the field of humanitarianism, beneficiaries have little or no choice in what they get from the benefactors; it can become a “my way or the highway” sort of situation. CTP has the benefit of giving at least some of the power back into the hands of the beneficiaries. This type of aid delivery acknowledges that each person places value on different things. Some people will find education and health more important than housing or debt repayment so giving them cash allows them to make their own decisions.

In addition to these aspects of CTP, there is also the safety factor. Often in conflict areas outside sources and organizations are not able to gain access to distribute food, water, or other forms of aid. It is more possible for cash to be delivered. Degan Ali of Horn Relief, an innovator in this field, summed up the reasons to use CTP when she said “cash is less visible, more dignified, uses fewer intermediaries, is in transit for less time and a more flexible resource to meet needs beyond food.”<sup>6</sup>

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<sup>4</sup> IRIN Africa. “AID POLICY: Drought response and lessons still to learn.”

<sup>5</sup> Harvey, Paul, and Sarah Bailey. “Cash transfer programming in emergencies.”

<sup>6</sup> Mungcal, Ivy. “Momentum Builds for Use of Cash Transfers in Humanitarian Aid Programs.”

## **Best Practices:**

*1. It can be used effectively in many sectors but will often need to be combined with other types of aid to completely address the situation.*

CTP has been used in crises throughout the world in almost every sector by many of the most highly respected organizations. The most extensive use to date has been in the sector of food aid/food security, especially in complex emergencies. Action against Hunger (ACF) used CTP in the Kenyan Dadaab refugee camp. They used unconditional vouchers which people were encouraged to use specifically for fresh foods in an attempt to increase food diversity in families who didn't have the ability to grow their own food.<sup>7</sup> ACF established that cash and vouchers work well for diversifying food sources or helping combat mild malnutrition but are not an adequate substitute for addressing severe malnutrition.<sup>8</sup> CTP works best when combined with traditional food aid in extreme circumstances.

Save the Children and USAID have explored the use of CTP for livelihood incentives. They found that it works best in:

- Livelihoods provisioning: meeting basic needs (e.g. milling vouchers, cash or vouchers for food, non-food items (NFI) and other basic needs).
- Livelihoods protection: reducing vulnerability by diversifying livelihood opportunities and protecting assets.
- Livelihoods promotion: improving livelihood strategies, access and supporting policies, institutions and processes (10).

Conditional and unconditional cash were also used in the Democratic Republic of Congo (DRC). The quick onset emergencies of DRC had mainly food and non-food item aid being given while the long-term development programs worked more in education, agriculture, and

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<sup>8</sup> Harvey, Paul, and Sarah Bailey. "Cash transfer programming in emergencies."

health vouchers.<sup>9</sup> Other situations around the world have used CTP to increase water access and help people rebuild or repair their houses in relief, aid, or long term development. In all these situations it works well if there is access to the desired service. However, as is often the case, if there is a lack of infrastructure such as schools or health care facilities, other forms of aid will be required.

## 2. A thorough analysis of the situation needs to be done before using CTPs

There are many situations in which CTP is the best way to deliver aid, but before deciding on what types of aid to use (i.e. food aid or CTP) certain criteria need to be established.

According to Farmington, Harvey, and Slater:

Preconditions for success in cash schemes include: government commitment to reducing poverty; long-term availability of funds either from taxation or from donor resources; simple, transparent targeting criteria; automatic and robust delivery mechanisms; and transparency regarding people's entitlements, so that people become aware of, and may exercise, their rights.<sup>10</sup>

If these are in place, then a more complete examination needs to be done. Organizations have to look at local economy, markets, and livelihoods. Only in situations where there is availability of commodities can CTP be a viable solution.

A full evaluation of the market is vital. There are questions that need to be addressed before making a final decision such as:

- Are goods available locally?
- Can markets respond to the needs and do they have the capacity to handle the volume coming and going?
- Can people get what they need at good prices?
- Can cash or vouchers be delivered and spent safely?
- Can the local market stay strong through the entire emergency?

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<sup>9</sup> Michel, Steven. "Cash-based assistance and coordination in the DRC."

<sup>10</sup> Farrington, et.al... "Cash transfers in the context of pro-poor growth".

