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# **Introduction**

Where rental payments are included as a component of the rental assistance it is important to carefully design and plan for them. This will include:

* Establishing the rental payment transfer value
* Reflecting on the duration of assistance and considering tapering the assistance
* Considering associated payments (deposits, etc.)
* Considering the transfer mechanism
* Considering conditionality and restrictions
* Working with finance to ensure timely payments and adequate documentation for audit purposes

Although it is recognised that there will be differing needs of households and some will have more financial resources than others, it is necessary to standardise to some extent to enable to smooth running of the programme. The following recommendations are made:

Tools and examples from the toolkit, that may be useful to assist here include:

* 2.1.6\_Example\_PaymentsForecast\_RentalAssistance.xlsx
* Simple table used to forecast rental payments to show cumulative number of transfers that may take place each and total value of those payments. Could be helpful to generate similar to aid discussion with finance.
* 2.1.6\_Example\_PaymentsForecast\_SK\_RentalAssistance.xlsx & 2.1.6 Example\_ShelterEncashmentPlanSK\_RentalAssistance.xlsx
* Forecasts and Encashment plan used as part of the 2022-2023 Ukraine response in Slovakia. Worth looking at both examples, since they are slightly different in terms of setup and detail.

# **Establishing the rental payment transfer value**

From the rental housing market assessment, it is necessary to establish the transfer value that will be used each month for different rental accommodation units (e.g. 1 bedroom, 2 bedroom apartment etc.). It is recommended that:

1. this is kept at an affordable average of that found from the rental market assessment for the unit of interest (e.g. 1 bedroom, 2 bedroom apartment etc.), so that:
   * those assisted are able to find accommodation that meets their needs and that they could feasibly continue renting once the rental payment support ends. i.e. consider the exit strategy.
   * decrease the risk of causing inflation in the market
   * decreases the risk of social tension. Set the transfer value too high and the host community may feel that the RC is enabling the displaced to out compete the host community for rental properties.
2. Larger families, and those with disabilities or chronic illness may have different housing needs and so you may establish banded support tiers. For example 1 adult with 2 young children under 5 may only be supported with a 1 bed apartment, whereas 1 adult with 2 children over 5 may be supported with a 2 bed apartment. These different types of accommodation units will require direct rental payment transfer values.

On occasion it may be argued that the programme should decrease the rental payment transfer value by that allowed for housing in any multi-purpose cash assistance (MPCA). This is not recommended because the programmes may target different households, and the MPCA may cease or be scaled down, prior to the completion of the rental programme.

Note that in general, when paid to the tenant, it is recommended for simplicity of the programme and to empower the tenant to negotiate with property owners, that an amount is given based on the bands (e.g. household composition banding), not based on the tenancy agreement amount. This, to some extent can allow tenants to make small savings and use the remaining funds for other needs (like utilities for example), or to instead to add their own funds if the rent of the unit is more than what they are eligible for. This can also help in avoiding inflation in the rental market.

# **Impact of the social protection system when setting transfer value**

The social protection system can impact the transfer value in a range of ways:

* There may be a local housing allowance set by authorities as part of the domestic social protection/ welfare system, which is sufficiently low that only a very small part of the cheaper (and potentially sub-standard) rental market is accessible. When working with cross-border migrant groups it may be challenging to argue for a transfer value above the amount the domestic host population would receive, even when it is necessary to allow recipients to rent habitable properties fit for their needs, and it runs the risk of contributing to social tension. As such, the following arguments may be useful, which will need careful communication:
  + Migrants are more vulnerable groups that do not have a social network and may not be allowed to work and supplement the allowance. As such, the social welfare accommodation allowance transfer value was not designed with this group in mind.
  + The market has changed since the social welfare accommodation allowance value was set.
  + The proposed rental programme is only temporary
* The programme may hope to exit the targeted group into the social protection system and receive the local housing allowance. If this is the case and it is not possible to advocate with the authorities to adjust the housing allowance in the timeframe of the programme, then greater emphasis will need to be placed on complimentary programming related to developing income generation opportunities to help household top-up the allowance at the end of the RCRC programme.

