



FAO POLICY ON CASH-BASED TRANSFERS



Photo: FAO voucher-for-work beneficiaries repair terraces and receive their vouchers in Mutwaathi, Kenya

November 2012

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TABLE OF CONTENTS

1. EXECUTIVE SUMMARY.....	5
2. CASH TRANSFER POLICY FRAMEWORK: RATIONALE, OBJECTIVES AND GUIDING PRINCIPLES.....	7
2.1 Policy rationale and objectives	7
2.2 Objective of FAO-supported CT programmes	8
2.3 Guiding principles	9
3. FAO AND CASH TRANSFERS.....	11
3.1 Context	11
3.1.1 Definitions	11
3.1.2 Adapting CTs to FAO’s core programmatic areas	11
3.2 Strategy for CT programming	14
3.2.1 Establishing CT programme feasibility and appropriateness.....	14
3.2.2 Log frame and monitoring framework.....	15
3.3 FAO’s role in CT: Policy support, services and tools.....	16
3.3.1 Policy support.....	16
3.3.2 Analytical services for CT programmes	17
3.3.3 Coordination of CT programmes.....	18
3.3.4 Tools.....	18
3.3.4.1 Vouchers	18
3.3.4.2 Input trade fairs	19
3.3.4.3 Public works programmes – cash-, voucher- and food-for-work.....	20
3.3.4.4 Livestock destocking and restocking	22
4. CONSIDERATIONS FOR IMPLEMENTATION.....	23
4.1 Strategic partnerships.....	23
4.2 New transfer technologies for delivery mechanisms.....	24
4.3 Cost-efficiency and -effectiveness of CT versus in-kind.....	25
4.4 Risks.....	25
ANNEX: FAO CT PROJECTS – SUMMARY OF ACTIVITIES AND COUNTRY CASE STUDIES.....	27
Summary of CT activities	27
Country case studies.....	28
1. Vouchers: China (paper) and Zambia (electronic)	28
2. Input trade fairs: Lesotho	29
3. Cash-for-work: Somalia and Pakistan.....	29
4. Destocking (cash-for-animals): Ethiopia.....	30
ACRONYMS	31

1. EXECUTIVE SUMMARY

The Food and Agriculture Organization of the United Nations (FAO) and other Rome-Based Agencies advocate a twin-track approach to achieving food security (FAO, 2003)¹. FAO supports the use of cash-based transfers (CTs)² as tools within this approach to save lives, restore livelihoods and increase resilience by promoting enhanced agricultural production and food and nutrition security in times of disaster, conflict and economic shock, and to support longer-term development and social protection initiatives. CTs have proven to be effective tools for improving several aspects of food security including access, availability, stability and utilization:

- **Food access** – CTs provide beneficiaries with purchasing power and immediately increase access to food as well as to essential agricultural inputs, goods and services, helping them meet basic needs and reflecting their preferences.
- **Food availability** – CTs supported by FAO 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 and their relationships with end users, such as those producing improved seeds and high quality, locally adapted farming tools. Combined, these factors contribute to increased food availability through greater productivity.
- **Utilization of food** – CTs with a nutrition training component, on-site nutrition messaging and measures to help improve dietary diversity (e.g. through vegetable production) contribute to a better use of food and higher quality diets, which are important in the fight against protein-energy malnutrition and micronutrient deficiencies. CTs aim to increase the purchasing power of beneficiaries and help offset the need to buy less or lower quality food, which is a common coping strategy with often adverse implications for nutritionally vulnerable populations.
- **Stability of food supply** – Over a period of several months, if properly timed CTs can “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.

This document articulates FAO’s roles with respect to supporting and implementing CTs linked to agriculture and food security in line with the Organization’s mandate and comparative advantages. It is based on FAO’s experience and expertise in supporting CT programming and details various CT mechanisms that are suited to the twin-track approach and are in line with the Organization’s commitment to a common programme that integrates humanitarian, development and investment efforts³. This policy establishes a corporate accountability framework for the Organization’s use of specific CT mechanisms to support addressing hunger, malnutrition and food insecurity.

