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Scaling up humanitarian cash transfers in Nepal

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Key messages

- Humanitarian cash transfers after the 2015 Nepal earthquakes were a major and highly appropriate part of the response given the challenging logistics of delivering in-kind aid to remote mountainous areas.
- But the Government of Nepal and humanitarian agencies were not sufficiently prepared to respond rapidly to this disaster using humanitarian cash responses to their maximum potential. This was due to a lack of government will and capacity, appropriate national disaster institutions, financial infrastructure and effective coordination arrangements among international actors.
- While there has been some progress towards being able to mount better, more efficient and large scale cash responses in the future, cash preparedness still remains too low a priority in Nepal given the disasters that will continue to affect the country.

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Executive summary

The April/May 2015 earthquakes in Nepal killed an estimated 8,790 people, injured more than 22,300, and affected eight million people, almost one-third of Nepal's population. Over half a million houses were destroyed or damaged. The response to the earthquake marked a major shift towards cash transfer programming, with significant government responses, and an estimated 10% of the international response in the first six months using cash transfers. The response came at a point when donors advocating for cash transfers were looking to scale up cash responses. Given the logistical challenges of transporting relief items into remote, mountainous areas, Nepal offered an appropriate place to do this as functioning markets existed in the majority of affected areas

Despite the earthquake being long expected, and seasonal episodes of flooding and landslides affecting the country, humanitarian cash coordination and preparedness before the earthquake, was limited. The Government of Nepal was familiar with cash transfers for social protection, and with the humanitarian cluster system, but less so with humanitarian cash transfers as programmed by international humanitarian agencies. The first international cash responses took place within two weeks of the earthquake but took 2-3 months to reach significant scale. The lack of a national policy on cash transfers, and delegation of authority to district administrators meant that cash responses were slower to scale up in some districts due to concerns around misuse of funds or potential to fuel conflict between different groups in the community.

International surge capacity, including deployment of an OCHA Cash Coordinator after two weeks, brought in stronger mechanisms to coordinate and harmonise the initial mix of cash responses. A variety of responses were used, including unconditional cash responses, vouchers for food or 'winterisation', cash for work, and government grants, as well as using existing social protection mechanisms to deliver cash grants.

UN-led emergency preparedness planning and contingency exercises had taken place, but with inconsistent government engagement and little specific cash preparedness. In particular, preparedness for rapid scaling up of cash transfers was weak in terms of a detailed mapping of and pre-agreements with financial providers, coordination mechanisms and structures, and the necessary legislative and policy frameworks with government.

The earthquakes marked a scaling up of the international cash response, but there is a strong sense that any further scaling up for future emergencies will be difficult. This is because while there has been an increase in cash awareness within the Nepali government, there has been no strategic shift towards cash; preparedness has not improved significantly and government decision-making and institutional arrangements remain ad hoc, politically driven and inconsistent. While this may change over time, scaling up cash in the shorter term is likely to depend on a better prepared and coordinated cash response led by international agencies.

Barriers to scaling up cash in Nepal relate to institutional and political arrangements, coordination structures and the financial infrastructure. The legacy of the 10 years of civil war which ended in 2006 is continued political turmoil. This crowds out policy-making and legislative time, most clearly seen in the continued lack of an updated national disaster management law, framework or agency with a clear mandate despite ongoing advocacy and support by the international community for this over many years. Rapid turnover of officials, and a culture that does not emphasise detailed forward planning, hinder the development of workable frameworks in the absence of a national strategic approach and the institutions to deliver it. There are also long-standing tensions over aid in Nepal and the role of the international community relating to dependency.

Under the auspices of the Cash Coordination Group (CCG), cash coordination faced several challenges during the initial stages. The first was that there was no formal structure of a cash group in Nepal prior to the earthquake. Secondly, throughout the first 3-4 months of the emergency phase, while OCHA provided a Cash Coordinator, their role and the mandate of the CCG was neither clarified nor detailed enough within the Terms of Reference (ToR). This lack of clarity on the CCG's role was never gripped by OCHA and thus hampered the scope of their role and influence of the CCG. Without a clear articulation of the CCG's status, the Government of Nepal has not seen it as a structure with which it can engage. Cash was not an issue on the agenda of the Humanitarian Country Team (HCT) at the level of heads of agencies, either in relation to clarifying the role of the CCG or in high level advocacy to the government.

In contrast to international approaches, the Government of Nepal advocated for the use of existing social protection systems to make humanitarian cash transfers to registered beneficiaries via local authorities, as in a partnership with UNICEF. Social protection mechanisms offer opportunities for humanitarian cash transfers to piggyback on their systems and support existing recipients affected by shocks.

These could form a greater part of future responses, which could also complement international cash transfers by being embedded in national systems with strong legitimacy. However, the weaknesses in these systems relating to targeting, beneficiary lists and speed of response would require sustained engagement and investment of resources to enable a reliable and universal enough mechanism to respond to a wide range of disasters in different parts of the country.

Finally, the existing limited financial infrastructure in rural areas, and lack of pre-existing agreements with financial service providers were viewed by international agencies as constraining the provision of cash transfers, as did the liquidity of providers in rural areas.

