

# 4.2.1 Cash-based Early Actions

## Summary

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Acting early, and providing households with cash can enable those most vulnerable to avoid the sale of assets to cover evacuation costs in a sudden onset disaster, as well as allows people to take necessary action to protect their homes, livelihoods and health. Cash provides flexibility and freedom of choice and often has a multiplier effect in the local economies. Supporting markets through cash at the demand (household) or supply (traders) level prior to a shock can support availability and stabilise prices. If its mechanisms are in place, cash can be digitally transferred with greater expedience and safety than other forms of assistance, and if the context allows, cash distribution, can occur within tight planning windows, for example 36-hours prior to a cyclone's predicted landfall.

When doing Early Actions that distribute cash or voucher assistance (CVA), registration and distribution will take place prior to a disaster. If it is within the context of forecast-based financing, the Early Action Protocol (EAP), will define the process, command-chains, players and budget that enable swift CVA, and access to funds of the Forecast-based Action by the DREF.

Although the technical components for the set-up of FbF Cash and Voucher activities do not differ in scope from regular CVA in relief or recovery, the timing and execution of CVA early actions under an FbF approach must be well understood. For example, CVA within this context is unique given the **unknown** time of activation and the **short timeframe** for registration and encashment/distribution. Therefore, **pre-contracting Financial Service Providers (FSP)**, systems for flexible **targeting and swift registration**, **access to** functioning **markets** and well-defined **transfer values** require thorough considerations and a robust set-up.

These guidelines outline a **step-by-step process** on preparation and implementation of Early Actions (EAs) using Cash and Vouchers, including minimum standards for the set-up of cash-based EAs. The guidelines are in alignment with existing complementary tools, including the RCRCM CiE Toolkit.

## Step 1: Cash Feasibility Assessment

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As EAPs are conducted at the national level, choose your assessments target areas (communities, and markets) wisely, ensuring they are representative of particular enabling/disabling conditions of the country or EAP area as a whole. You might need to select a few communities (i.e. urban, rural; near markets, away from markets; easy to access, remote, etc.) to conduct the community, market and financial service provider assessments.



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## Conduct a Cash and Vouchers focused Community Assessment

Cash, like any humanitarian assistance, should be needs-based. Assess whether cash is the preferred early action and feasible in the defined contexts will depend also on the lead time the forecasts can provide and anticipated needs based on past impact. Understanding communities' priority needs, their preferences regarding type of self-help by early action sector, distribution modality (cash, vouchers, in-kind, combination), access to financial services and financial literacy. Understanding their perceived risks associated with receiving Cash and Voucher assistance, and traditional coping capacities based on historical data. [TOOL 1: Is Cash Feasible Checklist]

## Conduct a Market Assessment

Market assessments reveal the enabling environment for CVA. Specifically, a market assessment baseline examines access, commodities availability, quality, quantity, prices, supply chain and trends. It is achieved during the EA planning and testing process well in advance of seasonally expected hazards, allowing the FbF team to understand the market environment, performance and what impact similar shocks had in the markets in the past. When assessing markets, you will need to consider the local and regional markets most used by the target population groups to access the intended commodities or services required and

their integration to national supply market chains. Market data research is often available from the Government statistics office. [TOOL 2: RAM Rapid Assessment of Markets]



Ensure you involve Logistic stakeholders in the assessment phase, especially for markets and voucher provider assessments!



If there are no technical capacities to conduct a market assessment in country, consider mobilizing regional or global support!



### **Markets and vendors scale-up**

Important to know the lead time/notice for restocking or scale-up for traders/services. Make sure to include notifying markets/traders/services in your activities once action is triggered. This will also be strongly linked to corresponding early actions identified and prioritized within the EAP, related to for example, shelter, livelihood or health.

[ Case Study: PTE Feasibility (ES)]

## **Conduct a Financial Service Provider Assessment**

Carefully consider the capacity and accessibility of potential service providers (bank, remittance office, mobile money transfer company, post office, etc.) to handle cash transfers ad-hoc, in a short time frame and in not predefined areas. [TOOL 3: FSP Mapping]

There may be only a few viable service providers from which to choose. Consider the following to help narrow down your choice:

- Availability and readiness to act upon trigger in an agreed time frame
- Their geographical coverage and familiarity among the community
- Compliance with minimum requirements for cash distribution and financial reconciliation



Ensure you involve the relevant authorities – especially the Finance Department in the assessment phase especially in the finance service provider assessments!



Know the lead time/notice needed for FSPs to scale-up. Also, make sure to include notifying FSP and service provider local branches in your activity plan, once early action is triggered.