The document first presents the policy rationale, along with the objectives and guiding principles of CT programmes. An overview of CTs in the context of FAO’s core programmatic areas is then introduced, with a strategy for determining the feasibility and appropriateness of CT interventions in place of, or in combination with, in-kind assistance. This is followed by a summary of the main CT modalities including how each relates to FAO’s comparative advantages. Pertinent thematic issues related to CTs – including transfer technologies and delivery mechanisms, cost-effectiveness and efficiency, risks and strategic partnerships – are then discussed.

¹The first track promotes opportunities for food-insecure populations through measures to increase agricultural production. The second track ensures direct and immediate access to food through the development of policies to protect the livelihoods of poor and food-insecure populations against shocks (FAO, 2004). In 2010, the Updated Comprehensive Framework for Action developed by the United Nations Secretary-General’s High-Level Task Force on the Global Food Security Crisis renewed its commitment to the twin-track approach.

² FAO defines CTs as payments of money or vouchers provided to vulnerable individuals, households or private sector entities.

³ FAO - March 2011. Vision for the structure and functioning of Decentralized Offices. Hundred and Forty-First Session, Council, Rome, 11–15 April 2011.

Detailed and practical information on response options and planning, implementation and monitoring CT interventions is presented in the following operational guidelines: *FAO Guidelines on Public Works* (cash-, voucher- and food-for-work), *FAO Guidelines on Voucher Schemes and Input Trade Fairs* and *FAO Guidelines on Livestock Destocking and Restocking* (FAO, forthcoming).

2. CASH TRANSFER POLICY FRAMEWORK: RATIONALE, OBJECTIVES AND GUIDING PRINCIPLES

2.1 Policy rationale and objectives

Cash-based transfer (CT) programmes are a tool for providing resources to individuals and households that are vulnerable to, or living in, poverty and other forms of deprivation. They seek to reduce poverty and vulnerability, as well as strengthen livelihoods and human capital (e.g. education, health or nutrition). CT programmes 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 exclusion⁴.

In recent years, there has been growing interest and practice in the use of vouchers and CTs⁵ in crisis risk management⁶, humanitarian and transition programming, as well as in development and social protection programmes. Such interest is 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 areas⁷; (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.

These factors are changing the way cash can be transferred and increasing the range of mechanisms to deliver cash electronically to people who might otherwise lack access to financial services⁸. 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 food⁹. Such developments are important as they present an opportunity to use a broader range of mechanisms to support the livelihoods of food-insecure people, as well as local markets, agricultural production and supply chains.

As a specialized technical agency, the Food and Agriculture Organization of the United Nations (FAO) has a distinctive comparative advantage in supporting the design, coordination, management and evaluation of CT programmes that promote markets and decent rural employment, and increase access to agricultural inputs, goods, services and essential infrastructure for rural populations. CTs are therefore becoming increasingly central to FAO's work on rights-based social protection initiatives¹⁰, advocacy work on the Right to Food (FAO, 2002; FAO, 2006)¹¹, and humanitarian action.

In line with global trends, FAO has increased its support for CT interventions (i.e. cash and vouchers) linked to agricultural production and food security measures and has gained valuable experience and expertise in

⁴ Brunori, P. and O'Reilly, M. 2010. *Social protection for development: A review of definitions*. Paper prepared in the framework of the European Report on Development 2010. Brussels. European Commission.

⁵ Harvey, P. 2007. Cash-based responses in emergencies. *Humanitarian Policy Group Report No. 24*. London, Overseas Development Institute; Gentilini, U. 2007. Cash and food transfers: A primer. *World Food Programme (WFP) Occasional Paper No.18*, Rome.

⁶ The term "crisis risk management" encompasses preparedness, prevention, mitigation, response and recovery from a range of threats relevant to FAO's full portfolio of engagements (protracted crises, natural disasters, conflicts, socio-economic shocks, transboundary animal diseases, plant pests, food chain crises, etc.).

⁷ WFP. 2009. Vouchers and cash transfers as food assistance instruments: Opportunities and challenges. Rome.

⁸ In Africa, mobile phone subscriptions went from 11 million in 2000 to 333 million in 2010, reaching a penetration of 41 percent (Kubzansky, M., Cooper, A. and Barbary, V. May 2011. *Promise and progress. Market-based solutions to poverty in Africa*. Monitor Group.).