Cash needs to be a more central and key part of UN preparedness, contingency planning and future humanitarian response plans. The UN needs to provide consistent and clear senior leadership on the position of cash within preparedness and response. Cash needs to sit clearly within strategic and cluster coordination, with sufficient capacity in place for both ensuring preparedness and effective response. Operational UN agencies need to be robustly encouraged by their donors to agree common approaches while maintaining flexibility and diversity to ensure appropriateness.

The Nepal earthquake has a number of lessons for the global debates on scaling up cash, both at the level of lessons for cash responses and at the more transformational level envisaged by the High Level Panel. Many of the building blocks are in place to build on the 2015 earthquake response and follow through on the Panel's vision. Importantly, we could envisage preparedness for disasters including an element of both donor and agency preparedness in developing protocols for future large scale cash responses. These could be tendered competitively and delivered through a combination of private sector providers and humanitarian agencies.

The steps to achieve this vision are likely to be faltering and slow, for the reasons set out above relating to government will and capacity, international coordination mechanisms and the financial infrastructure. Donors can accelerate progress by putting in place contingency plans for such tenders in advance of the next major disaster. HCT leadership can also work to put in place the necessary agreements among HCT members and with government for cash budget lines in Flash Appeal and related strategic planning documents, such as the Emergency Response Preparedness plans under the Nepal Risk Reduction Consortium.

1. Introduction

Following the work of the High Level Panel on Humanitarian Cash Transfers, this Overseas Development Institute (ODI) report on cash-based interventions in the aftermath of the Nepal earthquake was commissioned by the UK Department for International Development (DFID). The purpose of the study is to consider the Panel's vision of scaling up cash in ways that can transform humanitarian action. By considering the experience at field level the potential and obstacles for delivering that vision can be explored.

Nepal was chosen to examine the role that cash can play in response to natural disasters, and to explore in detail how readiness to programme cash responses fits into wider response preparedness in disaster-prone countries. As a low-income country facing many risks from natural hazards, Nepal offers a useful window into the opportunities and challenges to scaling up and being better prepared for cash transfers. One of the key questions for this study was how existing forms of social protection were used following the earthquake.

The paper focuses on lessons learned from the cash responses to the earthquake and the subsequent efforts to strengthen cash preparedness in the country for responding to future disasters. It draws on the recent report, *Cash Preparedness in Nepal: Lessons from the 2015 Earthquake* (Ferrie and Gautam, 2016), commissioned by UNICEF/DFID on behalf of the Cash Coordination Group (CCG) and the Nepal Risk Reduction Consortium (NRRC). That study assessed the cash-based responses from a primarily operational and technical perspective, focusing on coordination.

In addition to reviewing key documents and reports, three preparatory interviews were conducted remotely and an additional 15 in Kathmandu in September 2016. These included interviews with staff from DFID, international humanitarian and development organisations, and United Nations agencies involved in the cash response to the earthquake including the World Food Programme (WFP), UNICEF, Save the Children, the International Federation of the Red Cross/Red Crescent, the Nepal Red Cross Society, Office of the UN Resident Coordinator (RCO), the UN Office for the Coordination of Humanitarian Affairs (OCHA), the Cash Learning Partnership, and the NRRC.

2. Background context

Though the people of Nepal are no strangers to earthquakes and a variety of natural hazards, with six major events in the past century, the scale of the disaster in 2015 made it the largest and deadliest in the country's recent history. The first 7.8 magnitude earthquake struck on 25 April: a 120 kilometre-long section of the earth's crust moved over 2 metres in less than a minute, causing deadly avalanches, landslides and the collapse of buildings. The size and shallow epicentre of the earthquake, as well as the particularly fragile surface geology of the region made the event all the more dangerous. An even greater loss of life was avoided only because the type of shaking had less of an impact on newer buildings, despite poor construction standards.

An estimated 8,790 people were killed across the country and more than 22,300 injured, with the lives of eight million people, almost one-third of Nepal's population, affected (Government of Nepal, 2016, p. 5). Private property, infrastructure and historic sites were destroyed or damaged to the cost of roughly one-third of Nepal's 2013 gross domestic product (GDP) (Government of Nepal, 2016, p. 8). A total of 31 districts were affected, with 14 declared 'crisis-hit' across most of central Nepal, including Gorkha, Dhading, Nuwakot, Rasuwa, Sindhupalchowk, and Dolakha, as well as the capital, with the greatest number of casualties in the rural areas. In the few weeks after the initial earthquake, Nepal would face a further 300 major tremors greater than magnitude 4, including a massive 7.3 scale aftershock close to Mount Everest on 12 May, hindering rescue and recovery efforts.

With more than half a million houses partially or fully destroyed, and aftershocks a constant threat, many were forced to sleep outside or in improvised accommodation. In urban areas, informal settlements provided shelter, but became areas of concern due to insecurity and gender-based violence. In the immediate days and weeks following the earthquake, food insecurity was also a key concern for these areas. Of the 1.4 million people requiring food assistance, 404,000 were children suffering from malnutrition and 200,000 were pregnant or breastfeeding women (UNOCHA, 2015, p. 3). Such need was not confined to urban areas, with many inhabitants of poorer towns and villages across the Kathmandu Valley already suffering from poor food consumption and low dietary diversity (UNOCHA, 2015), although in general, earthquake-affected districts were more food secure than the rest of the country. The inaccessibility of remote districts was also a key challenge for responders.

