



Guidance to partners funded by the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) to deliver large-scale cash transfers

Overall principles

In times of globally increasing humanitarian needs and limited budgets, the European Union is committed to increase efficiency, effectiveness and strategic impact of the humanitarian assistance it is funding. This commitment has been expressed in the context of the World Humanitarian Summit and in particular by signing up to the Grand Bargain in May 2016.

The use of cash transfers is proven to improve the efficiency and effectiveness of humanitarian assistance and to result in more aid directly reaching beneficiaries. This is good for beneficiaries as it offers dignity, choice and flexibility and gives better value for money for donors and taxpayers.

The EU has a long-standing commitment to the use of cash, where it is appropriate to the context. This is grounded in the policy and operational work of the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO), hereinafter referred to as DG ECHO, and is backed up by the political endorsement of Council Conclusions on cash assistance, adopted in June 2015. The evidence base supporting the use of cash is extensive, including the European Commission's evaluation on the use of different transfer modalities¹.

In order to further clarify expectations and advance the use of cash at scale, DG ECHO has developed this Guidance for its partners who will propose cash operations at scale for funding. This Guidance is addressed to all of DG ECHO's humanitarian partners, be the UN, international organisations, the Red Cross movement or NGOs – as well as non-humanitarian actors with whom DG ECHO may work to implement elements of cash programmes depending on the context and merit.

The Guidance is grounded in the principles of enhanced effectiveness, efficiency and transparency. It will favour streamlined contracting arrangements, based on a single delivery system for cash, where feasible and/or desirable, according to the specific context, which will in turn foster strengthened accountability and visibility. Coordination and a partnership approach that encompasses a wide range of actors, humanitarian and others are key elements of the approach. The Guidance equally aims to enhance transparency and the comparability between costs in humanitarian responses.

Objective and scope

The overarching objective of the Guidance is to ensure that assistance gets to beneficiaries more effectively, efficiently and directly, in a manner that is appropriate to the context and the phase of a crisis. Central elements of the Guidance are common targeting criteria; a single registry or at least interoperable registries of eligible beneficiaries; a single payment mechanism delivering standardized

¹ Evaluation of the Use of Different Transfer Modalities in ECHO Humanitarian Aid Actions 2011-2014

transfer values through a single financial service provider, allowing top-ups by other agencies; a common feedback/grievance system; and a common results framework. Other elements that will be added progressively are the separation of the delivery of cash transfers from the other elements of the project cycle and independent Monitoring, Evaluation, Accountability and Learning (MEAL).

This is in line with internationally accepted principles on the segregation of duties and enhances efficiency, accountability and transparency. The Guidance can be applied partially, and progress to a full implementation depending on the context and the phase of the crisis: this will be considered on a case-to-case basis.

The option of continuing to operate as we do today, that is, delivering a programme from start to finish through a humanitarian partner in cases where such arrangements are considered satisfactory from the perspective of effectiveness, efficiency and transparency, is fully compatible with the Guidance. The option of applying a full separation of the components is introduced as there will be situations where this is possible in the short term. The Guidance will therefore apply, in a progressive way, principally where DG ECHO, alone or in close coordination with other donors, is providing large-scale funding² to deliver cash transfers in a given country or for a given crisis and where cash transfers make up a significant part of the overall response. The Guidance applies principally, but not exclusively, to protracted crises, where beneficiary numbers remain relatively stable and where a degree of forward planning and preparedness can take place.

However, a harmonised cash transfer programme approach and independent MEAL should become the norm in any context, based on established best practices.

The Guidance has been developed with the intention of having multi-purpose cash transfers that meet basic needs. It is nevertheless recognised that cash responses designed to meet sector specific outcomes may also come under this remit (e.g. shelter).

Programme design and delivery must take place in accordance with DG ECHO's policies and guidance. Particular attention will be paid to ensure coherence with cross-cutting issues such as protection, gender, age, the disabled, ill and infirm, and all of those with special vulnerabilities, recognising that additional efforts will often be required.

Key elements of the Guidance

Delivery of assistance in the form of cash transfers has three principle 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, 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 functions serve the wider humanitarian response to meet basic needs. Delivery of in-kind assistance, services and any other support required are also covered by this component.

² While the threshold is indicative and context dependent, the Guidance is expected to apply to operations where cash-based assistance of approximately €10 million or above is envisaged either from DG ECHO funding alone or including funding from other sources.