⁹ FAO. 2011. *FAO's Initiative on Soaring Food Prices: Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices*; Marsland, N., Guyetsky, A., Jones, A. and Arya, A. 2012. *High and Volatile Food Prices: FAO Support to Country-Level Contingency Planning*.

¹⁰ FAO is contributing to the United Nations Joint Social Protection Floor Initiative

(<http://www.ilo.org/gimi/gess/ShowTheme.do?tid=1321>).

¹¹ FAO. 2002. *The right to adequate food in emergencies. FAO Legislative Study No.77*; FAO. 2006. *The Right to Food Guidelines*. Rome.

CT programming. Examples include using vouchers and organizing input trade fairs to provide crisis-affected rural producers with access to agricultural, livestock and fisheries inputs; designing public works¹² (cash-, voucher- or food-for-work) programmes and implementing restocking and destocking (cash-for-animal) schemes. Since FAO first engaged in operationalizing CTs in 2001, the Organization has reached over 2 412 152 households (6 407 943 individuals) in 25 countries through over 70 projects, with a total estimated value of operations of USD 193 750 752 (see **Annex**).

These interventions are collectively referred to as CTs. They are complementary or alternative approaches to in-kind assistance, which FAO pursues when deemed feasible and appropriate to the specific context. Depending on the context, FAO may play the role of implementing agency or may provide technical and/or policy assistance.

So far, this capacity and knowledge has not been formally translated into a policy framework. This document serves to formalize FAO's policy on CTs in order to promote a standardized corporate approach and consistent quality for FAO-supported CT interventions and services. Specifically, the policy paper:

- defines *when* and *how* FAO's intervention programmes can be enhanced with the use of CTs and guides future FAO decision-making on programme and policy strategies related to CTs;
- articulates FAO's *comparative advantages* in supporting CT programmes that restore and enhance productivity, manage natural resources, strengthen value chains and associated relationships between suppliers and end users, promote decent rural employment, and contribute to and build on social protection systems;
- clarifies FAO's *roles* in informing, coordinating and evaluating CT programming;
- provides an overview of the *overarching themes* most pertinent to FAO's CT programming; and
- describes FAO's strategic approach to engaging in *partnerships* that serve to bring greater resources to the global fight against hunger.

2.2 Objective of FAO-supported CT programmes

The objective of most FAO-supported CT programmes is to contribute to reducing chronic, transitory or acute food insecurity, malnutrition, poverty, and associated risks and vulnerabilities in the agriculture sector¹³. 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 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.

As a result of CT interventions, such populations are more resilient to disasters, conflicts, crises and associated market volatility, and can access adequate and nutritious food. CTs not only have a great potential to contribute to livelihood recovery, but also to provide opportunities for productive investment, and livelihood diversification and promotion.

CT programmes are appropriate when the supply of food, agricultural inputs or other commodities is adequate and markets are functioning; when a CT injection would stimulate a new or better functioning supply chain; or when a CT intervention would contribute to increase the impact of long-term measures to

¹² The World Bank uses the broad term "public works programme" to describe activities that entail the payment of a wage (in cash or in kind) by the state, or by an agent acting on behalf of the state, in return for the provision of labour, in order to: (i) enhance employment and (ii) produce an asset (either physical or social), with the overall objective of promoting social protection.

¹³ The term "agriculture" is understood to encompass food and non-food crop and livestock, fishery and forestry systems and their products.

achieve food and nutrition security and eradicate hunger. In these cases, FAO may support CT interventions to:

- address food insecurity caused by a lack of access to food¹⁴ 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) given changing domestic agriculture policies on the management of surpluses as well as macro-economic dynamics, and expand the range of context-appropriate tools into programme strategies that address complex risks and vulnerabilities.

2.3 Guiding principles

Several prerequisite conditions and considerations should be taken into account in terms of FAO's support for CT programming. Many of these are common to all types of FAO interventions. All CT initiatives supported by FAO must be aligned with national development priorities as defined in the relevant FAO Country Programming Framework (CPF)¹⁵ and social protection systems, safety net programmes and disaster risk management policies and strategies.

FAO-supported CT initiatives must also directly link to 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 humanitarian and development concerns by reducing vulnerability and enhancing resilience.