With total damages calculated at some $7 billion, many victims became indebted to finance their day-to-day survival (Sanderson, 2015, p. 1). For example, an Oxfam Rapid Household Economy Approach assessment in October 2015 found that women in households classified as poor or very poor had increased levels of debt after the earthquake, with these individuals using some of their loans for basic needs (Oxfam, 2016, p. 14). The Asia Foundation's longitudinal social impact monitoring a year on from the earthquake found that although there was little selling of assets, borrowing from relatives or moneylenders had increased. A doubling in both loan sizes and the number of people borrowing since immediately after the earthquake was seen, particularly among those most affected (Asia Foundation, 2016).

2.1 The response

Following the earthquake, the Government of Nepal activated a National Emergency Operations Centre (NEOC), the Nepal Army mounted a significant response and there was an appeal for international assistance. National civilian capacity was also low after the earthquake destroyed 2,656 government buildings. Many were left without help, particularly in the immediate aftermath of the disaster and in rural areas (Government of Nepal, 2016, p. 1), although a number of Village Development Committees (VDCs – the smallest administrative unit) made distributions in the first 1-2 months. The overstretched resources of the government would be bolstered in the days following high levels of international support, with over 100 search and rescue teams from 34 countries. While welcomed, their presence initially overwhelmed limited national resources and logistical hubs. Kathmandu's partially damaged international airport, with its single runway, suffered from initial disruption but continued to offer access for incoming relief in the months after the earthquake, with the WFP and other agencies rapidly establishing a humanitarian staging area.

On 29 May 2015, an initial Flash Appeal sought $422 million to deliver life-saving aid to the 2.8 million earthquake affected people. Of this, 67% would be funded by December. This became the best funded of the six flash appeals announced that year, but was still $140.6 million away reaching from its target (UNOCHA, 2015). While the US, Norway, Canada, UK, European Commission and Japan led funding from traditional donors alongside a substantial allocation from the Central Emergency Response Fund (CERF), it was private donations by individuals and organisations that provided the largest proportion of appeal funding, comprising 32% of the total.

Progress in the response was initially inconsistent across and within districts and sectors, but gradually gathered momentum. By September 2015, 25% of households in the worst affected district of Sindhupalchowk reported food assistance as their primary source of cereals (Joint Assessment, 2015). The Shelter Cluster reported that 83% of affected households had received roofing materials or their cash equivalent by November 2015 (Shelter Cluster, 2015).

Nepal's geography, with remote rural populations living in mountain communities combined with a recent country history that is complex and its politics still fragile, made for a difficult operating environment. The earthquake was the latest shock to an economy and society still grappling with the legacy of the 10-year civil war, which only formally ended in 2006. Nepal's 'time of transition' through a long, stuttering process of constitution-building continued to be stalled by political unrest and protests. The de facto blockade of imports from India from September 2015 to February 2016 had a significant impact on the earthquake recovery response, as well as on the broader economy.

The coherence of governance structures too, varied considerably across regions and districts: on a national level, the government was initially praised for a decisive and swift response, while later being accused of being overly restrictive as international non-governmental organisations were required to work through national and local organisations. National government also delegated much decision-making to the district level; however, local governance structures, partly as a result of no municipal elections having been held for 16 years, suffer from an accountability as well as capacity deficit, leading to the same laws and rules being interpreted and applied differently across different districts (McGoldrick, 2015).

The earthquake was long expected and although there had been some contingency planning and preparedness exercises prior to the earthquake, the majority of work under the Emergency Preparedness and Response pillar of the multi-stakeholder NRRC began after the earthquake. The most recent contingency planning exercise developed scenarios for both earthquakes and monsoons related to flooding and landslides. This was, however, primarily led by the international system, which found it difficult to engage consistently with government counterparts who rotated out of positions with great frequency. More broadly, it is clear that more robust enforcement of building codes needs to be a future priority for earthquake resilience.

This inequality in governance is matched by Nepal's economic disparities (Save the Children, 2016). Although still the poorest country in South Asia, Nepal's GDP has risen fourfold in the 21st century, aided by growth in tourism and the textile sector (World Bank, 2016). Among the key areas for growth however, is remittances from Nepalis working overseas: a key factor in explaining why the relatively large proportion of 26% of households affected by the earthquake were female-headed (Save the Children, 2016). Yet while GDP continues to rise unevenly, poverty and inequality remain high, with the earthquake exacerbating these existing divisions. Of the 14 severely affected districts, nine have human development index scores lower than the national average (Government of Nepal, 2016, p. 8). Within these districts, the majority of the affected population are from marginalised groups: 41% of the houses damaged in the earthquake belong to low-caste Dalits and 23% to senior citizens (Save the Children, 2016). With the Government of Nepal estimating some 700,000 people will be pushed into poverty as a result of the earthquake, such societal and economic vulnerabilities make humanitarian work complex and challenging (Sanderson, 2015, p. 1).