# **Duration of Assistance and Tapering**

You will have already set the duration of assistance considering the programme objectives. It may be appropriate to taper this in the final few months of assistance for those households who have the capacity to work or access other income (remittances, pension etc.) to promote self-reliance.

Typically for a programme of 6 months, for those who have the capacity to generate income the proportion of rental payments could look like:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Month** | **1** | **2** | **3** | **4** | **5** | **6** |
| Proportion of Rental Payment | 100% | 100% | 100% | 90% | 80% | 70% |

It should be noted that it can take time to develop livelihoods, and some households may not be in a position to do this. Nevertheless, tapering does avoid a cliff-edge of rental payment support.

# **Considering associated payments (deposits, etc.)**

From the Context Analysis undertaken in Step 1 it should be clear what costs households may experience in accessing and using rental housing this may include the following.

|  |  |
| --- | --- |
| **Associated Payment to Access and Use Rental Housing** | **Recommendations** |
| Deposit | Where the assessment identifies that this is a barrier for accessing rental accommodation it is recommended to give 100% of the deposit in the first month’s payment with the monthly rental payment.  Alternatively, it may be possible when the RC is paying the property owner directly for the RC to take out some form of insurance to cover damage that could replace the need for a deposit.  Generally, the deposit should be returned to the tenant (and not the RC) to assist them with the next rental deposit or returning/moving on. |
| Move-in grants | Households often have costs associated with moving out of more temporary accommodation and into rental housing this can include costs associated with buying appropriate households items to ensure the housing is adequate for the households needs. It may also include costs associated with physically traveling with their household’s luggage.  Sometimes household items can be given in-kind. Some RC or civil society or NGO partners run thrift shops which can be asked to support in-kind with relevant household items. |
| Utilities & property taxes | The rental agreement should clearly stipulate who is responsible for paying utilities and property taxes. This should be determined by the norms of rental practices in the country.  Where it is the tenant’s responsibility it may be necessary to support these costs otherwise the tenant may struggle to stay in the accommodation with adequate thermal comfort for example. It may be appropriate to undertake orientation on how to save energy and water to reduce costs. |
| Disability and age adaption grant | Globally in most crisis up to 15% of those affected have some form of impairment. Some allowance for adaption to support a proportion of households should be budgeted for. If the programme specifically targets (through a score card) those with a disability or the over 70s for example, then the proportion you reserve for adaption should be increased from the standard 15%.  How the housing is adapted should be assessed on an individual basis for those who have impairments or age-related requirements. For example, where the target household requires specific household items they can purchase themselves (e.g. a commode, or a toilet surround safety frame) it will be appropriate to give this grant to the household. Where the property itself requires some form of adaption, such as fitting of handles in the shower which need to be screwed into the wall, this may need to be negotiated and paid for via. the property owner.  The programme should have dedicated social worker capacity to be able to consider the unique shelter needs of households who have a family member with an impairment. |

# **Rental Payment Transfer Mechanism**

From Step 1 sub-step 5 the CVA Feasibility Assessment it will have been undertaken. It is likely that this will have indicated what transfer mechanisms the RC has experience of using and has financial service agreements in place. Where the NS has limited experience of Cash and Voucher Assistance (CVA), then CVA colleagues may be assisting to setup new transfer mechanisms as part of a Multi-purpose cash assistance programme. Note that contracting a new financial service provider to make the transfers typically takes 3 to 4 months.