¹⁴ For example, in 2011 the FAO cash-for-work programme in Somalia provided immediate relief to 130 000 households in need through remunerated work opportunities to rehabilitate productive assets and rural infrastructure. Through this measure, targeted households received an immediate source of income that allowed them to meet part of their immediate consumption requirements.

¹⁵ The CPF is a tool for FAO country-level strategic prioritization and overall medium-term country-level programming. CPFs also constitute FAO's input into national development frameworks and planning cycles, as well as into the United Nations Development Assistance Framework. The CPF is usually a five-year programme.

In addition, all CT programmes directly supported by FAO should:

- **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 stress¹⁶.
- **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 time¹⁷ 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 programming¹⁸.
- **Include transparent beneficiary targeting criteria and selection methodology that is informed by reliable baseline data to the extent possible**, 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.

¹⁶ Skoufias, E., Tiwari, S. and Zaman, H. January 2011. Can we rely on cash transfers to protect dietary diversity during food crisis? *World Bank Policy Research Paper, 5548*. Washington, DC.

¹⁷ Latapí, E. and de la Rocha, G. 2004. Girls, Mothers, and Poverty Reduction in Mexico: Evaluating Progres-Oportunidades

¹⁸ FAO promotes the participation of women and other vulnerable subgroups in CT projects and strives to create conditions that encourage their involvement. Any FAO intervention where cash is used is carefully planned to ensure that this “asset” does not increase a beneficiary’s exposure to theft or violence. CT programmes should be designed to promote gender equality by supporting women’s participation in higher and mid-level committees and decision-making bodies that structure, design, implement and monitor CT programmes.

- ***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 results¹⁹.
- ***Be evaluated and lessons learned disseminated***²⁰ - 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.

3. FAO AND CASH TRANSFERS

3.1 Context

3.1.1 Definitions

For FAO, CTs are defined as payments of money or vouchers provided by governments, international organizations or NGOs to vulnerable individuals or households to achieve humanitarian or development objectives relating to agriculture and food and nutrition security.

There are four main types of CTs:

- ***Unconditional CTs*** – Cash is given to recipients without stipulation.
- ***Conditional CTs*** – Cash is given to recipients based on a stipulation (e.g. a day’s work, school attendance or an immunization)²¹.
- ***Cash vouchers*** – The voucher entitles recipients to buy a specific value of commodities or services at shops participating in the project.
- ***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.

3.1.2 Adapting CTs to FAO’s core programmatic areas

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 agenda²². There can be important linkages and two-way relationships between humanitarian and development initiatives with respect to CTs. 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. The

¹⁹ For example, FAO Somalia established a specific cash-for-work monitoring unit and verification systems. For further details, refer to the Somalia cash-for-work case study included in the Annex.

²⁰ For the assessment, use of the most rigorous method possible including the randomized control trial approach, when feasible.

²¹ Note that while some agencies active in CT programming (e.g. the United Nations Children’s Fund [UNICEF]) consider cash-for-work programmes as conditional CTs, others, particularly those working in a development context, consider cash-for-work as a subset of public works programmes.

²² This is aligned to FAO’s endorsement of the Social Protection Floor Initiative, and the recently adopted recommendation concerning National Floors of Social Protection, International Labour Organization (ILO) 2012 (http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_183326.pdf). “A social protection floor could consist of two main elements that help to realize respective human rights: a) essential services: ensuring the availability, continuity, and access to public services (such as water and sanitation, health, education and family-focused social work support); b) social transfers: a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to enhance food security and nutrition, provide a minimum income security and access to essential services, including education and health care.” See: <http://www.un.org/en/ga/second/64/socialprotection.pdf>.

latter requires a strategic blend of immediate humanitarian support and predictable longer-term financing, as well as investment planning.

Crisis risk management

FAO promotes a full cycle approach to crisis risk management²³, 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.

FAO promotes the pre-emptive aspects of crisis risk management through its **Framework Programme on Disaster Risk Reduction (FP DRR) for Food and Nutrition Security**, with the aim of enhancing the resilience of livelihoods against threats and emergencies to ensure the food and nutrition security of vulnerable farmers, fishers, pastoralists, foresters and other at-risk groups²⁴. The FP DRR is based on four pillars: an enabling environment, strong surveillance of a range of hazards, adequate preparedness; and measures to enhance resilience.