3. Cash programming in Nepal

This section provides an account of the key features of the cash response to the Nepal earthquake at both the operational and strategic policy level. It then explores the key barriers and challenges to scaling up cash, including political and institutional factors as well as issues around coordination, financial infrastructure and links to government social protection mechanisms.

Cash transfers have been used at a small scale in Nepal for several years but not for any major relief responses. For example, the Government/WFP's Rural Community Infrastructure Works programme (RCIW) is a cash for work programme in 10 chronically food insecure districts, which aims to provide employment while improving local roads and paths. The Nepal Red Cross responds to disasters ranging from floods to landslides that are a regular occurrence. The Nepal Red Cross had been piloting cash-based responses on a modest scale, for example a cash for shelter/latrine construction programme providing $600 (60,000 NPR) to 140 families displaced by floods and landslides in 2014. The Government of Nepal operates a number of other social protection, employment and compensation schemes such as pensions and child grants. Along with extensive remittances from overseas workers, this means that cash transfers of different forms are familiar to many Nepalis and there already existed elements of the financial infrastructure needed to support humanitarian cash transfers.

The 2015 earthquakes marked a major shift towards cash transfer programming, with the Nepal Cash Coordination Group estimating 10% ($30 million) of the international response by November 2015 using cash transfer modalities (not including vouchers) – significantly higher than the High Level Panel's global estimate of 6%. More accurate or recent figures are not available due to limitations on tracking cash programming in the absence of global standards which disaggregate assistance by cash, vouchers and in-kind aid, as well as weaknesses and inconsistencies in information management across clusters in Nepal.

3.1. Strategic landscape

Nepal is not primarily a humanitarian emergency context and the bulk of the international donor and agency focus is on development assistance. That said, the high levels of natural hazards and vulnerability due to poverty have driven an ongoing strand of programming and policy engagement on disaster risk reduction both for major events such as the long awaited earthquake, and smaller 'everyday' floods and landslides affecting people at the community level. This also means the humanitarian toolkit of appeals and clusters is well rehearsed, and elements of contingency planning and response preparedness have taken place through the NRRC. The clusters were activated after the earthquake and were generally seen to have operated effectively.

The Flash Appeal launched on 29 April 2015 did not include cash as a specific thematic focus or outline how it would be coordinated, because of the absence of specific cash focal points/advocates and coordination structures prior to the earthquake. With the deployment of the OCHA Cash Coordinator, the revised Flash Appeal a month later included a section on 'Cash as a modality among others to deliver on key humanitarian objectives'. It also described the formation of the CCG, 'linked closely' to clusters, but without more detail on how cash would be used.

The earthquakes struck at a point when some donors advocating cash globally, particularly DFID and the European Commission's Directorate-General for European Civil Protection and Humanitarian Aid (ECHO) were looking for more opportunities where it would be appropriate to scale up cash responses. The Nepal response was considered an appropriate context in which to scale up cash given the country's relative stability, the challenge of distributing in-kind goods to poorly connected hill and mountain areas, but also the existence of established markets and transport networks which were able to reliably supply communities. Donors specifically sought and encouraged operational partners to deliver cash transfer programmes, as well as advocate for better coordination.

The Government of Nepal was familiar with cash transfers for social protection, and with the humanitarian cluster system, but less so with humanitarian cash transfers as programmed by international humanitarian agencies. The government often provided compensation to families after disasters but humanitarian cash approaches were altogether different in terms of targeting. Without an overarching national framework for either disaster response or cash transfers specifically, individual heads of affected districts (Chief District Officers) interpreted broad guidelines from Kathmandu very differently. This ranged from giving full support for unconditional cash transfers, to insistence on blanket targeting, or rejection of cash altogether. According to interviews, the key concerns were over misuse of funds or the potential for it to create jealousy and conflict between those who did and did not receive cash support. This led to a slower scaling up of cash responses in some districts.

WFP was also keen to scale up voucher responses based on existing programmes and were under pressure from headquarters to do so, but were not perceived by in-country actors as taking a strategic leadership role at country level in advocating for or coordinating cash/voucher responses. In contrast, UNICEF saw an opportunity to build on its existing partnership with government on the 'Child Grant' and used that as a mechanism to provide humanitarian cash transfers.

3.1.1 Cash coordination

Cash coordination was limited in the first few weeks after the April earthquake, with 35 international NGOs setting up cash responses through their own individual programmes. There was no pre-existing coordination mechanism for cash. The Cash Coordination Group (CCG) had its first meeting on 30 April 2015 but cash coordination occurred mainly through clusters in the early stages. OCHA deployed a full-time Cash Coordination Officer on 6 May 2015 to support the CCG. It helped facilitate a number of important outcomes, for example the standardisation of grants after several weeks through a technical working group led by Save the Children, which was required in the absence of clear government policy on cash or how international assistance complemented the national response. Technical working groups were also established on financial service providers and market assessments, but the CCG faced a number of challenges, outlined below.