- Do the local banks or money transfer companies have the technical capacity?
- Would cash, vouchers, or electronic funds be the best solution?
- What is the real-time market value of items?

Ultimately, the decision to use or not use CTP must be made based on sound market assessments and analysis of any given case.<sup>11</sup>

The logistics of getting cash into an area as opposed to more traditional aid need to be analyzed. Organizations need to look at how quickly the funds can be established as compared to how fast other aid can be distributed. The channels to distribute the money can take a while to set up if they are not already in place.<sup>12</sup> The security of an area should be looked at to decipher if aid workers have access. If there is serious risk to aid workers or a lack of access, such as in Somalia, cash programming can be a very effective solution.<sup>13</sup>

One of the most important parts of the analysis is consulting with the local beneficiaries on their needs and the issues they see as being potential problems.<sup>14</sup> Some of the most common problems are:

- Market inflation
- Targeting of minority or marginalized groups
- Corruption
- Misuse of money

In general, a thorough analysis will need to be multi-dimensional and include local input.

### 3. There needs to be coordination among the organizations working in CTP.

In the current Somali famine a consortium was formed by Action for Hunger, the Dutch Refugee Council, Horn Relief, Save the Children, and other local NGOs before famine was

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<sup>11</sup> USAID. "Roundtable on Responding to Emergency Food Insecurity through Cash Transfer and Food Voucher Interventions."

<sup>12</sup> Harvey, Paul, and Sarah Bailey. "Cash transfer programming in emergencies."

<sup>13</sup> Mungcal, Ivy. "Momentum Builds for Use of Cash Transfers in Humanitarian Aid Programs."

<sup>14</sup> Christian Aid. "Haiti - Unconditional Cash Transfers: Lessons Learnt"

actually declared in an attempt to use preventative aid.<sup>15</sup> Due to this coordination they were able to get aid to people even in areas where Al-Shabaab would not allow INGOs.

Cooperation needs to be between governments and aid organizations not only between aid organizations. CTP needs to be integrated into emergency preparedness plans for each country. The plan should include instruction on how different organizations can partner with the government, the private sector, and each other. In Somalia, Kenya, and South Sudan organizations working in the same area coordinated through interactive maps on crowd-sourcing platforms.<sup>16</sup>

The cooperation is not only between entities but also between sectors. CTP seems to work best when it is able to bridge various sectors. Vouchers or cash is most effective and give people the most flexibility when beneficiaries can use them for education, housing, food, or any other need they have. The humanitarian enterprise needs to move beyond clusters and start working in a multi-sectoral capacity.

#### 4. Monitoring of progress is vital to making sure that the aid is being used effectively.

In various emergencies and crises throughout Africa, a new program is being used to monitor CTP. Zap is a program designed to make cash transfers easy and safe. It is being used by various organizations to implement CTP. One of the draws of Zap is its ability to monitor what is being done with the cash.<sup>17</sup> According to organizations such as Christian Aid, monitoring is the key to a successful project.<sup>18</sup> It should be done at least monthly with independent field monitors who have an effective feedback mechanism.

Part of why monitoring is so important is because it allows organizations to keep track of market impact and what is available in any given region. Without knowledge of current

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<sup>15</sup> Ali, Degan, and Kate Churchill-Smith. *Seeking Acceptance: The Promise of Cash in High-Risk Areas.*

<sup>16</sup> Ali, Degan, and Kate Churchill-Smith. *Seeking Acceptance: The Promise of Cash in High-Risk Areas.*

<sup>17</sup> Aker, Jenny, et.al. "Zap It to Me: The Short-Term Impacts of a Mobile Cash Transfer Program"

<sup>18</sup> Christian Aid. "Haiti - Unconditional Cash Transfers: Lessons Learnt"

resources available to each beneficiary group, it is more challenging to gauge how much aid should be given.

Other important aspects of monitoring are the transparency of a project or organization and their ability to coordinate efforts. The information gathered must be made available to all players in a situation.

#### 5. Technology is important in achieving best practices for CTP.

Technology is an exciting part of living in the modern age. It allows for faster infrastructure development in some countries, especially in the mobile phone and internet sector. This is helpful for many reasons in the field of humanitarian relief, aid, and development.

