

# FAO IN EMERGENCIES GUIDANCE NOTE



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## CASH-BASED TRANSFERS IN FAO'S HUMANITARIAN AND TRANSITION PROGRAMMING

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### KEY MESSAGES

FAO supports cash-based transfer (CT) programmes linked to agriculture and food security that promote markets and decent rural employment, and increase access to agricultural inputs, goods, services and essential infrastructure by rural populations.

CTs should be embedded within an agriculture programme approach. The decision to use cash-based transfers in conjunction with, or in place of, direct transfers is based on needs assessment, market analysis and review of response options and capacities.

CT's require strategic partnerships throughout the programme cycle with: local authorities and relevant ministries; national and regional/provincial disaster management authorities; civil society.

CT's provide an opportunity to strengthen and promote linkages with the private sector such as traders, producers and financial institutions,

CTs used within emergency and rehabilitation contexts should be embedded within and support longer-term development and social protection initiatives.



### ● CASH-BASED TRANSFERS: A PRIMER

Cash-based transfers (CTs) are a complementary or alternative approach to in-kind assistance, whereby resources are provided via cash or vouchers. CTs are generally a non-contributory transfer, forming part of a broader social protection system geared towards reducing poverty; assisting the poor and vulnerable in coping with shocks and managing livelihood risks; and protecting the marginalized from social exclusion<sup>1</sup>.

In its emergency relief and rehabilitation interventions, FAO primarily works with the following CT tools: (i) vouchers and input trade fairs to provide crisis-affected rural producers with access to agricultural, livestock and fisheries inputs; (ii) public works (cash-, voucher- or food-for-work) programmes, and (iii) restocking and destocking (cash-for-animal) schemes.

**General definition of CTs** - For FAO, CTs are defined as payments of money or vouchers provided by governments, international organizations or NGOs to individuals and households that are vulnerable to, or living in, poverty and crisis to achieve objectives relating to agriculture and food and nutrition security.

There are four main types of CTs:

1. **Unconditional CTs** – Cash is given to recipients without stipulation.
2. **Conditional CTs** – Cash is given to recipients based on a stipulation (e.g. a day's work, school attendance or an immunization).
3. **Cash vouchers** – The voucher entitles recipients to buy a specific value of commodities or services at shops participating in the project.
4. **Commodity vouchers** – The vouchers are exchanged for a fixed quantity of commodities or services from traders participating in the project, often in the setting of an agricultural trade fair.



## Why cash-based transfers?

In recent years, there has been growing interest and practice in the use of cash-based transfers in crisis risk management, humanitarian and transition programming. Such interest is largely fuelled by: (i) a growing appreciation of the importance of markets in coping strategies; (ii) the improved functioning of markets in many developing countries; (iii) increased integration of food systems; (iv) the accelerated pace of urbanization and increasing accessibility of basic financial services, including in rural areas; (v) expanded access to electricity networks, increased diffusion of mobile phones and the growth of financial service infrastructure; and (vi) a growing recognition of a right to social protection and social security. Moreover, high and volatile food prices have increased interest in the use of vouchers and CTs as a means of protecting purchasing power and preserving or increasing livelihood and productive assets to boost access to food.

## Using CTs to support nutrition and food security?

CTs are a complementary or alternative approach to in-kind assistance that can address all four pillars of food security including:

- **Food access** – CTs provide beneficiaries with purchasing power and immediately increase access to food as well as to essential agricultural inputs, goods and services.
- **Food availability** – FAO-supported CTs are usually linked to agricultural production support, such as increased access to irrigation, quality seeds, fertilizers or extension services. CT programmes can enable labour-poor households to access hired labour or hours of mechanization. CTs also stimulate agricultural input suppliers - such as those producing improved seeds and high quality, locally adapted farming tools - and their relationships with end users.
- **Utilization of food** – CTs with a nutrition training component, on-site nutrition messaging or measures to help improve dietary diversity (e.g. through vegetable production) contribute to a better use of food and higher quality diets. CTs increase the purchasing power of beneficiaries and help offset the risks of nutritionally vulnerable populations buying less expensive, lower-quality food.
- **Stability of food supply** – Over a period of several months, CTs “bridge” hunger seasons, thereby preventing seasonal malnutrition among vulnerable populations. Sustained and predictable CT programmes have proven effective in reducing debt, and increasing savings and productive investment, even in areas that are subject to recurrent crises.