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## Key Considerations

- Nominate or work closely with the Host National Society Cash Focal Point
- Work closely with the FbF EAP sectoral team, as well as logistics and finance stakeholders to plan and implement the assessments
- Conduct a community cash and vouchers rapid assessment
- Conduct a market assessment for commodities/services linked by the potential Early Action
- Link up with you FbF Cash Focal Point
- Collaborate with PNS and Movement Partners on cash preparedness



**There are other funding streams than FbA by the DREF providing cash assistance:**

The Hunger Safety Net programme for example does provide cash assistance in times of drought, funded through the Kenyan government. Donors such as DG ECHO provides funds for EA in Malawi to enhance resilience of communities towards natural hazards through providing cash-based assistance.

## Step 2: Cash Capacity Assessment

In order to implement cash-based early action in time and at scale after a trigger has been reached, cash-

specific issues must be considered throughout the preparedness process. It is critical that the main decision-makers from key departments (disaster management, health, logistics, finance, branch development etc.) are represented and engaged in the cash preparedness process.

A SWOT analysis can be used to identify NS operational readiness for CVA and identify priority areas for development and barriers that need to be addressed by your FbF Set-up of Actions to integrate Cash-based Early Actions within your EAP. [TOOL 4: FbF NS Cash Capacity SWOT Analysis]

## Key Considerations

- Collaborate with PNS and Movement Partners on cash preparedness
- Nominate and/or work closely with your Host National Society Cash Focal Point
- Conduct a cash capacity assessment of the National Society (SWOT)
- Develop a FbF Set-Up of Actions that need to be conducted in order to integrate cash-based actions into the EAP
- Link up with Regional Cash Focal Point (and discuss potential support)
- Link up with your FbF Cash Focal Point
- Collaborate with PNS and Movement Partners on cash preparedness



### **Investment needed in cash preparedness should not be underestimated and capitalize on existing initiatives**

Cash-based actions require a thorough set-up! Investment and preparations shall not be underestimated. Therefore, to engage and seek technical support is key for successful integration of cash into your programmes. The RCRCM is currently strategically scaling up their cash capacities. Getting fit for purpose (so undergoing a cash preparedness process) is part of humanitarian assistance imperative. A up-to date mapping on where cash preparedness is taking place can be accessed here. Early engagement and collaboration in existing Movement **Preparedness** for Effective **Response (PER)** and cash preparedness initiatives in the country, are key to mainstream cash preparedness across the different programmes.

## Step 3: Analyse Response Options

The response option analysis process will help you determine and document the most suitable modality and mechanism for the project's objective and context. First, by analyzing the assessment (community, markets and FSPs) results, comparing the diverse response modalities possible (cash, vouchers, in-kind, service) and selecting the most adequate. When a cash intervention is selected, the next step is to select



the most suitable cash delivery mechanism (via bank, mobile money, remittances, etc.).

- Check the feasibility of each modality and potential mechanisms. [TOOL 5: Comparing Response Modalities and Delivery Mechanisms]
- Select the modality and mechanism based on a comparative analysis that includes timeliness, flexibility, efficiency, risks/mitigation and costs. [TOOL 6: Modality Decision making Matrix], **and if cash is the select mechanism then select the delivery mechanism** [TOOL 7: Mechanisms Decision making Matrix]
- Cash for work (CFW) should be considered when community work is required, accepted and can be performed by the local population, in a way which does not interfere with traditional livelihoods.



### Flexibility is key

When deciding on a modality and mechanism remember, speed and flexibility is a more important criteria within the FbF context than cost-efficiency for the organization, as a timely delivery is key to the EA success.

## Step 4: Design and Set-Up of Cash EA

After having selected cash-based early action as the most feasible and appropriate, you will need to set it up to ensure the system is ready for activation at any time. This process starts with planning the intervention, defining ways of working, establishing mechanisms for internal and external coordination, as well as for communicating with target population and households. The set-up phase includes contracting service providers, defining means of targeting and registering people in a flexible manner, integrating data protection compliance and planning distributions (Cash and Voucher).

