



DG ECHO Thematic Policy Document No 3

Cash Transfers

Directorate-General for
European Civil Protection and
Humanitarian Aid Operations

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Civil
Protection &
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Aid



DG ECHO Thematic Policy Documents

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Abbreviations and acronyms

| | |
|-----------------|---|
| AAP | accountability to affected populations |
| AML/CTF | anti-money laundering and countering the financing of terrorism |
| ATM | automated teller machine |
| BCC | behaviour change communication |
| BNA | basic needs approach |
| CaLP | Cash Learning Partnership |
| CFW | cash for work |
| CFM | complaints and feedback mechanism |
| CM | crisis modifier |
| CWG | cash working group |
| DG | Directorate-General |
| DG ECHO | Directorate General for European Civil Protection and Humanitarian Aid Operations |
| DG INTPA | Directorate General for International Partnerships |
| DG NEAR | Directorate General for Neighbourhood and Enlargement Negotiations |
| DPIA | data protection impact assessment |
| E/RRM | emergency / rapid response mechanism |
| EU | European Union |
| EUR | euro |
| FAL | food assistance and livelihoods (sector) |
| FSP | financial service provider |
| GCT | Group cash transfer |
| GESI | gender equality and social exclusion |
| GRM | grievance redress mechanism |
| KYC | know your customer |
| MBP | market-based programming |
| MEAL | monitoring, evaluation, accountability and learning |
| MEB | minimum expenditure basket |
| MPC | multi-purpose cash |
| NFI | non-food item |
| S&S | shelter and settlements |
| SOP | standard operating procedure |
| SP | social protection |
| SPaN | Social Protection across the Humanitarian–Development Nexus |
| SRSP | shock-responsive social protection |
| TCTR | total cost to transfer ratio |
| TPM | third-party monitoring |
| TV | transfer value |
| UN | United Nations |
| VfM | value for money |
| WASH | water, sanitation and hygiene |

Introduction

Overview of the policy

This cash thematic policy summarises the position of the **Directorate-General (DG) for European Civil Protection and Humanitarian Aid Operations (ECHO) on the use of cash transfers in responding to humanitarian needs**. The primary audience for the policy is DG ECHO's humanitarian partners and staff. It is also relevant for other humanitarian donors and development donors, including DG Neighbourhood and Enlargement Negotiations (DG NEAR), DG International Partnerships (DG INTPA) and civil protection actors.

The document presents operational guidance setting out **DG ECHO's expectations in the field of humanitarian cash assistance. It has been developed on the basis of programmatic best practice**. It is a DG ECHO policy, rather than Commission-wide, but it was developed in consultation with DG NEAR and DG INTPA. It draws on existing policies within EU services and policies adopted through collaboration with other stakeholders.

The **policy is complemented by DG ECHO's Large-scale Cash Guidance Note (Annex 1)**, which contains specific considerations for cash programmes equal to or above EUR 10 million. The specific considerations on which this note provides guidance are segregation of functions, cost-efficiency (including indirect costs) and transparency. All of the elements contained in this cash thematic policy are also fully relevant for large-scale cash.

EU policy framework for cash transfers

The cash thematic policy replaces DG ECHO's [thematic policy document on cash and vouchers](#) (2013). It **builds on cumulative EU commitments on cash transfers**, which have evolved

based on emerging evidence. These are the [draft council conclusions on multi-purpose cash](#) (2015) and the [multi-purpose cash principles](#), which underscore the importance of delivering aid efficiently, given the unprecedented scale of humanitarian needs and growing funding gaps; the [Evaluation of the use of different transfer modalities in ECHO humanitarian aid actions 2011–2014](#) (2016), which demonstrated the cost-efficiency of cash over vouchers, particularly at scale; the [Grand Bargain commitments on cash transfers](#) (2016)¹; and the [Joint Donor Statement on Humanitarian Cash Transfers](#) (2019), which underlines donors' commitment to harmonising cash assistance. The [Commission communication on the EU's humanitarian action: new challenges, same principles](#) (humanitarian aid communication) (2021) reinforces these long-standing commitments on cash and emphasises the links between cash and the secure and efficient use of digital tools. As enshrined in these policy commitments, DG ECHO policy explicitly focuses on cash rather than cash and voucher assistance.

The Commission humanitarian aid communication also underlines the importance of **cash as a key tool for operationalising the humanitarian–development nexus** (see [outcome 1](#)), building on the [Council conclusions on the nexus](#) (2017), and the [DAC Recommendation on the Humanitarian–Development–Peace Nexus](#) (2019), while the [Social Protection across the Humanitarian–Development Nexus \(SPaN\)](#) resources provide extensive guidance that complements the content of this policy document in relation to linking humanitarian cash to social protection² systems. The nexus is deliberately at the forefront of this policy document to reflect these commitments, while recognising that linkages between humanitarian cash and longer-term assistance will not always be possible or appropriate.

¹ - The Grand Bargain commitment specifically refers to the modality of cash rather than cash and vouchers: 'Increase the routine use of cash alongside other tools, including in-kind assistance, service delivery (such as health and nutrition) and vouchers' (<https://interagencystandingcommittee.org/increase-the-use-and-coordination-of-cash-based-programming>)

² - The term 'social protection' refers to a system of contributory and non-contributory components that aim to tackle poverty and vulnerability over the life cycle and strengthen pro-poor and inclusive economic growth and social development (see [glossary](#)). It is referred to here in the narrow sense of non-contributory social assistance and specifically social transfers.

Developments in cash transfers and synergies with broader humanitarian reform

Since the publication of DG ECHO's previous thematic policy document on cash transfers in 2013, there have been significant global developments at a policy and technical level, alongside a significant increase in the volume of cash transferred. The use of cash transfers is now widely recognised as the **most efficient and effective way** of getting humanitarian assistance to people affected by conflicts or disasters, whenever possible and appropriate. Above all, it has proven to be transformative by **confering choice and a sense of dignity** and by empowering people to tailor the assistance to meet their own priorities through transfers designed to meet multiple needs. Cash is a compelling tool that can make limited resources go further and have a multiplier effect on local economies, while making DG ECHO more accountable to affected populations and taxpayers. For these reasons, **DG ECHO's policy states a preference for cash over vouchers.**

Another major shift since 2013 is the role that cash has played as a **catalyst for innovation**, driving market-based approaches, the increased digitalisation of humanitarian assistance and linkages with social protection systems. Cash is strongly associated with other reforms in humanitarian assistance, such as ensuring a people-centred approach, accountability to affected populations (AAP) and the drive for localisation. Meanwhile, the evidence base on cash assistance – in terms of its effectiveness, efficiency and accountability – is continuously becoming stronger within the humanitarian sector.

DG ECHO's use of cash transfers in humanitarian action

In line with humanitarian principles and the [European Consensus on Humanitarian Aid \(2007\)](#), **DG ECHO is committed to providing a needs-based emergency response aimed at preserving life**, preventing and alleviating human

suffering and maintaining human dignity. This thematic policy document clarifies DG ECHO's cash policy as part of a basic needs³ approach, which seeks to address people's needs in a coordinated and demand-driven way by putting them at the centre of interventions. **DG ECHO systematically considers the use of multi-purpose cash (MPC) as a basis for meeting a range of basic needs**, according to the risk analysis and context specificities, complemented by other modalities where relevant to meet specific sectoral outcomes. This policy therefore clarifies DG ECHO's expectations in terms of (1) the **design and monitoring of MPC** and (2) **cash transfers designed to meet specific sectoral outcomes** (see [topic 3.1](#)). More detail on DG ECHO's position regarding the use of cash (as well as vouchers) in each sector can be found in [Annex 3](#), including in situations in which DG ECHO will support conditionality.

For DG ECHO, cash is primarily a tool to respond to a range of **humanitarian needs**. Cash can also play a central role in a **variety of response mechanisms** supported by DG ECHO, which can be used individually, in combination or in sequence. In line with its [DG ECHO Guidance Note – Disaster preparedness](#) (2021), DG ECHO actively encourages the use of cash within **anticipatory action**, based on robust risk assessment, and supports the necessary investments in forecast-based financing and cash preparedness to enable this to happen. In response to sudden onset shocks, DG ECHO supports the use of cash within **rapid response mechanisms**, whether standalone as MPC, or embedded in existing sectoral programmes or **crisis modifiers** to rapidly respond to short-term crises (see [topic 3.3](#)). Where appropriate, DG ECHO encourages linkages between humanitarian cash and long-term solutions and linkages between humanitarian cash and social protection systems. This includes **supporting the shock responsiveness of systems** (see [topic 1.2](#)), which in turn may facilitate anticipatory or early action.

³ - Basic needs are the essential goods, utilities, services or resources required on a regular or seasonal basis by households to ensure long-term survival and minimum living standards, without resorting to negative coping mechanisms or compromising people's health, dignity and essential livelihood assets.

Overview of the document

The guidance within this policy document is structured according to the desired outcomes of humanitarian assistance rather than the project cycle, to reinforce DG ECHO's policy commitments and better reflect cross-cutting issues. Operationalising the humanitarian–peace–development nexus is the first outcome, to underline the EU's commitment to the nexus and to encourage users of the policy to consider these opportunities upfront, where possible, and in line with humanitarian principles.

The following statements summarise DG ECHO's policy position in relation to each outcome:

Overall statement for each outcome

1. Operationalises the humanitarian–peace–development nexus. As far as the context allows, DG ECHO-funded humanitarian cash should **link, preferably at the outset, to a systems approach that strengthens local capacity and links to durable solutions**. Such linkages can be part of longer-term strategies to provide better services to vulnerable people in crisis contexts and initiatives that foster their self-reliance. This may involve linking with social protection systems, and/or contributing to **improving the preparedness and shock responsiveness of systems**, to reduce the need for humanitarian aid.
2. Targets the most vulnerable. On the basis of the humanitarian principle of impartiality, DG ECHO supports cash assistance that **targets the most vulnerable people based on needs alone**, making no distinctions on the basis of nationality, race, gender, religious belief, class or political opinions. All humanitarian programmes are **based on an assessment and understanding of the risks** (contextual, programmatic and organisational) and are implemented to respond to and possibly reduce these risks, including those related to protection. **Targeting criteria** for cash assistance funded by DG ECHO **should include socioeconomic vulnerability and the protection concerns of individuals and groups**.
3. Adequate, equitable and timely. Humanitarian cash assistance must be provided in a way that does not increase risks and that upholds the **safety of, participation of and accountability to affected communities and individuals**. It should be sufficient to cover or **contribute to recurrent basic needs** or **other sector-specific needs** that are not recurrent basic needs, and it should be complemented by other relevant sectoral interventions. Transfers should seek to be **timely and anticipatory** where possible in order to meet needs with optimal efficiency and effectiveness.
4. Provides value for money. DG ECHO believes that **cash assistance can substantially contribute to increasing the efficiency, effectiveness and strategic impact** of its humanitarian funding. Better harmonisation of tools and approaches for cash assistance can drive **efficiency and effectiveness gains** while upholding data protection principles. DG ECHO promotes a **common programming approach** to reduce fragmentation, with streamlined systems created to avoid duplication and parallel ways of working.
5. Accountable. DG ECHO prioritises cash programmes that put **people at the centre and that seek, share and act upon their feedback**. Accountability, transparency, independence and governance need to be of the highest standards, in line with the UN Inter-Agency Standing Committee commitments on AAP and protection from sexual exploitation and abuse. DG ECHO's cash programmes should also **minimise financial risk** while safeguarding beneficiary data.
6. Measurable. The **sectoral and multisectoral outcomes of cash programmes should be monitored** against internationally accepted norms in a consistent way that allows comparisons over time and space. Systematic monitoring of outputs, through participatory process monitoring, should allow

for **timely adaptation of programmes**, including responding to changes in inflation and the depreciation of currencies and to potential risks that might arise. In line with the **principle of segregation of functions** DG ECHO encourages third-party arrangements.

Each outcome is broken down into topics, as presented in [Figure 1](#). Each topic is structured as follows:



DG ECHO expectations: a policy statement of what DG ECHO expects from partners.



What does this mean? Unpacking the expectations in practice, based on technical best practice and the evidence base.



Key considerations for partners: a set of questions to help DG ECHO staff and partners to meet the expectations. This does not identify mandatory considerations, but the checklist does.



How does this relate to other related topics/expectations? Cross-referencing to other relevant areas of the policy.



Each outcome also has a **'What resources are available?'** section containing a non-exhaustive selection of hyperlinked resources, focusing particularly on the [Cash Learning Partnership \(CaLP\) Programme quality toolbox](#), which is a continuously updated repository of resources.

The following **cross-cutting issues** are mainstreamed in, or integrated with, the narratives for each topic:

- the centrality of **protection and age mainstreaming, disability inclusion and risk-informed approaches** and the importance of participation and decision-making (see topics [2.1](#), [2.3](#) and [5.1](#) in particular), in line with [DG ECHO's protection policy](#) (2016), [gender policy](#) (2013) and [operational guidance on the inclusion of people with disabilities](#) (2019).

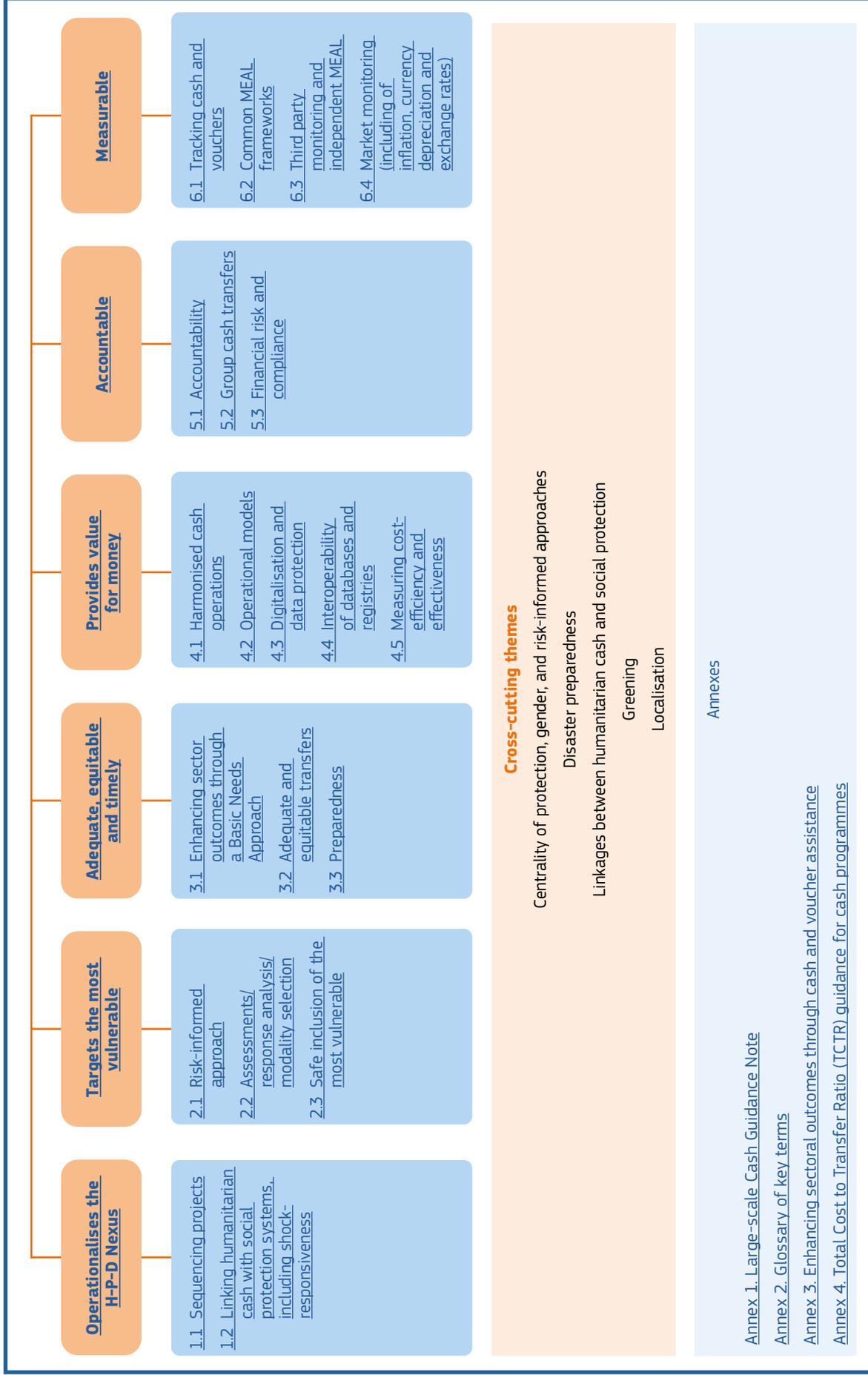
- **disaster preparedness** and **considerations for linking cash and social protection**,⁴ which are presented as text boxes throughout the policy,
- **greening humanitarian assistance**, aspiring to make full use of the low environmental impact of cash and the benefits of supporting local production, but also including ways to address any unintended environmental impacts of cash transfers, and further developing DG ECHO's overall guidance on greening,
- opportunities for cash assistance to strengthen **localisation**, which will be complemented by guidance from DG ECHO on promoting equal partnerships with local responders.

The policy also encourages **innovation** through digitalisation and interoperability, different operational models and initiatives that encourage self-reliance (e.g. group cash transfers, links with financial inclusion). The document is intentionally exhaustive so that all the guidance is in one place, while recognising that much of the policy content can apply to a range of modalities.

The **checklist** ([Section 7](#)) summarises key considerations for partners according to a programme cycle structure, mirroring DG ECHO's single form. It is intended to be a practical tool, distinguishing mandatory elements and recommendations. The **annexes** provide more detail on specific topics, and will evolve over time.

4 - The term 'social protection' refers to a system of contributory and non-contributory components that aim to tackle poverty and vulnerability over the life cycle and strengthen pro-poor and inclusive economic growth and social development (see glossary ([Annex 2](#))). It is referred to here in the narrow sense of non-contributory social assistance and specifically social transfers.

Figure 1. Diagrammatic overview of the policy document by outcome and topic. You can navigate through the document by clicking on each item.





What resources are available?

- Council of the European Union, Draft Council conclusions on common principles for multipurpose cash-based assistance to respond to humanitarian needs, 2015 (<https://data.consilium.europa.eu/doc/document/ST-9420-2015-INIT/en/pdf>).
- Council of the European Union, Operationalising the humanitarian-development nexus – Council conclusions (19 May 2017) (<https://www.consilium.europa.eu/media/24010/nexus-st09383en17.pdf>).
- DG ECHO, *Social Protection – Delivering on humanitarian emergencies and crises*, 2018 (https://socialprotection.org/sites/default/files/publications_files/ECHO%20Activities%20in%20Social%20Protection.pdf).
- DG ECHO et al., Joint Donor Statement on Humanitarian Cash Transfers, 2019 (<https://www.calpnetwork.org/publication/joint-donor-statement-on-humanitarian-cash-transfers/>).
- European Commission, Joint Communication to the European Parliament and the Council – A strategic approach to resilience in the EU’s external action, JOIN(2017) 21 final (https://eeas.europa.eu/sites/default/files/join_2017_21_f1_communication_from_commission_to_inst_en_v7_p1_916039.pdf).
- European Commission, ‘Guidance package on social protection across the humanitarian-development nexus (SPaN)’, 2019 (<https://europa.eu/capacity4dev/sp-nexus/wiki/guidance-package-social-protection-across-humanitarian-development-nexus>).
- European Commission, Communication from the Commission to the European Parliament and the Council on the EU’s humanitarian action: new challenges, same principles, COM(2021) 110 final (<https://ec.europa.eu/echo/files/aid/hacommunication2021.pdf>) (referred to as the Commission humanitarian aid communication).

1. Operationalises the humanitarian–development–peace nexus

Overall statement

As far as the context allows, DG ECHO-funded humanitarian cash should **link, preferably at the outset, to a systems approach that strengthens local capacity and links to durable solutions**. Such linkages can be part of longer-term strategies to provide better services to vulnerable people in crisis contexts and initiatives that foster their self-reliance. This may involve linking with social protection systems, and/or contributing to **improving the preparedness and shock responsiveness of systems**, to reduce the need for humanitarian aid.

1.1 Sequencing projects



DG ECHO expectations

The primary objective of humanitarian assistance is to provide a needs-based emergency response aimed at preserving life, preventing and alleviating human suffering and maintaining human dignity. **DG ECHO also encourages partners to build the self-reliance and resilience** of beneficiaries (through a humanitarian–development–peace nexus approach) especially as a crisis evolves from the early response to the recovery phase, often in non-linear ways and in different locations at



Photo credit: India © European Union, 2012 (photographer: Arjun Claire).

Box 1. Response mechanisms and sequencing projects

DG ECHO supports a variety of different response mechanisms depending on the context on the ground. These can be used individually, combined or sequenced. Each has a comparative advantage depending on the context, the timing and the objective, and cash can have a central role in all of them.

In line with disaster preparedness and early action principles, **anticipatory action and rapid response mechanisms** may be the most appropriate mechanisms to assist people affected by a rapidly deteriorating situation such as active conflict or a disaster (see topic 3.4).

Crisis modifiers embedded in existing projects can be an effective way of responding to short term crises by leveraging project staff and resources and, at the same time, protecting the longer-term gains of the regular programme (see topic 3.4).

Recurrent humanitarian cash transfers, to meet ongoing or seasonal basic needs, offer some predictability in a protracted crisis and can potentially be transformed into longer-term safety net approaches.

Shock-responsive social protection (see [topic 1.2](#)) may be an early action option, depending on the

maturity of the system and the speed with which it can be scaled up. Piggy-backing existing social protection infrastructure, such as payments systems or registries, may also facilitate more rapid responses, enhance ownership by national stakeholders and save resources.

Cash programming can be **complemented by other sectoral activities** to increase impact and resilience. With cash as a foundation allowing beneficiaries to meet their basic needs, complementary programming, such as livelihoods support or health service provision are likely to have positive impacts and help restore self-reliance. These approaches can also link directly to development programming and provide exit opportunities for humanitarian assistance, especially in protracted crises.

The most appropriate response mechanism depends on the context, the input of recipients, the type, scale and severity of a crisis, the options that exist at a given point in time, and the opportunities that emerge with time. Wherever possible, the choice of mechanism should build on and strengthen existing local responses and capacities, including those of government disaster management agencies.

different rates. This may involve adapting projects in step with the evolving context or advocating that more development-focused donors and partners engage.



What does this mean?

- **Humanitarian cash assistance should be embedded from the beginning in longer-term responses whenever possible.** This is usually feasible in a protracted crisis or as an acute crisis evolves into a more stable situation that may become protracted. This requires analysis of development plans and stakeholders by DG ECHO's partners, as well as coordination between humanitarian actors and government or civil society-led platforms (see [topic 1.2](#)). DG ECHO's partners also have a key role to play in advocating for inclusive access to development programmes.

- Cash designed as a response to meet recurrent basic needs and other sector-specific needs⁵ can be **adapted or sequenced with complementary programming** that builds on the foundation of the response and moves towards the longer-term objectives of resilience and self-reliance. This may be done as a DG ECHO-funded programme or through **advocacy and collaboration with others**. It is important to acknowledge that the evolution of a crisis from acute to protracted does not necessarily imply increased stability or reduced severity. Equally, improvements or increased stability may not happen linearly and may frequently be reversed. This implies that partners need to be agile and adaptive in their programming as events shift, which needs to be enabled through preparedness, **operational flexibility and adaptive funding**, ideally across humanitarian and

5 - 'Other sector-specific needs' refers to needs that are not typically included within a minimum expenditure basket (MEB). The MEB takes into account recurrent basic needs, while sector-specific needs refers to needs which cannot be met through recurrent cash assistance but rather must be met through, for example, a one-off transfer and/or more substantial transfers.

development funding sources. Such flexibility can be enhanced through interoperability, allowing for referrals of beneficiaries (see [topic 4.4](#)) and the ‘migration’ of beneficiaries across programmes, e.g. from a short-duration rapid response to medium-term humanitarian assistance or longer-term social protection.

- **In terms of resilience-building and protecting livelihoods**, DG ECHO’s partners can contribute to laying foundations for longer-term programmes through seed funding and/or piloting of innovative approaches coupled with learning. This can include support for survivor-and community-led responses, or approaches that aim to build beneficiaries’ capacity by increasing their self-reliance, as long as these are linked to a clear exit strategy. In parallel, DG ECHO and its partners should therefore **advocate that others support innovations that have longer-term impacts and build self-reliance. Collaboration with other development donors, international financing institutions and partners** that are better placed to support longer-term interventions is a necessity for strategic use of funding instruments and expertise.
- Where basic needs are being met, DG ECHO may occasionally fund **livelihood recovery programmes** (e.g. tools, inputs or other productive assets through cash, vouchers or in-kind, or grants to support business recovery) for recipients of cash assistance (see [Annex 3](#), section on food assistance and livelihoods). However, DG ECHO should only lay the foundations for livelihoods programming while advocating longer-term engagement from others. It may also **support adaptations of cash programmes to meet financial and digital inclusion objectives and initiatives that strengthen informal social safety nets** – e.g. group cash transfers (see [topic 5.2](#)) or community savings and loans groups where these can support humanitarian outcomes. Such complementary interventions should be designed in **collaboration with key actors, such as development donors and international financing institutions**, and as a contribution to national development plans.
- **Cash for work (CFW) is generally not funded by DG ECHO** (see [topic 3.1](#)). However, DG INTPA and DG NEAR do support CFW through the International Labour Organization’s ‘**decent work**’ approach, that is, its ‘[Employment Intensive Investment Programmes](#)’ (2020). This is essentially CFW with a full system of support for work around it to provide longer-term benefits. It avoids the tendency of CFW not to comply with national standards of employment. This could **offer a possible exit strategy from unconditional cash assistance funded by DG ECHO**, as it would contribute to a durable solution that would foster resilient livelihoods and self-reliance.
- Other possible transitional strategies, which DG ECHO will consider on their own merits, could involve providing **social insurance** at the household level or health insurance in some contexts (usually middle-income countries).



Key considerations for DG ECHO partners:

- Are there opportunities for contributing to longer-term impacts? What assessments or analysis have been conducted?
- Is DG ECHO or other actors implementing a nexus approach in this context? What is already in place that could be replicated or built on?
- What adaptive programming approaches are feasible to adjust to the evolving environments?
- Are there advocacy opportunities for donors and partners to seek durable solutions or to link humanitarian cash to longer-term approaches as the crisis evolves?



How does this relate to other topics/ expectations?

- ✓ [3.3. Timeliness](#)

1.2 Linking humanitarian cash with social protection systems, including shock responsiveness

DG ECHO will strive to contribute to inclusive SP systems during periods of fragility, conflict and/or forced displacement to a better address, and respond to the needs of crisis-affected populations, unless lack of legitimacy on the part of the government or de facto authorities would mean that it was in contravention of humanitarian principles and international agreements. Building SP systems is a core task of government, supported by development actors.



DG ECHO expectations

DG ECHO expects that, **where possible and appropriate**, cash responses link to existing social protection (SP) systems or are the building blocks of future longer-term assistance from the outset. The rationale for contributing to SP systems is:

- to increase resilience of the poorest households, thereby lessening the impacts of shocks and the need for humanitarian assistance;
- to facilitate the scaling up of systems to respond to shocks and crises faster and more efficiently;

Box 2. Humanitarian cash linkages to social protection systems – rationale and policy framework

Rationale. Humanitarian crises are becoming more frequent, severe, complex and protracted. Many countries requiring assistance are affected by multiple and compound crises, such as conflict, hazards and epidemics. Crises are lasting longer: over three quarters of international humanitarian assistance goes to long-term recipients ([Global Humanitarian Assistance Report 2018](#)). There is a clear international consensus to maximise the use of social protection systems and approaches in fragile and conflict-affected environments to provide more effective, efficient and sustainable responses to affected populations. In terms of cash assistance, the last decade has seen an important increase in the use of cash, and simultaneously an expansion in cash-based social safety nets in developing countries. As a result, humanitarian and social protection actors have to deal with a set of common operational challenges in cash transfer design and implementation as well as issues concerning coordination with other sectors and interventions. There is also increasing convergence in protracted contexts between humanitarian assistance to meet basic needs and social assistance to reduce chronic vulnerability.

Policy framework. International commitments, such as the 2030 UN agenda for sustainable development and the Grand Bargain, forge closer links between humanitarian and development programming. DG ECHO policies and commitments clearly promote linking

humanitarian cash programming with social protection instruments as part of the EU humanitarian–development–peace nexus approach. This is often either facilitated or made difficult depending on the context, but the commitment is enshrined in policy and should be adhered to as far as possible.

The Commission humanitarian aid communication emphasises that ‘the EU will step up its work to link humanitarian relief with development and peacebuilding. Humanitarian aid is not designed as a long-term solution to the needs of people impacted by crises. Through the humanitarian–development–peace Nexus, the EU will deploy all the instruments needed not only to address short-term needs but also to provide long-term solutions and, in conflicts, contribute to building lasting peace. This involves joint analysis and operational response frameworks as well as a conflict-sensitive approach so that external assistance does not inadvertently reinforce conflict.’ One of the key actions under this objective is to ‘expand support for cash-based, shock-responsive social safety nets’.