It is recommended that:

* The existing financial service provider (FSP) arrangements are checked to establish that they are adequate for making rental payment transfers. E.g. Can they be used for frequent monthly payments and what sort of FSP costs will this result in? Can the FSP make payments to both customers and individuals? Are there any value thresholds to the payments that they can transfer (given that shelter payments can be quite high each month compared to MPC programs)?
* For budgeting purposes identify what the FSP service fee is and also any exchange rate losses. Exchange rate losses may occur when the FSP provides an exchange rate for undertaking the currency conversion which is less than the market rate. This can be 3 to 5% with MoneyGram for example.
* Ask CVA colleagues or undertake directly to look at CVA transfer mechanism options. Even if an FSP agreement is in place it may not be suitable for rental payments or the losses may be very high for the scale of programme or the nature of rental payments which can be repeat payments. Even changing the way that FSPs that the RC currently uses can impact losses. For example, using MoneyGram but allowing the receiving bank to do the conversion rather than using MoneyGram for currency conversions can save funds.
* Consider if the RC normal payments via. bank transfer could potentially be used and would be acceptable to finance colleagues regarding administrative burden, rental payment information management and risk management etc.
* More than one FSP agreement should be in place since there needs to be redundancy in the system should the FSP fail to be able to make the payments for any reason.
* Establish with finance colleagues that they are able to make payments on the same day the tenancy commences and 1 day in advance (if this is the rental practice norm) on future months. If this is not possible discuss with finance the possibilities for payments each month. For example, this could be that rental payments will be paid twice per month. This means that the communication with tenants and property owners needs to be clear so that their expectations will be managed. For example, the programme orientation information could state: “rental payments are paid to the tenant family on either the 4st or the 20th of each month. This will mean that if for example, you signed the tenancy agreement with the first date of the tenancy starting on the 1st of the month, the first payment and the deposit would be paid within 24hrs of signing the agreement, however, subsequent payments would occur on the payment date before but as close as possible to the rental payment due date, to allow you to make the payment on time”. i.e. In this situation the tenant would be paid on the 20th of each month.

# **Payments to Property Owners**

Although it is recommended that payments are made to the tenant household to promote choice, empower them in the tenant-property owner relationship, and to promote self-reliance, in some contexts this can not always occur.

## **Paying Hotels and Hostels**

For service providers such as hostels, hotels, there is a need to make payments as per the terms agreed in the contracts, which will have gone via. a RC procurement process. It should be ensured that these service providers are paid promptly to avoid the threat of eviction of the supported households.

## **Paying private landlords of apartments and houses**

These may be private individuals or small companies who are the landlord as agreed under the tenancy. From experience in a range of rental assistance programmes undertaken by the RC these have been paid via. the same processes that are used for cash and voucher assistance (CVA) programming, and not via. a procurement and logistical process.

A discussion may need to occur with senior RC management to ensure that payments to property owners on a rental assistance programme where payment is made directly to the property owner uses RC processes that can pay in a timely manner and give the shelter programming team appropriate control to enrol a property owner into a programme or to stop a payment should a tenant move or a tenancy end.

# **Conditionality and Restrictions**

For the success of the programme (to meet specific objectives) it may be necessary to place specific conditions and restrictions on the rental assistance. Typical ones include:

* A condition that the target (tenant) household must attend an orientation meeting related to how the rental programme operates and their obligations (e.g. to inform the RC if they move and end the agreed tenancy).
* A condition that the target (tenant) household has a valid tenancy agreement in place.
* A condition that the target (tenant) household is still living in the agreed property prior to the next monthly rental payment being paid.
* Where a voucher is used to allow a displaced family to access a specific chain of hostels or hotels then this would be a restriction.

For those elements that are conditional, proof (e.g. scanned tenancy agreement, or form completed when phone call occurs to check occupancy) may need to be loaded into the information management system, which can later be checked by those undertaking financial approvals.

# **Payment in Tranches**

Although the number of payment tranches should be minimised to reduce transfer costs and to support the household’s self-reliance and normal household budgeting, for rental payments it is normal to pay per month and in advance.

**Working with Finance**

Discuss and involve finance colleagues as early as possible so they can raise any issues which may impact your programme design.