## ● CTS IN FAO'S EMERGENCY AND REHABILITATION OPERATIONS

In line with global trends, FAO has increased its support for CT interventions over the last decade, gaining valuable experience and expertise in CT programming. To date, the Organization has reached over 2.4 million households in 25 countries. In 2012, FAO formalized its role and position on CTs and standardized its approach to CT programming (see *FAO Policy on Cash-based Transfers*, 2012).

### Choosing when and why to use CTs

FAO pursues CTs in combination with, or in place of, in-kind/direct transfers. Generally, FAO supports the use CT interventions when: (i) the supply of food, agricultural inputs or other commodities is adequate and markets are functioning, or (ii) when a CT injection would stimulate a new or better functioning supply chain, or (iii) when a CT intervention would contribute to increase the impact of long term measures to achieve food and nutrition security and eradicate hunger, in order to:

- address food insecurity caused by a lack of access to food and essential agricultural inputs, goods and services (e.g. weak or insufficient purchasing power, rather than limited availability);
- save lives, restore livelihoods and increase resilience to disasters, conflicts, food chain emergencies and economic shocks;
- empower vulnerable producers through greater choice in selecting and obtaining commodities, inputs and services compared with in-kind assistance;

- stimulate the private sector by promoting collaborative networks and links between producers and suppliers of goods and services; and
- promote more appropriate assistance mechanisms (including reducing the need for food aid), and expand the range of context-appropriate tools into programme strategies that address complex risks and vulnerabilities.

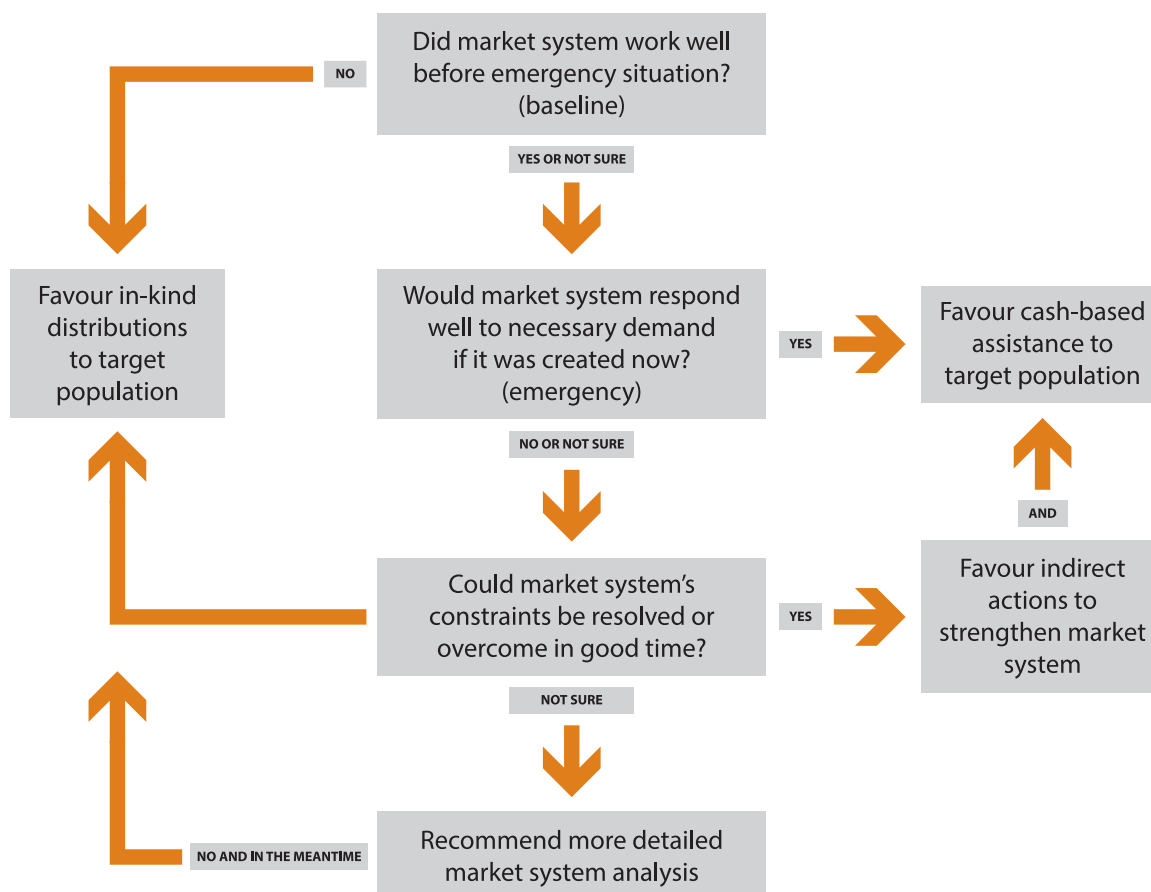
### Programming checklist:

When programming CTs in emergency and rehabilitation interventions, FAO applies the following checklist:

1. **Needs assessment** – All FAO-supported CT interventions are needs-driven, beginning with a comprehensive needs assessment to gain a full understanding of the policies and mechanisms in places, and the prioritized requirements of the populations that the programme seeks to assist.
2. **Response options analysis** – To determine how context-specific needs can be met, where feasible, FAO applies a Response Analysis Framework (RAF<sup>2</sup>) to take into account the necessary enabling environment to implement CTs (e.g., supportive transfer infrastructure, organizational and local capacity, etc.) and associated risks. This analysis indicates whether or not there is a potential role for CTs as part of a comprehensive programme.
3. **Market and supply chain analysis** – Market analysis explores how local markets function (either under normal conditions or in the aftermath of a crisis), how they would respond to CT interventions, and what risks and opportunities need to be monitored. Decisions on the use of CT response options are frequently not an “either/or” question, but rather market analysis may suggest a need to support both demand and supply issues, i.e. with a combination of CT and in-kind support and other possible needed measures or blend of responses. Several decision trees exist to facilitate this process (see the Emergency Market Mapping and Analysis Tool [EMMA] in [Figure 1](#) for an example)<sup>3</sup>.

Given a needs assessment, a consideration of response options and market analysis, it is possible to decide whether a CT is feasible, appropriate and good value for money within a specific context.

**Figure 1: the EMMA toolkit**



## FAO-supported CTs: Guiding Principles

All CT initiatives supported by FAO must:

- ✎ **Support the Organization's mandate** – i.e. “to raise levels of nutrition, improve agriculture productivity, better the lives of rural populations and contribute to the growth of the rural economy”, and **contribute to the Organization's strategic framework**. To this end, FAO-supported CTs should address reducing vulnerability and enhancing resilience.
- ✎ **Align with national development priorities** as defined in the relevant FAO Country Programming Framework (CPF) and national social protection systems, safety net programmes and disaster risk management policies and strategies.
- ✎ **Address food and nutrition security** – CTs should directly assist targeted populations to meet requirements for adequate and balanced diets. CT programmes alone may not ensure the consumption of micronutrients. FAO may need to accompany CT activities with targeted micronutrient supplementation programmes and nutrition education measures, especially in times of livelihood stress .
- ✎ **Minimize and mitigate potential market distortions** – except those intended by the programme (e.g. reduced prices through increased competition). CTs should ensure an adequate range of choice and quality of goods and services offered, as well as limit monopolistic behaviours.
- ✎ **Promote strategic partnerships** – CTs should be guided by the participation of appropriate stakeholders, e.g. local authorities; Ministries of Agriculture, Social Welfare, Livestock, or Rural Development; national and regional/provincial disaster management authorities; relevant financial institutions; civil society; traders; producers; and end users throughout the programme cycle.
- ✎ **Address gender and social inequality concerns** – CTs should take into account competing demands on time and the different gender roles, needs and challenges facing the subgroups within targeted populations (women, men, children, youth, elderly, people with disabilities and the infirm) and address context-specific gender and social inequality issues in CT programming.
- ✎ **Include transparent beneficiary targeting criteria and selection methodology** to ensure that CT interventions benefit vulnerable populations and support agricultural production and food and nutrition security.
- ✎ **Involve specific measures to ensure accountability to affected populations** – The issue of accountability is closely linked to targeting, gender and protection issues. Specific accountability measures FAO can incorporate into its CT interventions include adopting a set of code of conduct principles (including targeting criteria and processes) that are clearly shared with communities and incorporating a beneficiary complaint/feedback mechanism.
- ✎ **Establish a clear exit strategy from the outset** – CT programmes should be designed, when possible, to ensure beneficiary graduation and feed into national agricultural extension initiatives and private sector agricultural input value chains, as well as be aligned to existing social protection and employment policies and programmes.
- ✎ **Involve adequate implementation capacity and infrastructure** – CTs require and can further strengthen adequate human resources with appropriate skills, procurement and distribution capacity within relevant government institutions and operating support agencies (e.g. FAO).
- ✎ **Be planned and implemented in a timely manner** – CTs should take into consideration agricultural seasonal calendars, livestock migrations, the sequencing of coping strategies or other time-critical aspects.
- ✎ **Aim to maximize value for money in terms of economy, efficiency and cost-effectiveness** – Value for money in CT programmes can increase if the transfer is repeated over the years: once the set-up costs have been incurred, the only operational costs are those of management and targeting, while efficiency is improved through learning from implementation.
- ✎ **Include proper monitoring systems** – From the very beginning, CT programmes should envisage and implement a monitoring system specifically adapted to the intervention's objectives and potential risks to ensure that CT programmes achieve their intended results.
- ✎ **Be evaluated and lessons learned disseminated** - As part of the monitoring process, collect baseline and follow-up data to measure impact on food security and other related indicators. The results will build on FAO's CT programming and knowledge generation for the public good.