EU-specific guidance. The comprehensive policy framework and practical guidance provided by [SPaN](#)¹ is a key reference. SPaN is a joint initiative by DG INTPA, DG NEAR and DG ECHO, under the lead of DG INTPA. It includes a detailed guidance document, a summary and additional operational notes that can be used alongside this cash thematic policy document.

1 - <https://europa.eu/capacity4dev/sp-nexus/wiki/guidance-package-span-resources>

- to facilitate the inclusion of the most vulnerable populations;
- to ensure that chronic needs are increasingly taken care of in a sustainable way by development actors, thus optimising the limited financial humanitarian resources to hand.

In support of this vision, DG ECHO supports cash assistance programmes that:

1. pilot design and operational features to **facilitate the transition** of the programme or caseload into an SP system;
2. **link with existing SP systems** at different points in the delivery chain;
3. **contribute to the adaptation of shock-responsive SP (SRSP) systems and programmes** during periods of fragility, conflict and/or forced displacement to better address, and respond to, the needs of crisis-affected populations.

DG ECHO actively supports the **piloting of initiatives that contribute to longer-term SRSP systems** and will encourage and support other donors to scale them up. These initiatives are described in the numbered sections below.



What does this mean?

- Decisions on whether to link with SP systems should be grounded in **humanitarian principles**. **DG ECHO partners are expected to weigh up the trade-offs of linking cash to SP systems rather than linking by default**. Assessing the suitability of linking with SP systems requires strategic technical discussions with national and local authorities and with relevant development and peace actors – especially with other EU services and EU Member States. This should include a **joint analysis of context, stakeholders and risks as part of a broader nexus process**. Where relevant, partners should jointly contribute to mapping the SP sector in-country, clearly identifying major gaps, key opportunities and stakeholders, in order to define their added value as humanitarian actors, whether in a programming or an influencing role. Not all humanitarian actors will be well placed to capitalise on these linkages, and DG ECHO does not expect them to.
 - **Establishing linkages requires a systems approach**, which acknowledges that there are multiple SP programmes that can come together to complement each other, or that new ones can be introduced temporarily by governments and that these can be leveraged simultaneously. The basic needs approach (see [topic 3.1](#)) is a key entry point for linking with SP systems, based on a two-pronged approach, comprising direct cash transfers to facilitate access to goods and services alongside investment in the availability and quality of basic social services.
 - Linking also requires **strong strategic coordination by humanitarian actors with SP actors**, via fora such as cash working groups (CWGs). Coordination of linkages between Coordination of linkages between humanitarian partners and SP stakeholders, such as development agencies and international financing institutions, should ideally be led by the relevant government ministries (SP and/or disaster management) and established before a crisis. Development actors should support the government to strengthen SP systems. The role of **DG ECHO and its partners is to advocate for other organisations with more capacity to take this on**.
1. **DG ECHO will fund cash programmes that pilot design and operational features to facilitate the transition of the programme or caseload into an SP system**. Where no or only very nascent SP systems exist, humanitarian cash can help set the foundations for longer-term thinking, whether through the promotion of certain principles or operational learning in the context. The piloting of such programmes can allow DG ECHO to leverage its comparative advantage vis-à-vis development donors, including in ensuring fast

responses. Firstly, experience⁶ has shown how **supporting pilot programmes can have a ‘multiplier effect’**, whereby a relatively small investment from DG ECHO can stimulate other donors to follow suit, so that a short-term investment contributes to a bigger and longer programme and simultaneously consolidates partnerships across the nexus. Secondly, **lessons from the pilot programmes supported by DG ECHO can feed into the programming and policies of other donors**, including DG INTPA, DG NEAR and EU Member States, and thereby into long-term SRSP systems. DG ECHO can also amplify messages vis-à-vis other donors, such as calls to respect humanitarian principles during an SRSP emergency response. Thirdly, **supporting pilot programmes can contribute to transformative initiatives in favour of policy reforms**, at the country level, e.g. creation of new policy instruments, which improve the legal framework and entitlements of the most vulnerable people.

- **Transitioning a DG ECHO humanitarian caseload to development actors or the government** requires strong internal coordination on policy, strategy and funding instruments, within the EU and with other donors to ensure that linkages are made and sustained. This is core to the Team Europe approach and the closer dialogue with EU Member States, in which DG ECHO plays a leadership role as a reference donor.
2. **DG ECHO will fund cash programmes that link with existing SP systems at different points in the delivery chain.** The key concept here is to **break the programme down into building blocks to identify entry points for linking cash and SP** on three levels: policy (financing, policy, governance); programme design (eligibility criteria, transfer type, level, frequency, and duration); and administration (implementation throughout

the programme cycle, from outreach to monitoring, evaluation, accountability and learning (MEAL)). Within each of these levels it may be helpful to consider what can be linked up to foster preparedness as well as the response and recovery phases. Partners are expected to **assess these opportunities for linkages and justify the decisions to link.**

- The **maturity of the SP system** will also influence the opportunities that are available. Assessments should consider the degree to which existing systems can be used to serve a common purpose. The **opportunities and trade-offs** of linking should be weighed up according to the following criteria: meeting needs, coverage, timeliness, predictability, duplication of systems and processes, and sustainability. (See p. 51 of the [SPaN guidance document](#)), and respect of humanitarian and protection principles. The **design challenges** that DG ECHO and its partners may have to address include differences in targeting approaches, the design of transfer values (see [Box 4](#)), and sharing beneficiaries’ data through interoperable platforms or single registries (see [Box 7](#)).
- [Figure 2](#) illustrates how capacities from the humanitarian sector (left column) can be leveraged to complement those of the SP sector. For instance, if vulnerability assessment capacity is low in the SP sector (first row under ‘Programme design’), this can be complemented by the stronger assessment capacity of the humanitarian sector. Conversely, if the SP system is strong and mature, it may be possible for humanitarian cash programmes to link with the SP payments and service delivery systems (fifth row under ‘Administration/implementation’), taking advantage of the infrastructure as well as improvements in financial inclusion; equally, linking up with an existing registration and enrolment system (next row) can speed up registration and unlock the potential benefits of a single registry.

6 - This includes DG ECHO-supported pilots in Ethiopia, Jordan, Lebanon, Somalia and Turkey.

Figure 2. Systematically assessing practical options for linking humanitarian assistance and social protection along the delivery chain

| HUMANITARIAN/ EMERGENCY 'WEAK' → 'STRONG' | | | | SOCIAL PROTECTION 'WEAK' → 'STRONG' | | | |
|--|---|---|---|--|---|---|---|
| Policy | | | | | | | |
| | | x | | \$ | Financing | | x |
| | x | | | ⚖️ | Legal & Policy Frameworks | | x |
| | | x | | 🏠 | Governance & Coordination | | x |
| | | | x | 👥 | Capacity (cutting across all) | x | |
| Programme design | | | | | | | |
| | | | x | 📊 | Vulnerability Assessment | x | |
| | | x | | 🎯 | Targeting (eligibility setting) | | x |
| | | | x | 🔄 | Transfer Value, Frequency, modality | | x |
| | x | | | 📋 | Conditionality | | x |
| Administration/Implementation | | | | | | | |
| | | | x | 💻 | Information Systems | | x |
| | | | x | 📈 | Price & Market Analysis | x | |
| | | | x | 🗣️ | Outreach & comms | x | |
| | | x | | 📄 | Registration and enrolment | | x |
| | | x | | 💰 | Payments & Service Delivery | | x |
| | | x | | 🛡️ | Do No Harm, Protection, Accountability, Grievance | | x |
| | | | x | 📊 | Monitoring and Evaluation | | x |

Source: Adapted from [Seyfert et al. \(2019\)](#) and *TRANSFORM* (forthcoming). Note: the specific choices of system 'strength', for both sectors, are indicative and would vary significantly from country to country – requiring assessment to determine the extent to which these can be leveraged

Source: *SPACE* (2020). © Crown copyright 2020.

- There are **specific issues to be taken into consideration in linking humanitarian cash with SP in contexts of forced displacement**. The nature of alignment options and the appropriateness of different approaches will be influenced by the following key factors: the displacement context; the maturity and inclusivity of the national SP system; the legal framework (for instance, the absence of legal status and identity for refugees); the protection of beneficiary information (see [Box 7](#)) and the stage of the crisis. DG ECHO and its partners should actively advocate for development actors and/or host governments to **develop integrated SP approaches for internally displaced people, refugees, migrants and host populations and to ensure the portability of benefits**. Humanitarian assistance should be time

bound and communicated as providing only transitional support. (See [SPaN operational note No 10](#) for more details.) Where the state cannot, or will not, integrate humanitarian caseloads into its national system, strong nexus dialogue with international development donors for take-up of programmes is key, and **support for proven, locally led, informal SP mechanisms should be considered**, where these are inclusive of the targeted population.

3. **DG ECHO will strive to contribute to SRSP systems**. Building SRSP systems is a core task of government, supported by development donors and international financial institutions. As shown in [Figure 3](#), this means adapting the design of SP systems to increase coverage,

comprehensiveness and/or adequacy of assistance in response to shocks, with an approach that is more timely, more cost-effective, ensures accountability, prioritises long-term sustainability and ownership, and is more predictable. Ideally, SRSP programmes will include an **early warning system** (often using remotely sensed data), a **triggering mechanism** (for releasing additional funds, supplies and resources) a **contingency plan** (with 'buy-in' from all actors expected to be involved in the response) and **institutional arrangements**, including effective coordination mechanisms, and will be supported by **finance** that is readily available and accessible when needed.

- As a contribution towards SRSP systems, and depending on the system's maturity, DG ECHO and its **partners can** play a critical role in

making systems more anticipatory (e.g. by setting up a pre-agreed standard operating procedure (SOP), tied to pre-defined funding sources and triggered when a specific forecast threshold is reached before a potential hazard or threat event materialises).

- DG ECHO can also complement and link up with existing SRSP programmes to ensure adequate coverage of identified needs (i.e. building on different elements of the delivery chain presented above). Investing in the interoperability of humanitarian and SP systems is a key enabler for SRSP (see [topic 4.4](#)). Alongside the implementation of such approaches, DG ECHO will systematically advocate for development actors to invest in SRSP.
- Finally, it should be recognised that pre-agreed funding is key for partners in the

Figure 3. Shock responsive social protection



Source: *Transform* (2020). Reproduced under the Creative Commons Attribution Non-commercial ShareAlike 4.0 licence (<http://creativecommons.org/licenses/by-nc-sa/4.0/>).

case of SRSP **and that humanitarian funding cycles are not always optimal for SRSP systems.** DG ECHO should advocate for more flexible instruments (such as risk-based mechanisms/contingency funding) that can contribute to an SRSP fund and can be activated for rapid use when scaling up is triggered. Across all interventions linking cash and SP, DG ECHO **also needs to use its influence know-how to negotiate in favour of continuity of assistance with domestic funding, complemented by development funding.** In parallel, the use of DG ECHO's existing flexible tools, e.g. crisis modifiers, and RRM's (see topic 3.4), provide some level of pre-agreed funding that can be coupled with local capacities.



Key considerations for DG ECHO partners:

- If there are no SP programmes in place at local level, or if those that exist are sub-optimal or are not aligned with humanitarian principles, what would be required to establish or improve these programmes, and how is the partner contributing to this? What is the potential to influence others (such as development actors) to help build systems and take on a humanitarian caseload?
- If there is a relevant (ideally, shock-responsive) SP system in place, have the different elements of the system, such as targeting and transfer values, been assessed in terms of their suitability for linkages? Are the proposed linkages adapted to the type of crisis and the maturity of the system? Have opportunities, trade-offs and risks been analysed?
- If there is an SRSP system in place, how can DG ECHO contribute to strengthening it or complement it to respond to the needs of crisis-affected people?



Photo credit: Damascus, Syria © UNRWA, 2014 (photographer: Taghrid Mohammad).



How does this relate to other topics/ expectations?

- ✓ [2.2. Assessments, response analysis and modality selection](#)
- ✓ [2.3. Safe inclusion of the most vulnerable](#)
- ✓ [3.2. Adequate and equitable transfers](#)
- ✓ [4.4. Interoperability of databases and registries](#)



What resources are available?

- CaLP (Cash Learning Partnership), *Linking social protection and humanitarian cash and voucher assistance*, 2020 (<https://www.humanitarianoutcomes.org/sites/default/files/publications/high-level-briefing-paper-cva-en.pdf>).
- CaLP, 'Social protection', 2021 (<https://www.calpnetwork.org/themes/social-protection-and-humanitarian-cash-assistance/>).
- European Commission, 'Social Protection across the Humanitarian-Development Nexus (SpaN)', 2019 (<https://europa.eu/capacity4dev/sp-nexus/wiki/guidance-package-span-resources>). See SPaN website for the 'Guidance package on social protection across the humanitarian-development nexus, 2021 (<https://europa.eu/capacity4dev/sp-nexus/wiki/guidance-package-social-pro>

- [tection-across-humanitarian-development-nexus](#)).
- Grand Bargain, *Linking humanitarian cash and social protection for an effective cash response to the Covid-19 pandemic* (advocacy document), n.d. (https://socialprotection.org/system/files/Grand%20Bargain%20Sub-Group%20Humanitarian%20Cash%20and%20Social%20Protection%20and%20COVID-19%20response_0.pdf) and *Increasing links between humanitarian cash and social protection for an effective response to the COVID-19 pandemic* (related technical document), 2020 (<https://socialprotection.org/system/files/FINAL%20Increasing%20links%20between%20social%20protection%20and%20humanitarian%20cash%20in%20COVID-19%20response.pdf>).
 - Oxford Policy Management, 'Shock-Responsive Social Protection Systems', 2018 (<https://www.opml.co.uk/projects/shock-responsive-social-protection-systems>).
 - Transform, *Shock Responsive Social Protection – Manual for leadership and transformation curriculum on building and managing social protection floors in Africa*, 2020. (https://socialprotection.org/sites/default/files/publications_files/SRSP%20BD_singles_v12.pdf).
 - UKAID and GIZ, *SPACE – Identifying practical options for linking humanitarian assistance and social protection in the COVID-19 response*, 2020 (https://socialprotection.org/sites/default/files/publications_files/SPACEI~1.PDF).
 - World Bank, UK Aid and Center for Disaster Protection - Stress Testing Social Protection: A rapid appraisal of the adaptability of social protection systems and their readiness to scale up – A guide for practitioners, 2021 (<https://documents1.worldbank.org/curated/en/559321634917529231/pdf/Stress-Testing-Social-Protection-A-Rapid-Appraisal-of-the-Adaptability-of-Social-Protection-Systems-and-Their-Readiness-to-Scale-Up-A-Guide-for-Practitioners.pdf>)

2. Targets the most vulnerable

Overall statement

On the basis of the humanitarian principle of impartiality, DG ECHO supports cash assistance that **targets the most vulnerable people based on needs alone**, making no distinctions on the basis of nationality, race, gender, religious belief, class or political opinions. A prepared, risk-informed and protection-sensitive approach should be mainstreamed throughout cash programme design. **Targeting criteria** for DG ECHO-funded cash assistance **should include socioeconomic vulnerability and the protection concerns of individuals and groups**.

2.1 Risk-informed approach



DG ECHO expectations

All humanitarian programmes must be **based on an assessment and understanding of risks** (contextual, programmatic and organisational) and **hazards**, and should be implemented to respond to, and possibly reduce, these risks, including those related to protection. Cash programmes, like all humanitarian programmes, should explicitly be designed to **prioritise safety and dignity and avoid causing harm**.



? What does this mean?

- Risk analysis is a non-arithmetical formula, which serves to illustrate that the risk faced by a given population is directly proportional

to threats and to vulnerabilities and inversely proportional to capacities:

$$\begin{array}{ccc}
 \textbf{Threats} & \times & \textbf{Vulnerability} \\
 \text{(e.g. violence, coercion,} & & \text{(e.g. life circumstances} \\
 \text{deprivation,} & & \text{(poverty, education, etc.)} \\
 \text{abuse, neglect)} & & \text{and/or discrimination based on} \\
 & & \text{physical or social characteristics)} \\
 \hline
 & & \textbf{Capacity} \\
 & & \text{(ability to withstand adverse impact from external stressors)}
 \end{array}$$

- **Gender–age analysis and protection risk analysis** should be carried out systematically and regularly and specific risks should be considered in relation to safety (e.g. safe access to markets and assistance) and dignity. This should include the protection risks associated with different delivery mechanisms, data protection (see [topic 4.4](#)) and intra-household and community power dynamics.
- A **conflict sensitivity lens** should be applied to cash programmes, in fragile, conflict-affected situations in particular. Specific measures should be identified for **sexual exploitation, abuse and harassment risk prevention and mitigation**.
- When successfully implemented, anticipatory action provides a risk-based approach to complement a needs-based approach, establishing a platform for humanitarian interventions and protecting development gains (see [topic 3.3](#)).



Key considerations for DG ECHO partners:

- Have gender–age and protection risk analyses been conducted? Were barriers and enablers for disability inclusion considered in the analyses?
- Have measures been identified to prevent or mitigate protection risks?
- Are environmental risks included as part of the risk analysis?



How does this relate to other topics/ expectations?

- ✓ [1.2. Linking humanitarian cash with social protection systems, including shock responsiveness](#)
- ✓ [3.3. Timeliness](#)
- ✓ [5.3. Financial risk and compliance](#)



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2.2 Assessments, response analysis and modality selection



DG ECHO expectations

DG ECHO funds cash programmes that are planned on the basis of **joint, multi-sectoral independent and impartial needs assessments**, informed coherent and comprehensive risk analysis, and the preferences and prioritisation of the affected populations. Assessments should be complemented by robust **response analysis** to maintain

a **demand-led process**, whereby the most appropriate modality is selected based on evidence.

Assessments should include **market, operational and environmental analyses**. They should be conducted in a coordinated way and should be timely to enable anticipatory action (or at least an early response), where possible.



What does this mean?

- Multi-sectoral assessments provide the evidence base for a **needs-based and people-centred response**, in line with DG ECHO's basic needs approach (see [topic 3.1](#)). Assessments should be informed by risks (see [topic 2.1](#)) and **driven by the needs and preferences of the affected people**, rather than by the experience and preferences of the agency. To avoid a potential conflict of interest arising from implementing agencies conducting needs assessments, DG ECHO therefore **advocates for joint, multi-sectoral independent and impartial needs assessments**, and works with its partners to scale up such approaches while continuing to fund programme-level assessments as part of partner proposals.
- Whenever possible, assessments should be conducted in a coordinated manner. They should meaningfully **engage different gender, age and social groups among affected populations in a participatory** way, and incorporate the assessments of **local and national actors**. To inform cash assistance, assessments should investigate the **objective needs of different groups** within the affected population. Assessments should include household socioeconomic analysis (i.e. access to income, expenditure patterns, and associated gaps and how these relate to pre-existing vulnerabilities), as this will inform the transfer value (see [topic 3.2](#)). They should also consider an **analysis of social protection systems in place** to inform possible complementarities (see [topic 1.2](#)).
- An appropriately detailed **assessment of the capacity of markets and services to meet humanitarian needs** must be carried

out at the outset of a crisis, integrated within the overall assessment and regularly monitored and reviewed. **Market analysis** can determine how markets have been affected by the crisis (both at that moment and how they might adapt or recover), and the potential for **markets to provide the commodities and services needed in the response design**. Market analysis should include the presence of commodities or services, their quality (including in relation to durability and lifespan) and quantity, and the risk of inflation (see [topic 6.4](#)). It should also take into consideration the potential for markets to adapt to increased demand as a result of a market-based response, as well as the risk of market failure (particularly for service provision). By analysing market systems and value chains, it may also be feasible to identify ways to **support markets in the short term and the longer term** (see [topic 3.1](#)), make them shock responsive and resilient, and amplify the multiplier effect of cash on markets and the local economy. Market assessments can also be conducted as a **preparedness activity** to anticipate how market functionality will be affected by specific shocks. Analysis should also include **access to markets in a safe and dignified way by all groups among the affected populations**. Ongoing market analysis should be conducted throughout the implementation of cash assistance (see [topic 6.4](#)).

- Market assessments should include an **environmental perspective**, whereby partners should **weigh up the environmental benefits of cash assistance against the potential environmental impact of some local purchases**, particularly for sector-specific cash assistance in sectors with the potential to have higher environmental impacts (e.g. shelter and water, sanitation and hygiene (WASH)). Taking the example of reconstruction programmes with cash transfers, these could potentially carry a high environmental risk (e.g. increasing the risk of deforestation) if not planned correctly. This analysis should therefore look along the whole value chain, considering that locally produced and procured goods may not always have the least environmental

impact or be the most durable. The market assessments should also include an analysis of the energy supply in local markets and the types of energy used and whether enough is available to meet basic needs (cooking food, boiling water, producing heat and light) without beneficiaries resorting to seeking unsustainable sources (e.g. fuel wood, which could be freely available). Such environmental concerns could be addressed through a mixed approach of modalities in which those items that carry a high risk to the environment are substituted with less environmentally harmful alternatives through in-kind assistance (see [topic 3.1](#)). Relevant environmental actors and national bodies should be encouraged to engage in these assessments.

- The **operational feasibility of cash assistance**, and specifically the mapping of financial service provider (FSP) options (looking at coverage, liquidity, capacity, value for money and financial risk (see [topic 5.3](#)) should systematically be analysed, alongside a broader understanding of the **infrastructure and regulatory environment for delivering cash**. These assessments should be conducted in a collaborative way and consider what has already been put in place by other actors (see [topic 4.1](#)). This should ideally be done as part of preparedness, particularly for anticipatory action, rapid response mechanisms and crisis modifiers for which timeliness is critical. Operational assessments should also consider the **need for data interoperability** (see [topic 4.4](#)) so that systems for data exchange can be set up from the outset. DG ECHO has a preference for digital solutions when cost-efficient and effective (see [topic 4.3](#)).
- All cash programmes should be informed by a **robust response analysis**, guided by the programme's objectives. This should integrate findings from gender-age and protection risk analyses and all the assessment information listed above. The **response analysis process should be compliant with protection mainstreaming principles** (i.e. safety, dignity and avoiding causing harm, accountability, participation and empowerment, meaningful access) and actively involve local knowledge.

This process should lead to an **optimal mix of modalities** (cash, vouchers, in-kind, service provision) to meet the basic and/or sector-specific needs identified in the assessment. While a mix of modalities may be the eventual outcome, **DG ECHO nonetheless expects partners to systematically consider MPC** as a means of meeting basic needs. However, its use should be justified through response analysis and any conditionality or restriction should be in line with DG ECHO's policy position (see [Annex 3](#)). Partners should always ask themselves why they have not chosen cash, either at the time of selecting a modality or at a future date, when the conditions allow.

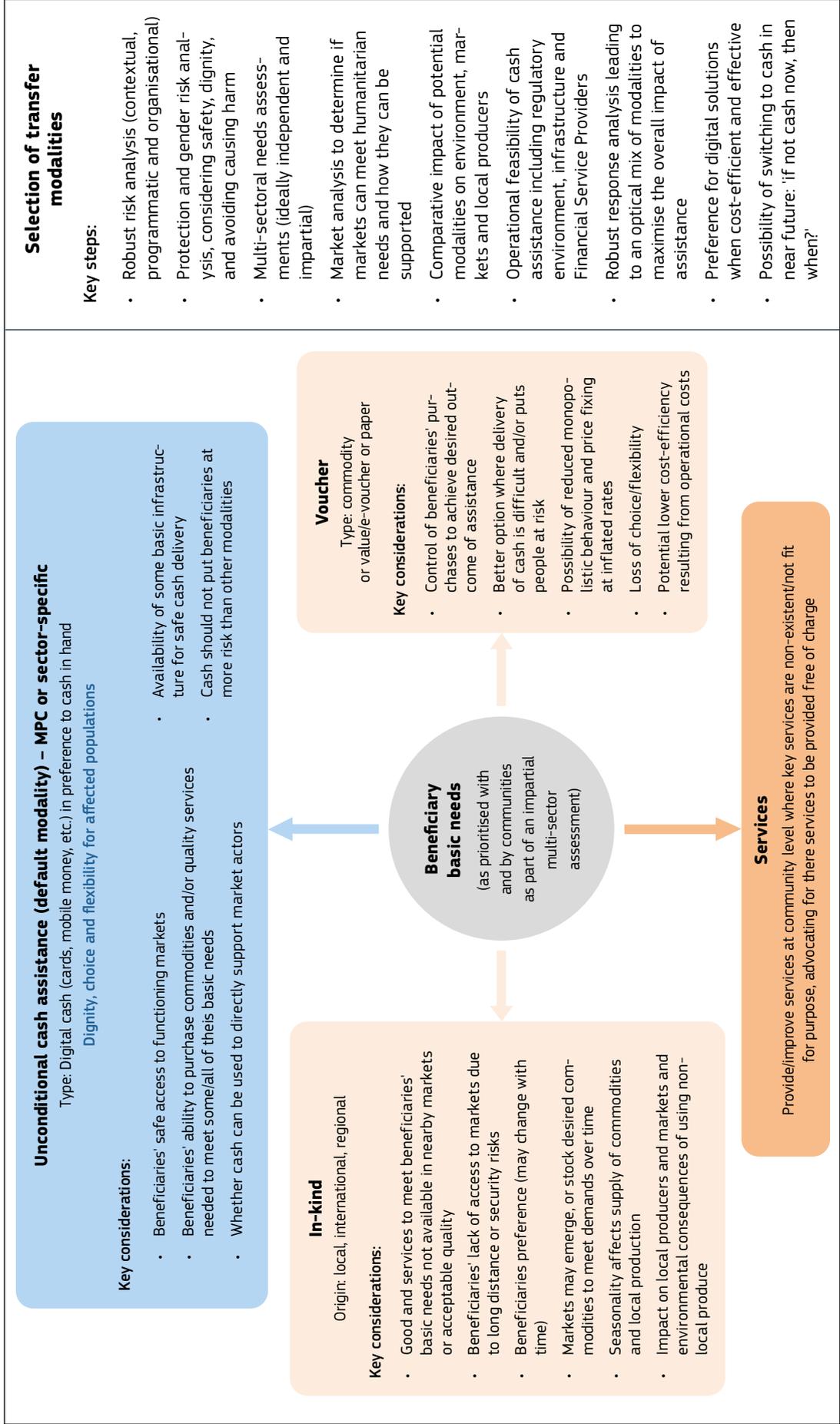
- As well as informing modality selection, a response analysis that is risk informed should also consider potential **response mechanisms**, each of which have comparative advantages as well as limitations that may change with the evolution of the crisis. (see [Box 1](#)). Through joint analysis, operational response frameworks and a conflict-sensitive approach, responses should lay the foundations for longer-term development efforts or government interventions to take over as soon as possible (see [topic 1.1](#)).



Photo credit: © Oxfam, 2014 (photographer: Abdul Quayyum).

Figure 4. Key considerations in selecting assistance modalities as part of a basic needs approach

This diagram summarises the key steps in selecting response modalities and the key considerations for the use of different modalities, irrespective of programme objectives, and within an overall basic needs approach (see [Topic 3.1](#)). This is not intended to be exhaustive, but rather to provide an overview of the policy content. Please also refer to [Annex 2](#) for modality descriptions and to [Annex 3](#) for sectoral outcomes when using the tool.



Source: DG ECHO.



Key considerations for DG ECHO partners:

- Is the needs assessment multi-sectoral, independent and impartial, and appropriate to the scope and scale of the programme?
- Does the assessment appropriately include inputs from communities and people affected by crisis?
- Does the needs assessment cover the following aspects?
 - Gender–age and protection risk analysis carried out?
 - Socioeconomic analysis of different gender, age and social groups?
 - Mapping/analysis of social protection systems in place and national sectoral policies?
 - Market analysis, including the environmental dimension?
- Is the assessment timely, and does it advocate for anticipatory or early action?
- Has the operational feasibility of cash been assessed, has a range of delivery mechanisms been assessed and is the selection justified?
- Is the selection of the response modality based on response analysis? Does it include a protection and gender-sensitive, and an environmentally-aware, design?
- Does the response design include an exit strategy and/or linkages to social protection systems, if appropriate?



How does this relate to other topics/expectations?

- ✓ [1.1. Linking humanitarian cash with social protection systems, including shock responsiveness](#)
- ✓ [3.1. Enabling sector outcomes through a basic needs approach](#)
- ✓ [4.1. Harmonised cash operations](#)

2.3 Safe inclusion of the most vulnerable



DG ECHO expectations

Targeting should be informed by comprehensive risk analysis including **underlying vulnerabilities, pre-existing needs and risks, and the capacities of affected populations**. DG ECHO recognises that protection of all affected people at risk must inform humanitarian decision-making and response (centrality of protection). **Participatory protection and gender-sensitive analysis** should inform targeting processes and **avoid social exclusion and discrimination** (sex, age, disability, ethnicity, language spoken, colour of skin, religious beliefs / sexual orientation, gender identity, etc.). Individuals or groups who are less visible or ‘under the radar’, such as child-headed households and people without civil documentation who may not be able to register, should not be excluded from assistance.



What does this mean?

- **Targeting criteria for DG ECHO-funded cash assistance should include socioeconomic vulnerability, and it should take into account the protection concerns of individuals and groups⁷, as well as gender dynamics** in a given context, based on:
 - the specific risk of exposure to harm, exploitation, harassment, deprivation and abuse, in relation to the identified threats that different groups might be exposed to;
 - the inability to meet recurrent basic needs and other sector-specific needs;
 - limited access to basic services and livelihoods / income opportunities;
 - the ability of the person/population to cope with the consequences of this harm;
 - due consideration for individuals with specific vulnerabilities.