²³ Violent conflict, civil strife and violations of human rights challenge the implementation of any kind of humanitarian and development activity, including CTs (Hofmann C-A. 2005. *Cash transfer programme in Afghanistan: A desk review of current policy and practice*. Overseas Development Institute). A lack of security can hamper the safe delivery and distribution of transfers and disrupt access to markets, important preconditions for implementing CTs. As with any form of humanitarian aid, there is a risk that CTs can be diverted to sustain war economies, principally through the form of illicit taxation by armed groups. Despite challenges, experience and evidence suggest that even in highly insecure environments, markets can remain resilient. Well-designed delivery and targeting mechanisms can reduce the risk of diversion and looting (compared with in-kind assistance, such as bulk deliveries of food aid). While not easy, it is possible to implement effective – and often much-welcomed – CT projects in insecure contexts (Hofmann, C. 2005., *Cash transfer programmes in Afghanistan: A review of current policy and practice*. Humanitarian Policy Group, Overseas Development Institute; Harvey, P. and Holmes, R. 2007. "The potential for joint programmes for long-term cash transfers in unstable situations", *Humanitarian Policy Group Report* commissioned by the United Kingdom's Department for International Development (DFID), Overseas Development Institute, London; Horn Relief, 2010; FAO, 2011).

²⁴ FAO. 2011. Resilient livelihoods: Disaster risk reduction for food and nutrition security: An FAO Framework Programme, Rome.

CTs are pertinent in each of these:

1. **Enable** – Building government capacities to manage CT programmes to promote food and nutrition security through disaster risk reduction, humanitarian action and development initiatives; and supporting coordination mechanisms that ensure strong and rational multi-agency, multisectoral strategies using CT tools to prevent gaps in service, minimize overlap and harmonize programming modalities.
2. **Watch** – Strong food security information and analysis systems that monitor the need and appropriateness of market-based CT interventions as well as their impact, e.g. on markets, prices and inflationary trends.
3. **Prepare** – Implementation of FAO’s policy on CT; building FAO staff and offices’ capacities to effectively manage and support CT interventions to scale; and dissemination and application of FAO’s guidelines for CT programmes.
4. **Build resilience** – Supporting the application of CT practices, such as cash-for-work, to help recovering communities “build back better”, reduce their vulnerability, prevent recurrence of shocks, and become self-reliant in managing disaster risks.

In a number of instances, FAO has demonstrated that, in times of sudden acute or large-scale crises, it is possible, together with partners, to shorten the emergency response time by scaling up or adapting existing longer-term CTs (e.g. upscaling cash-for-work schemes in Somalia in 2011, and adapting existing food-for-work experience into a large-scale cash-for-work programme in Pakistan in 2010). CTs are powerful tools for reducing risks and maintaining response capacity in line with disaster risk reduction and preparedness policies.

Agricultural investment planning and development

FAO plays a significant role in supporting national safety-net and risk-mitigation initiatives by working with countries in preparing national agricultural, rural development and nutrition strategies and investment plans and related investment programmes and projects²⁵. FAO ensures that interventions support an enabling environment favouring access to decent employment. This is done by promoting more and better opportunities in agriculture and by fostering opportunities in the rural non-farm economy, through diversifying livelihoods and improving the resilience of rural households, especially for the most vulnerable.

FAO works in partnership with countries and public and private financial institutions to design programmes financed through external, domestic and private investment that contribute to agricultural growth and economic development. Through this work, FAO’s breadth of technical expertise is brought to bear on the investment processes in developing and in-transition countries, including through a range of products such as upstream policy development, downstream support to project formulation/implementation and evaluation, and strengthening of national capacities.

CT interventions target poor and vulnerable households in rural areas, most of whom rely on agriculture for their livelihoods, both as producers and wage labourers. From its vantage point, FAO can support the articulation of CT programming with national and regional agricultural and rural development strategies.

²⁵ Safety net and risk mitigation are often integral aspects of investment plans. For example under the framework of the Comprehensive Africa Agriculture Development Programme/New Partnership for Africa’s Development investment programmes in Africa, they are often highlighted as key areas for targeted investment.