3.2 Operational landscape

The initial response to the earthquake was almost entirely in-kind assistance, based on existing stockpiles, market-sourced goods or airlifted items. The existing international in-country cash programming capacity was limited to a small number of agencies, mainly WFP and some of its cooperating partners, UNICEF, NGOs who had responded to the 2014 floods, and the Nepal Red Cross. Initial cash responses within the first days and weeks were limited but gained scale. Cash distributions started within two weeks of the earthquake: for example, HelpAge International (HAI), Oxfam and CARE were all distributing cash within two weeks. By 13 May, HAI had distributed $75 (7,500 NPR) in cash transfers to 2,999 elderly persons in 4 districts. During a similar period, Oxfam distributed $80 (8,000 NPR) to affected households in 3 districts. By the end of June, CARE had provided $75 (7,500 NPR) to 15,035 households in 3 districts (Ferrie and Gautam, 2015).

The larger cash scale-up was only possible due to international surge technical capacity that was brought in in the first days and weeks of the response, given its absence from contingency plans. This international surge facilitated coordination because the 'A' team of international cash experts that assembled in Nepal rapidly improved both informal and formal coordination. Organisations including Save the Children and the Nepal Red Cross were beginning to provide unconditional cash transfers from July 6 weeks after the earthquake.

Much of the cash programming was initially carried out through physical cash distribution as bank account penetration and access is limited in rural areas (UNCDF, 2014). Though mapping of financial services carried out by the United Nations Capital Development Fund (UNCDF) provided a useful reference point, it was not widely used by aid agencies. Markets, however, continued to function in affected urban and rural areas, with no more disruption than normally caused by landslides blocking roads in the rainy season. Remote communities in the higher hills and mountains were already poorly served by markets at the best of times, with household members travelling on foot for as many as three days in normal circumstances to reach markets supplying rice and oil at accessible prices.

At the start, cash-based responses to the earthquake were relatively uncoordinated between agencies, and existed in a number of different forms:

- Government grants for immediate relief, shelter and winterisation delivered by a number of organisations, particularly the Nepal Red Cross.
- Unconditional cash responses by 14 international agencies reaching over 500,000 people in 200 VDCs, valuing $12 million – 90% of this was implemented by November 2015.
- Voucher programmes (e.g. from Save the Children) using either paper or electronic voucher systems provided either food or winter clothing/shelter items through local markets.
- Cash for work/assets/training by UN Development Programme, International Organization for Migration, NGOs and WFP (the latter reached over 60,000 households/300,000 people in 4 districts between July and December 2015, providing $40 per month for 2-4 months).
- Delivery through social protection systems (UNICEF).

The particular response often depended on what modality different agencies were most familiar with, or for which they had existing systems, or reflected donor preferences. For example, Save the Children implemented a digital voucher scheme for shelter and winterisation which was unrestricted in VDCs funded by DFID, but restricted to specific items in ECHO VDCs.

Table 1: Cash grants from Government of Nepal to 523,000 red card holders

Date	Type	Amount per household	Government lead
June 2015	Immediate relief	$150	Ministry of Home Affairs
October 2015	Winter shelter cash relief	$100	Ministry of Home Affairs
Ongoing through 2016 (delayed)	Housing reconstruction grants	$2000, raised to $3000	National Reconstruction Authority

A lack of dedicated information management capacity within the CCG exacerbated wider weaknesses in capturing information in clusters, meaning the CCG was not able to track cash programming comprehensively or consistently. This makes it impossible to analyse the proportion of the response that was in cash (conditional or unconditional) or vouchers.

3.2.1 Government response

In the immediate aftermath of the earthquake, the Government of Nepal led field assessments to affected districts and issued a 'red card' to all households (HHs) whose homes were classified as destroyed or severely damaged. The red card was also a prerequisite to receiving any kind of relief assistance for the approximately 523,000 households registered – which were provided from donor-funded government resources as well as via international organisations (see Table 1) (Ferrie and Gautam, 2016, p. 10). There are also established social protection schemes providing cash in Nepal to different vulnerable groups including children, the elderly and people with disabilities, which continued to provide support in affected areas.

3.2.2 Red Cross response

The Nepal Red Cross is the best represented organisation at community level in the country with 800 sub-chapters. The cash response of 95,000 unconditional cash grants in three phases was one of the largest in the Movement's history (the first standard agreed a grant of $150 to 41,000 families, the second in December 2015 of $90 was to almost 50,000 families, the third for seeds and tools was agreed in early 2016).

3.2.3 International response through social protection

UNICEF built on an existing partnership with the Government of Nepal Social Welfare Programme (SWP) to provide supplementary grants to those registered with SWP in districts affected by the earthquake. The SWP normally provides a monthly payment to vulnerable households that includes the elderly, Dalit (low caste), widows, people with disabilities, some children, and ethnic groups. Payments are provided in cash by VDCs or through point of sale devices using branchless banking and field agents.

Since June 2015, UNICEF provided two grants through its Emergency Top-up Cash Transfer Programme (ETCTP) targeting families with children under five. The first, implemented between June-November 2015, gave cash transfers of roughly $30 (3,000 NPR) per household to 434,690 households, essentially an unconditional cash grant.

The second grant was introduced in June 2016, paying a cash grant of $5 (500 NPR) per month, for a maximum of two children under five per household in 19 districts for between 3-6 months (including some, but not all earthquake districts). This grant was a universal payment within these districts and not targeted specifically to those registered in the SWP or in possession of a red card (Ferrie and Gautam, 2016, p. 12).