⁷ - In line with DG ECHO's protection mainstreaming indicator toolkit (https://ec.europa.eu/echo/sites/default/files/dg_echo_protection_mainstreaming_indicator_-_technical_guidance.pdf).

- **Blanket and vulnerability-based targeting.** DG ECHO prioritises vulnerability-based targeting. However, blanket targeting (i.e. no targeting) may be appropriate in cases where vulnerability-based targeting is not possible due to limited access and the acuteness and severity of the crisis and where it is impossible to differentiate people's level of need. The need to deliver assistance quickly, such as in a rapid response mechanism (RRM), may be a compelling reason for providing assistance to all affected people. It could also be relevant when protection risk analysis identifies the risk of increased violence resulting from specific targeting. **DG ECHO does not favour targeting of cash assistance based on status**, and documentation should never be a pre-requisite for targeting. Targeting should also consider **social cohesion** and the potential of cash as a driver for enhanced peaceful coexistence in forced displacement settings between displaced (refugees and/or internally displaced people) and host communities.
- **Inclusion versus exclusion errors.** Cash programming can involve the collection of significant amounts of data to inform targeting and reduce inclusion and exclusion errors. DG ECHO encourages an **appropriate balance between the level of data collection and the timeliness of assistance, from an overall cost-efficiency perspective.** DG ECHO has a **preference for minimising exclusion errors**, since it is more appropriate to include some people who do not need assistance rather than excluding people who do.
- **Disability inclusion.** To ensure a comprehensive analysis of both pre-existing and new risks faced by people with disabilities, identifying the **barriers** that hinder them from accessing and participating in humanitarian assistance and protection is essential. These barriers lead to exclusion, which increases the likelihood that people with disabilities will face greater threats and vulnerabilities than the rest of the crisis-affected population. In the same vein, it is equally important to identify **enablers.** These are external factors facilitating access and participation in society for people with disabilities on an equal basis with others and which can be used to overcome barriers. The **specific costs associated with disability** should also be analysed and understood so that they can be considered in the design of cash assistance.
- **Gender equality and social inclusion (GESI).** While not related specifically to cash, gender-responsive and inclusive programming encompasses the GESI approach, which takes into consideration **unequal power relations and inequalities** experienced by individuals as a result of their social identities, and how these identities intersect to create experiences of vulnerability and marginalisation. DG ECHO supports actions that respond to practical needs in a gender-sensitive and inclusive way because they acknowledge the existence of norms and inequalities and try to compensate for them by providing assistance according to specific needs. It focuses on actions to address these unequal power relations and inequalities, reduce disparities and ensure equal rights, responsibilities, opportunities and respect for all individuals⁸.
- **Gender and targeting.** While DG ECHO focuses on gender responsiveness, if designed well, cash assistance has the potential to have a positive impact on the lives of women and girls by improving their protection and promoting their empowerment. **Contextualisation remains key**, as providing cash transfers directly to women can improve outcomes at household level, or conversely may reinforce rather than transform gender norms and may put women at risk. Therefore, before automatically targeting on the basis of gender, an understanding of

⁸ - Gender equality recognises that women and girls, and men and boys, as well as people of other genders, may have distinct needs, and seeks fairness of treatment according to a person's need to ensure the realisation of their equal rights, opportunities and respect. Gender equity is needed if gender equality is to be achieved. Social inclusion promotes the inclusion of women and girls as well as other vulnerable groups who are at risk of exclusion within a particular context. For further details, see Tropical Health and Education Trust (2020).

the **context-specific gender dynamics and potential impact of cash is essential**. It is also important to note that **protection-sensitive vulnerability targeting does not automatically translate into protection outcomes (i.e. ‘cash assistance for protection outcomes’)**, even in the form of reducing protection-related coping mechanisms, such as child labour and early marriage⁹ (see [Annex 3](#)).

- **Children and targeting. Children 15 years old and above may be considered for all forms of cash-based assistance that is deemed to be safe and appropriate**, based on an assessment of the risks, experiences and maturity of the child (UNHCR, 2021). For children between 12 and 15 years old the provision of cash **can be considered only on an exceptional basis, following a strict best-interest procedure** to ensure full awareness of the risks and take appropriate safeguarding measures to prevent them. The provision of cash assistance directly to children should be seen as a last resort and should always be included within a broader response (i.e. case management) to ensure that children are accompanied, closely monitored and supported. It is also essential to conduct a review of relevant national legislation and practices that may affect children’s ability to receive and use cash, such as national standards for the age at which children can legally open bank accounts.



Key considerations for DG ECHO partners:

- Has the target group been justified based on needs assessments and protection-sensitive vulnerability analysis?
- Does the proposal include an estimation of inclusion and exclusion errors? What strategies are in place to minimise inclusion and especially exclusion errors, including alternative targeting strategies (taking into account resources)?

- Does the targeting take into account, and is it sensitive to, gender, age, disability and other protection issues?

Box 3. Targeting in Shock-Responsive Social Protection

Humanitarian assistance and social protection have different but, in some instances, overlapping objectives, and in turn may have **different approaches to targeting**. SRSP involves adjustments to targeting to better meet humanitarian needs. This can take the form of design tweaks depending on the shock type and response objective, vertical expansion (i.e. providing a top-up to existing beneficiaries) or horizontal expansion, where by additional beneficiaries who have been affected by a shock may be targeted for assistance for a time-bound period. In the latter case, humanitarian targeting criteria could be applied, aligned with those being used for other humanitarian operations. In some cases, households may be pre-identified for a horizontal scale-up.

‘Table 1. Beneficiary selection: advantages and risks across the humanitarian-development nexus (for each type of shock response) in [SPaN operational note No 2](#) (p. 7)



How does this relate to other topics/expectations?

- ✓ [1.2. Linking with social protection systems, including shock responsiveness](#)
- ✓ [4.3. Digitalisation and data protection](#)
- ✓ [5.1. Accountability to affected populations](#)



What resources are available?

DG ECHO policies and guidelines

- *Gender-Age Marker Toolkit*, 2013 (https://ec.europa.eu/echo/files/policies/sectoral/gender_age_marker_toolkit.pdf) and DG ECHO Thematic policy on gender: *Different Needs, Adapted Assistance*, 2013 (https://ec.europa.eu/echo/files/policies/sectoral/gender_thematic_policy_document_en.pdf).

- Humanitarian Protection – *Improving protection outcomes to reduce risks for people in humanitarian crises*, 2016 (https://ec.europa.eu/echo/sites/default/files/policy_guidelines_humanitarian_protection_en.pdf).
- DG ECHO Protection Mainstreaming Key Outcome Indicators and Monitoring Tool, 2021 (https://ec.europa.eu/echo/files/policies/sectoral/dg_echo_protection_mainstreaming_indicator - technical_guidance.pdf).
- DG ECHO Operational Guidance – *The inclusion of persons with disabilities in EU-funded humanitarian aid operations*, 2019 (https://ec.europa.eu/echo/files/policies/sectoral/doc_echo_og_inclusion_en.pdf).
- DG ECHO Guidance Note – *Disaster preparedness*, 2021 (https://ec.europa.eu/echo/system/files/2021-04/dg_echo_guidance_note - disaster_preparedness.pdf).
- Groupe URD, *Looking through an Environmental Lens – Implications and opportunities for cash transfer programming in humanitarian response*, 2020 (https://www.urd.org/wp-content/uploads/2020/11/RapportENV-Cash_En_GroupeURD_2020.pdf).
- UNHCR (UN High Commissioner for Refugees) and Arup, *Review of environmental impact of cash based interventions and in-kind assistance*, 2020 (<https://www.calpnetwork.org/publication/review-of-environmental-impact-of-cash-based-interventions-and-in-kind-assistance/>) and *Environmental Checklist – Review of environmental impact of cash based interventions and in-kind assistance*, 2021 (<https://www.calpnetwork.org/publication/environmental-checklist-review-of-environmental-impact-of-cash-based-interventions-and-in-kind-assistance/>).

Needs assessment, response analysis and targeting

- CaLP Programme quality toolbox: ‘Needs assessment’ (<https://www.calpnetwork.org/toolset/needs-assessment/>); ‘Market assessment’ (<https://www.calpnetwork.org/toolset/market-assessment/>); ‘Vulnerability analysis’ (<https://www.calpnetwork.org/toolset/vulnerability-analysis/>); ‘CVA appropriateness and feasibility analysis’ (<https://www.calpnetwork.org/toolset/cva-appropriateness/>); and ‘Targeting’ (<https://www.calpnetwork.org/toolset/targeting/>).
- OCHA (UN Office for the Coordination of Humanitarian Affairs), ‘Needs assessment and analysis’, n.d. (<https://www.unocha.org/es/themes/needs-assessment-and-analysis>).
- OCHA, ‘Joint Intersectoral Analysis Framework’, 2021 (<https://assessments.hpc.tools/km/2021-jiaf-guidance>).

Environmental considerations

- Global Shelter Cluster, *Looking through an Environmental Lens Case Study – The shelter cluster*, 2021 (https://reliefweb.int/sites/reliefweb.int/files/resources/cashenvironment.gsc_brief.pdf).

Protection, gender and inclusion

- CaLP, ‘Gender and inclusion’, n.d. (<https://www.calpnetwork.org/themes/gender-and-inclusion/>).
- CaLP, *Gender equality and cash and voucher assistance – Tools and guidance*, 2020 (https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/Final_October2020_Gender_CVA_resources.pdf).
- Global Protection Cluster, *Cash and Voucher Assistance for Protection – Taking stock of cash and voucher assistance to achieve protection outcomes in the protection sector in humanitarian settings*, 2020 (<https://reliefweb.int/sites/reliefweb.int/files/resources/Cash%20and%20voucher%20assistance%20for%20protection%20-%20Taking%20stock%20of%20cash%20and%20voucher%20assistance%20to%20achieve%20protection%20outcomes%20in%20the%20Protection%20Sector%20in%20hum>).
- UNHCR, *Guidance on promoting child protection outcomes through cash-based interventions*, 2021 (<https://www.unhcr.org/60d43f824>).

3. Adequate, equitable and timely

Overall statement

Humanitarian cash assistance must be provided in a way that does not increase risks and that upholds the **safety, dignity, participation of and accountability to affected communities and individuals**. It should be sufficient to cover or **contribute to recurrent basic needs or other sector-specific needs** that are not recurrent basic needs, and it should be complemented by other relevant sectoral interventions. Transfers should seek to be **timely and anticipatory** where possible in order to meet needs with optimal efficiency and effectiveness.

3.1 Enabling sector outcomes through a basic needs approach



DG ECHO expectations

DG ECHO **prioritises MPC to meet basic needs**, complemented by other modalities, and

timely referrals to meet specific sectoral outcomes. When cash is used to meet sector-specific objectives, DG ECHO expects **conditionality to be properly justified**.

Complementary interventions should be designed through a **basic needs approach (BNA)**, which seeks to address people's needs in a coordinated and demand-driven way, by putting them at the centre of interventions. DG ECHO encourages partners to **strategically layer projects** to optimise synergies as crises evolve over time, **based on a multi-sector needs, risk and response analysis**. This includes consideration of interventions that directly support market actors as part of a market systems approach.

In support of collective outcomes DG ECHO will continue to promote **enhanced coordination** of cash at the strategic and technical levels.



Photo credit: Uganda © WFP, 2016 (photographer: Lydia Wamala).

? What does this mean?

Basic needs are the essential goods, utilities, services or resources required on a regular, seasonal or timely basis by households to ensure their long-term survival and minimum living standards, without resorting to negative coping mechanisms or compromising people's safety, health, dignity and essential livelihood assets.

The BNA has grown out of the recognition that beneficiaries of humanitarian assistance have multiple needs. Responding to those needs more efficiently and effectively, in particular in protracted crises, requires a more integrated and better coordinated approach.

Within a BNA, DG ECHO favours MPC when appropriate (see [Figure 4](#)). MPC specifically refers to cash transfers **designed to address multiple basic needs**, with the transfer value calculated accordingly. Sector-specific assistance will most often coexist with MPC, to strengthen a coherent overall response. This includes:

- **additional cash** to meet specific sectoral needs that are not recurrent – see 'Sector-specific cash assistance' below;
- **service provision**, underpinned by **multi-sector referral pathways** to ensure that people can effectively access key services and can simultaneously be referred to cash assistance from these services; this must be accompanied with active follow-up and supported by information on rights and services – and if needed on access services – and support to access civil documentation;
- **in-kind or voucher** assistance when needs cannot be appropriately met through cash or services.

A BNA implies a well-coordinated response from start to finish (context analysis, needs assessment, delivery and monitoring and evaluation), and is a platform for **facilitating linkages with development** actors and, where appropriate, government. It relies on effective inter-sectoral coordination, including the **strategic and technical coordination of cash**. DG ECHO advocates a predictable and accountable approach to

cash coordination and funds positions that contribute to this.

The collective outcomes (sectoral and multi-sectoral) of complementary interventions within a BNA should be monitored to analyse how the **package of interventions is contributing to basic needs**. The quality of goods and services accessed through cash assistance should also be monitored (see [topic 6.2](#)).

Sector-specific cash assistance

- **Designing cash assistance for sectoral objectives**. Cash is by definition multi-purpose from the beneficiaries' perspective. They are empowered to use it according to their own priorities. However, in addition to including specific expenses in the minimum expenditure basket (MEB) to meet basic needs, cash transfers can be designed for specific sectoral objectives. These are provided as 'labelled' cash, intended to allow beneficiaries to buy specific goods or access specific services (e.g. to replace personal and household items or to facilitate access to particular services or to obtain relevant civil documentation). **The achievement of specific sectoral outcomes will depend on whether other basic needs are being met**. The sectoral outcomes of cash can be enhanced through technical assistance and behaviour change communication (BCC) or training.
- **Restriction**. DG ECHO has a strong policy stance **on cash** (which is unrestricted) **over vouchers** (which are restricted), from the perspective of beneficiary choice and dignity, as well as cost-efficiency and effectiveness. It should also be recognised that vouchers (and in-kind assistance) are currency and can be exchanged for goods they are not intended for and/or sold for cash. Nonetheless, vouchers may be justified when cash poses or exacerbates protection risks, to ensure access to goods and services requiring specific quality standards, or where vouchers can have some effect on market stabilisation. There should always be a **clear justification for the value, frequency, and**

duration of cash and vouchers for sectoral outcomes. See [Annex 2](#) for relevant definitions, [Figure 4](#) for key considerations that may justify the use of vouchers (and in-kind assistance) and [Annex 3](#) for DG ECHO's position on the sectoral outcomes that can be supported by vouchers.

- **Conditionality.** See glossary of terms ([Annex 2](#)) for a definition of conditionality. DG ECHO's position is that **there should always be a clear justification for why conditionality is needed.** Conditionality is not generally appropriate for one-off assistance (e.g. for case management or non-food items) or for recurrent assistance to meet basic needs. Whenever needed, DG ECHO may support advocacy to governments or local authorities to encourage the acceptance of unrestricted and unconditional cash. See [Annex 3](#) for clarification on the circumstances under which DG ECHO will support conditionality, for each sector.
- **Cash for work.** See glossary of terms ([Annex 2](#)) for a definition of cash for work. These are cash payments provided on the condition of undertaking designated work. They are generally paid according to time worked (e.g. number of days, daily rate), but may also be quantified in terms of outputs (e.g. number of items produced, cubic metres dug). CFW is a way to mobilise labour resources from the community. Therefore, the primary objective should be the community-level benefit, rather than meeting household-level basic needs. CFW may be used to facilitate self-targeting and be coupled with environmental, productive, resilience and/or 'exit strategy' objectives from unconditional multi-year assistance (see [topic 1.1](#)).

For DG ECHO, CFW can be problematic from a value for money (VfM) perspective, with funding often being absorbed in materials and management rather than going to beneficiaries and often being spent on assets that are of poor quality or not useful for people. Therefore, **DG ECHO does not typically fund CFW to meet basic needs objectives**, particularly in situations of high vulnerability (Integrated Food Security Phase Classification 3 or 4 or other crisis situations),

when unconditional assistance is appropriate. CFW can be appropriate for disaster preparedness or WASH objectives, and in these cases it should be informed by a social and risk assessment and designed to have a positive environmental impact.

- **Analysing market systems.** Markets are recognised as a vital asset of most communities and as a lifeline for the majority of the world's population. As such, they are increasingly considered a means of supporting the delivery of assistance and a potential direct target for assistance to boost livelihoods and economic recovery. Beyond increasing the effectiveness of humanitarian response, the analysis of market systems can shift the humanitarian lens, moving away from an agency- and sector-specific focus to a more holistic understanding of crisis-affected people, their needs and capacities. This system-wide analysis should also consider the environmental footprint of market systems and how humanitarian assistance can mitigate the risks of environmental harm within these systems.
- **Market support interventions.** These constitute a type of market-based programming informed by market systems analysis. They aim to improve the situation of crisis-affected populations by providing support to critical market systems on which the target population relies for goods, services, labour or income. Market support interventions can take multiple forms, including activities that support market actors, market infrastructures and services. They can seek to address both obstacles to supply/availability and demand/access, and they can be appropriate as part of anticipatory action or market recovery.

DG ECHO considers funding market support interventions when they can **stimulate the local market to recover more quickly**, and therefore create an enabling environment for cash, or when intervening at market level can be shown to facilitate access to basic needs and other sector-specific needs for the affected population (in addition to or instead of assistance to households) – noting that for certain government-provided

services (e.g. health or education) this may not be appropriate. **Market support interventions should consider improvements in the environmental sustainability of the commodities** within these systems as well as support anticipatory action, based on strengthening local markets to reduce humanitarian vulnerabilities. Interventions funded by DG ECHO should focus on recovery and ideally link to long-term market systems development initiatives.

- **Cash and the environment.** To enhance the environmental outcomes of cash, assistance may need to be accompanied by awareness-raising activities on environmentally

conscious spending decisions (noting that the transfer value will need to be sufficient to enable these choices).

DG ECHO policy position on cash and vouchers for sectoral outcomes

[Table 1](#) summarises DG ECHO's top line position on the use of cash for different sectoral outcomes. More detail on DG ECHO's position on the use of cash and vouchers in each sector can be found in [Annex 3](#), which is to be read alongside the relevant [DG ECHO thematic policies](#). All humanitarian cash programming should not undermine any long-term advocacy pushes for a certain sectoral policy issue (e.g. free basic education).

Table 1. DG ECHO's policy position on cash and vouchers for sectoral outcomes

| | |
|-------------------|---|
| Protection | <p>There are two different entry points for the use of cash to achieve protection outcomes.</p> <ol style="list-style-type: none"> 1. Designing, implementing and monitoring MPC so that it can contribute to reducing protection risks and mitigating protection-related negative coping strategies. This requires a comprehensive risk analysis and a holistic understanding of the intersection between socioeconomic vulnerabilities and protection risks. Potential protection outcomes should be systematically monitored and the design of MPC adapted on the basis of contextual findings. 2. Use of cash in protection programming must have a clear protection outcome and will not be supported unless embedded within legal assistance, case management or accompaniment, and within a wider comprehensive and/or integrated protection response. |
| Health | <ul style="list-style-type: none"> • There is consensus that essential health services during a humanitarian crisis should be provided free of charge at the point of delivery. • The optimal response option for reducing direct health costs is first to explore health provider payment mechanisms that will reduce the application of user fees, and/or in-kind support in cases where the quality of services is suboptimal (although recognising that DG ECHO's mandate is not for long-term system building). • DG ECHO will therefore only fund cash or vouchers for residual health expenditures that cannot be further reduced by supply-side interventions. These expenditures may include indirect costs linked to access to health services (e.g. transport or accommodation costs) and direct costs (e.g. charges for consultations, diagnostic tests and/or medicines, or for preventive commodities such as bed nets), recognising again that these should optimally be provided through support to the supply side and/or through cost- / risk- sharing mechanisms. • Any cash and voucher assistance for specific health needs should be guided by its ability to address an identified (financial or utilisation) barrier to access services from qualified providers that meet international/humanitarian health standards, including on quality of care, and by how these will be monitored. • MPC can be considered as a last resort to address unmet needs that remain after implementing other types of support that are deemed necessary and appropriate to provide access to quality healthcare. |

| | |
|---|---|
| Nutrition | <ul style="list-style-type: none"> • In most humanitarian contexts, cash alone is not sufficient to have an impact on nutrition outcomes because of the variety of determinants at play. Other interventions should be provided alongside cash (i.e. specialised food products, improved access to health services, BCC) to maximise the chances of achieving positive outcomes. • In considering the use of cash for nutrition outcomes, the distinction between treatment and prevention needs to be very clear. • DG ECHO mainly supports the treatment of acute undernutrition. In the framework of treatment, cash can be used to support attendance at services. • Where undernutrition status is proposed as a proxy for vulnerability, and is used as a criterion for cash assistance targeting, the appropriateness of the approach and its potential negative effects need to be assessed and mitigated. • When cash is used to contribute to the prevention of undernutrition, the general principles are: choose nutrition-sensitive targeting criteria; include nutrition objectives and indicators in the project design (recognising that cash alone cannot be causally linked to undernutrition), and integrate context-specific BCC. |
| Education | <ul style="list-style-type: none"> • For cash to be appropriate for meeting education needs, barriers to education must be (at least partially) financial. It is therefore necessary to understand and quantify 1) the direct costs of education; 2) the wider economic needs of households and the related opportunity costs of education; 3) the economic needs of teachers; and 4) wider barriers to education. • Based on this analysis, cash can be effective in reducing demand-side barriers. These include direct educational costs (e.g. school fees, uniforms and school supplies, exam fees, sanitary items for girls); indirect education costs (e.g. transport tickets, food); and opportunity costs, such as the loss of the child's economic contribution through work or child labour / exploitation. • Cash can rarely be a standalone response in an education project, unless the partner can show that the education system is strong and/or that there are few wider barriers beyond financial barriers, or that it is a first phase of a response or a short-term response, or if the objective is to encourage attendance and prevent those already in school dropping out. In general, cash does not influence the quality component of a programme. |
| Shelter and settlements (S&S), including non-food items (NFIs) | <ul style="list-style-type: none"> • Cash may be provided to fully or partially purchase NFIs, or address a need for S&S, and to encourage adherence to standards or other conditions. • If S&S needs – including rent or construction – are supported through cash, actors should ensure that affected men and women have access to appropriate technical information and support, for example, on tenure rights or construction safety. • All cash assistance requires post-distribution monitoring to verify the outputs and outcomes, the impacts on local markets and on the environment and, where relevant, the additional resources contributed or leveraged to meet the S&S outcomes. |
| Water, sanitation and hygiene | <ul style="list-style-type: none"> • Cash can be effective in overcoming financial barriers to accessing WASH goods and services when combined with complementary approaches in contexts with an enabling environment. • When the local environment and market context is conducive, cash should be considered a potential and complementary tool for achieving a desired WASH outcome. An analysis of the comparative advantages of all possible modalities (including in-kind assistance, vouchers, contracted works / products and technical assistance) is required to inform the best-suited combination of modalities, which should be reviewed over time. • While in-kind assistance may be most appropriate in the immediate response to a rapid-onset disaster, market assessment and analysis should be built into needs assessments from the first phase to understand when market-based programming (MBP) will be feasible. Extending in-kind assistance longer than necessary risks harming market recovery. |

Food assistance and livelihoods (FAL)

- Cash as a modality is used extensively in the FAL sector, adapted to each context.
- Food needs tend to be a household's primary expenditure with MPC, and they are always fully embedded in MEBs, so full food assistance outcomes can be expected with MPC.
- The overall aim of DG ECHO's FAL programming is to support food outcomes. On this basis, the choice of modality (and whether the support is food or livelihoods related), should be the one best adapted to the objectives and context, considering the quality/diversity of food / agricultural inputs, beneficiary choice and the seasonal calendar.



Key considerations for DG ECHO partners:

- Has MPC been considered as a tool to meet basic needs? If not, why not?
- Are synergies optimised for cash and complementary activities to enhance sector outcomes?
- Do sector-specific cash actions meet DG ECHO sectoral policy/guidance?
- Is conditional cash (including CFW) or the use of vouchers justified and appropriate?
- Is there the potential and justification for market function to be supported and improved? Is this justified in terms of efficiency/quality gained in both the short and long terms?



How does this relate to other topics/ expectations?

- ✓ [1.1. Sequencing projects](#)
- ✓ [2.2. Assessments, response analysis and modality selection](#)
- ✓ [4.1. Tracking cash and vouchers](#)
- ✓ [6.2. Common monitoring, evaluation, accountability and learning frameworks](#)
- ✓ [Annex 3. Enhancing sectoral outcomes through cash and vouchers](#)

3.2 Adequate and equitable transfers



DG ECHO expectations

DG ECHO will prioritise cash responses:

- where people receive a **single (one-off or recurrent) payment** that is designed to

cover **multiple basic needs** instead of receiving different payments for each sectoral objective;

- where the **transfer value (TV) is based upon an MEB** (or, if not, other alternative economic tools such as minimum wage or poverty level) or, in the case of a cash transfer for sector outcomes, **based on a TV established collectively within the sector**, taking into account how other needs are being met;
- with a number and frequency of transfers that is appropriate for the objectives set out in order to maximise expected outcomes;
- where transfers are **harmonised across the response** to ensure that all those who are targeted for assistance receive the same basic entitlement as per their vulnerability level and according to the principle of proportionality, agreed by all stakeholders, groups and communities – this also contributes to avoiding conflicts between individuals and groups and to reducing pull factors linked to disparities in payments.



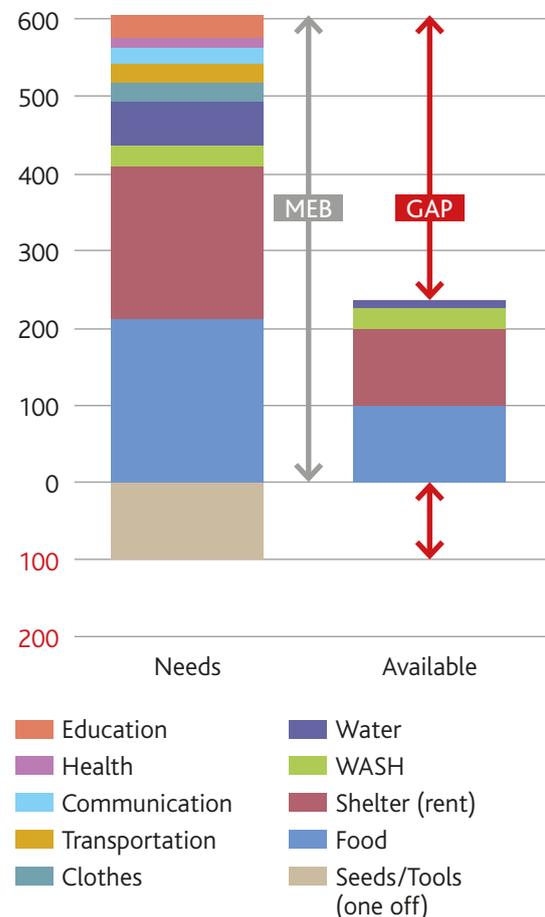
What does this mean?

- **Single payments avoid multiple parallel payments** that are complex for a beneficiary (e.g. having more than one pre-paid card for different purposes from different implementing agencies) and are operationally inefficient. **The single payment does not refer to a single delivery mechanism** (see [topic 4.1](#)), nor does it refer to combining multiple rounds of payments into a single transfer.
- The MEB should represent the **monetary value of expenditures needed to meet recurrent basic needs, calculated based on items that are available from local**

markets and services (see [Figure 5](#) for an indicative example). The MEB composition and cost may vary in different geographical locations because of differences in expenditures and in market prices. The design of an MEB should be a collaborative cross-sectoral process, usually led by the CWG or other coordination structure. It should be **designed for the context of the crisis and response**, ideally using a hybrid approach combining expenditure data and a rights-based approach (i.e. based on [Sphere humanitarian standards](#)). Ideally, the composition of the MEB should consider the environmental impact of items. Where **environmentally sustainable** options are available at relatively comparable prices, these should be prioritised in the MEB. If options available (e.g. for shelter materials or energy) are assessed to be environmentally damaging, these can be included in the MEB, but unconditional cash may not be the most appropriate modality. See [Annex 3](#) for DG ECHO considerations on sector-specific issues for the MEB and MPC.

- **To meet recurrent basic needs**, an MPC TV should be defined based on an estimate of the **gap between the MEB and what beneficiaries can contribute** towards their needs (see [Figure 5](#)) while meeting humanitarian outcomes and without resorting to negative coping strategies. Additional considerations of whether some element(s) of the MEB are being **met through other modalities**, the risk of **social tensions** with host communities that may be receiving social assistance with a lower TV and the **availability of funding** to ensure **coverage** of the affected population.
- **DG ECHO's position is to privilege a single payment to meet basic needs and avoid multiple modalities or multiple payments to meet recurrent basic needs.** For cash designed to meet multiple basic needs, the TV should be harmonised across the response for equity but is usually a **proportional contribution towards the MEB** (usually a percentage), rather than the full amount. The TV may vary in different locations according to differences in the MEB, the estimation of gaps or the type of shock.