3.2 Strategy for CT programming

3.2.1 Establishing CT programme feasibility and appropriateness

CTs are not an end in themselves. They are one of many tools that FAO can use to support market development and, as such, should be embedded within a comprehensive agriculture programme approach, e.g. developing market value chains for production, marketing and distribution, and access to financing. The design of CT interventions should be guided by how they contribute to the development of durable systems that enhance the resilience of livelihoods.

It is important to assess government and other key stakeholders' views on CTs to determine whether and how they fit with prevailing strategies and policies. A programmatic approach to CTs includes:

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 place, and the prioritized requirements of the populations that the programme seeks to assist²⁶.
2. **Response options analysis** – To determine how context-specific needs can be met, where feasible, FAO applies the Response Analysis Framework (RAF²⁷) 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 analysis²⁸ 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.

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. Several decision trees exist to facilitate this process²⁹ (see the Emergency Market Mapping and Analysis Tool [EMMA] in **Figure 1** for an example).

²⁶ For example, FAO has developed and is using specialized approaches for seed systems security assessments, which can be applied to assess the security of systems for other types of agricultural inputs.

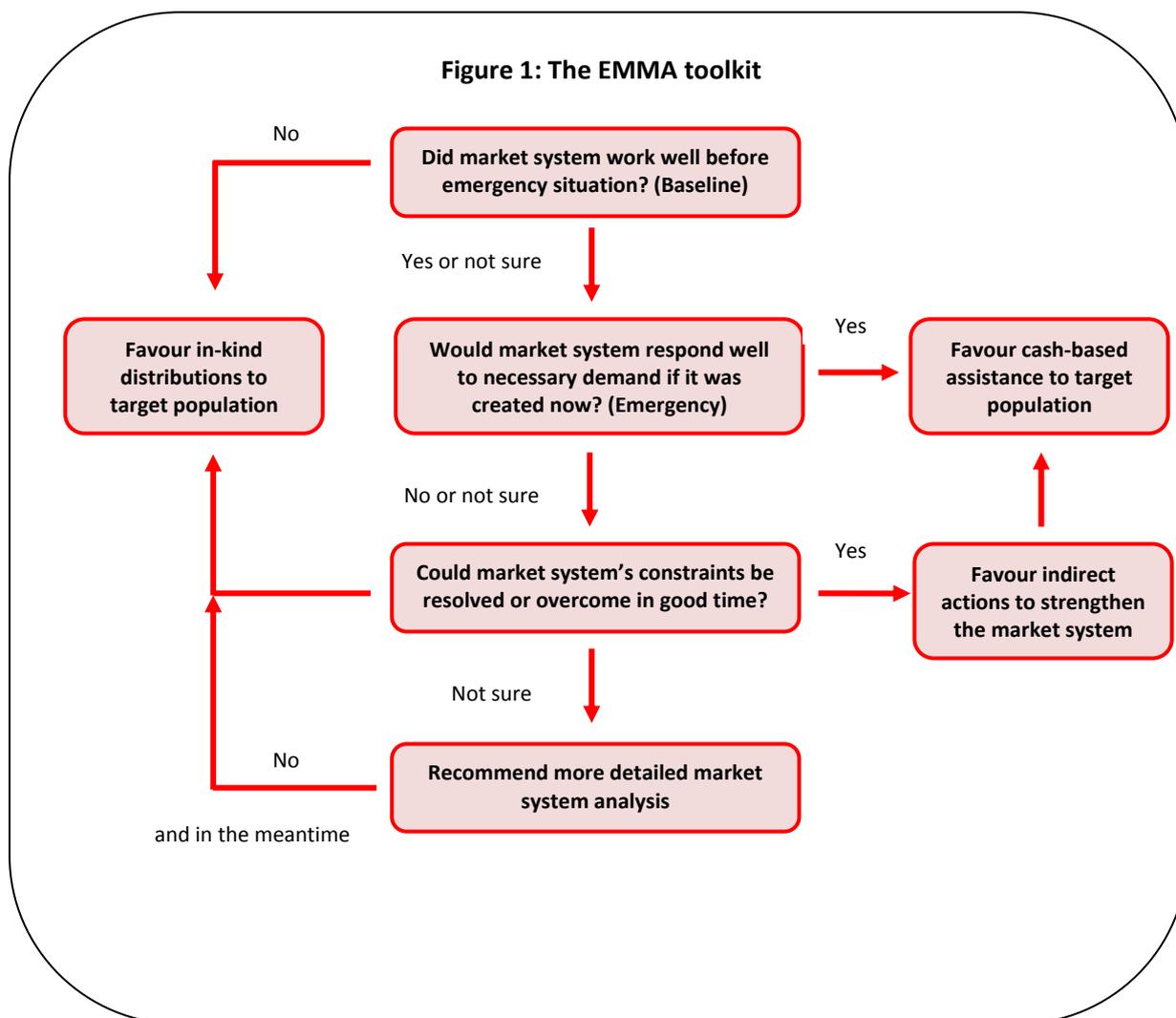
²⁷ Guidance on the RAF is available at: <http://www.fao.org/emergencies/what-we-do/emergency-relief-and-rehabilitation/response-analysis/en/>.