## Using CTs to link Crisis Risk Management, Emergency, Transition and Development initiatives

FAO promotes a full cycle approach to crisis risk management, which involves disaster risk reduction measures (prevention, preparedness and mitigation), emergency response, recovery and rehabilitation. FAO can integrate CTs into its programme strategies at every stage of the crisis risk management cycle. For example:

- **Prevention** – Public works (cash/voucher/food-for-work) programmes used to construct and rehabilitate water catchments to reduce the negative impacts of future droughts.
- **Mitigation** – Public works programmes used to construct earthquake-proof fish ponds and flood-safe seed and storage infrastructure or to undertake routine clearing of drainage systems and canals.
- **Preparedness** – Contingency planning measures – such as establishing and mapping local input producer and trader networks, organizing voucher or input trade fair schemes and training FAO staff or relevant stakeholders in managing such schemes in preparation for efficient emergency operations.
- **Response** – Timely destocking of livestock can provide affected families with an immediate source of food and cash, as well as preserve the availability of pasture, water and tsetse fly-free areas necessary for the survival of core herds of foundational breeding stock.
- **Recovery** – The use of vouchers for restocking livestock to recover pastoralist and agropastoralist livelihoods or provide access to agricultural inputs necessary to re-establish cropping cycles missed as a result of crisis.
- **Rehabilitation** – Public works schemes to repair damaged irrigation canals and feeder roads, or providing vouchers for hours of mechanization to clear land after floods.

There are important linkages and two-way relationships between humanitarian and development initiatives with respect to CTs. FAO can support the application of CTs in its core programmatic areas to mitigate risks before a crisis strikes, as a powerful instrument in humanitarian action, to promote post-crisis recovery, and to facilitate longer-term development as part of a broader social protection agenda. Humanitarian-financed cash-for-work, for example, can be transformed into developmental public employment programmes and linked to national safety nets, while social protection programmes should always include contingencies linked to early warning to facilitate timely, systematic responses to crises.

## Partnerships a must for cash-based transfer programmes

There are an increasing number of governments strengthening their use of CTs in social protection systems and safety net strategies with the support of United Nations (UN) agencies, bilateral donors, Non-governmental Organizations (NGOs), the private sector, beneficiary communities and other relevant stakeholders. FAO works in partnership with these stakeholders to support governments by providing its technical expertise and, when necessary, implementing CTs in a broader framework of social protection for populations whose livelihoods depend primarily on agriculture, livestock, natural resource management, forestry and fishery practices. FAO believes such partnerships are essential in the global fight against hunger, and is committed to investing the (at times additional time and) effort required to negotiate strategic, technical and operational divisions of labour that underpin successful partnerships.

## Country case studies

### 1. Vouchers: China (paper) and Zambia (electronic)

- The electronic-voucher (e-voucher) scheme was first piloted in Zambia in October 2010 through a European Union Food Facility (EUFF) project, illustrating how the private sector (agrodealers) can be encouraged and partnered with a project at the local level, contributing to enhanced input availability and distribution and stimulating local economic development. The project allocated a total of USD 1.3 million to 12 296 farmers through 67 agrodealers in 28 districts. The use of e-vouchers has stimulated competition among the agro-dealers and facilitated the creation of client-supplier relationships between smallholder farmers and local agrodealers, whose businesses have been significantly enhanced by the EUFF project. The voucher scheme was also linked to capacity development in conservation agriculture practices, helping to increase production and create awareness among smallholder farmers of the efficiency and sustainability of conservation agriculture as opposed to traditional farming systems. This system has empowered farmers to make decisions on the choice and variety of crops to grow and which conservation agriculture tools to use.