Figure 5. Example calculation of the minimum expenditure basket and gap



Source: UNHCR (2015).

- **To meet sector-specific needs**, a TV should be calculated based on the estimated cost of the specific items or services and the cost of accessing them. To ensure that the cash is used for the intended objectives, and that sectoral outcomes can be met, **other basic needs must also be met**. For example, if the TV is insufficient to cover all shelter reconstruction needs, beneficiaries may opt for cheaper materials that might be less environmentally sustainable and of lower quality or they may seek their own materials directly from the local environment (Blanco Ochoa et al., 2018). **To meet seasonal or timely needs, additional costs** (e.g. to replace lost or damaged assets), **may need to be factored in to the MPC value** to ensure that both recurrent and exceptional needs are covered.

Box 4. Transfer values and linkages to social protection

Humanitarian assistance and social protection programmes are typically targeted based on different vulnerabilities and criteria (e.g. vulnerability-based targeting versus categorical targeting). They also tend to be designed for different, albeit overlapping, objectives (e.g. meeting basic needs in a context in which normal livelihoods have been severely disrupted versus poverty alleviation for a specific group). Humanitarian cash assistance tends to be based on an MEB, whereas social assistance programmes tend to be based on national poverty lines or minimum wage standards. This can result in different rationales for TVs and typically higher TVs for humanitarian assistance.

This discrepancy can lead to undesirable (conflict-enhancing and trust-undermining) instances of people living next door to each other receiving significantly different amounts solely based on who they are being supported by, particularly if there is a lack of coordination across humanitarian and social assistance programmes.

In social protection programmes that are adapted to respond to shocks, the objectives and TVs are much more aligned with those of humanitarian responses, and so TVs should ideally be aligned. However, temporarily increasing transfer values for government-led programmes also poses complex questions of raised expectations and long-term sustainability that humanitarian actors typically do not need to deal with (as much, or as directly) – not to speak of considerable trade-offs with coverage and other objectives. There are multiple dynamics and ethical dimensions to consider when seeking to align flexible humanitarian cash and social protection programmes, but no single answer. Context is clearly a major element, with basic needs, impact, coverage, equity and, last but not least, funding – all considerations that need to be fully taken into account.

See also [SPaN operational note No 1](#) (p. 12) on setting transfer values.

- The design of the TV should be based on a holistic understanding of vulnerability and include the **meaningful participation of affected communities**. TVs at the household level should, as far as possible, **take into account family size**. There is, however, in contexts of constrained resources, a **trade-off between adequacy and coverage of TVs**.
- The TV can be recommended by a CWG or similar coordination body, and at the very least harmonised between actors if such a forum is not in place. However, the key **humanitarian donors should also agree on a harmonised TV for MPC that optimally meets basic needs, achieves the desired coverage of affected people and can be resourced**. Donors should avoid financing parallel TVs for different purposes as far as possible.
- While the TV should be harmonised for equity, there could be justification for providing an **additional transfer (cash or other modality) for particularly vulnerable individuals or households**. This could be a complementary activity (see [topic 3.1](#)), either a one-off or a recurrent top-up, especially if the basic TV does not cover the full MEB. For example, for disability, the TV should reflect disability-related costs of basic needs, such as specific medicine, treatment, diet, hygiene items, transport and repair of assistive devices.
- **TVs should be adapted** based on market monitoring data, with specific considerations in contexts of inflation and depreciation (see [topic 6.4](#)).
- Where appropriate, the TV should be set to **facilitate linkages between humanitarian cash responses and SP systems**, especially where there are shock-responsive components.
- In many cases, the MEB and TVs can be established in **anticipation of a crisis** (especially in recurrent crisis-prone areas) and can therefore become a central component of preparedness, embedded in anticipatory action approaches and emergency / rapid response mechanisms. If there is no MEB available, other thresholds, such as the minimum wage or poverty threshold, can be considered.



Key considerations for DG ECHO partners:

- Has an MEB been developed using an established methodology, and agreed to by all partners? Is this the basis for the TV in the proposal? Is the MEB up to date and in line with current inflation/deflation?
- Has the TV been agreed by the CWG or cluster? Have donors agreed to a single payment approach using a harmonised TV? Is this the TV in the proposal?
- Does the stated objective, duration and frequency of the transfer clearly address the needs?
- If the TV differs from the agreed value, on what basis was this difference established? Has this been communicated to beneficiaries, other partners and the CWG?
- If an SRSP or other safety measure is in place, are humanitarian and SP TVs aligned

when they respond to the same set of needs? See [Box 4](#) on TVs and SP.



How does this relate to other topics/ expectations?

- ✓ [1.1. Linking humanitarian cash with social protection, including shock responsiveness](#)
- ✓ [2.3. Safe inclusion of the most vulnerable](#)
- ✓ [4.1. Harmonised cash operations](#)

3.3 Timeliness



DG ECHO expectations

Preparedness is critical for the **quality, appropriateness and timeliness** of all humanitarian assistance. DG ECHO expects **partners to invest in preparedness for the use of cash**, including through specific actions for context-wide / system preparedness, organisational preparedness and

Box 5. Timely cash assistance through DG ECHO's response mechanisms

With adequate preparedness, cash can be a central tool in DG ECHO's range of rapid response tools (see [Box 1](#)), including:

Emergency/rapid response mechanisms (E/RRMs).

These are contractual arrangements that DG ECHO (and other donors) establish with one or multiple partners in a given country to ensure that a network of humanitarian organisations can access sufficient personnel and financial and material resources to respond to recurring localised, small-scale emergencies as soon as possible after they occur. These can either be conflict related or disasters caused by natural hazards. The exact arrangements differ from country to country. DG ECHO encourages the use of cash within E/RRMs, alongside other modalities, where appropriate and if adequate preparedness measures are in place.

Crisis modifiers (CMs) and contingency planning.

The purpose of the CM is to promote the systematic consideration and integration, within a DG ECHO-funded action, of a flexible, early and anticipatory action component in order to address in a timely manner immediate and life-saving needs resulting from a rapid-onset crisis and/or a deterioration (i.e. a

crisis within a crisis), when no other response mechanisms are yet in place. The CM can be used to address all types of risks to which DG ECHO responds, as long as the mechanisms in place demonstrate that it is effective to initiate rapid responses to sudden crises. DG ECHO encourages partners to use cash transfers as a preferred modality within the CM. Both instruments (E/RRM and CM) have the same purpose of enhancing the flexibility and rapidity of the response but on different scales. Both, to be effective, have to be based on robust risk analysis, preparedness plans and strategies that are as comprehensive and cohesive as possible, on multi-risk early warning systems and related triggers and agreed scenarios, and on an indication of the time frame for delivery and contingency plans.

Anticipatory action is a key component of DG ECHO's approach to preparedness and a new global priority. Anticipatory action can benefit from forecast-based financing, which can play an important role in providing predictable finance. Anticipatory cash transfers need to be embedded as one of the agreed actions in a pre-agreed SOP, tied to pre-defined funding sources and triggered when a specific pre-defined trigger / forecast threshold is reached.

programmatic preparedness. This can enable **cash to be provided in a timely way as part of the range of response mechanisms**, including rapid response, crisis modifiers or anticipatory and early action, ultimately contributing to reducing humanitarian needs.

? What does this mean?

- There is no timely assistance without preparedness. Specific considerations for the timeliness of cash will depend on the risks identified and the nature of the related crises and response objectives, but they should always **include factors affecting income and expenditure** (e.g. the lean season and school expenditures).
- **Context-wide / system preparedness** should consider context-specific risks (see [topic 2.1](#)) and the level of acceptance of cash among different stakeholders, including national governments or local authorities. This may require advocacy and awareness-raising activities at community and governmental levels.

Box 6. Preparedness for linking humanitarian cash and social protection systems

Cash preparedness should also involve mapping the elements of existing social protection programmes that can be used and/or linked with humanitarian cash assistance. The analysis of these programmes should assess their readiness to respond to shocks through cash assistance and identify points for convergence. Cash preparedness can contribute to SRSP by improving the comprehensiveness, coverage and adequacy of existing cash-based social safety nets. Areas of potential linkages as part of cash preparedness include identifying opportunities for using common or interoperable registries of vulnerable households, pre-agreements on beneficiary selection criteria and required documentation (particularly for households not currently enrolled in safety nets); and building the interoperability of systems to facilitate rapid payments, whilst ensuring data protection requirements.



Photo credit: © WFP, 2015 (photographer: Miguel Vargas).

- **Organisational preparedness** means that organisations must have the leadership buy-in, systems, procedures and human resources capacity to rapidly deliver good-quality cash assistance at scale. This includes, where feasible, contractual arrangements with FSPs, which are a key enabler of timely responses. **Information management preparedness**, in terms of digital platforms to facilitate beneficiary data management and cash delivery, is also critical for providing cash at scale.
- **Programmatic preparedness** involves vulnerability assessments: mapping market functionality and putting in place monitoring mechanisms (see [topic 6.4](#)); operational feasibility assessments in at-risk areas; and establishing or linking to existing surveillance / early warning systems to be able to adapt quickly to a deteriorating situation. The capacity of potential FSPs needs to be assessed, in terms of accessibility and liquidity (see [topic 4.1](#)). This also involves developing context-specific SOPs for cash assistance.
- Partners should actively coordinate cash preparedness and contingency planning, under the leadership of the CWG and in coordination with key SP actors. This should include joint feasibility and risk assessments and the development of an MEB (see [topic 3.2](#)).
- Given that the exact impact of a future rapid onset disaster is always unknown, it is very important for partners to **build flexibility into the use of cash and/or other**

modalities and to fully justify the ultimate modality choice once the emergency occurs. Partners should be clear about the specific needs their response aims to address (and not automatically settle for the use of the locally agreed MEB, since this might not be relevant for the intended rapid response). The transfer value should be justified accordingly.



Key considerations for DG ECHO partners:

- Is the proposed cash assistance timely (considering seasonality of income and expenditure)?
- Are key cash-related preparedness measures in place (contextual, organisational and programmatic)?
- Have the appropriate response mechanisms (emergency / rapid response mechanism, crisis modifiers, anticipatory action, forecast-based financing) been proposed for the context, given the expertise of the organisation? Is sufficient capacity in place to use this mechanism in a timely manner?



How does this relate to other topics/expectations?

- ✓ [1.1. Sequencing projects](#)
- ✓ [1.2. Linking with social protection systems, including shock responsiveness](#)
- ✓ [2.1. Risk-informed approach](#)



What resources are available?

Minimum expenditure basket / transfer values

- CaLP, 'Programme quality toolbox', n.d. (<https://www.calpnetwork.org/resources/programme-quality-toolbox/>) and 'Transfer value, frequency and duration', n.d. (<https://www.calpnetwork.org/toolset/transfer-value-frequency-and-duration/>).
- UKAID and GIZ, *SPACE Transfer Values – How much is enough?*, 2021 (https://socialprotection.org/sites/default/files/publications_files/Transfer%20Values_How%20Much%20Is%20Enough_Balancing%20social%20protection%20and%20humanitarian%20considerations%20%281%29.pdf).

Timeliness / disaster preparedness

- CaLP Programme quality toolbox: 'Organisational preparedness' (<https://www.calpnetwork.org/toolset/organisational-preparedness/>) and 'Programmatic preparedness' (<https://www.calpnetwork.org/toolset/programmatic-preparedness/>).
- DG ECHO, *DG ECHO Guidance Note – Disaster preparedness*, 2021 (https://ec.europa.eu/echo/system/files/2021-04/dg_echo_guidance_note_-_disaster_preparedness.pdf).

4. Provides value for money (efficient and effective)

Overall statement

DG ECHO believes that **cash assistance can substantially contribute to increasing the efficiency, effectiveness and strategic impact** of its humanitarian funding. Better harmonisation of tools and approaches for cash assistance can drive **efficiency and effectiveness gains**, while upholding data protection principles. DG ECHO promotes a **common programming approach** to reduce fragmentation, with streamlined systems created to avoid duplication and parallel ways of working.

and promotes a coherent system and common programming approaches. It supports efforts to **maximise harmonisation throughout the programme cycle**. This should be pursued in recurring, MPC transfers for basic needs, and in sector-specific cash assistance, such as in one-off transfers.

The choice of cash delivery mechanisms should take into account the **risks people face, the gender and protection** implications of cash payments and how they reach beneficiaries while upholding all protection mainstreaming principles.

4.1 Harmonised cash operations



DG ECHO expectations

DG ECHO recognises the value of the engagement of different actors in cash programming,



What does this mean?

- The fundamental principle here is to **deliver cash in as simple a way as possible that also maximises choices for**



beneficiaries. Harmonised systems perform better in this regard than multiple parallel streams of assistance and will generally be more efficient as a result of reduced duplication and leveraging economies of scale. A common programming approach should not hinder innovation and retain sufficient space for partners to nuance approaches if/when the needs and preferences of populations across a country differ.

- DG ECHO particularly encourages **collaboration for the mapping, assessment and contracting of FSPs** (and the associated regulatory and infrastructural environment), based on common tools and assessment parameters. This analysis should be **grounded in beneficiary preferences**, and cover the following considerations: coverage, costs, liquidity, timeliness and ability to deal with the needs of specific vulnerable groups. This includes the legal and regulatory obstacles that may affect displaced people. The analysis should also consider what delivery mechanism is being used by existing SP programmes.
- In addition, a **gender, age and protection risk analysis** should be conducted to assess the relative exposure to risk inherent in each mechanism, with associated mitigation measures. The analysis should also include disability inclusion barriers and enablers. Mechanisms that facilitate digital transactions, such as mobile money, may involve reduced protection risks, but need to be analysed through the lens of ‘**do no digital harm**’ (see content on data protection under [topic 4.3](#)). Ideally, beneficiaries should be given the choice to decide which delivery mechanism best suits their needs and preferences.
- DG ECHO encourages **collaborative procurement** wherever possible, enabling cash delivery through a **common payment platform**. This can be a single delivery mechanism, or multiple delivery mechanisms, to encompass different service providers across geographical areas or to address particular beneficiary needs and preferences. The pros and cons of a common

platform versus multiple mechanisms need to be assessed according to the context and the principle of keeping it **people centred, simple and easy to access safely for beneficiaries and in ways that minimise exclusion**.



Key considerations for DG ECHO partners:

- Has there been an (ideally joint) mapping exercise for FSPs, which also considers the regulatory and infrastructural environment?
- What payment platform is being used by SP systems in the area of operations, and is there the potential to align with it? What are the pros and cons?
- Has a gender, age and protection risk analysis been carried out in selecting the delivery mechanism? Are disability inclusion barriers and enablers addressed?
- Is there a common payment platform available and, if so, is it being used? If multiple delivery mechanisms are being used, is this justified and could they be harmonised to increase simplicity, effectiveness and efficiency?



How does this relate to other topics/expectations?

- ✓ [2.2. Assessments, response analysis and modality selection](#)
- ✓ [4.2. Operational models](#)
- ✓ [4.4. Interoperability of databases and registries](#)
- ✓ [5.3. Financial risk and compliance](#)

4.2 Operational models



DG ECHO expectations

DG ECHO encourages **innovative operational models that demonstrate value for money and enhanced accountability**. These should be based on equal partnerships, including shared responsibilities and funding between international and local responders.

DG ECHO believes that greater efficiency can be achieved by leveraging the **comparative advantage or specialist skills of partners**, including the expertise found in the private sector, and working together in new ways.

To improve **accountability, independent MEAL** should become the norm in any context, based on established best practices and in line with internationally accepted principles on the segregation of functions. This could be contracted separately by DG ECHO to a third party or contracted out by the implementing partner, depending on the scale of the programme and the context.



What does this mean?

- An **operational model** is the structure through which one or several agencies work jointly to deliver assistance. It comprises the **contractual relationship** (i.e. alliance, consortium or other), the **programmatic arrangement** (i.e. delivering single or multiple projects, MPC or sectoral cash) and the **delivery model** (i.e. independent delivery mechanisms, a common payment platform, working through SP systems, and the segregation of functions across the delivery chain).
- DG ECHO seeks to fund operational models that demonstrate efficiency, effectiveness and impact. These should complement, but not duplicate, existing coordination structures and should clearly demonstrate the value added by different partners. DG ECHO is open to **innovative business models** – whereby one partner may have the expertise to take on a common service on behalf of others. This could mean providing information analysis, managing a common payment platform, or operating a complaints and feedback mechanism for the wider community. This approach may provide a **simpler and more accessible service** for beneficiaries and see efficiency gains by reducing duplication.
- DG ECHO supports actions that foster a **shift towards a greater role for local actors in providing cash assistance**. This involves separating out the different components of a

cash response and articulating **where local actors should deliver**, complemented by the strengths of larger international organisations, inclusive of a **strong capacity-building component**. DG ECHO recognises that there may be a perceived tension between cost-efficiency/scale versus the role of local actors, but innovative operational models with a **role for local actors beyond the delivery of cash are welcomed**. DG ECHO also welcomes proposed funding arrangements that make such a segregation of functions viable.

- DG ECHO is open to creative solutions and accepts that **multiple operational models can co-exist** in a given context (the ‘whole of cash response’ concept), with the proviso that interoperability is key (see [topic 4.4](#)). DG ECHO will **coordinate funding with other donors to maximise harmonisation**.
- For **large-scale cash programmes** (equal to or above EUR 10 million) the [large-scale cash guidance note](#) is applicable, in which partners are encouraged to segregate the functions related to the fundamental elements of a cash transfer programme cycle (assessments, design and monitoring); the delivery of the cash transfer; and independent MEAL, which is contracted to a third party (components A, B and C respectively).



Key considerations for DG ECHO partners:

- In the case of an operational model, do the proposed arrangements improve efficiency and effectiveness? Is the technical added value of the different partners clear? If not in the short term, are improvements a realistic expectation in the future, allowing for the potential set-up / piloting costs?
- Has a role been envisaged for local actors?
- Is independent MEAL in place?
- Is the programme considered to be large-scale (i.e. EUR 10 million or above)? if so, to what extent does it comply with the large-scale cash guidance note’s segregation of functions?



How does this relate to other topics/ expectations?

- ✓ [1.2. Linking humanitarian cash and social protection, including shock-responsiveness](#)
- ✓ [4.1. Harmonised cash operations](#)
- ✓ [6.3. Third-party monitoring and independent monitoring, evaluation, accountability and learning](#)

4.3 Digitalisation and data protection



DG ECHO expectations

DG ECHO promotes cash responses that build on technological advances and innovations and which use technology in ways that strengthen interoperability and link to longer-term solutions. In particular, DG ECHO has a preference for **digital solutions** where these make sense from a cost, effectiveness or efficiency standpoint.

Given the many potential benefits of digital solutions in terms of accountability, efficiency and effectiveness, including the advantages inherent in electronic cash transfers and digital identities, DG ECHO's policy is for the programmes it supports to be **'digital by default'**. This means that DG ECHO favours proposals that build on technological advances and innovations, including cash-less delivery systems, that support the digital inclusion of different groups of affected communities and that use technology in ways that **strengthen interoperability and link to longer-term solutions**. However, all decisions on the choice of digital solutions should comply with the **principle of 'digital do no harm'**.

Digitalisation raises specific risks with regard to data protection. **Data protection safeguards need to be systematically in place**, in line with local data protection laws and partners' EU data protection requirements¹⁰.



What does this mean?

Opportunities

- Digitalisation in humanitarian aid enables many processes that would be difficult, time-consuming or impossible with analogue / paper-based systems. Some obvious examples include:
 - the ability to easily de-duplicate databases (see [topic 4.4](#));
 - digital data collection, storage and visualisation (ideally through open-source tools) and effectively coding, aggregating and anonymising information;
 - instructing private sector FSPs to execute digital payments to small or very large caseloads of beneficiaries efficiently through more-or-less automated systems;
 - tracking humanitarian transfers across sectors and modalities;
 - streamlining accountability to beneficiaries (complaints and feedback mechanisms);
 - enabling more remote post-distribution monitoring;
 - enabling linkages between humanitarian cash and SP systems and the financial and digital inclusion of beneficiaries.
- While **DG ECHO will prioritise the use of electronic cash transfers**, e-vouchers may also be appropriate in contexts with very limited existing financial infrastructure and/or contexts of inflation/depreciation where e-vouchers can be pegged at a stable currency to avoid recipients losing purchasing power (see [topic 6.4](#)).
- While DG ECHO expects partners to propose digital solutions as standard, there are situations in which digital solutions may not be appropriate or offer added value compared with analogue methods, where affected

¹⁰ - The data protection requirements, which are part of the contractual agreement between the European Commission and its humanitarian partner organisations, ensure (through ex ante assessment for non-governmental organisation partners or, for pillar-assessed organisations, through complementary assessment of their data protection policies) that partners' data protection policies are in line with the EU's General Data Protection Regulation (GDPR). In addition, the model grant agreement stipulates that organisations benefiting from a Commission grant are to process personal data under the agreement in compliance with the applicable EU, international and national laws on data protection – again, particularly the GDPR. The humanitarian aid contribution agreement also outlines that each action should ensure data protection in line with the organisations' own data protection policies.

populations may not consent to the use of digital solutions or where these solutions may not comply with the principle of **'digital do no harm'**. In these cases, and where justified in terms of cost, technical capacity, legitimacy or the effectiveness of the action, non-digital solutions may be accepted. If partners propose **new digital solutions, they will be expected to pilot them first and gather evidence of their effectiveness and possible risks**. Financing the development of bespoke solutions should not be considered an eligible cost for DG ECHO-financed cash transfer operations. However, **activities that complement the delivery of digital cash transfers, such as those leading to the digital literacy or financial inclusion of the beneficiaries, may be considered** legitimate components of a cash programme where justification is given (e.g. where these actions contribute to the beneficiaries access to other aid or services, or facilitate transition to longer-term programmes). DG ECHO will consider the use of distributed ledger technologies, including cryptocurrencies where these demonstrate clear VfM relative to other options.

Risks

- Not all digital solutions will offer an optimal way of working, and partners should be discerning in their choices, weighing up data protection risks in particular. Data protection issues arise from the fact that personally identifiable data related to beneficiaries are stored, cross-matched and passed on to third parties, including sometimes governments,¹¹ as part of humanitarian actions, such as cash-programming operations. This potentially enables processing for other purposes and/or other types of data processing such as data analytics or mining. Ultimately, this potentially puts beneficiaries – often the most vulnerable members of a community – at risk of their data being used for purposes other than those for which it was collected and their identities falling into the hands of people or services that may wish them harm.

It is therefore important for humanitarian organisations to ensure that personal data and metadata are protected in line with a fundamental protection mainstreaming principle – avoid causing harm – including digital harm.

- Digital transfers are not environmentally neutral, as they also carry a carbon and environmental footprint (coming from energy consumption linked to storing data in servers and powering digital devices) plus the indirect social and environmental impacts of extracting rare earth materials and producing the digital devices. **Partners are therefore expected to optimise the use of devices**. This calls for greater frugality in terms of using devices (e.g. extending their lifespan, buying reconditioned devices).

Data protection

- Collecting, handling and sharing personal data is a necessary and normal part of cash programming. However, it is important to **understand the data flow** between the different organisations involved and to take into consideration the **data protection requirements before data are shared**, within a framework of 'do no digital harm'. This includes an understanding of the legal requirements that organisations may be subject to that may lead to organisations having to share data with third parties and regulators that may include law enforcement agencies. Partners should collect the **minimum amount of data** that is directly relevant and necessary to respond to needs.
- **Data protection risks** should be assessed, in consultation with the data subjects (i.e. beneficiaries), based on the sensitivity of the response context, and the scale of the operation. Partners, not DG ECHO, are the **data controllers** for DG ECHO-funded programmes, responsible for assessing and managing risks. Where data risks have been identified, **mitigation measures should be put in place**. Personal data should be protected as long as it

¹¹ - For guidance on responsible data sharing with governments, see, for example, CaLP (2021).

remains in the systems of humanitarian organisations, such as UN agencies and the International Committee of the Red Cross, which has certain privileges and immunities under international law. However, as soon as it is transferred to a data processor, that protection may be lost: partners should **assess the risks** associated with passing data to any third parties, including governments. This is without prejudice to the fact that the supervisory bodies of the Commission, the European Anti-Fraud Office and the European Court of Auditors, have the same rights of access to data as the Commission for the purpose of checks, investigations and audits.

- A **data protection impact assessment (DPIA)** may be advisable for large-scale cash transfers depending on context. Partners should assess the risk and decide whether to carry out a DPIA (or not) accordingly. A **DPIA should not be considered a legal obligation of the partners** – although of course the partners' risk analysis will be given due attention. The level of detail needed in the DPIA may be proportional to the scale of the data sharing involved in the project, but in principle DPIAs should:
 - identify the risks to individuals, in particular, those deriving from the data flow and stakeholders involved;
 - identify the privacy and data protection compliance liabilities for the organisation;
 - protect the organisation's reputation and instil public confidence in the programme;
 - ensure that the organisation does not compromise on the neutrality of its humanitarian action;
 - consider the potential carbon footprint of digital solutions.
- Good practice for sharing data, understanding data flows and risk**
- Identify **what information requires protection**, analyse the data flows within and between organisations created by the programme and consult beneficiaries to assess whether data sharing could create risks.
 - Ensure that transfers between organisations are **secure, fit for purpose and subject to written agreement**, such as an information-sharing protocol or contract.
 - **Know partners' and third parties' legal jurisdiction requirements** and their information needs (such as know your customer (KYC)), e.g. assessing the data needs and capacities of any third party involved in the delivery of the programme and its expectations with regard to the ownership and use of data during, and after, the programme (as some data may need to remain available for audit purposes for a time-bound period after the end of the programme).
 - Understand, when working under contract for a third party, that the organisation is collecting information on the third party's behalf, for example when an agency collects data for a mobile operating network.
 - Ensure that when organisations operate together in consortia it is agreed and documented within the consortium **which organisation (data controller) is responsible** for taking the lead on the protection of beneficiary data and for ensuring that adequate protections are built into the design of the consortium's programme so that each agency operates as a data processor to common standards for ensuring the integrity, protection and use of beneficiary data. This is important because the **data controller has to manage personal data responsibly**,



Photo credit: Uganda © WFP, 2016 (photographer: Lydia Wamala).

determining the purpose and means of data processing, while data processors merely take instructions from the data controller. Data storage procedures should also be compliant with DG ECHO's auditing requirements.

- As mentioned above, the **beneficiaries must always be informed** about how their data are being used and shared, and consent must be obtained to collect and process the data in the first place, in accordance with the law. Personal data can also be anonymised to avoid breaches of data security.



Key considerations for DG ECHO partners:

- Digital solutions: are they appropriate for the context (payments, registration, etc.)?
- Are data protection protocols in place in line with the partners' data protection requirements as set out in their contractual relationship with the European Commission, DG ECHO, European Anti-Fraud Office and European Court of Auditors and their own data protection policy?
- Has a data protection risk analysis been carried out and is a DPIA considered necessary?
- Are risks and mitigation strategies analysed and in place?



How does this relate to other topics/ expectations?

- ✓ [1.2. Linking humanitarian cash and social protection, including shock responsiveness](#)
- ✓ [2.3. Safe inclusion of the most vulnerable](#)
- ✓ [4.1. Harmonised cash operations](#)

4.4 Interoperability of databases and registries



DG ECHO expectations

DG ECHO supports the **responsible sharing of data between humanitarian organisations where this has benefits for the efficiency**

and effectiveness of humanitarian actions.

To support these programmatic goals, DG ECHO envisages the development of solutions which allow a level of data sharing between humanitarian agencies and FSPs that is safe, secure and improves humanitarian programming through better targeting and enhanced accountability. DG ECHO encourages the development and roll-out of solutions that match these expectations.

Solutions to facilitate safe data sharing may vary depending on, among other things, the scale and duration of the intervention. While **ad hoc exchange of safely encrypted data would be a minimum expectation**, investments in systems resulting in either integrated (e.g. single registries) or interoperable registries (multiple systems that are designed to, or can be adapted to, allow the automatic sharing of data) should be the ambition.



What does this mean?

- The registration of individuals and households in different databases held by different agencies is common in emergency contexts, and especially at the acute early stages (while recognising the mandated role of specific agencies regarding refugee and internally displaced people registrations). This is **problematic in terms of efficiency** if overlaps in registrations mean that some are able to access more than one source of assistance ('double dipping') to the detriment of other households in need. It also **undermines the potential to refer beneficiaries, and to layer or sequence interventions** (see [topic 1.1](#)), **to maximise the effectiveness and impact** of assistance.
- Better **operational exchanges of information can solve the duplicate registration problem. Biometric identification** – if subject to appropriate data protection protocols, including the informed consent of the subject, the minimisation of data collected, the non-retention of data beyond its use period and the security of any data held¹² – can also facilitate this process. Specific risks

¹² - It should be stressed that partners should apply their data protection policies in full for all actions involving the collection of sensitive personal data, including biometric data, as mandated by their contractual relationship with the European Commission.

associated with biometrics must be assessed and mitigated, including the possibility for reuse of data and the direct risk of harm as a result of reuse (see [topic 4.3](#)).