### Key Considerations

- Contract the service providers / traders based on mapping selection criteria
- Setting Transfer Value [TOOL 8: Calculating the Transfer Value], [TOOL 8.1: Calculating the Transfer Value Template], [TOOL 8.2: Considerations when setting the Transfer Value]
- Define roles and responsibilities in alignment with existing SOPs and ensuring everyone understands their role, tasks and time frame [TOOL 9: Roles and Responsibilities]
- Design the targeting approach
- Design the registration, distribution and reconciliation plans [TOOL 10: Targeting, Registration, Distribution and Reconciliation Guidance], [TOOL 10.1: Distribution List Template], [TOOL 10.2: Distribution Plan Template]
- Develop a community engagement and accountability system with clear definition of roles and

responsibilities [Tool 11: CEA Tool]

- Ensure that targeting and registration system is in place and complies with the data protection principles (consent, password protected database, data sharing agreements, etc.) [TOOL 12: CAV GRC Data Protection Principles]
  - Check at local level that distribution and encashment plans are consistent with the service providers' location and capacity
- Develop the reconciliation plan. [TOOL 13: FbF Third Party Reconciliation Template]

## Exploring Social Protection Linkages to Forecast-Based Financing

Social protection is a broad term to describe national and sub-national programmes and policies that aim to tackle poverty, inequality and vulnerability by helping people manage short- and long-term risks. Many social protection programs are cash-based. For instance, social assistance or safety nets, a type of social protection approach, are often provided in the form of cash transfers and cash-for-work programmes, and delivered through different means such as direct cash, vouchers, digital payments, or mobile money. Unlike most humanitarian activities, social transfers are usually provided by governments as predictable, long-term support to households at risk of, or in poverty.

With increasing climate related risks, climate sensitive social protection approaches are becoming relevant as they can help protect people from the impacts of climate shocks and stressors. One climate sensitive social protection approach is flexible, scalable programs that quickly reach those affected by a shock. For instance, a program that delivers cash transfers after a shock can help vulnerable households avoid negative coping-strategies.

By integrating a cash-based FbF approach with social protection systems, we can capitalize on synergies for taking early action; playing a critical role in reducing disaster impacts, building resilience and protecting development gains. Even when not fully integrated, using programs like social safety nets to implement early action carries the potential to piggyback, scale up and to align assistance prior to a disaster. Using them, could allow for flexible targeting, timely response and quick encashment (cash distributions).

For more, see the sub-chapter on Social Protection and FbF



### Contracts with FSPs or vendors

Include clauses in the contract that cover timely delivery, data protection, financial reconciliation, reporting and ensuring people are treated with respect and dignity. Unspent money should be returned, and timeliness, data protection and financial reconciliation requirements and timeframe. Also, guarantee that the unspent funds will be returned to the NS account.



### **Cash in envelope implemented by the NS**

On rare occasions, cash in hand/cash in envelope delivered directly by the NS might be the fastest way to deliver cash for an early action. When choosing this contact the Regional Cash Focal Point for further advice on planning and implementing direct cash distributions that are secure, accountable and have adequate risk mitigation and financial reconciliation mechanisms in place.



### **Cash for Work (CFW)**

When choosing CFW, ensure that work conditions are culturally appropriate, consistent with the workers 'physical' capacity, and that wage rates reflect local legislation



### **Flexible but informed**

Due to flexibility of activation, ensure all systems related to activation are checked and updated on an annual basis. In addition, compiling M&E learnings post activation, should be integrated as new considerations in your EAP logframe.

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**This video provides a quick overview in social protection and potential linkages.**

Video: [https://www.youtube.com/watch?v=dHI38bb\\_cjs#action=share](https://www.youtube.com/watch?v=dHI38bb_cjs#action=share)

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## **Step 5: Testing and Simulation**



The testing and simulation of the planned EA is critical considering the short implementation timeframe once the EA is activated. Relevant CVA aspects (i.e. HR capacity, roles and responsibilities, registration systems, cash delivery mechanisms at field level, etc.) should be integrated into existing EA testing and simulation plans and budgets to test the NS CVA readiness. The simulation exercises should include all relevant stakeholders (NS branches, traders, FSPs, communities, local authorities, other organizations, etc.).

At least one real time simulation should be conducted at field level, to test the financial service provider or traders capacity to deliver, followed by subsequent table-top simulations to keep the process alive.



Any simulation should be followed by a lessons learned workshop to ensure all challenges, learning and recommendations are well captured and used to improve the EA plans and implementation. All participants involved in the simulation should be invited to the lessons-learned workshop and it might be appropriate to invite other actors, both from within and outside the National Society, including other National Societies in the region implementing FbF EA to benefit from an exchange of experiences and learning. The testing and simulation should be documented and learning used to adapt and improve CVA tools, processes and systems.