## **Forecasting Monthly Payments & Budgeting**

It can be useful to summarise the rental payment plans to assist in discussions with finance and other colleagues and to help them to be aware of cash flow needs related to the programme. An example, edited from the [IFRC (2020) Step-by-step guide for rental assistance to people affected by crisis](https://cash-hub.org/resource/step-by-step-guide-for-rental-assistance-to-people-affected-by-crisis/) , step 2, sub-step 1.6 is shown below:

|  |  |  |
| --- | --- | --- |
| **Item** | **Value & Unit** | **Notes** |
| Duration of programme | 18 months | From Assessment to Evaluation |
| Overall number of households to be supported | 500 households | Enrolled over 6 months of the programme. |
| Rental payment supported period | 6 months, for 10% of most vulnerable households they will be supported for a further 3 months. | However, note that some households may exit programme early if they return / move on etc. |
| Payment to | Target (tenant household) |  |
| Transfer Mechanism | MoneyGram (via. RedRose) to Tenant bank accounts (Euro accounts). | Only households with a Euro bank account in a local bank will be allowed to enrol on the programme. Those without will be assisted to open Euro bank account in a local bank. |
| Monthly rental payment range | 400 Euro – forecast 33% of households  500 Euro - 33% 600 Euro – 33% | Value is dependent on household composition.  Paid at start of tenancy and then at one month intervals at the payment date decided by tenancy agreement. |
| Deposit payment | 1 month of rent equivalent | Paid at start of tenancy only. Will not be returned to RC but will be returned to tenant. |
| Move-in grant | 200 Euro | Paid at start of tenancy only |
| Budget allowance for age and disability adaption | 500 Euro for 15% of Households |  |

It is also useful to forecast the number of payments and total transfer value to support the discussions with CVA and Finance colleagues.



See the examples in the rental assistance toolkit.

Note that the [Red Cross Movement Cash in Emergencies Toolkit](https://cash-hub.org/guidance-and-tools/cash-in-emergencies-toolkit/set-up-and-implementation/) uses a [distribution plan](https://cash-hub.org/wp-content/uploads/sites/3/2020/11/5_2_4-Distribution-plan-template.xlsx) and [encashment plan](https://cash-hub.org/wp-content/uploads/sites/3/2020/11/5_3_3-Encashment-plan-template.xlsx). These can be completed where the transfer mechanism is via. pre-pay card or cash-in-envelope, and further guidance can be found via. the [Cash in Emergencies Toolkit](https://cash-hub.org/guidance-and-tools/cash-in-emergencies-toolkit/set-up-and-implementation/).

The decisions taken and the forecast produced in this sub-step will feed into your budget for the rental programme. Further information is given in:

SoP\_2.1.1. -2.1.3\_InitialProgrammeDesign\_RentalAssistance\_2023.docx.

## **Financial Risk and Approvals**

Work with finance, and risk and compliance colleagues (where they exist) to ensure there are segregation of duties, and to establish an appropriate approvals process. For example:

1. On initial enrolment in the programme the branch based shelter team leader should independently verify via. a phone call that the information submitted by Kobo/EspoCRM form related to bank account details is correct. Note that this may not be required where the Financial Service Provider automatically checks the bank account number matches with the payee name before a transfer is allowed to take place.
2. Branch based shelter team leader may approve rental payments as the first approver, having first reviewed the records related to the occupancy calls. Branch based shelter team leader may spot-check 1% of households in their area, to ask for feedback on programme, but also to spot-check occupancy calls and double-check financial information for bank transfer.
3. HQ based shelter manager may check the process has been followed.
4. RC Finance manager may be final approver before payment.

An example from the Slovakia shelter programme during the Ukraine 2022-2024 response had the Slovak Red Cross HQ based operations manager being the Level 1 approver for finance who would check the in-country processes had been followed. The Level 2 approver was IFRC Budapest office.

## **Audits**

Ensure that it is clear what information will need to be kept at the end of the programme to satisfy audit purposes. For example, will any recipient data need to be kept, if so this will need to be communicated with recipients when you are collecting information, alternatively processes to code and anonymise the identifiable data can be undertaken.