- **Single registries** are one solution to the challenge of information exchange, but are not always available or up to date or may be government-held – which may be problematic, especially in conflict situations.
- **Interoperable systems** provide another solution that may be more workable in some contexts. In particular, **federated systems** avoid the centralisation of data, which may present additional security risks. Interoperable systems share minimal amounts of data in order to verify the de-duplicated databases. This can be done by assigning a unique identifier for all individuals registered on various data platforms. The unique identifier can be anonymised such that personally identifiable information is not divulged to a third-party data processor, even if it is another humanitarian agency. While technically possible, it takes time and effort to generate the political will to establish interoperable systems. DG ECHO encourages the **joint development and establishment of non-proprietary**¹³ **interoperable systems** (based on standard shared data fields) as a common service for humanitarian cash assistance.
- DG ECHO will prefer proposals that, in addition to their programmatic goals, also work to support/ facilitate the safe sharing of data between organisations. All these possible solutions require clear and transparent governance structures.



Key considerations for DG ECHO partners:

- Has the registration been digitalised? Is this a separate database or part of a single registry?
- Is the database interoperable with other databases being used by other humanitarian agencies operating in the vicinity?

Box 7. Humanitarian cash databases and single registries for social protection

As well as the clear benefits of interoperable databases for humanitarian response, integrating humanitarian beneficiaries into longer-term safety nets / SP systems is another advantage of interoperability and is an obvious opportunity in protracted crises. The benefits include more predictable and longer-duration transfers to address chronic vulnerability and contribute to reducing the humanitarian caseload. Humanitarian beneficiaries can be transferred between programmes, possibly as an obligation agreed between the humanitarian agency and the government at the onset of registration. Informed consent is a pre-requisite for such data transfers.

Additionally, humanitarian registries/databases can be a helpful contribution to databases operated by governments for social protection, but it is essential that data protection protocols are observed (see below), which may be challenging, especially in the absence of data protection regulation in a given country. Conversely, humanitarian databases can also be a valuable contribution to SRSP, with 'humanitarian caseloads' being the population that could be included temporarily in a horizontal scale-up. DG ECHO partners should advocate for the development of national data protection protocols, and the careful consideration of the appropriateness of government-led single registries, particularly in conflict settings.

See also identification and registration in [SPaN operational note No 4](#) (p. 107).

- Is it feasible to de-duplicate and/or identify multiple registrations of individuals in the area of operations and more widely?



How does this relate to other topics/ expectations?

- ✓ [1.1. Sequencing projects](#)
- ✓ [2.3. Safe inclusion of the most vulnerable](#)
- ✓ [4.3. Digitalisation and data protection](#)

¹³ - Non-proprietary refers to using open-source technology, a public good that is open to any partner organisation. This is opposed to proprietary systems that are owned by one organisation and not accessible by others. Use of open-source technology rather than proprietary systems helps to promote collaboration and allows for affordability, accessibility, transparency and adaptability to local needs.

4.5 Measuring cost-efficiency and effectiveness



DG ECHO expectations

Cost-efficiency is one of the metrics DG ECHO considers when assessing proposals. DG ECHO expects partners to achieve **optimal cost-efficiency of cash responses while not compromising quality and impact**. Measuring cost-efficiency complements DG ECHO's **comprehensive analysis of the relevance, effectiveness, feasibility and appropriateness of the action** to meet programmatic objectives.

Partners should use the **total cost to transfer ratio (TCTR)** as a standard way of measuring cost-efficiency, defined as the proportion of the value of net transfers received by beneficiaries to the total programme cost (see [Annex 4](#)). The TCTR is a useful tool to compare cost-efficiency between transfer modalities (cash transfers, vouchers and in-kind) when used in comparable contexts. While the cash thematic policy focuses on the calculation of the TCTR for the cost of the delivery of cash assistance, it can be applied to vouchers and in-kind as well.



What does this mean?

- TCTR is a measure of the actual cash that ends up in a beneficiary's pocket (or phone / bank account) as a ratio of the costs associated with delivery, including all the transaction costs in the payment process, the direct costs associated with the project (from assessments to MEAL) and the indirect costs. By analysing cost per output, **TCTR can enable an analysis of the cost of the delivery of the cash assistance and can help identify how contextual or programmatic features drive this cost**. Note also that a **TCTR** calculation requires a budget that is sufficiently detailed and transparent on costs from partners, including clear identification of net cash transfers to the beneficiaries and indirect costs.
- DG ECHO is not just concerned about maximising the TCTR of DG ECHO-funded actions but also in maximising the effectiveness of the whole humanitarian response – such as through MPC transfers and innovative operational models (see [topic 4.2](#)). **Effectiveness is assessed on the basis of outcome indicators**, defined as part of common MEAL frameworks (see [topic 6.2](#)).
- While DG ECHO encourages cash as the default modality to achieve efficiency gains and economies of scale, a mix of modalities may well be appropriate to meet sector-specific needs as part of a BNA (see [topic 3.1](#)) and may appropriately compromise cost-efficiency. Partners should justify any loss in cost-efficiency on the basis of enhanced outcomes and clarify that exclusion risks are not increased due to the modalities.
- **TCTR targets will vary according to scale and context** but will be expected to reach a minimum standard of 85:15 for large-scale programmes (currently defined as EUR 10 million or above). See the [large-scale cash guidance note](#) for more detail. When cash programmes are less than EUR 10 million, rather than seeking globally applicable benchmarks, DG ECHO uses TCTR to assess the reasonableness of the cost of delivery in a specific context. In such settings, DG ECHO country offices and partners should define appropriate TCTR efficiency rates adapted to the context and the programme.
- [Annex 4](#) provides guidance on how to estimate the cost-efficiency of cash transfer programmes using the TCTR approach, including a detailed description of:
 - the rationale for TCTR, its use and the limitation of its applicability;
 - definition of the formula and factors to be used in the TCTR formula;
 - DG ECHO budget requirements to calculate the TCTR;
 - guidance on how to calculate the TCTR in four different cases:
 1. actions with one result with only cash transfer modality,
 2. actions with one result with cash combined with other transfer modalities,

3. actions with multiple sector results, all of them with a cash transfer component, single or multiple modalities,
4. actions with one or more results with transfer to individuals/households and one or more sector results without transfers.



Key considerations for DG ECHO partners:

- Is the budget sufficiently detailed and transparent to calculate TCTR (by result when relevant)?
- Is the TCTR calculation done and is it correct? Are figures between the budget and the single form coherent?
- Is the TCTR appropriate, considering the size of programme (noting the 85:15 requirement in the [large-scale cash guidance note](#)), and is it justified against context and programmatic features?
- Is the TCTR ratio set at proposal stage maintained throughout the action, including in the event of modification requests?



How does this relate to other topics/expectations?

- ✓ [3.2. Adequate and equitable transfers](#)
- ✓ [4.1. Harmonised cash operations](#)
- ✓ [6.1. Tracking cash and vouchers](#)



What resources are available?

Delivery of cash assistance and operational models

- CaLP Programme quality toolbox: ‘Selection of delivery mechanism’ (<https://www.calpnetwork.org/toolset/selection-of-delivery-mechanism/>); ‘Delivery’ (<https://www.calpnetwork.org/toolset/delivery/>) (implementation); and ‘FSP assessment’ (<https://www.calpnetwork.org/toolset/fsp-assessment/>).
- Key Aid Consulting, *Cash Assistance – How design influences value for money*, 2020 (https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/Cash-how-design-influence-VfM_FV.pdf).

Data responsibility and digitalisation

- CaLP Programme quality toolbox: ‘Registration and data protection’ (<https://www.calpnetwork.org/toolset/registration-and-data-protection/>).
- CaLP, *Data Responsibility Toolkit – A guide for cash and voucher practitioners*, 2021 (<https://www.calpnetwork.org/publication/data-responsibility-toolkit-a-guide-for-cva-practitioners/>).
- European Commission, *SPaN operational note No 4, ‘Operations’* (p. 107), 2019 (<https://europa.eu/capacity4dev/sp-nexus/documents/supplementary-volume-operational-notes-span-2019>).
- IASC (Inter-Agency Standing Committee), *Operational Guidance on Data Responsibility*, 2021 (<https://interagencystandingcommittee.org/operational-response/iasc-operational-guidance-data-responsibility-humanitarian-action>).
- ICRC (International Committee of the Red Cross), *Handbook on Data Protection in Humanitarian Action*, 2019 (<https://www.icrc.org/en/data-protection-humanitarian-action-handbook>).



Photo credit: Somalia © WFP, 2021 (photographer: Patrick Meinhardt)

- OCHA, *Guidance Note #6 – Data responsibility in cash and voucher assistance*, 2021 (https://reliefweb.int/sites/reliefweb.int/files/resources/guidance_note_cash_voucher_assistance.pdf).
- OCHA, *Guidance Note #5 – Data impact assessments*, 2021 (<https://centre.humdata.org/guidance-note-data-impact-assessments/>).
- UKAID, *Review and analysis of identification and registration systems in protracted and recurrent crises*, 2020 (<https://www.dai.com/uploads/bsic-MIS-2020.pdf>).
- UKAID and GIZ, *SPACE – Linking humanitarian & social protection information systems in the*

COVID-19 response and beyond, 2020 (https://reliefweb.int/sites/reliefweb.int/files/resources/SPACE_Information%20Systems%20in%20the%20COVID-19%20Response_v1_0.pdf).

Cost-efficiency

- Annex 4. Total cost to transfer ratio guidance.
- IRC (International Rescue Committee), *Cost-efficiency Analysis of Basic Needs Programs – Best practice guidance for humanitarian agencies*, 2019 (<https://www.rescue.org/sites/default/files/document/4100/costefficiency-bestpracticeguidance.pdf>).

5. Accountable

Overall statement

DG ECHO prioritises cash programmes that put **people at the centre and that seek, share and act upon their feedback**. Accountability, transparency, independence and governance need to be ensured to the highest standards, in line with Inter-Agency Standing Committee commitments on AAP and on protection from sexual exploitation and abuse.

DG ECHO cash programmes should also **minimise financial risk**, while safeguarding beneficiary data.

5.1 Accountability to affected populations



DG ECHO expectations

DG ECHO expects all cash programmes to have **safe and accessible** mechanisms in place to support **beneficiary participation and decision-making and to solicit their feedback**. Feedback should be used in a meaningful and timely way to improve programming when necessary. DG ECHO encourages **independent accountability mechanisms**, ideally provided as a **common service** across the response. FSPs are also expected to adhere to these standards for AAP.



What does this mean?

- **Participation.** DG ECHO partners should make time and resources available to build on positive local community engagement processes and, where needed, put in place supportive, inclusive

structures and processes that ensure that people, particularly those who may be disproportionately disadvantaged, take **a leading role in designing, shaping and evaluating humanitarian cash assistance**. Especially in protracted crises, DG ECHO expects partners to engage to enhance community ownership.

- **Understand and work within the local and national communication landscape.** DG ECHO's partners should establish and document an understanding of the context, communication culture, language and customs to **facilitate safe, meaningful and respectful engagement with various groups of affected communities**. For cash assistance, this should specifically consider social norms on the access to and control over it (see [topic 2.3](#)) and the technology for accessing/spending it.
- **Information exchange and dialogue on rights and entitlements related to cash.**



Photo credit: Swaziland © Finnish Red Cross, 2016 (photographer: Emil Helotie).

DG ECHO's partners and FSPs should prioritise the exchange of accurate, useful, timely information from trusted sources, in an appropriate official and mother tongue language and format, that is communicated in locally appropriate terms.

- **Feedback.** Views should be systematically collected from multiple sources, analysed, reported and acted on in a timely way, and explanations provided to communities on how strategy and programming has been adapted to reflect these views. Feedback should be **collected at key decision points in the cash programme cycle**, on both the humanitarian response and agencies' performance, including service quality, relevance and responsiveness to people's concerns. This can form part of post-distribution monitoring (PDM) (see [topic 6.2](#)).
- **Complaints and feedback.** People affected by crisis know should know that they have a right to raise a concern or complaint about the humanitarian assistance they did or did not receive, how the assistance was delivered or about the behaviour of aid workers or FSPs. Complaints and feedback mechanisms (CFMs) and grievance redress mechanisms (GRMs) need to be **simple to use and easy to access by different groups of affected communities and adapted as far as possible to their preferences**. Easy and meaningful access means removing or reducing barriers (such as physical, cultural, language, gender, age and/or literacy) to a form of communication (such as a phone for hotlines). Multiple channels (phone, social media, email, or face-to-face meetings, where possible) may help in this regard.
- **CFM/GRM platforms.** In line with the principles of segregation of functions, partners are encouraged to develop **independent CFM/GRM platforms**. This may be outsourced (e.g. to a specialised agency) or taken on by one agency on behalf of others, such as in a consortium arrangement. These should be provided as a **coordinated, collective common service** (incorporating a range of local and international actors) to ensure a more coherent, effective cash response and leverage diverse expertise, knowledge and learning. The trade-offs (in terms of set-up time and complexity) of setting up independent systems have to be considered in terms of efficiency, effectiveness and accountability to beneficiaries. CFM/GRM platforms should be digitalised where possible, in line with DG ECHO's position on digitalisation (see [topic 4.3](#)).
- **Response.** All CFMs and GRMs should have **standardised response times embedded** such that all feedback is dealt with effectively and within an agreed standard period of time and communicated to communities. Beneficiaries should be made aware of the expected response time and what to do if this is not met or if the response is not helpful. For recurrent or common complaints, mitigation measures should be put in place. This might include, for example, actions to reduce abuse of power by FSPs and agents (see the [World Food Programme and UN High Commissioner for Refugees project](#)).
- **Referrals.** As well as ensuring that the relevant languages, accessible channels and accessible formats are available in the CFM/GRM systems to ensure meaningful access, CFMs and GRMs can play a unique role in the **identification of vulnerable individuals who need protection assistance or who need to be referred to particular services**, on the basis of sound interagency referral mechanisms and SOPs. CFM/GRM personnel should be trained in the safe identification of protection cases.
- **Zero tolerance.** Ensure 'zero tolerance' of sexual exploitation, abuse and harassment, as well as any (other) type of unethical behaviour, through effective and coordinated prevention, reporting and response mechanisms (in line with relevant internationally agreed principles and standards promoting effective and qualitative safeguarding policies, in particular the UN Inter-Agency Standing Committee's six core principles relating to sexual exploitation and abuse or equivalent standards).



Key considerations for DG ECHO partners:

- Are systems and processes in place for active participation of affected people in the design of cash assistance?
- Are systems and processes in place to solicit, and act on, feedback throughout the programme cycle?
- Are risk mitigation measures planned/in place including for potential FSP abuse of power?
- Are there agreed and reasonable response standards for CFM/GRM? And have they been clearly communicated to beneficiaries?
- Does the CFM/GRM run as a centralised call centre (or similar) for simplicity and efficiency? If not, is there the potential for running a centralised system for the wider response? Has this been justified one way or the other?
- Does the CFM/GRM include the capacity to deal with or refer protection issues and cases that are identified? If not, is there the potential for doing this?



How does this relate to other topics/expectations?

- ✓ [2.3. Safe inclusion of the most vulnerable](#)
- ✓ [6.3. Third-party monitoring and independent monitoring, evaluation, accountability and learning](#)

5.2 Group cash transfers



DG ECHO expectations

DG ECHO will consider funding group cash transfers (GCTs), alongside and complementary to other mainstream humanitarian interventions, in support of the following objectives:

- to enable communities to **rapidly implement emergency projects** to save lives (in all types of crises: sudden-onset disasters, slow-onset disasters and protracted crises, either triggered by natural hazards or conflicts);
- to **enhance the preparedness and resilience of crisis-affected communities to**

different risks and hazards (as part of disaster preparedness or anticipatory action).

- GCTs can be framed within **survivor- and community-led responses**, which explicitly support a shift towards more localised actions. DG ECHO supports GCTs when partners can demonstrate how these contribute to the strategic objectives in a specific context and when the capacity and systems are in place to adequately and safely implement them **while mitigating risks**.



What does this mean?

- GCTs consist of resource provision in the form of cash transfers to a selected group of people from a population at risk to implement projects that benefit either a subsection of the community or the community at large. In its essence, the GCT approach seeks to **transfer decision-making power and agency to affected communities** (typically delimited by geographical location) or community groups (e.g. self-help groups, community-based organisations, community committees and other formal and informal structures) to enable them to better respond to their own needs and priorities.
- Overall, the goal of the GCT approach is to **enhance community-led responses** for immediate survival and recovery needs. As a community-led response, GCTs can contribute to DG ECHO's commitment towards accountable cash programmes that put people at the centre and that seek, share and act upon feedback from recipients. Their design is explicitly based on the ability of the community to come together to allow them to take decisions to drive forward a response that is adequate and appropriate for their needs. Evidence and research have shown that GCTs are also effective in promoting real participation through the **explicit transfer of decision-making power**, strengthening social cohesion, and increasing the sense of dignity, psychosocial benefits, self-protection, self-reliance and resiliency, and gender equality, and can provide opportunities for financial inclusion.

- GCTs are a pilot approach for DG ECHO, and should not be implemented as standalone interventions but rather **as a complement to mainstream humanitarian interventions**, demonstrating how they contribute to DG ECHO's strategic objectives in that context. GCTs can, in theory, be used within different DG ECHO response tools, including disaster preparedness, anticipatory action, rapid response, and crisis modifiers, as well as within more protracted assistance (see Box 1). They may link to savings groups, but their **primary purpose should be to channel emergency** assistance and not to ensure longer-term livelihoods. Based on experience to date, the average amount distributed to groups is typically between EUR 1 500 and EUR 2 500.
- DG ECHO expects GCTs to be designed based on best practice guidance and will consider in particular **the capacity of implementing agencies to ensure financial risk management and compliance** (see [topic 5.3](#)); the robustness of the processes for group selection and the design, implementation and management of the GCTs; and how GCTs can contribute to DG ECHO's recommended outcome and result indicators. In theory, GCTs can contribute to a range of sectoral outcomes.



Key considerations for DG ECHO partners:

- If GCTs have been considered in the response analysis, are these justified instead of or as a complement to household-based assistance?
- Have the required capacities to facilitate GCTs been demonstrated, in particular around financial risk and compliance?
- Is there a clear process for engaging and selecting groups, designing the GCTs and encouraging groups to apply?
- Have clear procurement processes been defined with the groups?

- Is it clear how the GCTs will be managed and supported?
- Are clear accountability and monitoring processes proposed?



How does this relate to other topics/ expectations?

- ✓ [2.3. Safe inclusion of the most vulnerable](#)
- ✓ [3.3. Timeliness](#)

5.3 Financial risk and compliance



DG ECHO expectations

DG ECHO partners have to put in place adequate measures to **prevent fiduciary risk**, acknowledging that this should also apply to other assistance modalities. DG ECHO requires partners to comply with the obligations set out in the **anti-money laundering and countering the financing of terrorism (AML/CTF)** legal framework. In a context of sanctions, the risk avoidance practices of financial institutions, such as **de-risking**, can have an impact on the delivery of humanitarian assistance, and partners may find alternative ways to tackle such practices.



What does this mean?

- While the evidence¹⁴ suggests that cash transfers do not entail higher risks (in terms of fraud) than other assistance modalities, cash is still perceived to pose a greater risk, particularly in relation to aid diversion, money laundering and the funding of terrorism. All cash assistance should comply with DG ECHO's compliance requirements as set out in the 2018 financial regulation¹⁵ and the grant/contribution agreement signed between DG ECHO and the partner. DG ECHO has developed an anti-fraud strategy that aims to ensure that assistance is delivered solely to end beneficiaries

14 - See, for example (in particular Section 3), Idris (2017).

15 - Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014 and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

- As for any assistance modality, partners have to prevent **fiduciary risk** and ensure that **cash reaches beneficiaries as intended without any losses or diversion**. To that end, adequate measures have to be put in place for selecting and contracting FSPs to effect payments, as well as for ensuring that private sector contractors operate with reliable, safe and secure mechanisms on coverage, liquidity, data protection safeguards, codes of conduct with agents, normal payment, and reconciliation and reporting mechanisms in place.
- Engaging with FSPs has specific implications in high-risk contexts, and it can raise some contradictions, requiring case-by-case approaches. Firstly, **EU restrictive measures (sanctions)**: partners receiving and/or managing EU funds are required to comply with EU restrictive measures, meaning providing humanitarian assistance only via actions and people that are not subject to EU sanction regimes. However, in the context of providing humanitarian aid, **no vetting (i.e. no screening) of final beneficiaries¹⁶ is required**. This applies to cash assistance to all individuals in need under international humanitarian law, regardless of the source of funding. This may pose a challenge as, while the EU provides exceptions for vetting final humanitarian beneficiaries under its restrictive measures regime, financial institutions or other third parties (e.g. local authorities) may nonetheless request the screening of final beneficiaries because of competing requirements under local or international law. Where this is the case, DG ECHO and partner organisations should work together to encourage financial institutions to also provide such exceptions from vetting as exist under EU law for all final beneficiaries of humanitarian cash transfers.
- Secondly, partners are expected to ensure that third-party **FSPs are themselves compliant with the AML/CTF legal framework** globally and locally and that due diligence and KYC protocols are regularly carried out before disbursing payments. DG ECHO encourages partners to have harmonised approaches on due diligence of FSPs including collective analysis (of actors, capacity, presence, risks, etc.).
- To avoid the risk of non-compliance with sanctions regimes and AML/CTF measures, some international banks apply 'derisking' measures. This may lead to situations in which options to channel funds to a particular country are very limited. However, in accordance with **international humanitarian law, the provision of humanitarian aid should not be prevented by EU sanctions**. In such contexts, DG ECHO may support cash-in-hand as a more appropriate and preferable option than e-transfers, given the risks of data sharing. DG ECHO may further consider the appropriateness for humanitarian operators to work with informal money operators on a case-by-case basis and, if so, the terms and conditions, including strict due diligence measures, under which such use would be appropriate. If the FSP insists on screening final beneficiaries (see above), and no viable alternative can be found, this must be **contingent on the clear informed consent of the beneficiaries**, which includes their explicit awareness of the risks of registering to receive cash.
- In economically volatile contexts, an adequate risk analysis should be conducted on the **likelihood and impact of the collapse of the country financial/banking system**. A contingency plan should be developed accordingly (see [topic 6.4](#)). DG ECHO also expects its partners to **minimise all risk of breakage** (money left the electronic platform and was not spent but was then taken back by the FSP) **and arbitrage** (meaning that the currency devaluation is not passed on to the beneficiary (i.e. a fixed amount is set at the start in local currency that loses its value over the length of the project)).

¹⁶ - Final beneficiaries are people who qualify as individuals in need under international humanitarian law, benefiting from EU humanitarian aid, and they must not be vetted against EU restrictive measures.



Photo credit: Mangina, North Kivu © NRC DR Congo, 2015 (photographer: Odette Asha).



Key considerations for DG ECHO partners:

- Are financial risk analysis and mitigation measures in place? Are they adequate for the size of the programme and context? Are they adapted and reinforced in the particular case of conflict areas? How do these measures take into account in practice the presence in the field of non-state armed groups that may exacerbate the risks related to diversion, terrorism financing and fraud?
- Are AML/CTF regulations complied with? Have due diligence and KYC measures been carried out by the partner and/or FSP?
- Have sound accountability measures and tracking systems and robust and integrated delivery mechanisms been put in place in order to ensure transparency and accountability and prevent, detect and correct fraud and diversion of aid?
- Is there an independent reporting mechanism robust enough to provide complete and timely information to the Commission on fraud, corruption, mismanagement and diversion of EU funds, irrespective of the conditions in which the aid is delivered, in particular in conflict areas or areas where non-state armed groups are known to be present?



How does this relate to other topics/ expectations?

- ✓ [4.1. Harmonised cash operations](#)
- ✓ [4.3. Digitalisation and data protection](#)
- ✓ [6.4. Market monitoring \(including of inflation, currency depreciation and exchange rates\)](#)



What resources are available?

- CaLP, *Cash and voucher assistance and risk in financial management and compliance*, 2019 (<https://www.calpnetwork.org/wp-content/uploads/2020/03/1575312843.CaLP-CVA-Financial-Management-Compliance-FINAL.pdf>).
- CaLP Programme quality toolbox: 'Communication and accountability' (<https://www.calpnetwork.org/toolset/communication-and-accountability/>).
- DG ECHO, *DG ECHO Protection Mainstreaming Key Objective Indicator and Monitoring Tool – Technical guidance*, 2019 (https://ec.europa.eu/echo/sites/default/files/dg_echo_protection_mainstreaming_indicator_-_technical_guidance.pdf).
- Key Aid Consulting, *Group Cash Transfers: Guidance and tools*, 2021 (<https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/Group-Cash-Transfers-Guidance-and-tools.pdf>).
- Key Aid Consulting, *Leveraging the Potential for Group Cash Transfers – A complementary report to the Group Cash Transfer: Guidance and tools*, 2021 (https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/Group_Cash_Transfers_Report_KeyAidConsulting_FV_2021.pdf).
- NRC (Norwegian Refugee Council), 'Toolkit for principled humanitarian action', n.d. (<https://www.nrc.no/shorthand/stories/toolkit-for-principled-humanitarian-action/index.html>).
- NRC, *Practical Guide – Project cycle management and counterterrorism risks*, 2020 (https://www.nrc.no/globalassets/pdf/reports/practical-guide-project-cycle-management-and-counterterrorism-risks/nrc-practical-guide-pcm-and-counterterrorism-risks_march-2020.pdf).

6. Measurable

Overall statement

The **sectoral and multi-sectoral outcomes of cash programmes should be monitored** against internationally accepted norms in a consistent way that allows comparisons over time and space. Systematic monitoring of outputs, through participatory process monitoring, should allow for **timely adaptation of programmes**, including responding to changes in inflation and the depreciation of currencies and to potential risks that might arise. In line with the **principle of segregation of functions** DG ECHO encourages third-party arrangements.

6.1 Tracking cash and vouchers



DG ECHO expectations

In accordance with the Grand Bargain recommendations on [tracking cash and vouchers](#), partners are expected to disaggregate data (proposals and reporting), such that:

- all direct transfer modalities (cash, vouchers, in-kind) are disaggregated and tracked separately;
- the value of transfers plus associated programming costs are tracked using the same method to allow for comparison;
- the programme's objective(s) linked to cash transfers are included in proposals, which may be multi-purpose or -sector.



What does this mean?

Cash and voucher interventions have not been systematically separated in reporting. Umbrella terms such as 'cash-based assistance' and 'cash transfer programming', which include both cash and vouchers but refer only to cash, have contributed to this situation (and were therefore replaced by cash and voucher assistance in 2018). It was agreed under the Grand Bargain cash workstream that **cash transfers and vouchers are distinct modalities of assistance**, including in terms of objectives, design, implementation and recipient experience. One of the agreement's objectives is



Photo credit: Mangina, North Kivu © NRC DR Congo, 2015 (photographer: Odette Asha).

to track progress against commitments that specifically relate to cash transfers (rather than cash and vouchers together). DG ECHO requests that partners disaggregate how much aid is delivered as cash and how much as vouchers, at both the planning and reporting stages of the programme cycle. What matters the most is how much assistance ends up in the hands of recipients – **both as an amount and comparative to overall associated programming costs**. DG ECHO requires partners to track both the value of transfers to recipients, and associated programming costs. As detailed in the [large-scale cash guidance note](#), for programmes of EUR 10 million and above, it is a requirement for partners to **distinguish between the net cash transfers to beneficiaries and the other costs related to cash transfers**, in a manner as closely aligned to DG ECHO's budget template as possible. **All activities and costs related to the delivery of cash should be under a separate result in the budget and single form** (i.e. not mixed with other modalities). This disaggregation is also recommended for all cash programmes above EUR 1 million, to facilitate the calculation of the TCTR (see [Annex 4](#)).

- It is important to measure not only how much cash is being delivered but also to **track what that cash is intended and used for**, including aspects such as reducing protection-related coping strategies. Typically, programme objectives in the planning and reporting of humanitarian assistance are categorised on a sectoral basis (e.g. nutrition, health, education). However, a programme can also be designed to address multiple needs according to the beneficiary's choice and should be categorised as MPC. DG ECHO's system includes 'multi-purpose cash transfers' as a cross-sectoral category. Partners using this category should demonstrate that the proposed value of assistance is sufficient to meet multiple needs and that multi-sectoral outcomes will be monitored accordingly.



Key considerations for DG ECHO partners:

- Are cash and vouchers disaggregated in the proposal and budget?

- Are TVs and associated costs included and disaggregated?
- If the MPC category has been selected, is this appropriate based on the design of the TV?



How does this relate to other topics/ expectations?

- ✓ [3.2. Adequate and equitable transfers](#)
- ✓ [4.5. Measuring cost-efficiency and effectiveness](#)

6.2 Common monitoring, evaluation, accountability and learning frameworks



DG ECHO expectations

DG ECHO expects partners to systematically monitor cash assistance processes and outputs and to measure outcomes with **clear and shared outcome indicators**. They should be transparent regarding progress against these and adapt programme design based on any findings. To ensure accountability and comparability, donors encourage the use of a limited number of **required outcome indicators for MPC**.



What does this mean?