One of the more energizing and innovative uses of technology in this field is the use of interactive maps and crowd sourcing to report and monitor. It was used to great success in the recent Haitian earthquake and cholera outbreak. Organizations and individuals were able to text in incidents, migration patterns, and other relevant information to a central location that all aid organizations could access, thereby making coordination much easier and to allow programs using cash transfers to monitor the markets effectively.<sup>19</sup> Also, the development of an online tool to compile the 3W info in a complete database was used in the Horn of Africa to make coordination and tracking easier, especially for organizations using CTP.<sup>20</sup>

A more recent use of mobile phones has been to allow local populations to give feedback on programs and to do electronic banking. This is helpful for CTP because it allows people to tell organizations what they need when they need it and then for the organizations to actually give aid in a timely manner. The previously mentioned program Zap allows cash transfer programs to transfer money in much the same way as a wire transfer.<sup>21</sup> One of the issues that is being

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<sup>19</sup> Karolinska Institute. "Mobile Phone Data in Haiti Improves Emergency Aid - Science Newsline."

<sup>20</sup> Ali, Degan, and Kate Churchill-Smith. *Seeking Acceptance: The Promise of Cash in High-Risk Areas*.

<sup>21</sup> Gunn, Dwyer. "Freakonomics: International Aid and Mobile Cash Transfers."

addressed is the safety of transferring funds sight unseen. This is mitigated by the use of a system of PINs, individual phone calls, and site visits to make sure that the correct people are getting the money<sup>22</sup>

The system of pre-pay cards, smart cards, mobile money/vouchers has been in the forefront of CTP. Actual “cash money” has many hazards attached to it that can be circumvented by the use of more electronic banking.

All of these technologies require a certain amount of partnership with the private sector. Any card, voucher, or electronic banking system will have to go through a private company which means that NGOs will have to think about the costs associated with using these options.

6. Systems that are already in place should be used whenever possible.

Horn Relief’s work in Somalia and South Sudan is a good example of this lesson. The organizations used the Hawala (informal money transfer) system already in place to distribute funds. Because the system was already in place and working smoothly it was merely a matter of paying the fees and sending the money.<sup>23</sup> In South Sudan there was no formal Sudanese money distribution system in place nor were there any companies large enough to handle the volume of cash so Horn Relief used the network of Somali Refugee Hawalas to distribute the funds.

Another good example of using systems already in place was the response to the 2010 Haitian earthquake and ensuing cholera outbreak. The local markets in both rural and urban areas were functioning again only a few days after the quake which made CTP a particularly apt solution. Though the markets were working in all areas, it was still easier in an urban setting to distribute funds and let the market take care of the supply for needed goods and services.<sup>24</sup>

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<sup>22</sup> Gunn, Dwyer. "Freakonomics: International Aid and Mobile Cash Transfers."

<sup>23</sup> Ali, Degan, and Kate Churchill-Smith. *Seeking Acceptance: The Promise of Cash in High-Risk Areas*.

<sup>24</sup> Christian Aid. "Haiti - Unconditional Cash Transfers: Lessons Learnt"

Haiti had a well-developed cash distribution system already in place, but it was found that vouchers didn't work because they would have taken too long to set up due to the lengthy contract negotiations required. In addition, it was found that unconditional cash worked best for many reasons, including choice diversification, ability to meet all needs, inclusion of all groups, simplicity and speed, and reduction in the need for loans. <sup>25</sup>

In general it can be established that using the existing systems of each country and region to distribute the cash in both quick and slow onset disasters is an effective and important methodology. <sup>26</sup>

**Conclusion:**

There are many good practices that have come out in recent years in the process of cash transfer programming. Some of the most important ones highlighted in this paper are the importance of inter-organizational cooperation, monitoring, technology, and pre-operation analysis. CTP should also be used in a multi-sectoral capacity though often in conjunction with other types of aid and should be used with functioning systems that are already in place.

Because there has been an increase in the use of CTP and a more concrete solidification of best practices they have, in my opinion, a bright future. There are of course kinks to be worked out and lessons still to be learned but I believe CTP will prove to be a vital component in the future of the humanitarian enterprise.

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<sup>25</sup> Christian Aid. "Haiti - Unconditional Cash Transfers: Lessons Learnt"

<sup>26</sup> Christian Aid. "Haiti - Unconditional Cash Transfers: Lessons Learnt"

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