The ETCTP was assessed to have achieved the goal of supporting vulnerable households to meet their short-term basic daily needs (Gurung et a.l, 2015, p. v). However the programme coverage was a compromise. On the one hand, it was more targeted than other responses including the government cash response, for which the only criterion was whether a family's house had been destroyed. However the criteria used for the SWP did not necessarily reflect those worst affected by the earthquake in terms of demographic group, location or those newly vulnerable such as newly widowed or injured. There were political pressures too to include a wider set of districts and to make payments universal rather than targeted. Beneficiary lists improved in quality in the second round, but highlighted the weaknesses of depending on existing systems for up-to-date lists in the event of future disasters.

3.3 Barriers and challenges

Nepal was only somewhat prepared for the earthquakes in terms of the overall emergency response, given that a disaster of this kind was long expected. UN-led emergency preparedness planning and contingency exercises had taken place, but with inconsistent government engagement and little specific cash preparedness. In particular, preparedness for rapid scaling up of cash transfers was weak in terms of a detailed mapping of and pre-agreements with financial providers, coordination mechanisms and structures, and the necessary legislative and policy frameworks with government.

The earthquakes marked a scaling up of the international cash response, but there is a strong sense that any further scaling up for future emergencies will be difficult. This is because while there has been an increase in cash awareness and acceptance within the Nepali government, there has been no strategic shift towards cash; preparedness has not improved significantly and government decision-making and institutional arrangements remain ad hoc, politically driven and inconsistent. While this may change over time, scaling up cash in the shorter term is likely to depend on a better prepared and coordinated cash response led by international agencies.

3.3.1. Politics and culture

Much of these limitations relate to Nepal's politics and culture. First, political turmoil crowds out policy-making and legislative time, most clearly seen in the continued lack of an updated national disaster management law, framework and agency with clear mandate despite ongoing advocacy and support for this by the international community over many years. Finding champions within the legislature to push forward both new legislation and the creation of a National Disaster Management Authority (NDMA) which resolves tensions between different ministries will not be easy. However, it is an essential step towards establishing a more robust system of preparedness and response. The current division of responsibilities lies with multiple ministries including the Ministry of Home Affairs (MOHA), Ministry for Federal Affairs and Local Development (MOFALD), the National Planning Commission and the Ministry of Urban Development, without appropriate coordination at the level of the prime minister or deputy prime minister. This lack of coordination leads to significant weaknesses in both preparedness and response. Coordination between civilian authorities and the military, which have considerable operational capacity, is also inconsistent.

Second, rapid turnover of officials, and a bureaucratic culture that does not emphasise detailed forward planning, prevent the development of workable frameworks in the absence of a national strategic approach and the institutions to deliver it. There are also longstanding tensions over aid in Nepal and government concerns that international assistance creates dependency. This created discomfort with unconditional cash at the individual level, and a desire to end the 'emergency' phase and reduce the international emergency footprint rapidly.

3.3.2 Coordination and CCG

As already discussed, the CCG faced several challenges during the initial stages. The first was that there was no formal structure of a cash group in Nepal prior to the earthquake. Rather, agencies engaged or involved in cash transfer programming met only periodically, in a reporting capacity rather than providing technical advice. Second, throughout the first 3-4 months of the emergency phase, while OCHA provided a Cash Coordinator, their role and the mandate of the CCG was neither clarified nor detailed enough in a Terms of Reference (ToR). This lack of clarity on the CCG's role was never gripped by OCHA and hampered the scope of their role and influence of the CCG. Without a clear articulation of the CCG's status, the Government of Nepal has not seen it as a structure with which it can engage. Cash was not an issue on the agenda of the Humanitarian Country Team (HCT) at the level of heads of agencies, either in relation to clarifying the role of the CCG or in high level advocacy to the government.

This CCG structure was further compounded by the high rotation of CCG staff both at HQ and in the various operational hubs. At hub level, there were occasions when the CCG coordinators had limited, or no cash transfer programmatic experience. This undermined the confidence in the role of coordinators, with other members of the CCG often chairing cash-related meetings and providing technical guidance to less experienced organisations. The CCG was able to get agreement by implementing organisations for the initial cash grant to be $75 (7,500 NPR) per household. Yet, despite widespread support in some districts, there were still delays in approval by Chief District Officers (and Local Development Officers who control development budgets). The CCG also provided technical support to members on market analysis, technical guidelines to humanitarian agencies on implementing cash programming and information management, including a 'Who What Where' database for cash transfers in each district, but this was limited in its success. The CCG was pivotal in having the government cash for work guidelines accepted and implemented by members.

CCG coordination with clusters was fairly infrequent, informal and seen as having limited influence on cluster activity. Rather than questioning the legitimacy of the CCG, clusters tended to work independently and did not actively seek technical advice or include cash consistently on their agendas. However, the cash environment has changed significantly with cash programming an increasingly accepted modality, which is more mainstreamed in cross-sector programming response (Ferrie and Gautam, 2016, p. 13).