- **Monitoring of registration and verification processes**, and channelling of cash via the delivery mechanism, should track whether cash assistance processes are safe and efficient and fulfil their intended purpose. **PDM** should assess whether cash was received by the right person, safely, on time and in the correct amount.
- **Expenditures by beneficiaries may be included in process monitoring** if it is useful for adjusting the MEB and/or TV (e.g. if beneficiaries are spending cash on unforeseen but legitimate items). However, the ethos of cash assistance is to empower beneficiaries to make expenditure decisions, and such data should not be used to influence what cash transfers **should** be used for.
- In line with the BNA, the **collective outcomes of layered interventions** (see [topic 3.1](#)) should be monitored, in a participatory way, to

analyse how the package of interventions is contributing to basic needs. DG ECHO partners implementing MPC should at minimum apply **the cross-sectoral outcome indicators recommended by the Grand Bargain cash workstream** (reflected in DG ECHO's key objective indicators and key results indicators) as well as sectoral indicators¹⁷ as relevant. The extent to which MPC can contribute to multi-sectoral or sectoral outcome indicators will be determined in part by the TV, frequency and duration. Depending on the design and objectives of MPC, the **quality and safety of the goods or services accessed** (e.g. in terms of shelter or health services) must be monitored. For cash to meet specific sectoral outcomes, these elements should be systematically monitored. This includes the environmental impact of purchases made (see content on market assessments under topic 2.2).

- **Common MEAL frameworks** should ideally be established at the level of a response (e.g. through the CWG) and at a minimum within collaborative operational models. Donors should drive their use and uptake. They should be based on harmonised process and outcome indicators that are measured in a consistent manner and are therefore comparable between programmes and over time and space. Direct comparison of some indicators, such as the livelihood coping strategies index/phases, may not be appropriate between two very different contexts but these are very important for understanding trends and can be complemented by less context-sensitive indicators.



Key considerations for DG ECHO partners:

- Is process and output monitoring in place?
- Are collective outcomes of MPC being monitored as part of a BNA, in line with the Grand Bargain cash workstream guidance?
- Are the relevant DG ECHO key objective indicators and key results indicators used?
- Is a common MEAL framework in place?



How does this relate to other topics/expectations?

Transfer values relate closely to the following topics (see details in the relevant section):

- ✓ [3.1. Enabling sector outcomes through a basic needs approach](#)
- ✓ [6.3. Third-party monitoring and independent monitoring, evaluation, accountability and learning](#)

6.3 Third-party monitoring and independent monitoring, evaluation, accountability and learning



DG ECHO expectations

In line with the principle of **segregation of functions**, DG ECHO encourages partners to establish **third-party monitoring (TPM)** of cash assistance. This may be subcontracted by the partner/consortium or contracted directly by DG ECHO (for the MEAL component in the case of large-scale cash transfers).



What does this mean?

- **Independent Monitoring, Evaluation, Accountability and Learning (MEAL).** DG ECHO strongly encourages independent MEAL service provision **to enhance the accountability of cash programming**. For large-scale cash programmes of EUR 10 million or above, this should be contracted separately (see [large-scale cash guidance note](#)). For smaller programmes, separate contracting is also encouraged, or in some cases such as a consortium, **one partner can conduct the MEAL on behalf of the others**. Independent audit and control bodies apply not only to cash programmes, but to all DG ECHO programmes.
- **Third-party monitoring.** This is an example of independent MEAL. It is the systematic and intentional collection of process or outcome monitoring data by a specialised agency which is not directly implementing a

¹⁷ - At the time of publishing the Cash Thematic Guidance the key objective indicators and key results indicators haven't been updated. Please check DG ECHO website for updates.

DG ECHO programme. It complements direct field monitoring by implementers and DG ECHO staff. It can also be an effective way of collecting independent data on the **perceptions and preferences of beneficiaries**. It can be operated through call centres, with data triangulated by more in-depth field monitoring if access allows. TPM is encouraged by DG ECHO but is not a requirement.

- **Evaluation.** DG ECHO is committed to strengthening the evidence base on cash assistance, through funding internal and external **evaluations based on common outcome indicators and VfM methodologies**. The increasing scale and evolving scope of cash assistance present an opportunity to analyse multi-sector, system-wide responses and to make a valuable contribution to increasing the understanding and accountability of the humanitarian system.



Key considerations for DG ECHO partners:

- Is MEAL service provision (e.g. TPM) independent? If not, why not? (NB: this is not a requirement for programmes <EUR10m)
- Are governance and contractual arrangements between the partner and the independent MEAL services provider clearly documented?



How does this relate to other topics/expectations?

- ✓ [4.2. Operational models](#)
- ✓ [5.1. Accountability to affected populations](#)

6.4 Market monitoring (including of inflation, currency depreciation and exchange rates)



DG ECHO expectations

Markets should be monitored consistently to **inform and adapt assistance**, irrespective of the modality. In contexts of high inflation and currency depreciation, partners should put in place **triggers to adapt cash assistance based on market monitoring data, and design programmes**

from the outset to anticipate potential inflationary shocks. Such adaptations can contribute to ensuring that outcomes are achieved for the people targeted, by stabilising their purchasing power and maximising the VfM of the assistance.



What does this mean?

- The content below is based on [Good Practice Review on cash assistance in contexts of inflation/currency depreciation](#), which contains extensive guidance on situation analysis and decision-making to ensure VFM in such environments. Donors have a responsibility to collectively handle such processes, given their key role in reaching the optimal use of funds to meet humanitarian outcomes, and in driving coherence among humanitarian.
- In contexts of high inflation and/or currency depreciation, it is critical to **understand the context** in terms of inflation trends and the broad economic environment, as well as the regulatory environment, which may enable or hinder programming options. In such contexts, **programmes should be designed from the outset to mitigate the effects of inflation/depreciation**. Humanitarian agencies should also collectively agree on triggers based on which the cost of MEB (and associated TVs) will be reviewed and whether a shift in modality should be considered. The TV should be **budgeted in euro** to mitigate the effects of inflation/depreciation.
- **Analysis of market information** (prices, availability and quality of goods and services, and accessibility) should contribute to ongoing response analysis and inform programme adaptations. DG ECHO actively encourages **joint market monitoring initiatives**, ideally contributing to collective analysis through coordination bodies.
- For all cash programmes, the **cost of the MEB should be monitored on a regular basis**. The frequency with which monitoring should occur should be informed by the robustness of the initial market assessment and the expected volatility of the market. For recurrent (rather than one-off) cash for specific sectoral outcomes, it is still recommended to

monitor the full MEB, as this provides information on the ability of recipients to meet their basic needs overall, which in turn will influence the use of a 'labelled' transfer. If an MEB is not in place and/or it is not being monitored, other sources of price data should be analysed (e.g. a consumer price index).

- In contexts of high inflation and/or currency depreciation, the **frequency of MEB monitoring should be increased**, and **exchange rates should be monitored on parallel markets** and compared with the official exchange rate. These sources of data should be analysed to understand what is happening to prices and the relationship with depreciation. This information should feed into a response analysis process that assesses specific considerations with regard to beneficiary preferences (including on currencies), protection risks of changing currency/modality, feasibility of different programming adaptations from a regulatory and operational point of view, and VfM.
- Possible **programming adaptations** to increase purchasing power in the local currency are to increase the TV, or change the frequency of distributions. In some contexts, it may be possible to transfer the assistance in a hard currency. In others, it may be justified to switch from unrestricted cash assistance to either value vouchers, commodity vouchers or in-kind assistance, or a combination thereof. None of these options are mutually exclusive, and the risks of each should be clearly assessed and mitigated. Decision-making on these options requires harmonised approaches between donors and implementing agencies, facilitated through coordination bodies. These can be complemented by **policy, advocacy and influencing measures**, for example on exchange rate reform or on the free movement of goods in contexts of internal or external border closures.



Key considerations for DG ECHO partners:

- Is market monitoring in place, and is it clear how this will inform programme adaptation?
- Is there analysis in place to adequately track inflation, depreciation and exchange variations? How will it inform programme adaptation?

- Are clear plans with thresholds and actions developed in the event of changes in depreciation, inflation and foreign exchange?
- What would the (operational and contractual) implications be if the TVs, currency or modality needed to be adjusted?



How does this relate to other topics/expectations?

- ✓ [2.2. Assessments, response analysis and modality selection](#)
- ✓ [3.2. Adequate and equitable transfers](#)
- ✓ [5.3. Financial risk](#)



What resources are available?

- ALNAP, *Cashing In – Turning challenges into opportunities when evaluating humanitarian cash assistance*, 2021 (https://www.alnap.org/system/files/content/resource/files/main/alnap-cashing-in-evaluation-paper_0.pdf).
- CaLP, *Good practice review on cash assistance in contexts of inflation/currency depreciation*, 2021 (https://www.calpnetwork.org/wp-content/uploads/2021/10/good_practice_review_final_edited.pdf).
- CaLP Programme quality toolbox: 'Process and output monitoring' (<https://www.calpnetwork.org/so/toolset/process-and-output-monitoring/>); 'Market monitoring' (<https://www.calpnetwork.org/toolset/market-monitoring/>); 'Outcome monitoring' (<https://www.calpnetwork.org/so/toolset/outcome-monitoring/>); and 'Overall evaluation' (<https://www.calpnetwork.org/toolset/overall-evaluation/>).
- CaLP and DG ECHO, *Tracking Cash and Voucher Assistance – Agreements, recommendations and minimum requirements from the Grand Bargain cash workstream*, 2020 (<https://www.calpnetwork.org/wp-content/uploads/2020/04/CaLP-Tracking-CVA-WEB1.pdf>).
- CRS (Catholic Relief Services), *MARKit: Market monitoring, analysis and response kit*, 2020 (https://www.crs.org/sites/default/files/tools-research/crs_markit_response_kit_2nd_edition_2020.pdf).

7. Checklist for appraising cash projects and results

This checklist is to be used by partners developing proposals, and for DG ECHO staff appraising them (at proposal, monitoring and final reporting stage). Its structure broadly reflects DG ECHO's single form, and partners should therefore present the information below in the relevant sections of the form.

The content is based on the 'Key considerations for DG ECHO partners' section in the policy, and relevant topics within the policy document are

referenced in each section. It should be used to support an assessment of the overall coherence, logic and quality of the proposal and that some sections (e.g. response analysis, targeting, logic of intervention) are particularly critical. The **mandatory elements** that inform DG ECHO's funding decisions are indicated in **bold**. The checklist is particularly relevant for MPC interventions, for which it should be used in its entirety. For sector-specific interventions, it should be used alongside Annexe 3 and the respective sectoral policies.



Photo credit: © Oxfam, 2012 (photographer: Wolfgang Gressmann).

| Checklist questions | Reference to policy topics |
|---|---|
| Transfer modalities and budget <i>This information should be reflected in the single form and/or the budget.</i> | |
| <ul style="list-style-type: none"> • Has ‘multi-purpose cash transfers’ been selected as a standalone sector where relevant? • Are cash and vouchers disaggregated in the proposal and budget? • Are TVs and associated costs included and disaggregated? • For large-scale programmes (≥ EUR 10m), have other transparency requirements been met? • Is the budget sufficiently detailed and transparent to calculate TCTR (by result when relevant)? • Has the TCTR calculation been accurately done (for programmes above the defined threshold)? • Is the TCTR appropriate considering the size of programme, and is it justified against context and programmatic features? • For large-scale programmes (≥ EUR 10m), is the TCTR at least 85%? • Is the TCTR ratio set at proposal stage maintained throughout the action, including in the event of modification requests? | <p>6.1. Tracking cash and vouchers</p> <p>4.5. Measuring cost-efficiency and effectiveness</p> |
| Humanitarian organisation in the area | |
| <ul style="list-style-type: none"> • Has the organisation described its experience with cash in the area? • Has the intervention been presented within a BNA (as part of the wider response)? • If relevant, has the agency demonstrated the required capacity to facilitate GCTs, in particular on financial risk and compliance? | <p>2.2. Assessments, response analysis and modality selection</p> <p>3.1. Enabling sector outcomes through a basic needs approach</p> <p>5.2. Group cash transfers</p> |
| Needs assessment and risks analysis | |
| <ul style="list-style-type: none"> • Has a multi-hazard risk and vulnerability assessment been conducted (including gender-age and protection considerations)? • Is the needs assessment multi-sectoral, independent and impartial, and appropriate to the scope and scale of the programme? If not, is this justified? • Does it include a socioeconomic vulnerability analysis? • Does the proposal include market analysis, appropriate in scope and scale? • Have opportunities to link with existing SP systems been considered, in coordination with SP actors? | <p>2.1. Risk-informed approach</p> <p>2.3. Safe inclusion of the most vulnerable</p> <p>2.2. Assessments, response analysis and modality selection</p> <p>1.2. Linking humanitarian cash with social protection systems</p> |

| Checklist questions | Reference to policy topics |
|---|--|
| <p>Response analysis</p> <p><i>This information may also be included in other parts of the proposal</i></p> | |
| <p>Response options</p> <ul style="list-style-type: none"> • Is modality selection based on response analysis? • Has MPC been considered to meet basic needs? • Is the choice and complementarity of modalities justified? • Is the design protection and gender sensitive? • Does sector-specific cash meet DG ECHO sector guidelines/policies? • Are conditionalities (including CFW) or the use of vouchers justified and appropriate? • Does the stated objective, duration and frequency of the assistance clearly address the needs in a timely way? • Has possible support to markets been justified in terms of improving market functionality, with gains in efficiency and quality of the response? • Has an appropriate choice of response mechanism (E/RRM, CM, anticipatory action, forecast-based financing) been selected? • Has the operational feasibility of cash been analysed? • Is an exit strategy part of the design? • Does the design include linkages to SP systems, if appropriate, and/or an exit strategy that contributes to establishing/strengthening systems? • If GCTs have been considered in the response analysis, are these justified instead of or as a complement to household-based assistance? | <p>2.2. Assessments, response analysis and modality selection</p> <p>3.1. Enabling sectoral outcomes through a basic needs approach</p> <p>Annex 3. Enhancing sectoral outcomes through cash and vouchers</p> <p>3.1. (CFW section)</p> <p>3.1. (Market support section)</p> <p>1.1. Sequencing projects</p> <p>1.2. Linking humanitarian cash with social protection systems</p> <p>5.2. Group cash transfers</p> |
| <p>Transfer value</p> <ul style="list-style-type: none"> • To meet basic needs, has a single (recurrent) MPC payment been proposed? • For all relevant objectives, is the TV based on assessment and response analysis? • Is the TV adequate to meet the intended objective (based on an MEB or alternative and an understanding of gaps)? • Is the TV equitable and harmonised across the response (for a given objective / population group)? • Where the TV is different, has this been justified (e.g. based on location, MEB cost disparities, specific vulnerabilities)? • Where relevant, is the TV aligned with safety nets and/or are differences justified? | <p>3.2. Adequate and equitable transfers</p> <p>2.2. Assessment, response analysis and modality selection</p> <p>3.1. Enabling sector outcomes through a basic needs approach</p> |

| Checklist questions | Reference to policy topics |
|---|---|
| <p>Financial risk – <i>This information may be included under ‘Context and Conditions’</i></p> <ul style="list-style-type: none"> • Are risk analysis and mitigation measures in place? • Are AML/CTF regulations complied with? • Has FSP due diligence, such as KYC checks, been conducted by the partner? | <p>5.3. Financial risk and compliance</p> |
| Data protection | |
| <ul style="list-style-type: none"> • Are data protection protocols in place in line with partners’ contractual requirements? • Where relevant, is a DPIA completed or planned? • Are data protection risks and mitigation strategies analysed and in place? | <p>4.3. Digitalisation and data protection</p> <p>4.4. Interoperability of databases and registries</p> |
| Beneficiaries | |
| <ul style="list-style-type: none"> • Has the target group been justified based on needs assessments and protection-sensitive vulnerability analysis? • Are targeting criteria coordinated with other actors, and have exclusion errors been minimised? • Does the targeting take into account, and is it sensitive to, gender, age, disability and other protection issues? • Where relevant, is targeting aligned with safety nets and/or are differences in targeting justified? | <p>2.3. Safe inclusion of the most vulnerable</p> <p>1.2. Linking humanitarian cash with social protection systems</p> |
| Gender and age marker | |
| <ul style="list-style-type: none"> • Is there an analysis of gender, disability and other social exclusion factors and their implications for cash assistance? | <p>2.3. Safe inclusion of the most vulnerable</p> |
| Logic of intervention | |
| <p><i>The content below will likely be included under different sections of the proposal (e.g. response analysis, Results, Context and conditions) .</i></p> | |
| <ul style="list-style-type: none"> • Specific objective and indicators • Is the objective of the cash (component) clearly stated? • Are the relevant DG ECHO key objective indicators and key results indicators used? | <p>3.1. Enabling sector outcomes through a basic needs approach</p> <p>6.2. Common monitoring, evaluation, accountability and learning frameworks</p> |

| Checklist questions | Reference to policy topics |
|--|---|
| <p>Registration and data management (not including data protection – see above)</p> <ul style="list-style-type: none"> • Is registration digitalised? • Is there interoperability with other databases where relevant and feasible? • If relevant, is there a clear process for engaging and selecting groups, designing the GCTs and encouraging groups to apply? | <p>4.3. Digitalisation and data protection</p> <p>4.4. Interoperability of databases and registries</p> <p>5.2. Group cash transfers</p> |
| <p>Cash operations</p> <ul style="list-style-type: none"> • Has an (ideally joint) mapping of FSPs and payment systems been carried out? • Has a pre-agreement been made with FSPs? • Is there a common payment platform, and, if not, are payment systems harmonised or complementary? • Where relevant, does the payment platform align with the SP system? • Has a gender, age and protection risk analysis been carried out in selecting the delivery mechanism? Are disability inclusion barriers and enablers addressed? • Are digital solutions proposed, and are these appropriate for the context? If digital solutions are not proposed, is there a valid justification? | <p>4.1. Harmonised cash operations</p> <p>3.3. Timeliness</p> <p>2.1. Risk-informed approach</p> <p>4.3. Digitalisation and data protection</p> |
| <p>Accountability</p> <ul style="list-style-type: none"> • Are systems in place for active participation, and, for complaints and feedback mechanisms in place, are these easily and safely accessed? • Are there agreed and reasonable response standards? • Are mitigation measures planned / in place, including for potential FSP abuse of power? • Is a centralised call centre (or similar) in place for simplicity and efficiency? If not, why not? • Is there capacity to deal with (or refer) protection issues and cases identified? • Have clear procurement processes and risk mitigation measures been defined for the groups? Is it clear how the GCTs will be managed and supported? | <p>5.1. Accountability to affected populations</p> <p>5.2. Group cash transfers</p> |
| <p>Monitoring</p> <ul style="list-style-type: none"> • Is process and output monitoring in place through PDM? • Are collective outcomes of MPC being monitored as part of a BNA? • Is market monitoring in place, and is it clear how this will inform programme adaptation? • Are clear plans with thresholds and actions developed in the event of changes in depreciation, inflation and foreign exchange? • Are clear accountability and monitoring processes proposed for the GCTs? | <p>6.2. Common monitoring, evaluation, accountability and learning frameworks</p> <p>6.4. Market monitoring (including of inflation, currency depreciation and exchange rates)</p> <p>5.2. Group cash transfers</p> |

| Checklist questions | Reference to policy topics |
|---|---|
| Preparedness | |
| <ul style="list-style-type: none"> Organisational preparedness: are the systems, procedures (SOPs, etc.) and capacity in place for cash assistance? Are programmatic preparedness elements in place (risk assessments, market mapping and monitoring, pre-agreements with FSPs, cash information management systems, etc.)? Have the necessary preparedness actions for GCTs been put in place? | <p>3.3. Timeliness</p> <p>5.2. Group cash transfers</p> |
| Monitoring and evaluation - <i>These questions should be addressed under this section if the relevant information has not already been provided</i> | |
| <ul style="list-style-type: none"> Are common MEAL frameworks in place between partners? Is MEAL service provision (e.g. TPM) independent? If not, why not? (NB: this is not a requirement for programmes <EUR10m) Are ways of working governance and contractual arrangements between the partner and the independent MEAL services provider clearly documented? | <p>6.3. Third-party monitoring and independent monitoring, evaluation, accountability and learning</p> <p>4.2. Operational models</p> |
| Implementation - <i>These questions should be addressed under this section if the relevant information has not already been provided</i> | |
| <ul style="list-style-type: none"> In the case of an operational model, do the proposed arrangements improve efficiency and effectiveness? Is the technical value added by the different partners clear? Has a role been envisaged for local actors? For large-scale programmes (≥ EUR 10m), are functions segregated as per the large-scale cash guidance note? | <p>4.2. Operational models</p> |
| Field coordination | |
| <ul style="list-style-type: none"> Is there clear engagement with the CWG or other coordination structures? In terms of sequencing, have the longer-term opportunities and impacts been considered? Is an adaptive programming approach possible to adjust to the evolving context? | <p>3.1 Enabling sectoral outcomes through a basic needs approach</p> <p>1.1. Sequencing</p> |

Annexes

Annex 1. Large-scale Cash Guidance Note

Overview of the guidance

The Large-scale Cash Guidance Note outlines DG ECHO's funding guidelines on the provision of **large-scale cash transfers**, which DG ECHO considers to be **any cash programme of EUR 10 million and above**¹⁸.

The **Guidance complements DG ECHO Cash Thematic Policy** and should be read alongside it. While the Guidance provides additional considerations that are relevant only for large-scale cash programmes, all the elements contained in the Cash Thematic Policy are fully relevant for large-scale cash.

The Guidance is underpinned by the principles of **enhanced effectiveness, efficiency and transparency**. DG ECHO recognises the value of the engagement of different actors in cash programming, and promotes a coherent system and common programming approaches. DG ECHO supports efforts to maximise harmonisation throughout the programme cycle, in line with the Joint Donor Statement on humanitarian cash transfers¹⁹.

The specific considerations on which this note provides guidance are: segregation of functions, cost-efficiency (including indirect costs), and transparency. DG ECHO Cash Thematic Policy offers a comprehensive guidance on how to ensure the effectiveness of a cash programme, its quality and impact and is therefore not repeated here.

Applicability of the guidance

The Guidance is relevant for the provision of large-scale funding to deliver cash transfers in a given country or for a given crisis. A threshold of cash assistance operations of EUR 10 million

or above is applied, either from DG ECHO funding alone, or including funding from other sources. Therefore, DG ECHO will actively seek to coordinate with other donors on the requirements of this guidance. The entirety of the guidance applies to all programmes equal to or above EUR 10 million, whilst the indirect costs section applies specifically to a net cash transfer value of EUR 25 million or above and to DG ECHO funding alone.

The guidance applies principally, but not exclusively, to protracted crises and where a degree of forward planning and preparedness can take place.

The Guidance has been developed with the intention of having multi-purpose cash transfers that meet basic needs with the transfer value based upon (but not necessarily meeting fully) a Minimum Expenditure Basket (MEB). It is nevertheless recognised that cash responses designed to meet sector specific outcomes may also come under this remit.

The guidance applies as of the 2022 funding cycle. Lessons learned on its implementation will continue to be assessed on a continuous basis and accordingly shared with partners.

The primary audience for the Large-scale Cash Guidance Note is DG ECHO's humanitarian partners – as well as non-humanitarian actors with whom DG ECHO may work to implement elements of cash programmes, depending on the context and merit. This document has been informed by constructive dialogue with concerned partners.

Rationale for the guidance

DG ECHO's cash operations will continue to be assessed, among other criteria, on their efficiency

¹⁸ - The threshold includes the cash transfer and its associated direct and indirect costs

¹⁹ - <https://www.calpnetwork.org/wp-content/uploads/2020/03/190329cash-donor-statement-1.pdf>

and effectiveness. Transparency will be a crucial element of DG ECHO's appraisal.

- **Segregation of functions** is a foundation for accountability and transparency, and is particularly important for large-scale cash transfers. The Guidance favours streamlined contracting arrangements, where feasible and/or desirable, according to the specific context, which will in turn foster strengthened accountability and visibility.
- **Efficiency** is an overarching principle underpinning the Guidance, while taking due attention to quality and impact of a cash response. Evidence has demonstrated that the larger a cash programme, the more it benefits from economies of scale and **the more of EU assistance can directly reach the beneficiaries**. Guidance is thus provided on cost-efficiency for large-scale cash (i.e., EUR 10 million and above), including a strong recommendation on **applying a multi-tiered approach for reducing indirect costs** for very large-scale cash transfers (i.e., EUR 25 million and above).
- **Transparency**²⁰ is crucial, as it enables objective comparison of costs across partners, including the costs associated with different modalities, and the role of intermediaries and implementing partners. Specific expectations on transparency for large-scale cash programmes are outlined in this guidance.

Segregation of functions



DG ECHO expectations

DG ECHO expects a segregation of functions according to three principal components – A, B and C (see [Figure 6](#)).

This segregation is the foundation for accountability and transparency. The sequencing and partition of responsibilities means that component A should provide all the analysis, data and evidence to enable Component B to carry out the contracting and implementation of

services to deliver cash. Component C should cover the independent Monitoring, Evaluation, Accountability and Learning (MEAL) of the entire programme. Feedback and accountability between these three components should be ensured through clear governance arrangements and contractual arrangements, including for data sharing. We acknowledge that components A and C can be applicable to a wider response than just cash programming.



What does this mean?

- Delivery of assistance in the form of cash transfers has **three principal components**, as follows:
 - **Component A:** covers all fundamental elements of a cash transfer programme cycle, such as needs assessments, targeting, beneficiary registration (where this needs to be included), beneficiary enrolment and verification, establishment and maintenance of a complaints/appeals mechanism, reporting, process and post-distribution monitoring. The design and coordination of the programme also falls under this component. Many of these are common services for the wider humanitarian response to meet basic needs. Delivery of modalities other than cash (vouchers, in-kind assistance, services) and any technical support required are also covered by this component (if not contracted independently).
 - **Component B:** covers the pure delivery of the cash transfer, as well as the associated costs i.e. tendering and contracting the Financial Service Provider (FSP), oversight and management of the payments including ensuring risk mitigation, timeliness of transfers, reconciliation, recovery of unused payments, and reporting, FSPs' fees, card issuance if relevant, and other financial transaction costs.
 - **Component C:** covers the independent Monitoring, Evaluation, Accountability and

²⁰ - See *Greater Transparency | IASC (interagencystandingcommittee.org) and Supporting Grand Bargain signatories in meeting commitments to greater transparency*

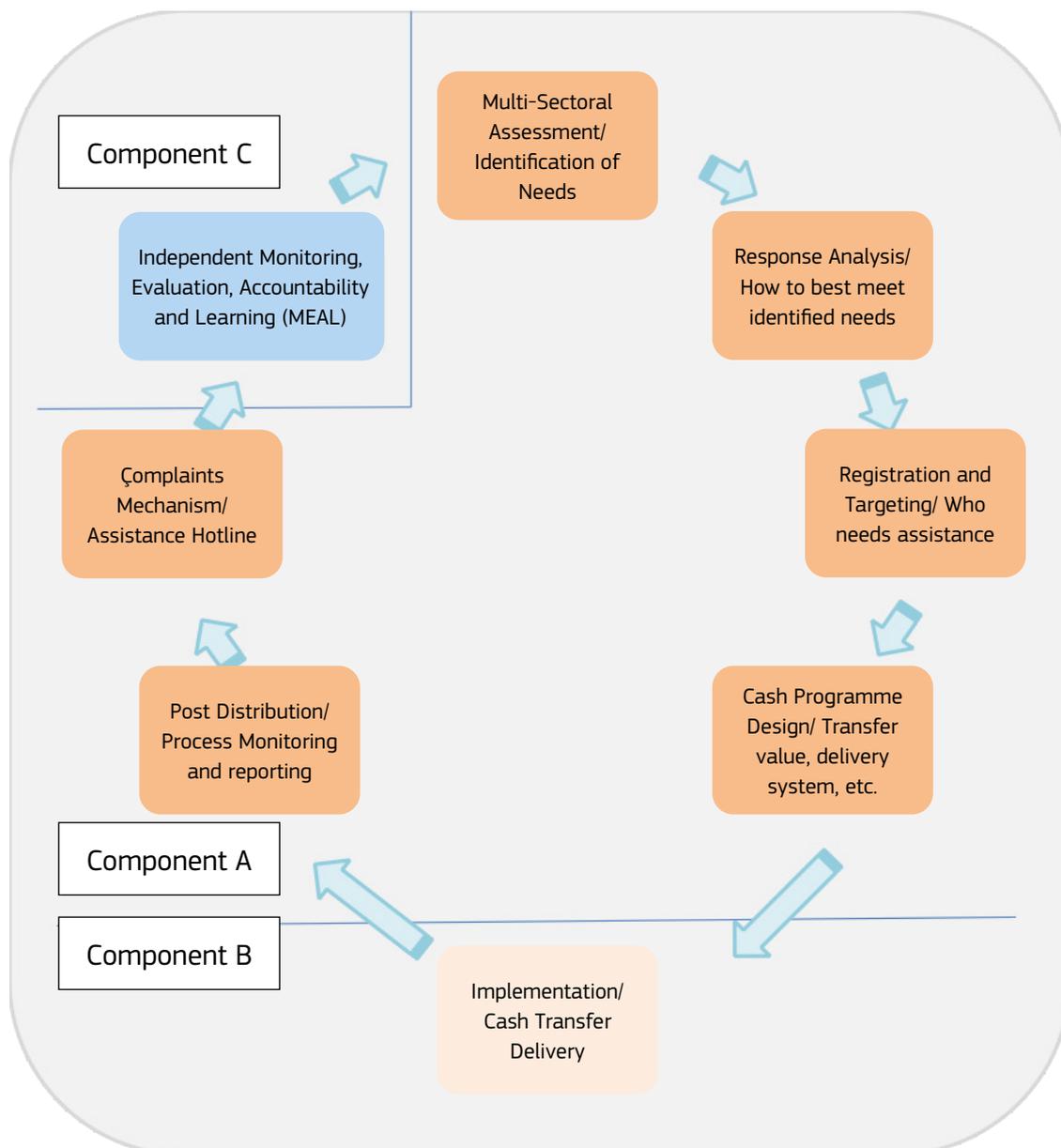
Learning (MEAL) of the entire programme (see DG ECHO Cash Thematic Policy, Sect. 6.3 – *Third party monitoring and independent MEAL*). It should ideally be a common service funded by multiple donors funding cash assistance.