*Source: Final report of the EUFF Programme: "Foundations for Future Actions".*



- In China, the agricultural input voucher system was first introduced in 2008 during FAO's post-Wenchuan earthquake emergency and rehabilitation programme in Sichuan Province, where input needs were diverse and where it was difficult to identify the "lead" crops to be provided directly. The pilot agro-input voucher programme included three projects that were carried out in Anxian and Mianzhu and collectively involved 2,037 households for a total input value of USD 212 475. Simultaneously, a study was commissioned for the College of Economics and Management at Sichuan Agricultural University to evaluate the use of the voucher approach in FAO's earthquake response programme by conducting a cost-benefit analysis of the voucher approach to agricultural rehabilitation in earthquake-hit areas. The results indicated that, given the project expenses – including direct and indirect costs – voucher distribution programmes were more effective in assisting agricultural rehabilitation than direct input distribution. In addition, a preference survey of 454 households was used to verify the result of the cost effectiveness analysis, showing that 55.5 percent of the surveyed farmers preferred a voucher system to direct input distribution, while only 17.2 percent preferred the opposite.

*Source: Final report of project OSRO/CPR/801 BEL: "Agricultural rehabilitation in earthquake affected counties of Sichuan province".*

## 2. Input trade fairs: Lesotho

- In Lesotho, FAO has been working with the Ministry of Agriculture and Food Security to plan and implement input trade fairs since 2007. While under normal circumstances the long distances travelled for such services often prevent communities from accessing them, the fairs have become a social event, attracting wide attention and bringing together a great concentration of people in remote areas. Many local farmers, even those not selected as project beneficiaries, also attend the input trade fairs, and some farmers have even purchased inputs with cash to use for their own agricultural production. The fairs have also provided a market for local producers of quality open pollinated variety seeds, which are not always available from commercial suppliers. Additionally, input trade fairs implemented through the EUFF programme have increased farmers' access to HIV and AIDS testing and information throughout the country by inviting Population Services International to provide these services during the fairs.

*Source: Final report of the EUFF Programme: "Foundations for Future Actions".*

## 3. Cash-for-work: Somalia

- The FAO Somalia office has been working with cash-for-work programmes since 2008. When famine was declared in three regions of Somalia in July 2011, FAO was able to very rapidly upscale its cash-for-work programme to provide immediate relief to vulnerable households as part of its USD 70 million emergency crisis response. FAO's cash-for-work programme sought to provide immediate relief to populations in need and build livelihood resilience by offering remunerated work opportunities to rehabilitate productive assets and rural infrastructure (e.g. water catchments, bush clearing of feeder roads, river embankments and secondary canals) to 130 000 households (780 000 individuals), which accounted for 46 percent of all rural households affected by the crisis, 30 percent of whom are women. Through this measure, vulnerable households were able to meet part of their consumption requirements, manage debt and limit the depletion of productive livelihood assets.

## 4. Destocking (cash-for-animals): Ethiopia

- FAO uses slaughter destocking as a last-resort intervention in response to droughts . Cattle, goats and sheep are purchased from poor and vulnerable households before the effects of the drought devastates the animals. The animals are slaughtered for meat and then distributed to other poor households in the area for consumption. In Ethiopia, where FAO has been working with slaughter destocking since 2010, the approach is community driven and organized through community participation – all the animals slaughtered are purchased directly from pastoralists who are selected by their communities, and the beneficiary targeting and selection criteria, as well as the slaughter date, place and frequency are unanimously agreed on by the community. To date, FAO's slaughter destocking activities in Ethiopia have contributed to improving food consumption of close to 200,000 households through meat distribution, primarily of sheep and goats.


## ● RESOURCES/FURTHER READING



### A - Guidelines and Manuals on Cash-based Transfers Mechanisms

- ✦ FAO Policy on Cash-based Transfers (FAO, 2012) – includes extensive references to FAO and other agency guidelines and manuals on cash-based transfer mechanisms.
- ✦ FAO CT Operational Guidelines: (i) “*FAO Guidelines on Public Works*” (cash-, voucher- and food-for-work); (ii) “*FAO Guidelines on Voucher Schemes and Input Trade Fairs and Guidelines*”; and (iii) “*FAO Guidelines on Livestock Destocking and Restocking*”. (FAO, forthcoming)
- ✦ **Cash Learning Partnership** (CaLP): <http://www.cashlearning.org/>: for links to a wide range of studies and tools on cash-based transfers.





## ● FOOTNOTES



1. (page 1) - This guidance note is derived largely from FAO Policy on Cash-based Transfers. For full references and footnotes please consult that paper:
2. (page 3) - Guidance on the RAF is available at: <http://www.fao.org/emergencies/what-we-do/emergency-relief-and-rehabilitation/response-analysis/en/>.
3. (page 3) - The Emergency Market Mapping Toolkit (EMMA) (Albu, M., Practical Action Publishing, 2010)



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