While coordination among international agencies themselves is promising, the relationship of cash coordination with clusters, and the status of the CCG was and continues to be unclear, related to the uncertainty at global level over cash coordination. Also, there is not yet an appetite or champion to take forward strategic conversations about scaling up cash or cash preparedness with the Government of Nepal and the international agencies to ensure coordination is targeted at the tactical/operational level.

3.3.3 Limitations of cash due to remoteness

Cash is not appropriate as a response in all locations. At one end, the earthquake affected urban areas and those in the lower mountains with relatively good transport links. In these areas, markets remained functional and cash was appropriate. At the other end of the spectrum, smaller affected communities in the higher mountains were provided with in-kind items since markets in these areas were barely functional even before the earthquake, and they were remote locations not connected to the road network. However, preparedness could focus on more sophisticated mapping of market capacity, how such communities normally access markets by travelling to larger road head locations, and establishing the scope for providing a mix of cash and in-kind to support people to meet a variety of needs (WFP, 2010).

3.3.4 Limited financial infrastructure

The existing limited financial infrastructure in rural areas, and lack of pre-existing agreements with financial service providers were viewed by international agencies as constraints in providing cash transfers, as was the liquidity of providers in rural areas. 'Know Your Customer' ID requirements enforced by Nepal's Central Bank restricted access to the sizeable number of vulnerable households without ID cards, including those who had lost ID cards in the earthquakes.

Over the first months of the response, the financial infrastructure and agency use of different approaches, expanded. This included limited use of mobile money through the 'Halo Paisa' mobile digital money network, use of remittance agents, and mobile bank services which have been expanding as part of the government's intended expansion of social protection mechanisms (and requirements that reconstruction grants are paid into bank accounts). However, given the low levels of cash preparedness and the fledgling nature of all these mechanisms, they remained limited in scale in responding specifically to the earthquake. Yet all these offer further potential as systems mature and frameworks are developed.

3.3.5 Social protection systems offer a potential but currently weak foundation for responding to shocks

The government supports use of existing social protection systems to make humanitarian cash transfers to registered beneficiaries via local authorities, as in its partnership with UNICEF. However these systems have a number of weaknesses. Firstly, their coverage is not universal but geographically and demographically targeted according to criteria that do not necessarily correspond to humanitarian need (though overlapping with vulnerability criteria e.g. children, disabled). The systems themselves can be slow to disburse, and registration lists are often out of date, although not necessarily worse than other targeting lists. So while these existing systems and processes offer potential, in their current state they are not a straightforward option

4. What would more strategic use of cash and vouchers look like in Nepal?

Where cash fitted into the earthquake response and where it should fit into future humanitarian responses, is wrapped up in bigger issues around Nepalese politics, relationships between aid donors and the Nepal government, and the right balance between local leadership and international humanitarian action. Thinking about how to do cash better is not going to fix political and governance problems or deep-seated tensions between international and national actors. However, specifically in relation to cash there were differing views, attitudes and approaches between national and international actors that need to be resolved. These include establishing the right balance of conditional and unconditional responses, and the approach to targeting.

Yet without the overarching framework of an NDMA, government policies on disaster management, and a more stable political context, systematic scaling up of cash will be difficult to achieve. This will create an enabling environment in which the all-important productive dialogue can take place, rather than international actors lecturing the government on how it should do things. In the short term, this productive dialogue is challenging to envisage but persistence and creativity to find champions in the Nepali administration, local and national government, and parliament is paramount to building the necessary momentum. And it can build on the increasing experience of the government in cash programming, potentially reaching a million people with cash responses.

Cash needs to be a more central and key part of UN preparedness, contingency planning and future humanitarian response plans. The UN needs to provide consistent and clear senior leadership on the position of cash within preparedness and response. Cash needs to sit clearly within strategic and cluster coordination, with sufficient capacity in place for both ensuring preparedness and effective response. Operational UN agencies need to be robustly encouraged by their donors to agree common approaches while maintaining flexibility and diversity to ensure appropriateness.

The CCG is a key part of this. It now meets monthly as an information-sharing forum, with more of a recovery focus. There is much it can do in terms of developing policy guidance and operational guidelines, for example in terms of financial infrastructure preparedness and negotiating frameworks. A key recommendation in future deployments is for CCG coordinators to have proven programme management experience for cash transfers. The CCG's position in relation to the government also needs to be formalised so that it can effectively engage with the relevant line ministries.

Social protection mechanisms offer opportunities for humanitarian cash transfers to piggyback on their systems and support existing recipients affected by shocks. These could form a greater part of future responses, which could also complement international cash transfers by being embedded in national systems with strong legitimacy. However, the weaknesses in these systems would require sustained engagement and investment of resources to enable a reliable and universal enough mechanism to respond to a wide range of disasters in different parts of the country. This would only be a worthwhile investment if there was a clear signal from Government and its disaster management authority that this was a national priority.

There are signs this may change in time: the Government of Nepal plans to consider how to make social protection more shock responsive. The World Bank is also supporting strengthening systems of registering births and deaths, as well as social protection systems., which will provide a stronger foundation for emergency cash responses. In a timescale of 5-10 years, these developments coupled with the development of appropriate financial infrastructure could offer great potential. It is nonetheless critical that preparedness actors engage with these developments to ensure that they are appropriate and relevant from a response perspective.