- The overall operation will follow the framework of a normal project cycle (see Figure 1). In this regard, component A has oversight on the design and coordination of the overall operation, including the efficient implementation of the actual cash transfer. However, as in all DG ECHO funded projects, partners are funded to deliver a set of results, which

are measured through agreed indicators. The Guidance does not change this way of working – each partner will be responsible for achieving the outcomes for which it is funded.

- Ideally, all three components should be grant agreements with DG ECHO. However, DG ECHO will envisage funding all three elements under one grant agreement, provided that operational segregation is respected and can be demonstrated. At minimum, **component C should always be contracted separately** (i.e. outsourced to a third party), even if under the same agreement.

Figure 6. Schematic of components A, B and C



- Mechanisms for information and data sharing should be defined through **formalised governance structures and contractually binding agreements between components A, B and C, which are negotiated early in the process**²¹. Protocols related to data requests and management, sharing of findings and mechanisms for submitting and tracking recommendations should also be agreed. These agreements are essential to enable timeliness and completeness of specific tasks by component. DG ECHO will evaluate its role in these governance structures on a case-by-case basis.
- DG ECHO believes that greater efficiency can be achieved by leveraging the **comparative advantage or specialist skills of partners**, including the expertise found in the private sector, and working together in new ways. This should be based on equal partnerships, including **shared responsibilities and funding between international and local responders** (see DG ECHO Cash Thematic Policy, Sect. 4.2 – *Operational models*). In line with the idea of common services to benefit the wider response, DG ECHO sees these independent functions as being an opportunity to diversify the actors involved, while also supporting localisation of assistance.

Cost-Efficiency



DG ECHO expectations

DG ECHO expects partners to achieve **optimal cost-efficiency of cash responses, without compromising quality and impact** (see DG ECHO Cash Thematic Policy, Sect. 4.5 – *Measuring cost-efficiency and effectiveness*). A TCTR of **above the minimum 85:15** should be

achieved for Components A and B when taken together. This means that at least 85% of the total programme costs of components A and B is transferred to final beneficiaries. As Component C is contracted separately for large-scale cash, it should not be considered in the TCTR calculation.

While the TCTR target varies according to scale and context, it is expected to reach a minimum standard of 85:15 for large-scale cash programmes. As programmes increase in scale above EUR 10 million, **DG ECHO expects the efficiency ratio to be higher than 85:15, improving proportionately to scale**. Cost-efficiency ratios should be improved over time, if the programme is funded through successive actions, including multi-year actions.



What does this mean?

- Cost-efficiency is one of the metrics DG ECHO considers when assessing and comparing different funding proposals. DG ECHO uses the Total Cost to Transfer Ratio (TCTR)²² to measure cost-efficiency. Based on this assessment, DG ECHO reserves the right to choose the programme that represents the best cost-efficiency.
- For the cash programme as a whole, the TCTR is a standard way of measuring cost-efficiency, defined as the proportion of the value of net transfers received by beneficiaries to the total cash programme cost (direct and indirect eligible costs for components A and B – see Fig. 1 for an overview of the components). For more detail on the TCTR calculation, see *Annex 3 of the Cash Thematic Policy – Cost-efficiency calculation using the TCTR*.

²¹ - Contractual arrangements between the different components are the responsibility of the actors carrying out those roles. As the European Commission is not a party to these governance and contractual arrangements, and as they would vary depending on the actors involved and the particular context, DG ECHO will not provide guidance on their format or content. Partners should however abide by the terms of their partnership agreements with DG ECHO and by the specific provisions set out in the contribution or grant agreement where applicable e.g. where these concern data protection, it is being recalled that partners may also have to comply with any relevant data protection legislation to the extent required by the latter in specific circumstances (whether and the extent to which this may be the case may involve a case-by-case complex assessment based on legal and factual considerations (nature and place of the processing operation(s), legal status of the partner(s) concerned, etc.), which by definition goes well beyond the scope of this guidance.

²² - TCTR = Cash transfer / (total direct and indirect eligible costs for components A + B). For projects that include components A, B and C under one contract and when component C is not outsourced to an independent entity, TCTR = Cash transfer / (total direct and indirect eligible costs for components A + B + C). For more info, see Annex 3 – TCTR Guidance.

In the Grand Bargain best practice guidance on "Cost-Efficiency Analysis of Basic Needs Programs", the Cost Transfer Ratio (CTR) recommended contains the same information as the TCTR but is expressed differently and so analysts must be careful to label the ratio in a transparent way.

- For the delivery of cash transfers (i.e., component B), significant efficiency gains can be made by de-linking the volume of funds transferred to beneficiaries from other costs (i.e. by separating the amount transferred to beneficiaries from the costs related to the issuing and distributing of cards/SIM cards, the cost of mobile money transactions, negotiating and tendering the contract with the FSP etc.).

Indirect costs



DG ECHO expectations

As part of the efforts to increase efficiency, DG ECHO's strong recommendation is **for partners to reduce the indirect costs for net cash transfers of EUR 25 million and above, through a multi-tiered system**, as illustrated in Table 1 below. This is in addition to the cost-efficiency expectations detailed above.

Table 2. Recommended Multi-tier system

| Tranche (in € Million) | Percentage (as a maximum) | Indirect costs |
|--------------------------------|---|--|
| $0 < x \leq 25$ M | Max. of 7% | Max. of €1,75 M to be paid |
| $25 \text{ M} < x \leq 50$ M | 6% | Max. of $1,75 + (50-25)*6\% = \mathbf{€3,25 M}$ to be paid For example, for €30 M : $1,75 + (30-25)*6\% = \mathbf{€2,05 M}$ to be paid |
| $50 \text{ M} < x \leq 100$ M | 5% | Max. of $3,25 + (100-50)*5\% = \mathbf{€5,75 M}$ to be paid For example, for €80 M : $3,25 + (80-50)*5\% = \mathbf{€4,75 M}$ to be paid |
| $100 \text{ M} < x \leq 250$ M | 4% | Max. of $5,75 + (250-100)*4\% = \mathbf{€11,75 M}$ to be paid For example, for €200 M : $5,75 + (200-100)*4\% = \mathbf{€9,75 M}$ to be paid |
| $250 \text{ M} < x$ | For net cash transfers above EUR 250 million, DG ECHO will seek further reduction of indirect costs with the overall objective of enhancing efficiency. | |

In any event, DG ECHO will assess the proportionality, reasonableness and appropriateness of the indirect costs requested in proposals related to all large-scale cash programmes covered by this Guidance, compared to the nature of the action and to determine the appropriate flat rate percentage. DG ECHO will take due account of situations of crisis and fragility, and may raise the issue with the partners concerned.

In addition, DG ECHO has clear expectations on transparency of costs (see Sect. on *Transparency*), to address to the European Court of Auditors (ECA) recommendation on the matter.



What does this mean?

- As concerns Indirect Costs, for programmes that have **a net cash transfer** (i.e. the amount of component B without associated costs) that is equal to or exceeds EUR 25 million, for that cash component, it is strongly recommended that a multi-tiered approach is retained. The usual level of indirect costs applies to components A and C as well as to component B's associated costs.
- This strong recommendation is informed by the need to establish a reasonable and appropriate level of indirect costs requested,

ensuring that these are commensurate with the action. This explicitly takes forward the recommendation from the ECA regarding the improvement of the cost-efficiency of large-scale cash programmes, in particular by reducing the percentage of indirect costs²³.

- Indirect costs should be improved over time if the programme is funded through successive actions, including multi-year actions.

Transparency



DG ECHO expectations

DG ECHO expects partners to **distinguish between the net cash transfers to beneficiaries and the other costs related to cash transfers**. For large-scale cash operations, **all direct costs related to the delivery of cash should be under a separate result in the budget and single form** (i.e. not mixed with vouchers or other modalities) in order for DG ECHO to be able to compare the TCTR across partners.



What does this mean?

- Transparency of costs is crucial for DG ECHO, as it enables the objective comparison of costs across partners, enabling objective analysis of the cost-efficiency of submitted proposals (alongside analysis of effectiveness), while responding to scrutiny and expectations from the EU oversight bodies.
- DG ECHO believes transparency of costs will contribute to a level playing field and

increased competition amongst partners, in line with the commitments of the Joint Donor Statement on Humanitarian Cash Transfers (2019)²⁴.

- DG ECHO's expectations on cost transparency are the result of the dialogue with its partners on new contractual documents and tools (including the new DG ECHO Budget Template).
- DG ECHO expects a clear line of sight between its funding to partners and what actually reaches beneficiaries. Partners should be able to clearly and systematically demonstrate, in a transparent way, that the amount transferred to beneficiaries is maximised relative to the cost of delivery and other programmatic activities, and to present proposals which clearly allocate costs to each component.
- As such, a **clear distinction between the net cash transfers to beneficiaries and the other costs** is expected²⁵. Whenever partners refrain from using the proposed budget template, it is recommended to refer to it as guiding tool for costs categories' distinction.
- In addition, the expectation is for cash activities and associated costs to be presented as a stand-alone result. Should this not be possible, the costs related to the cash transfer(s) should be separated from the other costs, including from the costs of vouchers (if any). This is key to calculate the TCTR for DG ECHO partners and staff.

23 - See Special Report on the Facility for Refugees in Turkey, in particular recommendation 4, to Improve the efficiency of cash-assistance projects

24 - <https://www.calpnetwork.org/fr/publication/joint-donor-statement-on-humanitarian-cash-transfers/>

25 - If a partner decides not to use the budget template proposed by DG ECHO, it should make sure to provide the same level of detail in the budget or in a table annexed to/ below the budget so as to ensure transparency and comparability between partners.

Annex 2. Glossary of key terms

This glossary of key terms used in the guidance comes from three principal sources: DG ECHO's single form guidance, SPaN (Volume 1, Annex 1) and [CaLP's glossary](#).

Anticipatory action. Actions taken in anticipation of a crisis – either before the shock or at least before substantial humanitarian needs have (fully) manifested themselves – that are intended to mitigate the impact of the crisis or improve the response.

Cash for work. Payments provided on the condition of undertaking designated work. Cash-for-work interventions are usually in public or community work programmes, but they can also include home-based and other forms of work.

Cash plus. Complementary programming in which cash transfers are combined with other modalities or activities. Complementary interventions may be implemented by the same agency/agencies providing cash transfers, or potentially by other agencies working in collaboration. Examples might include provision of training and/or livelihood inputs, or BCC programmes.

Cash transfers. The provision of assistance in the form of money – either physical currency or e-cash – to recipients (individuals, households or communities). Cash transfers are by definition unrestricted in terms of use and distinct from restricted modalities, including vouchers and in-kind assistance. This means that beneficiaries can choose how to use the transfer.

Conditional transfers. A form of cash transfer that requires beneficiaries to undertake a specific action/activity (e.g. attend school, build a shelter, attend nutrition screenings, undertake work) to receive assistance – that is, the condition must be fulfilled before the transfer is received. Cash for work, for assets or for training are all forms of conditional transfers.

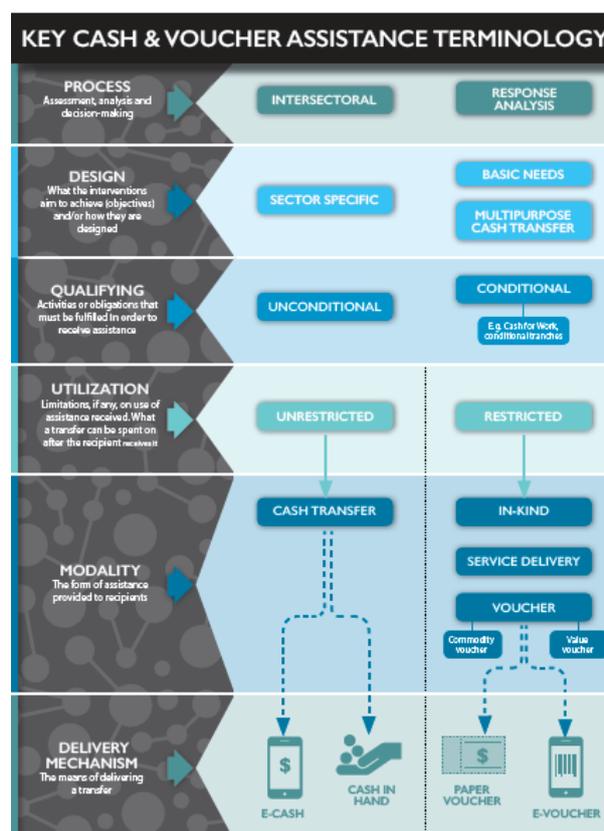
Complementary programming. Where different modalities and/or activities are combined to achieve objectives. Complementary interventions

may be implemented by one agency or by more than one agency working collaboratively. This approach can enable identification of effective combinations of activities to address needs and achieve programme objectives. Ideally this will be facilitated by a coordinated, multi-sectoral approach to needs assessment and programming.

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

Disaster preparedness. The United Nations Office for Disaster Risk Reduction (UNDRR) defines disaster preparedness as 'the knowledge and capacities developed by governments, response and recovery organizations, communities and individuals to effectively anticipate, respond to and recover from the impacts of likely, imminent or current disasters'.

Figure 7. Cash and voucher assistance terminology



Source: [CaLP \(2018\)](#).

e-Cash. Any electronic substitute for the direct transfer of physical currency that provides full, unrestricted flexibility for purchases. It may be stored, spent, and/or received through a mobile phone, prepaid ATM or debit card or other electronic transfer. e-Cash transfers will usually provide the option to withdraw funds as physical cash if required.

e-Voucher. A card or code that is electronically redeemed at a participating vendor. e-Vouchers can represent monetary or commodity value and are stored and redeemed using a range of electronic devices (e.g. mobile phone, smart card, point-of-sale device).

Effectiveness. How well outputs are converted to outcomes and impacts (e.g. reduction in poverty gap and inequality, improved nutrition, reduction in school drop-out rates, increased use of health services, asset accumulation by the poor, increased smallholder productivity, social cohesion).

Efficiency. The ability of a programme to achieve its intended objectives at the least cost possible in terms of use of inputs (i.e. capital, labour and other inputs).

Financial inclusion. This means that a full suite of financial services is provided, with quality, to all who can use them, by a range of providers, to financially capable clients.

Financial service provider. An entity that provides financial services, which may include e-transfer services. Depending on the context, financial service providers may include e-voucher companies, financial institutions (such as banks and microfinance institutions) or mobile network operators. FSPs include many entities (such as investment funds, insurance companies, accountancy firms) beyond those that offer humanitarian cash transfers or voucher services; hence, in the cash transfer programming literature, FSP generally refers to those providing transfer services.

Gap analysis. The process of calculating a gap in household and/or individual needs. Calculated as: $\text{Gap in needs} = \text{Total need} - (\text{Needs met by affected population} + \text{Needs met by other actors})$.

Inflation. A measure of the increase in price(s) per unit of time (usually denoted as a percentage increase per year).

Interoperability. The ability of organisations to interact towards mutually beneficial goals, involving the sharing of information and knowledge between organisations, through the business processes they support, by means of exchanging data with other systems using common standards.

Intersectoral. A programming or decision-making process, approach or activity involving the engagement, inputs and collaboration of multiple sectors together. An intersectoral approach is important in enabling needs to be assessed, analysed and addressed holistically, including facilitating interventions that aim to address multiple needs across more than one sector simultaneously.

Know your customer. The information that the local regulator requires FSPs to collect about any potential new customer in order to discourage financial products being used for money laundering or other crimes. Some countries allow FSPs greater flexibility than others over the source of this information, and some countries allow lower levels of information for accounts that they deem to be 'low risk'.

Market. A system of exchange between two or more actors or players. The exchange can be for goods or services or for money, and it can take place in a physical space or through a virtual medium such as the internet. Markets are sometimes defined by forces of supply and demand, rather than geographical location, for example 'imported cereals make up 40 % of the market'.

Market analysis. Analysis of market information to understand how a market functions or how it has been affected by an event or crisis.

Market-based programming (or interventions). Projects that work through or support local markets. The terms cover all types of engagement with market systems, ranging from actions that deliver immediate relief to those that proactively strengthen and catalyse local market systems or market hubs.

Minimum expenditure basket. The identification and quantification of basic needs items and services that can be monetised and are available at adequate quality through local markets and services. Items and services included in an MEB are those that households in a given context are likely to prioritise, on a recurrent or seasonal basis. An MEB is inherently multi-sectoral and based on the average cost of the items composing the basket. It can be calculated for various sizes of households.

Mobile money. Uses mobile phones to access financial services such as payments, transfers, insurance, savings and credit. It is a paperless version of a national currency that can be used to provide humanitarian e-cash payments.

Modality. Form of assistance (e.g. cash transfer, vouchers, in-kind assistance, service delivery, or a combination). This can include both direct transfers at household level, and assistance provided at a more general or community level, such as health services or WASH infrastructure.

Multiplier effect. The indirect effects of cash transfers whereby increased expenditure by recipients contributes to income growth for non-recipients, expansion of markets for local goods or increased demands for services. The 'economic multiplier' is the estimated number by which a change in some other component of aggregate demand is multiplied to give the total amount by which the national income is increased as a result of direct and indirect benefits from that change in demand.

Multi-purpose cash transfer. A cash transfer designed to address multiple needs on a cross-sectoral basis. MPC transfers (either periodic or one-off) correspond to the amount of money required to cover, fully or partially, a household's basic and/or recovery needs that can be monetised and are accessible through markets or service providers through a cash transfer. MPC transfer values are often indexed to expenditure gaps based on an MEB.

Multi-sector. Describes a process, approach, response, programme, etc., that involves multiple

(i.e. more than one) sectors (e.g. food security, shelter, protection, nutrition, education).

Operational model. The overall structure through which agencies work jointly (through either a partnership or a consortium or another form of collaboration) to deliver cash transfers, vouchers and/or other modalities of humanitarian assistance, specifically in situation and response analysis, programme design and implementation. An operational model differs from a coordination forum, which is typically looser in structure and membership.

Response analysis. The link between situational analysis (broadly speaking, needs assessment and other contextual information) and programme design. It involves the selection of programme response options, modalities and target groups, and it should be informed by considerations of appropriateness and feasibility and simultaneously address needs while analysing and minimising potential harmful side-effects.

Safety nets (or social safety nets). A subset of broader SP systems that target the poor or vulnerable and consist of non-contributory transfers, such as in-kind food, cash or vouchers; they can be provided conditionally or unconditionally. The term was introduced to refer to a temporary measure to catch those who were transiently made vulnerable through structural adjustment and liberalisation (e.g. transfers to households or subsidy programmes). The term '(social) safety net' is now widely used, sometimes with different meanings. There is no commonly agreed definition of this terminology, and actors may use it to refer to protective social transfer projects ensuring a minimum level of income (as per the original definition) or to (humanitarian) cash transfer projects or social transfer schemes developed within a broader SP system (guaranteeing a long-term institutionalised SP system).

Sector-specific intervention. An intervention designed to achieve sector-specific objectives. Sector-specific assistance can be conditional or unconditional. Vouchers (restricted transfers) might be used to limit expenditure to items and services contributing to achieve specific sectoral

objectives. Sector-specific interventions delivered through cash transfers might be labelled and designed to influence how recipients spend them.

Service delivery. The provision of services to affected populations, for example water and sanitation, healthcare, education, protection and legal services. In crisis contexts, humanitarian agencies might independently deliver services or work in partnership with state or public service providers.

Shock-responsive social protection. A term used to bring focus on to shocks that affect a large proportion of the population simultaneously (covariate shocks). It encompasses the adaptation of routine SP programmes and systems to cope with changes in context and demand following large-scale shocks. This can be *ex ante*, by building shock-responsive systems, plans and partnerships in advance of a shock to better prepare for emergency response, or *ex post*, to support households once the shock has occurred. In this way, SP can complement and support other emergency response interventions.

Social assistance. The direct, regular and predictable transfer of cash, vouchers or in-kind resources to poor and vulnerable individuals or households. It is usually provided by the state and financed by national taxes. Support from donors is also important in lower-income contexts.

Social insurance. Contributory programmes in which participants make regular payments to a scheme that will cover costs related to life-course events (e.g. maternity, unemployment or illness). Sometimes costs are matched or subsidised by

the scheme provider. Social insurance includes contributory pensions, health, unemployment, disaster insurance and funeral assistance. It can be provided formally through a bank or employer, or informally through a community-based pooled fund. Social insurance is strongly linked to the formal labour market – meaning that coverage is often limited to formal workers.

Social protection system. ‘A policy and legislative framework for social protection, including the budget framework, together with the set of specific social protection programmes and their corresponding implementation mechanisms. “Systematisation” represents the idea that social protection instruments can be integrated into a more comprehensive system of policies and programmes that not only tackle poverty and vulnerability over the life cycle, but also strengthen pro-poor and inclusive economic growth and social development’ (European Commission, 2015).

Total cash to transfer ratio. A measure of the actual cash that ends up in a beneficiary’s pocket (or phone) as a ratio of the costs associated with delivery, including all the transaction costs in the payment process, the direct costs associated with the project (from assessments to MEAL) as well as indirect costs.

Unconditional transfers. Provided to beneficiaries without the recipient having to do anything in return to receive the assistance.

Value for money. The optimal use of resources to achieve the best outcomes for people affected by crisis and disaster.

Annex 3. Enhancing sectoral outcomes through cash and voucher assistance

This annex presents DG ECHO's internal positioning on the use of cash and vouchers for sectoral outcomes, as a complement to [DG ECHO thematic policies](#) and external evidence and guidance. The core policy document contains a summary section (under [topic 3.1](#)) on how cash and vouchers can be used to contribute to sectoral outcomes, while this document provides more detail. As highlighted in the core policy document DG ECHO takes a strong policy stance on cash versus vouchers, from the perspective of beneficiary choice and dignity, as well as that of cost-efficiency and effectiveness.

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether conditional or unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
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| Protection (including gender) | <p>There are two different entry points for cash and protection:</p> <ol style="list-style-type: none"> 1. Designing, implementing and monitoring MPC so that it can contribute to reducing protection risks and mitigating protection-related negative coping strategies. This requires a comprehensive risk analysis and a holistic understanding of the intersection between socioeconomic vulnerabilities and protection risks. Potential protection outcomes should be systematically monitored and the design of MPC adapted on the basis of contextual findings. 2. Using cash to explicitly contribute to protection outcomes. The intended outcome must be clearly defined and cash assistance will not be supported unless embedded within legal assistance, case management or accompaniment, and within a wider comprehensive and integrated protection response. | <ul style="list-style-type: none"> • MPC can in theory contribute to preventing/mitigating protection-related negative coping mechanisms (e.g. early marriage, survival sex) and exploitation (including sexual exploitation and trafficking). • However, this requires protection risk analysis, appropriate targeting (based on a holistic understanding of the intersection between socioeconomic vulnerabilities and protection risks), two-way referral systems between MPC and protection assistance (and possibly graduation into livelihood programmes for sustainability), and systematic monitoring of protection outcomes. • Protection-related expenditures must be included within an MEB (e.g. access to documentation, transport to access protection-related services, legal and administrative fees). Protection actors should therefore be fully engaged in the MEB development process. • Coordination and synergies between protection clusters / working groups and CWGs should be established and reinforced. | <ul style="list-style-type: none"> • Cash transfers can be used in protection programmes to address a range of community/individual protection needs (including gender-based violence, child protection, civil documentation, and housing, land and property). They should be designed to achieve specific protection outcomes that may vary per context and are subject to context-specific protection risk analysis. • When cash is specifically designed to meet specific protection outcomes, it should never be provided as a standalone intervention. It should always be part of a comprehensive case management process (one-off or recurrent). • Cash can be provided as a one-off to meet immediate protection needs (e.g. to provide access to shelter for survivors, to facilitate access to legal support or to provide airtime to access remote psychosocial support) or on a recurrent basis (e.g. for access to survivor services, as part of a case management approach). • When cash is provided to meet specific protection needs, the value, frequency and duration should be defined and justified in relation to the specific protection outcome intended. The intervention should also consider whether and how other basic needs are being met. • There is not sufficient evidence or guidance for DG ECHO to support conditional cash for protection, particularly given that cash for protection components within case management tend to be one-off and therefore do not lend themselves well to conditionality. | <ul style="list-style-type: none"> • Vouchers can be appropriate when cash poses or exacerbates protection risks. • Specifically, they can be used to provide legal assistance or psychological support (where these services are not provided directly by partners). • The use of vouchers requires thorough due diligence on the part of suppliers, including requirements for confidentiality (for lawyers and psychologists). | <ul style="list-style-type: none"> • There are remaining gaps in the evidence on MPC contributing to the prevention of protection risks and mitigating negative coping strategies. • While progress has been made, further evidence should be provided on 'cash for protection' interventions contributing to specific outcomes. • DG ECHO expects its partners to demonstrate how they are ensuring a collaborative approach to strengthen evidence-based programming. • Protection expertise is essential for the design of 'cash for protection' and to contribute to MPC design, implementation and monitoring. • The Livelihoods Coping Strategy Index (one of the mandatory indicators for MPC for DG ECHO), should be adjusted to contexts to include protection-related coping strategies. • As part of its basic needs approach, DG ECHO encourages partners implementing MPC and protection programming to work in close collaboration on risk analysis, targeting, referrals and monitoring. Collaboration and coordination should be ensured within formal structures (rather than focusing on coordination between specific partners). |

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether conditional or unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
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| Health | <ul style="list-style-type: none"> • There is consensus that essential health services during a humanitarian crisis should be provided free of charge at the point of delivery. • The optimal response option for reducing direct health costs is first to explore health provider payment mechanisms that will reduce the application of user fees, and/or in-kind support where the quality of services is suboptimal (although recognising that DG ECHO's mandate is not for long-term system building). • DG ECHO will therefore only fund cash or vouchers for residual health expenditures that cannot be further reduced by supply-side interventions. These expenditures may include indirect costs linked to access to health services (e.g. transport or accommodation costs) and direct costs (e.g. charges for consultations, diagnostic tests and/or medicines, or for preventive commodities, such as bed nets), recognising again that these should optimally be provided through support to the supply side and/or through cost/risk sharing mechanisms. • Any cash and voucher assistance for specific health needs should be guided by its ability to address an identified (financial or utilisation) barrier to access services from qualified providers that meet international/humanitarian health standards, including on quality of care, and by how these will be monitored. • MPC can be considered as a last resort to address unmet needs that remain after implementing other types of support that are deemed necessary and appropriate to provide access to quality healthcare. | <ul style="list-style-type: none"> • Analysis of expenditures across humanitarian contexts demonstrates that, even in a 'no user fees' context, households incur direct health expenditures (user fees, tests, medicines, etc.) and indirect health expenditures (transport, carer expenses, food, etc.) • This is the rationale for including these expenses in an MEB. • There are two ways to estimate health expenditures in an MEB, either using the findings of household expenditure surveys (as these reflect what households currently spend on health) or based on an average cost for a package of health services (such as insurance premiums) and adding costs not covered under such a package. • In addition, an MEB should include indirect costs for indirect health determinants that contribute to disease prevention or improved health (e.g. water from an improved water source, soap and other hygiene supplies, and dietary diversity). • However, the MEB health expenditure is <i>not</i> equal to the MPC transfer amount for health (see framing point). • If MPC is distributed as an average amount to all households, it can only address recurring expenditures for over-the-counter medicines, or the low transport costs of reaching primary care services; it is not able to cover unexpected health expenditures. | <ul style="list-style-type: none"> • Conditional cash transfers in some development and protracted humanitarian contexts have been demonstrated to increase the number of preventive health service visits, and thus stimulate demand for health services and/or improve adherence to chronic services, such as reducing defaulters and loss to follow-up for human immunodeficiency virus and tuberculosis. • DG ECHO therefore supports the use of conditional cash for health to incentivise utilisation of and/or adherence to longer-term services, based on a robust analysis of barriers to access, and if the service provider meets quality standards. The value of the transfer should typically cover indirect costs, rather than the costs of the service. • Unconditional cash should be used only if vouchers are not feasible and requires a pre-commitment from patients that they seek the identified service from a recommended provider. This can target, for example, households with family members who have a chronic disease, or pregnant women, to cover the costs of a facility-based delivery and to provide cash for additional indirect costs. • The main risk with cash transfers is that, as there is no restriction on the choice of provider, patients may use substandard or ineffective services, or buy substandard drugs. While this can be mitigated through sensitisation and monitoring, vouchers remain a preferred modality. | <ul style="list-style-type: none"> • Vouchers provide strong support in terms of health outcomes as they are based on contracts with preselected qualified providers and/or pharmacies, against services that adhere to treatment protocols and standards, and with agreed prices. • Service or commodity vouchers can be designed to cover a selection or range of essential services and medicines, including hospital-level services, selected under the voucher scheme. In this regard they can contribute to improving the demand for and the quality of services (e.g. through compliance with contract requirements, SOPs and feedback). • Targeting should be based on those who require the services (such as sexual and reproductive health services for pregnant women), referrals to hospitals, and/or patients with recurrent health needs, such as for non-communicable diseases, medications and tests. | <ul style="list-style-type: none"> • Where cash or vouchers are being used for health services, their contribution to health outcomes needs to be systematically monitored, alongside continuous monitoring of the quality of service provision. • In addition to supporting direct health service delivery, and the use of cash and vouchers to support access (as described earlier), in some specific cases DG ECHO considers funding health insurance premiums, for example for refugees who are excluded from national systems (and where these systems are sufficiently strong and provide access to appropriate high-quality services according to international and humanitarian standards). • However, as a general principle, investing in insurance premiums through a pooled fund is the responsibility of development actors and is not supported by DG ECHO. • Voucher programmes can be a strong precursor to purchasing insurance, as an entry point to long-term health system building as part of a nexus approach. |

