Cash transfer programming (CTP)

## Frequently asked questions

* **What is cash transfer programming?**

CTP represents all forms of cash and voucher-based assistance. It is **one of the available response options for supporting people affected by humanitarian crises**. Its use is driven by the operating context. Appropriate CTP has a role as an alternative to or to complement in-kind assistance. CTP is not a sector in its own right: it is simply an instrument that can be used to meet specific objectives in particular contexts and sectors of response.

CTP is an effective and flexible mechanism for saving lives, protecting livelihoods and strengthening recovery from disasters that not only **improves choice and dignity for disaster-affected communities but also can be quicker and more cost-effective than in-kind-based assistance. Also, it can stimulate local livelihoods, economies and markets** and ensure that harm is not done to the local economy through our humanitarian response.

* **What are the main advantages of CTP?**
* **Choice:** It offers flexibility to cater for the diverse needs of those affected by disasters and conflict.
* **Timely and cost-efficient:** It can be more timely than other response options and save on logistics costs for bringing relief items to beneficiaries.
* **Dignity:** It preserves people’s dignity by transferring more choice to them on how and when cash is spent.
* **Support for local market:** It contributes towards the recovery of the local markets and economies, which are essential for people’s daily lives and recovery.
* **What are the different ways (delivery mechanisms) people can receive CTP?**

The most frequently used CTP delivery mechanisms can be grouped into three categories:

1. Cash grants or cash-for-work payments through third parties/transfer companies (banks, post offices, remittance agencies, pre-paid cards, mobile phone providers).

2. Cash grants or cash-for-work payments made through direct cash payments by IFRC/ICRC/the National Society.

3. Commodity and/or cash vouchers distributed through traders/third parties to be redeemed in appointed shops.

All of these options can be combined with in-kind assistance and service provision such as health care. This will depend on the programme objectives and the targeted beneficiaries’ preferences.

* **What is the difference between conditional and unconditional cash transfers?**

**Unconditional cash transfers:** are given with no conditions as to how the money should be used. Unconditional and universal cash grants are the preferred choice for the International Red Cross and Red Crescent Movement (the Movement) during the relief response as it allows for more flexibility to respond to people’s various needs and allows for a more rapid response.

It is assumed that, if basic needs have been identified in the assessment, the money will be used to cover these needs. The transfers can be given as one-off payments, can be repeated or can be given as varying amounts over periods of several months.

**Conditional cash transfers:** are given to the recipient for a specified purpose or against specific conditions, such as starting a business, buying agricultural tools or products, attending healthcare services or sending children to school. As long as they respect the agreed purpose, the beneficiaries are free to use the amount of cash put at their disposal to choose the type, quality or quantity of products they wish to buy.

This includes cash for work, cash grants or vouchers for purchasing specific goods.

* **What is the difference between the different types of vouchers?**

**Cash voucher:** has a specific monetary value and can define a service and an item or range of items for which the voucher can be exchanged.

**Commodity voucher:** is exchanged for a fixed quantity of goods or services at the shops or markets participating in the scheme. Commodity vouchers enable the agency to impose upon the beneficiaries a given type and quality of items.

* **When is CTP appropriate?**
* **Pre-disaster:** to prepare for a predictable shock or as part of a disaster risk reduction programme
* **Initial relief stages:** to meet immediate, essential food, non-food and income needs and/or to protect/re-establish livelihoods and provide shelter
* **Recovery:** to help re-establish/support livelihoods and/or provide **transition period** shelter or short-term labour opportunities for the benefit of the community
* **In permanent/chronic crises:** to contribute to poverty alleviation, shift from humanitarian programming to social assistance, address essential food and non-food needs and support/establish livelihoods
* **During conflict:** to meet immediate needs and contribute to livelihoods support.
* **When is it best to decide whether or not to use CTP in a relief or recovery response?**

CTP follows the project cycle process. This means that the decision on whether or not to include CTP in a response will depend on the preparedness, assessment and response option processes. The decision to use CTP will be linked closely to **appropriateness** and **feasibility**. **Appropriateness** refers to how CTP can meet a specific target group’s needs in line with programme objectives and time lines. **Feasibility** refers to the operational capacity in terms of context and the capacity of the Movement to use a CTP modality to achieve intended aims. Appropriateness and feasibility questions require an understanding of market dynamics as well as the preferences of the intended target groups.