## Key Considerations

- Include CVA in testing and simulation EA planning and budgets
- Invite the relevant stakeholders to participate in the planning, implementation and learning of the EA simulation
- Ensure the following functional areas could be tested during a CTP simulation:
  - Decision making procedures
  - CVA processes and roles and responsibilities of all stakeholders engaged in delivering CVA
  - Registration systems
  - Community engagement and accountability
  - FSP/traders pre-agreement or contracts
  - Human resources and capacity of the CVA trained staff and volunteers to implement the CVA intervention in a timely and effective way
  - Feasibility of the cash delivery mechanisms selected
  - Check at local level that cash distribution plans are consistent with the service provider location and capacity
- Ensure a simulation workshop is conducted with participation of key stakeholders and when relevant consider inviting other NS in the region that have FbF EA or significant CVA experience to share learning
- Ensure the simulation and learning are adequately documented and the learning used to adapt and processes, systems and tools



### Foster learning among NS implementing FbF EA learning

In regions where several National Societies are undertaking FbF EA consider fostering learning exchanges and foster participation in simulation lessons learned workshops to share challenges and recommendations.

## Step 6: Implementation

Once the early action protocol and mechanism (FbA by DREF) is activated, implementation starts immediately. Your early action plan comes to life. These are the key considerations that shall be followed:

### Key Considerations

- Reality Check: Check on suitability to current situation and geographical area (If it's a market-based (commodities, services, labour) intervention do markets still function and are able to deliver up to the requirements) and update your EAP logframe and Monitoring sheet accordingly

- Check on the adequacy of transfer value
- Ensure roles and responsibilities in the Team (Project Team, HQ and branch) are clear
- Check on roles and conditions of the Framework Agreement or MOU with FSP/Trader
- Activation of Cash Distribution, CEA Plan and track in M&E system



### **Markets and vendors stock- up**

Important to know / check the lead time/notice for restocking or scale-up for traders/services mentioned at the assessment phase. Notifying markets and traders when the early action is activated is key to ensure they markets and traders are aware of the cash injection in the area so they can prepare ahead and have relevant stocks/services ready.



Explore opportunities to link up with IFRC regional card or any existing social protection targeting or delivery mechanisms.



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## **Step 7: M&E and Capacity Building**

Integrate CVA in your overall MEAL plan (e.g. FbF Program Logframe, EAP M&E Plan) ensuring you collect and analyze data about CVA Early Actions impact.

Maintaining and updating the systems, processes and tools is key as the EAP might be in force for 5 years without activations; therefore some information, processes and training should be repeated

regularly to ensure the NS operational readiness to implement CVA in a timely and efficient manner. Markets and the financial service providers landscape can change quickly at times informing changes to the cash grant value or expanding opportunities for new delivery mechanisms such as mobile transfers if these become mainstreamed in the target areas.

## Key Considerations

- Plan, budget for updating baseline assessments (community, markets and FSPs) on a yearly basis or after a big change in context
- Conduct regular assessment updates (community, markets, FSPs and capacity) to inform changes to the EA intervention
- Ensure a market monitoring system is in place to regularly check (quarterly – every 4 months or depending on seasonality) relevant changes in market (access, price, availability or quality.
- Update the cash transfer value based on the market assessment/monitoring results to ensure the amount is adequate to meet EA objectives. Ensure the FbF EAP plan and budget include a contingency fund to enable potential adjustments
- Conduct real time simulations, ideally on a yearly basis or at least every two years, complemented with table top simulations to keep the process alive. adapt and improve EA CVA plans, systems and tools based on the learning
- Plan CVA and market assessment trainings for new NS staff and volunteers and when relevant link up with existing cash preparedness initiatives in the country
- When relevant, engage with shock responsive social protection initiatives in the country, and explore and act on potential linkages
- Update when needed service provider Framework Agreements or contracts, especially when new delivery mechanisms can be incorporated. Update if needed roles and conditions of the Framework Agreement or MOU with FSP/Trader.








Ensure adequate budgets are included in planned simulation exercises, in the CTP preparedness PoA, and/or contingency planning budget. Due to flexibility of activation, ensure all systems related to activation are checked and updated on an annual basis. In addition compiling M&E learnings post activation, should be integrated as new considerations in your EAP logframe.

## Toolbox



TOOL 1: Is Cash feasible Checklist



	TOOL 2: RAM Rapid Assessment of Markets
	TOOL 3: FSP Mapping
	TOOL 4: FbF NS Cash Capacity SWOT Analysis
	TOOL 5: Comparing Response Modalities and Delivery Mechanisms
	TOOL 6: Modality Decision making Matrix
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	TOOL 12: CAV GRC Data Protection Principles
	TOOL 13: FbF Third Party Reconciliation Template
	Case Study: PTE Feasibility (ES)
	Shock Responsive Social Protection in Latin America and the Caribbean (Video by OPM)
	What role can social protection systems play in responding to humanitarian emergencies? (Video by WFP/OPM)