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether conditional or unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
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| <p>Nutrition</p> <ul style="list-style-type: none"> In most humanitarian contexts, cash alone is not sufficient to have an impact on nutrition outcomes because of the variety of determinants at play. Other interventions should be provided alongside cash (i.e. specialised food products, improved access to health services, BCC) to maximise the chances of positive outcomes. In considering the use of cash for nutrition outcomes, the distinction between treatment and prevention needs to be very clear. DG ECHO mainly supports the treatment of acute under-nutrition. In the framework of treatment, cash can, for example, be used to support attendance at treatment services. Where undernutrition status is proposed as a proxy for vulnerability, and is used as a criterion for cash assistance targeting, the appropriateness of the approach and its potential negative effects need to be assessed and mitigated When cash is used to contribute to the prevention of undernutrition, the general principles are as follows: choose nutrition-sensitive targeting criteria; include nutrition objectives and indicators in the project design (recognising that cash alone cannot be causally linked to undernutrition); and integrate context-specific BCC. | <ul style="list-style-type: none"> The TV of an MPC transfer that aims to contribute to nutrition outcomes should allow households to access nutrition-relevant goods and services, including those required for a nutritious diet. To that effect, an MEB should be designed to meet the macro- and micronutrient needs of households and individuals. It should also contain expenditures related to access to goods and services that can contribute to nutrition outcomes, such as health, hygiene, sanitation, water and transport. In support of the above, nutrition actors should actively contribute to the design of the MEB. MPC transfer amounts are usually calculated based on an average household size or per capita. For nutrition outcomes, a more precise approach could take the number of at-risk household members into account (e.g. the number of pregnant and lactating women, children below 2 or 5 years of age, adolescent girls) and adjust the transfer amount, e.g. through an adequate top-up, reflecting their specific nutritional requirements. | <ul style="list-style-type: none"> In relation to the treatment of undernutrition, conditional cash transfers or vouchers can be provided to facilitate access to inpatient treatment when transport and/or overnight stays for the patient and their caregiver are necessary. In relation to the prevention of undernutrition, conditional cash transfers or vouchers can be provided to households with vulnerable members (children under 2 or 5 years old, pregnant and lactating women) through the following approaches: <ul style="list-style-type: none"> combining household assistance with individual assistance to improve food security/dietary diversity and access to health services; combining household cash or vouchers with BCC interventions and/or specialised nutrition products to improve food security/dietary diversity; providing conditional cash transfers as an incentive to attend priority preventive health services (i.e. antenatal / postnatal care, immunisation, growth monitoring) by reducing the indirect / opportunity costs. Cash assistance targeted at households of children diagnosed with undernutrition could be considered with significant caveats (see 'Other considerations' column). Where cash transfer programmes are implemented and a breast-milk substitute (BMS) is available, this should not be excluded as an option for purchase by households receiving support. However, such programmes should be accompanied by specific measures that reinforce compliance with the breast-milk substitute code, in addition to targeted actions that promote and protect optimal infant and young child feeding practices, and should be accompanied by strong messaging on the value of breastfeeding and on recommended feeding practices, and should provide information on where all infants can access feeding support. | <p>See column on the left.</p> <ul style="list-style-type: none"> Commodity vouchers can be used for breast-milk substitute, as long as code-compliant products are available at designated vendors. Supporting information should be provided if necessary to address labelling shortfalls, and mothers and caregivers should be trained on appropriate products for different age groups. | <ul style="list-style-type: none"> Cash that targets the households of children under treatment for undernutrition (except cash provided for transport, as described earlier) is not generally recommended, as this is neither prevention (the child is already sick) nor treatment. Consequently, if undernutrition status is used as a basis for targeting cash assistance, it should be under the following conditions: <ul style="list-style-type: none"> beneficiaries should present other vulnerability criteria (i.e. Integrated Food Security Phase Classification 3+), as individuals or as a community, to justify the need for cash transfers at household level; cash should be provided at the end of the treatment to (a) provide caregivers with an incentive to comply with the treatment and achieve a positive outcome (child cured), and (b) support a potential preventive effect for a couple of months on the whole household, including the child, while reducing the risk that therapeutic treatment is consumed by other members of the family. The identification of such cases should be on a case-by-case basis, and risk analysis and mitigation actions should also be provided. Referrals to other services (i.e. health consultations, psychosocial support, food assistance) and support to attend these should be promoted to maximise chances of recovery. Failure to recover and relapse cannot be used as the sole criterion for targeting cash assistance. | |

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether conditional or unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
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| <p>Education</p> | <ul style="list-style-type: none"> For cash to be appropriate for meeting education needs, barriers to education must be (at least partially) financial. It is therefore necessary to understand and quantify (a) the direct costs of education; (b) the wider economic needs of households, and related opportunity costs of education; (c) the economic needs of teachers; and (d) wider barriers to education. Based on this analysis, cash can be effective in reducing demand-side barriers. These include direct educational costs (e.g. school fees, uniforms and school supplies, exam fees, sanitary items for girls), indirect education costs (e.g. transport tickets, food), and opportunity costs, such as the loss of the child's economic contribution through work or child labour / exploitation. DG ECHO will rarely fund cash as a standalone response in an education project, unless the partner can show that the education system is strong and/or that there are few wider barriers beyond economic barriers, or that it is a first phase of a response, or a short-term response, or if the objective is to encourage attendance and prevent those already in school dropping out. In general, cash does not influence the quality component of a programme. | <ul style="list-style-type: none"> MPC can contribute to addressing recurring financial costs associated with access to education. Education actors must therefore engage in the discussions of the CWG (or other relevant forum) to ensure that education expenses (typically school materials, uniforms and school fees) are included in the design of the MEB. One-off expenses (e.g. school fees) can be averaged over a year but may require additional top-ups. Depending on the context and the markets available, an MPC may not be able to respond to needs for school materials or school uniforms, since they may not be available in sufficient quantities or quality on the local market and thus grouped orders placed by partners may be better. This option may seem to go against a greening approach, but it is also important to weigh up the consequences of poor-quality products that quickly become waste. | <ul style="list-style-type: none"> The decision over whether conditional or unconditional transfers (MPC or 'labelled' cash for education) are most appropriate for the programme's aims should be based on: <ul style="list-style-type: none"> analyses conducted to determine the various barriers to accessing good-quality education (supply- and demand-side barriers for issues of access and quality); the extent of the inability to pay school fees and whether it may be worth supporting a school with a financial package that will allow it to waive or reduce fees; consultation with the CWG to understand targeting across sectors to best determine the appropriate targeting of cash in education in emergencies; whether the expenses are one-off (e.g. school fees at the beginning of the year) or recurring (e.g. transport to school); whether robust monitoring of outcomes (e.g. student enrolment, attendance and registration) can be conducted, given existing data validation systems, and balanced with the resources needed for follow-up support for girls and boys. When cash is used as a modality in an education emergency project/programme, it is essential that the partners clearly describe (a) what objective the modality is contributing to; (b) whether there is a link to a longer-term cash assistance or an SP programme; (c) whether socio-cultural norms and customs in the community/family are greater barriers than the financial ones; (d) whether long-term education objectives are not being undermined. In other words, it is essential that they assess the feasibility and appropriateness of cash in a given context. | <p>Vouchers can more specifically target specific types of support and influence vendor choices (e.g. for school materials or uniforms)</p> | <p>The circumstances of the target group of girls and boys should be taken into account (e.g. whether they have caregivers that can manage financial transfers, whether transfers directly to girls and boys who lack adult caregivers will create risks from a child protection perspective).</p> <p>DG ECHO does not fund the use of transfer modalities as part of school feeding programmes.</p> <p>Cash for education projects in protracted crises should explicitly be designed to link to longer-term development programmes.</p> |

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether conditional or unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
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| <p>Shelter and Settlement (S&S)</p> | <ul style="list-style-type: none"> • DG ECHO will consider cash assistance to address S&S needs, including to fully or partially purchase NFIs. • Where cash is used to respond to S&S needs – including rent, repair/rehabilitation or (re) construction including retrofitting – implementing agencies should ensure that affected populations have access to appropriate technical information and support, e.g. technical skills, including construction standards to ensure structural integrity, tenure rights, safety of construction sites or administration (i.e. for rent). • Market-based interventions may be more suitable durable solutions when shelter materials can be sourced locally, subject to a sustainability assessment including environmental, durability and quality criteria. • The use of S&S KOI and KRI is a default requirement for monitoring regardless of the modalities (cash and/or other modalities). | <ul style="list-style-type: none"> • MPC may be more appropriate to contribute to recurring S&S costs (e.g. rent, utilities, regular NFIs) rather than one-off costs (e.g. shelter materials, construction and labour). However, for newly displaced populations, an MPC could include a larger component for one-off S&S costs, including NFIs. • Whenever S&S programmes are supported through MPC, technical expertise, capacity building and monitoring need to be provided for. • For MPC, ECHO's S&S KOI and KRIs should be monitored if the assistance is explicitly intended to support sectoral outcomes, and the necessary preconditions (market access and functionality & population accustomed to purchasing S&S items) are in place. The achievement of shelter outcomes requires an integrated package of assistance, which should be comprehensively monitored. | <ul style="list-style-type: none"> • CFW may be used to support S&S activities, such as debris removal, salvaging materials, temporary S&S or rehabilitation works, without doing harm to the environment. CFW should demonstrate clear VFM and should not be implemented in the acute phase of an emergency. • Unconditional cash assistance may be appropriate to replace personal and household items. Enabling selection and procurement by families themselves can ensure a wider choice meaning that items are more appropriate and acceptable (provided that market analysis shows that they are also available in the required quality). • Conditional cash instalments may be appropriate to construct, rebuild, repair or retrofit a shelter, enabling households to procure materials (and pay for their transport to and from suppliers) or pay for labour directly. Each instalment should be released upon reaching the agreed stage of the construction and to the agreed technical standard. • Costs incurred for the use of utilities, services, land or accommodation may be in conditional instalments or paid in advance (either to the final recipient or the landlord, depending on context). Terms and conditions may require deposits or other costs, which may be agreed through verbal or written agreement. | <ul style="list-style-type: none"> • Vouchers should be used when restricting purchases to specific shops is essential to ensure the quality, environmental criteria and/or durability of materials. | <ul style="list-style-type: none"> • Beyond access and availability, S&S market analysis must demonstrate that S&S goods and services are available in the required quality (i.e. technical specifications of plastic sheeting/CGI sheets, skills of local masons, etc.) • Programmes involving cash and voucher assistance to carry out temporary or permanent construction works should include technical support to ensure that construction is completed to adequate quality and safety standards. • Cash may also be used at community level to contribute to S&S solutions, such as cyclone shelters and community spaces and infrastructures. These are particularly encouraged as part of disaster preparedness actions. • Partners are accountable for the assessment and the monitoring of the safety and quality of the services that beneficiaries have access to through cash, to confirm that it is the most suitable modality for the targeted services (and that the transfers provided are appropriate). • Monitoring should also include impacts on local markets (S&S goods & services) and on the environment. |

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
|--|--|---|---|---|--|
| <p>Water, Sanitation and Hygiene (WASH)</p> | <ul style="list-style-type: none"> • Cash may be effective in overcoming financial barriers to accessing local WASH goods and services when combined with complementary approaches. • An analysis of the comparative advantages of all possible modalities (including in-kind assistance, vouchers, contracted works/products and technical assistance) is required to inform the best-suited combination of modalities, which should be reviewed over time. • While in-kind assistance may be most appropriate in the immediate response to a rapid-onset disaster, market assessment and analysis should be built into needs assessments from the first phase in order to understand when market-based programming (MBP) will be feasible. Extending in-kind assistance longer than necessary risks harming market recovery. • The use of WASH KOI and KRI is a default requirement for monitoring regardless of the modalities (cash and/or other). | <ul style="list-style-type: none"> • There is potentially a broad applicability of MPC in humanitarian WASH. • Water: for small-scale household works/services (but jointly with other modalities and only with appropriate technical support); for the payment of water services/supply where conditions allow for it (and only with appropriate technical support); for the purchase of small water containers, household filters, household water treatment chemicals, etc. when and where markets are available and functioning. • Sanitation: for small-scale household works & services (i.e. emptying of septic tanks), but only with appropriate technical support; and for solid waste collection/disposal where the enabling environment allows for it. • Hygiene: for the purchase of household hygiene items, but only if supported by relevant, evidence-based hygiene promotion. • For MPC, ECHO's WASH KOI and KRIs should be monitored if the assistance is explicitly intended to support sectoral outcomes, and the necessary preconditions (market access and functionality & population accustomed to purchasing WASH items) are in place. The achievement of WASH outcomes requires an integrated package of assistance, which should be comprehensively monitored. | <ul style="list-style-type: none"> • Sector-specific cash transfers can contribute to sectoral outcomes if WASH programming is based on an analysis of (a) local markets (e.g. supply capacity and elasticity, access, quality of goods/services available); (b) the enabling environment (e.g. access to markets and financial services, infrastructure, policy, regulatory frameworks, currency stability); (c) the humanitarian context (e.g. public health risks, WASH needs and vulnerabilities, knowledge, attitude and practice); and (d) household factors (e.g. financial literacy, willingness to pay, household power dynamics, levels of debt, spending priorities). | <ul style="list-style-type: none"> • Where pre-conditions are met, vouchers may be appropriate for the following WASH interventions: for water supply as an improvement over short-term emergency response, such as water trucking, or for hygiene or dignity kits with the objective of improving hygiene practices to decrease WASH-related disease risks. | <ul style="list-style-type: none"> • Market analysis must demonstrate that beneficiaries are sufficiently aware of the public health risks entailed by negative/counterproductive coping mechanisms and/or acquiring sub-standard WASH goods & services. • MBP can risk monetising public goods and services that should be freely accessible particularly during humanitarian crisis. Water, in particular, should not be treated as a commodity, at least until the humanitarian crisis subsides. Access to water and sanitation is recognised as a human right, which means that it should be enjoyed equitably by all. Therefore, inappropriate MBP in these contexts may lead to the commoditisation and price hikes/inflation of these public goods, which may particularly affect marginalised or vulnerable groups who may lose access under a monetised system. • Partners are accountable for the assessment and monitoring of the safety and quality of the services to which beneficiaries have access through MPC in order to confirm that MPC modality is the most suitable for the targeted services (and whether the transfers provided are appropriate). |

| Sector | Key framing points | What sectoral outcomes can MPC transfers contribute to? | How can sector-specific cash (by design), whether conditional or unconditional, contribute to sectoral outcomes? | How can vouchers contribute to sectoral outcomes? | Other considerations |
|---|---|--|--|---|---|
| <p>Food assistance and livelihoods</p> | <ul style="list-style-type: none"> • Cash as a modality is used extensively in the FAL sector, adapted to each context. • Food needs tend to be a household's primary expenditure with MPC, and are always fully embedded in MEBs, so full FAL outcomes are expected with MPC. • The overall aim of DG ECHO's FAL programming is to support food outcomes. DG ECHO will support the use of cash (alongside appropriate training, if relevant) to contribute to livelihood recovery outcomes, where basic needs are being met and when tools or other productive assets can be accessed through markets and their quality ensured. • The seasonal calendar and the quality/diversity of food / agricultural inputs are important considerations in selecting the modality. | <ul style="list-style-type: none"> • MPC can contribute to potentially improving food consumption scores and coping strategy index scores, noting that both are linked to contextual behaviours and preferences (e.g. a low food consumption score indicates excessive use of cash for cereals). • FAL outcomes are better achieved if tailored to household composition, so it is recommended that MPC is adapted to household composition to meet food assistance needs. • DG ECHO's policy position is that a single transfer should meet food and non-food basic needs. • Cash transfers should not be lumped into fewer payments when they are intended to meet food needs. | <ul style="list-style-type: none"> • Unconditional cash is the default modality for food assistance. Where people have the capacity to access food in a safe way, cash is a more discrete way of providing support and provides choice. • Unconditional cash can contribute to humanitarian livelihood outcomes for the purchase of tools, inputs or other productive assets. DG ECHO will support such interventions only if food needs are being met. • Other complementary activities are important to enhance outcomes, particularly related to BCC (e.g. around food use or household management of cash), or capacity building (e.g. of market actors). | <ul style="list-style-type: none"> • Vouchers, if specifically designed to facilitate access to fresh foods and if it makes sense from a cost-efficiency and effectiveness standpoint, can ensure better food diversity outcomes than other modalities, and hence reinforce the nutrition outcomes of food assistance. • They can promote market support/regulation (speculative markets / lean season prices) and trigger more local offers / supply chain (including nutrition-sensitive aspects) and demand (for beneficiaries, but also for the wider population) where using cash is not possible. • They can help maintain purchasing power when there is high inflation. • They can support economies of scale linked to negotiated prices (wholesaler / semi-wholesaler) and ultimately assist more people. | <ul style="list-style-type: none"> • In some countries, cash does not systematically help to improve the quality of recipients' diets, as recipients spend most of it on cereals so the assistance lasts longer (as per food habits and prices). So it may need to be complemented with fresh food vouchers and/or BCC to support nutritional diversity. • Recipients also tend to prioritise taste (purchase of condiments) over the nutritional diversity of their diet. • Pre-existing acute levels of undernutrition, inappropriate food habits, negative care/practices are likely to hamper the achievement of food outcomes. • When food assistance is part of a broader package of basic needs assistance and livelihoods it may support direct and indirect FAL outcomes, while increasing longer-term resilience, at both household and community levels. |

Annex 4. Total Cost to Transfer Ratio (TCTR) guidance for cash programmes

Introduction

This document provides **guidance on how to estimate the cost-efficiency of cash programmes** using the Total Cost to Transfer Ratio (TCTR) approach. It applies in the following situations:

- i) When cash is the exclusive modality;
- ii) When cash is used in complementarity with other modalities.

This annex focuses on cash transfers. As highlighted in section 4.5 Measuring cost-efficiency and effectiveness, the TCTR is a tool that can be used for vouchers and in-kind as well. In comparable contexts, the TCTR is useful to compare cost-efficiency between the three transfer modalities.

For all actions including cash transfers, TCTR is an important analysis metric, systematically assessed by DG ECHO during the assessment of project proposals. DG ECHO is especially

concerned about maximising cost-efficiency, but not to the extent whereby the overall effectiveness is compromised.

DG ECHO expects partners to use the Total Cost to Transfer Ratio (TCTR) as the standard methodology for measuring the cost-efficiency of all actions including a cash transfer.

The TCTR calculation

*The **Total Cost to Transfer Ratio (TCTR)** is a standard way of measuring cost-efficiency, defined as the proportion of the value of net transfers received by beneficiaries to the total programme cost.*

TCTR provides an analysis of cost per output. It estimates the cost of the delivery of cash assistance and can help identify how contextual or programmatic features drive the cost per output²⁶. The formula, which can be applied to all modalities, is the following:

$$\text{TCTR of the ACTION} = \frac{\text{Total net transfer value of cash}}{\text{Total cost of the Action including indirect costs}}$$

For cash assistance, the solution to this formula is the number of Cents received by beneficiaries for each EURO spent on the Action / Result budget. TCTR can be expressed as a percentage (e.g., 85%), as a ratio (e.g., 85:15), or in decimals (e.g., 0.85).

TCTR measures the cost efficiency of the action/result, not of a single beneficiary transfer.

*The **Net Transfer Value** to beneficiaries is simply the total amount that is transferred directly to individuals/HH – i.e. the money they get in their pockets as a result of the action.*

For cash assistance, this excludes all other costs associated with the delivery of the cash assistance (e.g., bank fees/mobile phone charges), the programme direct costs associated with the project (from assessments to MEAL), support direct costs, as well as indirect costs. It also excludes other goods/equipment handed over to the beneficiaries not directly contributing to the purpose of the assistance²⁷, and the costs that are associated to the implementation of the conditionalities and would not be necessary if the assistance was unconditional²⁸.

***Total cost** refers to the total cost of the action, or of the result.*

²⁶ - Adapted from: Grand Bargain Cash WS USAID, IRC – Cost efficiency Analysis of Basic Needs Programs: Best practice guidance for Humanitarian Agencies (Aug19). <https://www.calpnetwork.org/publication/cost-efficiency-analysis-of-basic-needs-programs-best-practice-guidance-for-humanitarian-agencies/>

²⁷ - E.g.: if by the end of the cash programme beneficiaries keep the sim-cards used for the cash transfer, the value of the sim-card should not be considered as part of the TV to the beneficiaries, given it is a "transfer cost" and does not directly contribute to the objective of the program.

²⁸ - E.g.: Cost of trainings, nutrition sensitisation sessions.

The total cost includes: i) the transfer value; ii) the cost of transfer; iii) programme direct costs; iv) support direct costs (or a proportion thereof); iv) indirect costs (or a proportion thereof). Indirect costs should *always* be included.

The guidance



DG ECHO expectations

For **all cash programmes**, irrespective of their size, DG ECHO expects that partners achieve optimal cost-efficiency for the given context and programmatic objectives, while **not** compromising quality and impact.

For all cash assistance results or actions above EUR 1 million, partners are required to calculate the TCTR.



What does this mean?

- When selecting transfer modalities and mechanisms based on appropriateness, feasibility, and relevance to the programmatic objectives, the cost-efficiency of the selected modality and mechanism should also be considered, and programmatic measures put in place to improve it;

Furthermore, for **any cash assistance** (results or actions) **above EUR 1 million, partners must:**

- Provide the TCTR calculation in the relevant section of the eSF, using the appropriate methodology for the specific context (e.g., see four scenarios below);
- Clearly distinguish each modality and the related direct costs in the budget, in order to calculate the TCTR;
- Maintain or improve the TCTR set at proposal stage throughout the action, unless duly justified;
- Inform DG ECHO Country Office for any significant change during implementation and at all contractual stages, from proposal to final report and including modification requests;
- Improve the TCTR over time, should the programme be funded through multiple

successive actions (e.g., protracted assistance of refugees).

Partners submitting a proposal are recommended to engage a dialogue with DG ECHO Country Offices to reflect upon and define what an appropriate TCTR would be for their context.

Cost-efficiency and transparency

For **cash programmes below EUR 10 million**, rather than seeking globally applicable benchmarks, DG ECHO uses TCTR to assess the reasonableness of the cost of delivery in a specific context. In such settings, DG ECHO Country Offices and partners should define appropriate TCTR efficiency rates adapted to the context and the programme.

For **cash programmes equal to or above EUR 10 million**, in line with the Large-scale Cash Guidance Note, DG ECHO partners are expected to reach a minimum cost-efficiency ratio of 85:15. Specific expectations for transparency for programmes that are equal to or above EUR 10 million are laid out in the Large-scale Cash Guidance Note.

Irrespective of the value of cash assistance, **partners should be able to demonstrate that the amount transferred to beneficiaries is maximised** relative to the cost of delivery and other programmatic activities, and to present proposals which clearly allocate costs to each component.

How to calculate the TCTR

This section provides guidance on calculating TCTR in four different scenarios:

1. Actions with ONE result and SINGLE transfer modality;
2. Actions with ONE result with MULTIPLE transfer modalities;
3. Actions with MULTIPLE sector results, all of them with a transfer component (single or multiple modalities);
4. Actions with ONE or more results with transfer to individuals/HH, and ONE or more sector results without transfers.

Note that, as stated above, DG ECHO expects partners to calculate TCTR for cash assistance equal to or above EUR 1 million, and in order to do so, to clearly distinguish each modality and the related direct costs in the budget.

In line with the [Large-scale Cash Guidance Note](#), Component C (i.e. Independent MEAL) should not be calculated in the TCTR for programmes equal to or above EUR 10 million, given it is expected to be contracted separately.

| | TYPE OF ACTION | TOTAL COST | TRANSFER VALUE |
|---|---|--|--|
| 1 | Actions with one cash result and cash as the single transfer modality | Calculate TCTR for the entire ACTION | |
| | | Total cost: Use Total cost of the Action, (Components A, B, C). | Transfer Value: use the net Transfer Value as per SECTION 4.2.5 and Budget. |

TCTR is calculated as described in the large-scale cash guidance note

$$TCTR \text{ of the ACTION} = \frac{\text{Total net transfer value of cash}}{\text{Total cost of the Action including indirect costs}}$$

| | TYPE OF ACTION | TOTAL COST | TRANSFER VALUE |
|---|---|--|--|
| 2 | Actions with one cash result combined with other transfer modalities <i>e.g.: Cash for food, vouchers for fresh food, In-kind for farm inputs (fertilizers and seeds).</i> | Calculate TCTR for the entire ACTION | |
| | | Total cost: Use Total cost of the Action. (Components A, B, C). | Transfer Value: use the sum of net transfer values of all transfer modalities used (cash + vouchers + in-kind) as per SECTION 4.2.5 and budget. |

TCTR is calculated as described in the large-scale cash guidance note but applied to all modalities

$$TCTR \text{ of the ACTION} = \frac{\text{Total net transfer value of cash + vouchers + inkind}}{\text{Total cost of the Action including indirect costs}}$$

When a multisector Action combines cash with other modalities, the TCTR must be analysed separately for each result with cash transfer.

| | TYPE OF ACTION | TOTAL COST | TRANSFER VALUE |
|---|--|--|--|
| 3 | Actions with multiple sector results , all of them with a cash transfer component (single or multiple modalities) <i>R1: HFA. Cash + in-kind.</i> <i>R2: EiE. Cash + vouchers.</i> | Calculate TCTR SEPARATELY for each RESULT | |
| | | Total cost: Use the Total cost of each result separately. | Transfer Value: for each result separately, use the sum of net transfer values for all modalities used (cash + vouchers + in-kind) as per SECTION 4.2.5 and budget. |

TCTR is calculated for each sector result separately.

$$TCTR \text{ of RESULT 1} = \frac{\text{Total net transfer value of cash + inkind of RESULT 1}}{\text{Total cost of the RESULT 1 including related\% of indirect costs}}$$

$$TCTR \text{ of RESULT 2} = \frac{\text{Total net transfer value of cash + vouchers of RESULT 2}}{\text{Total cost of the RESULT 2 including related\% of indirect costs}}$$

| | TYPE OF ACTION | TOTAL COST | TRANSFER VALUE |
|--|---|------------|----------------|
| | When sector results are comparable (for example: R1: Cash for food: R2: voucher for cooking gas), the Results can be considered as one and TCTR can be calculated for the overall Action. | | |
| | $TCTR \text{ of ACTION} = \frac{\text{SUM of transfer values of R1 cash for food + R2 vouchers for gaz}}{\text{Total cost of the ACTION including indirect costs}}$ | | |

When a multisector Action combines one or more cash transfer result(s) with other sectors without transfers, the TCTR must be analysed separately for each result with cash transfers.

| | TYPE OF ACTION | TOTAL COST | TRANSFER VALUE |
|--|---|---|---|
| 4 | Action with one or more sector results with transfers to individuals/HHs, and one or more sector results without transfers . <i>R1: PROT. No transfers.</i> R2: cash, vouchers & in-kind for HFA. R3: SHELTER. In kind construction materials. <i>R4: DP. No transfers.</i> | Calculate TCTR SEPARATELY for each RESULT | |
| | | <p>Total Cost: use the Cost of each transfer Result separately.</p> <p>Applies only to results with a transfer component to individuals/HH. (R2; R3)</p> | <p>Transfer Value: use the sum of values of all modalities (cash + vouchers + in-kind) for each result separately as in SECTION 4.2.5 and budget.</p> <p>Applies only to results with a transfer component to individuals/HH. (R2; R3)</p> |
| TCTR is calculated separately only for each sector result which has a transfer component to individuals/HH. | | | |
| $TCTR \text{ of RESULT 2} = \frac{\text{Total net transfer value of cash + vouchers + inkind of RESULT 2}}{\text{Total cost of the RESULT 2 including related\% of indirect costs}}$ | | | |
| $TCTR \text{ of RESULT 3} = \frac{\text{Total net transfer value of cash + vouchers + inkind of RESULT 3}}{\text{Total cost of the RESULT 3 including related\% of indirect costs}}$ | | | |

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