* **What conditions need to be in place for a CTP to be considered?**
* A functioning market which intended beneficiaries and traders can access
* Political acceptance for cash transfers from the government and the National Society
* No excessive taxation of goods (which may lead to increased prices or hamper the ability of the market to provide necessary items)
* A functioning and reliable delivery mechanism (banks, remittance companies, mobile phone network, etc.) through which payments can be made to beneficiaries
* A reliable beneficiary identification system
* Clear communication with communities
* Existence of a clear withdrawal strategy
* Acceptable security levels and risk assessment of any possible threats to staff and beneficiaries.
* **Why is market analysis so important in CTP?**

Market analysis is linked closely to CTP feasibility and is part of the initial assessment process and the monitoring of the response. CTP is appropriate only when the market can meet the new demand for commodities – it is a supply and demand equation. If there is a scarcity of goods in the market, this demand will drive the prices up. The Red Cross Red Crescent has developed a Rapid Assessment for Markets (RAM) tool which should be referred to for market assessment and is included in the Cash in Emergencies Toolkit. Any market assessment or cash feasibility assessment should be undertaken by multidisciplinary teams, including technical experts from different programming sectors, logistics and security, with any further functions represented as needed. Physical access to markets after natural disasters and during conflict must be considered as well as how often markets are open for business.

* **How much experience does the Movement have in CTP?**

For the Red Cross Red Crescent, the question is no longer whether cash is an appropriate option to meet the needs of people in crisis but how we can use cash transfers to best effect. The members National Societies of the IFRC have long histories of using CTP in disaster response. The Indian Ocean tsunami (2004) response was a turning point for the Red Cross Red Crescent and CTP has been used in all major emergencies since then, including the Pakistan earthquake(2006), Cyclone Sidr in Bangladesh (2007), the Haiti earthquake (2010), the Pakistan floods (2010), the Sahel crisis (2011) and the Philippines typhoons (2013 and 2014).

In 2014, over 50 per cent of the IFRC Emergency Appeal contained CTP to meet multi-sectoral or sector-specific emergency needs with consistently high use in the Asia-Pacific Zone and increasing use in the Americas and Africa Zones. Also, the DREF has seen a consistently steady increase in the use of CTP, year on year, over the last three years.

CTP has been used by the Movement to deliver many programme objectives, including:

* responding to basic needs (food and non-food) immediately after a disaster
* strengthening household economic security
* rebuilding stocks and productive assets
* improving dietary diversity
* pooling cash to undertake community development projects
* improving access to markets and health care (purchase of transport to improve access)
* preventing the sale of productive assets
* boosting of local economies
* reducing the economic burden on host communities
* supporting education
* reconstructing shelters (including temporary and transitional shelters).
* **What are the most common concerns with the use of CTP?**
* ***Everyone is interested in receiving money so CTPs will cause targeting problems.***

It is precisely because everyone affected by a disaster or conflict is interested in receiving money if it helps them recover, that the Red Cross Red Crescent has a big responsibility to target interventions appropriately. The provision of cash alone is unlikely to be sufficient to meet everyone’s different needs. Cash transfers are linked often with in-kind support and service provision activities. The Red Cross Red Crescent will need to match specific assessed needs with the intended cash transfer modality and delivery mechanism suited for that target group. By understanding how the cash transfer contributes to household needs, the CTP can be designed to simplify the identification of the target group both geographically and at livelihoods or household level. Targeting approaches and selection criteria will need to be developed with the community in mind, ensuring strong verification methods, monitoring systems and communication. Exclusion and inclusion errors in CTP can be monitored through a robust complaints and feedback mechanism.