- **Component B:** covers the pure delivery of the cash transfer, including financial service providers' fees, card issuance and other financial transaction costs.
- **Component C:** covers the independent Monitoring, Evaluation, Accountability and Learning (MEAL) of the entire programme. This component will be subject of a separate contract.

A multi-partner approach will be encouraged, particularly where this gives greater operational flexibility and demonstrates its efficiency and effectiveness. The relationship and responsibilities of partners working in a consortium need to be well defined and transparent, especially with regards to operational costs, reporting and the case-load covered by each consortium member. A functional distribution of tasks within a consortium may be appropriate and facilitate transparency.

The overall operation will follow the framework of a normal project cycle (see figure 1). The sequencing and partition of responsibilities means that component A would provide all the analysis, data and evidence that would allow component B to actually achieve or conclude arrangements to carry out the payments to the beneficiaries and to ensure that the feedback loop functions effectively. 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 contracted 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 contracted, through a grant or service agreement. Requirements on reporting and visibility will remain the same as today. In particular card/delivery mechanisms retained should display a logo in accordance with DG ECHO's visibility requirements.

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 as compared to the cost of delivery and core support activities. This will be an important element in the process of assessing and comparing different funding proposals.

- For the programme as a whole, the Total Cost to Transfer Ratio (TCTR)³ is a standard way of measuring efficiency, defined as the proportion of the value of transfers received by beneficiaries to the total programme cost. A combined efficiency ratio of well above the minimum 85:15 should be achieved for Components A and B when taken together. Particularly, for the delivery of the cash transfers part of the programme (component B), significant efficiency gains can be made by de-linking the volume of funds transferred to beneficiaries and other costs (i.e. by separating the amount transferred to beneficiaries from the other costs such as the issuing and distributing of cards/SIM cards, the cost of mobile money transactions, the negotiating and tendering the contract with the financial service provider and any other costs). This would allow greater transparency of the various cost items but would also reflect the fact that certain of these costs are independent of the volume of funds transferred to beneficiaries.

³ The TCTR is explained in more detail in the Evaluation of the Use of Different Transfer Modalities in ECHO Humanitarian Aid Actions 2011-2014

DG ECHO considers the data resulting from the registration of beneficiaries as a global public good, with the information needed to execute a transfer made available to the organization(s) responsible for Component B. Guarantees on the protection of all personal data, respecting international and national data protection standards, need to be put in place.

Accountability, transparency, independence and governance need to be ensured to the highest standards, in line with Inter-Agency Standing Committee (IASC) principles on Accountability to Affected Populations (AAP). Partners should duly consider and take measures to mitigate against all risks, including those associated specifically to cash transfers. As for any humanitarian aid programmes, alternative scenarios and contingency measures need to be foreseen and included in the risk analysis, given that humanitarian contexts can evolve quickly.

DG ECHO is committed to working closely with its traditional humanitarian partners. However, we are open to exploring other partnerships, with, for instance, the private sector and or multi-lateral development banks, as well as with academia, where this is in the best interests of the beneficiaries.

DG ECHO will be conducting a Preliminary Market Consultation to explore feasibility and practicability on how to implement cash transfer programmes with a variety of humanitarian and non-humanitarian actors.

Coordination with donors, national and local authorities and other actors

In order to foster greater coordination and ultimately more effective responses to those in need, with opportunities for synergies exploited, the EU will engage in a policy dialogue on this Guidance with other interested donors, with the aim of harmonising cash transfers in a given country or crisis.

Close coordination is also expected with social protection systems including safety nets, which may, if present, be both an entry and exit point for cash transfers. Transfers could be aligned in terms of value and delivery systems to existing social protection systems where they exist and are functional. In the absence of such systems, or where they are nascent, humanitarian and development actors have a role to play in supporting shock-responsive elements of social protection systems for the most vulnerable, and in laying the basis for more durable solutions. In this regard, cooperation with development actors, national and local authorities will be necessary.

Often, the same programme will include a mix of responses and modalities. Coordination with all actors on aspects other than delivery of cash assistance, as well as those which concern the delivery of in-kind assistance or services, is essential.

Desired outcomes of cash transfers may also be greatly enhanced through complementary modalities that are sector-driven. For example, a cash transfer that includes a rent component may be enhanced by legal advice on tenancy security; nutrition education and behaviour change has been shown to improve nutrition outcomes of cash in food security crises. These aspects will be developed further in the progressive implementation of the Guidance.

Application and review of the Guidance

The Guidance, as revised, applies as of the 2018 funding cycle. Lessons learned and first experiences will be assessed on a continuous basis and shared with partners.

Figure 1. Schematic of Components A, B and C