Finally, donors should also consider options for delivering through government systems outside of piggybacking on social protection mechanisms. This could include developing frameworks for compensation, which incorporate vulnerability criteria for targeting. Existing mechanisms for fiscal transfers between the national and local administrations could also be streamlined and used to design disaster-specific response approaches.

5. What does Nepal mean for cash transfer programming?

The Nepal earthquake has a number of lessons for the global debates on scaling up cash both at the level of cash responses themselves and in the more transformational way envisaged by the High Level Panel through which cash can disrupt the established humanitarian system. First, Nepal highlights the importance of situating the cash response within a well nuanced understanding of the local context, acknowledging the constraints of current political realities and historical legacies. In particular, while there were reasons for a significant cash response in Nepal, there are also good explanations for why the response was not even greater. Moreover, future responses may not be able to scale up further without progress on preparedness, national disaster management structures and legislation, and the architecture around cash.

Working effectively with government is clearly a key prerequisite for success in cash programming in such a context, both at national and district level. This requires a skill set and approach that is not always the default for delivery-focused aid agencies. The sensitivities involved in cash responses make this all the more important.

There also needs to be a broader dialogue around preparedness. Reflecting wide consensus, the High Level Panel recommended: 'Invest in readiness for cash transfers in contingency planning and preparedness'. Yet there are real challenges to making this happen on the ground – while individual organisations are getting better at preparedness, coordinated preparedness is also needed. Preparedness has improved in Nepal but it still reflects a less prepared national and international system than would be needed for more effective response in future – and the absence of cash from preparedness activities is striking. In particular, capturing the momentum from the earthquake response is critical to develop better protocols for setting up cash responses. Global tools to support cash preparedness, global agreements with financial service providers and examples of different strategies to overcome political barriers, might be valuable. Preparedness also needs to consider the different kinds of potential shock, including small scale 'local' disasters as well as mega-disasters, which demand different levels of capacity to be deployed nationally and internationally. In addition, increasing capacity of cash programming expertise in general and with country specific knowledge would also enhance preparedness.

Coordination structures need to be part of preparedness as well. This entails having a cash working/coordination group that can develop technical standards and preparedness as well as fostering the right contacts which can be the foundation for an effective cash response when an emergency strikes. Consistent, deployable capacity to strengthen structures such as a cash working group after a shock are important. Equally, investing in capacity to support cash preparedness will also be critical. This needs to happen at both operational and at more senior policy/strategic levels to enable engagement on important structural issues, such as national guidelines on cash transfers and legal frameworks.

The relationships between the HCT, operational clusters, and the cash coordination group are fundamental to an effective cash response. This requires progress at the global level in agreeing the principles for which agency leads cash coordination, but also flexibility at country level so that the most appropriate configuration for coordination and leadership can be designed. It must take into account local factors such as the strength of government and individual agencies, while ensuring that senior leadership has cash and its coordination on the agenda.

Nepal sheds some light on the possibilities and challenges of using existing social protection mechanisms as channels to scale up humanitarian cash transfers in the event of shocks. They benefit from government buy-in, pre-existing systems, familiarity for beneficiaries, and flexibility. However, the reality is that they may not work as rapidly, beneficiary lists can often be out of date or exclude certain groups, and targeting on social protection criteria differs from targeting on vulnerability criteria (though both are prone to poor quality data). Over-reliance on social protection systems as a single point of entry is risky – but they should form part of a phased system which incorporates a range of tools from humanitarian cash transfers via NGOs to full integration with social protection systems which have been prioritised as part of disaster preparedness. Critical to this is building in the capacity for the system to adapt to different crises in an appropriate way.

5.1 Realising the High Level Panel's vision

At the strategic level, what does Nepal tell us about realising the Panel's vision of cash playing a transformational role, particularly in the context of major natural disasters and being better prepared for them?

Many of the building blocks are in place to build on the 2015 earthquake response and realise the Panel's vision. We could envisage preparedness for disasters to include elements of both donor and agency preparedness in developing protocols for future large scale cash responses. These could be tendered competitively and delivered through a combination of private sector providers and humanitarian agencies. Continued work on aligning with and strengthening social protection mechanisms to make them more robust and shock responsive would also allow for some division of labour, particularly where there are seasonal disasters in relatively predictable geographical locations. Social protection or other government mechanisms could then be complemented by international agency responses according to agreed criteria. While emerging financial service providers such as Halo Paisa, could begin building strategic alliances with humanitarian agencies. This could be taken to the point at which delivery and assessment/targeting/monitoring were separately financed and tendered.

The steps to achieve this vision are likely to be faltering and slow, for the reasons outlined in this report. However, donors can accelerate progress by putting in place contingency plans for such tenders in advance of the next major disaster. HCT leadership can also work to put in place the necessary agreements among HCT members and with government for cash budget lines in flash appeals and related strategic planning documents such as the Emergency Response Preparedness plans under the NRRC. Much of this will depend on progress on global discussions around the place of cash in the humanitarian system, and the bureaucratic processes underpinning cash transfers. At the country level, stronger disaster management architecture and connections to development financing and planning will be essential to provide the necessary foundation for scaling up appropriate cash responses.

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