* ***Giving out cash may cause local traders to increase their prices and cause price inflation.***

CTP usually amounts to only a small part of the local economy and evidence shows that it does not lead to long-term inflation. However, short-lived changes in prices have been observed as market actors respond to the increased demand for certain goods. The Movement has developed tools to help you assess market response capacity and market price data analysis; these are designed to assist you to ensure that the value of the cash transfer and the delivery mechanism chosen help reduce the likelihood of inflation caused by the programme delivering cash to beneficiaries. Regular monitoring for inflation caused by external factors to the programme will help you identify whether the value of the cash transfer needs to be adjusted in accordance with new market prices.

* ***Beneficiaries will not spend cash on the ‘right’ things (e.g., they will use cash for buying alcohol).***

CTP follows the project cycle, from assessment to monitoring and evaluation. Research evidence and post-distribution monitoring has shown that when needs assessments and targeting are accurate, beneficiaries do use cash transfers to meet the needs for which they were intended.

Also, the National Societies can engage with the communities on how to be responsible with the cash grant by putting in place regular monitoring systems to detect changes in context and possible allocation of cash to unexpected purchases. A strong communication system with beneficiaries and local traders will allow the Movement to minimize the misuse of cash transfers. In-kind transfers are equally subject to misuse as beneficiaries may sell in-kind goods in the market to purchase other preferred items.

* ***Giving cash will cause problems within the household such as an increase in domestic violence.***

Research evidence shows that the presence of cash in the household is actually more likely to reduce tension as it can contribute to meeting household needs. This issue needs to be addressed during the assessment phase, which should include an analysis of how household members usually allocate cash expenditures at home (e.g., who normally buys food or who, normally, is responsible for covering medical care costs). Also, Red Cross Red Cross teams should discuss with the communities to what extent this may be an issue and how it could be mitigated for the target beneficiaries.

* ***Are there security risks for the implementing organization in transporting cash to beneficiaries and for beneficiaries as they take the cash home or to the market?***

CTP offers options for delivering cash through third parties, using banks, post offices, remittance agencies, pre-paid cards and mobile phone providers. This reduces the amount of cash that Red Cross Red Cross teams have to handle. When direct cash payments through the Red Cross Red Cross/National Society are used, risk-mitigation measures can be put in place to make it more difficult for anyone to know when the cash is being transported.

Decreased security risks to the beneficiary also apply when third-party payments are chosen, as the beneficiary can then choose when to go to the bank or post office to collect their money rather than be seen in a queue along with all other cash transfer beneficiaries. When direct cash payments are used, the Red Cross Red Cross team can choose more regular and smaller payments or community-level support systems for more-vulnerable members of the community. Increased monitoring activities and strong communication with the community on the purpose of the cash grants will help reduce the risk, also.

* **Who is involved in a CTP response?**

CTP requires cross-functional collaboration and coordination in order to ensure that it is performed efficiently and to the standards demanded by donors. A joint initial planning meeting between the Logistics, Finance, Programmes and Security departments should take place at the start of an operation to clarify the roles and responsibilities of each department in the CTP.

The IFRC Secretariat, the ICRC and some National Societies have developed their SOPs for CTP already; these clearly separate the roles and responsibilities at each stage of the programme.

* **How can I achieve more National Society buy-in for using CTP?**

The increased use of CTP in the Red Cross Red Crescent is linked to management buy-in for this response option.

The Red Cross Red Crescent has devised a number of tools to help you assess how ready your National Society is for considering CTP as part of a relief and recovery response.

* **Where can I find more information on CTP in the Movement?**
* For access to a range of CTP resources (Red Cross Red Crescent Movement CTP guidelines, case studies etc.) please visit the IFRC CTP FedNet page:

<https://fednet.ifrc.org/en/resources/disasters/disaster-and-crisis-mangement/disaster-response/cash-based-programming/resources1>

* For dedicated International Red Cross Red Crescent Movement CTP videos, visit: [www.youtube.com/playlist?list=PLrI6tpZ6pQmRg2nU1MEsxiKdMKPABKmlQ](http://www.youtube.com/playlist?list=PLrI6tpZ6pQmRg2nU1MEsxiKdMKPABKmlQ)