²⁸ Market analysis is the basis for effective response. A market analysis should provide answers to the following: (i) is the market functioning, or is it likely that market functionality will be restored if there is increased demand? (ii) can markets respond in a timely fashion with the needed commodities or services to meet increased demand? and (iii) can targeted CT beneficiaries access the market? Several market analysis tools have been developed to assess market capacity and functionality in the context of food security emergencies. The two most commonly used tools for market analysis in emergency situations are the EMMA (Albu, M. 2010. *The Emergency Market Mapping Toolkit, Practical Action Publishing*) and Market information and food insecurity response analysis (Barrett, C.B., Bell, R., Lentz, E.C., Maxwell, D.G. April 2009. *Food Security* Volume 1 [2] pp. 151-168).

²⁹ Oxfam has proposed a decision tree to help decide the most appropriate blend of responses (Creti, P. and Jaspars, S. [eds]. 2006. *Cash-transfer programming in emergency*). Subsequently, Maxwell, D.G., Lentz, E.C. and Barrett, C.B. (2007. *A market analysis and decision tree tool response analysis: Cash local purchase and/or imported food aid?*) and more recently the EMMA Toolkit (Albu, M., 2010) proposed a simpler decision tree to evaluate whether CTs should be used or if in-kind assistance (particularly food aid) should be provided instead.

Any resource transfer – whether a CT or in-kind – has an impact on local markets. Indeed, this is often an intended outcome of CT interventions. For example, an injection of cash increases the demand for commodities, sending an important signal to suppliers but also potentially leading to price inflation in the absence of a supply response.

CT decision trees focus on whether markets are able to respond to the rise in demand resulting from the injection of a CT without causing adverse inflationary effects. Improved demand can have positive multiplier effects on the local economy – stimulating production, increasing the range and number of market actors and improving competition^{30,31}. CT interventions may also impact on local employment, and effects on household allocation of labour and income diversification strategies should also be considered.



3.2.2 Log frame and monitoring framework

As with all interventions, a quality log frame needs to be developed at the outset. To facilitate this, FAO has developed mandatory *Guidelines to the Project Cycle* to provide the Organization with a single port of call

³⁰ Davies, S. and Davey, J. 2007. *A regional multiplier approach to estimating the impact of cash transfer on the market: The case of cash transfer in rural Malawi*. University of Bath; Concern Worldwide (Malawi).

³¹ FAO's From Protection to Production (PtoP) project is analyzing multiplier effects in ongoing CT programmes in seven sub-Saharan African countries (Davis et al., FAO 2012).

for policies and procedures to manage both development and emergency projects. The Guidelines cover all five phases of project management: *identification, formulation, appraisal and approval, implementation and monitoring, evaluation and closure*, with the aim of improving the strategic orientation, quality and accountability of projects and ensuring that they support national development goals and frameworks and are fully aligned with United Nations Development Assistance Frameworks, CPFs, and FAO's Strategic Framework from the outset. The Guidelines provide standardized tools, formats and approaches to facilitate project management, and support in particular technical officers, budget holders, operations officers, resource partners, funding liaison officers as well as other FAO project staff and consultants³².

Furthermore, FAO has recently introduced the Integrated Results-based Planning and Monitoring Tool for its emergency and rehabilitation projects and programmes³³. This tool should be used to support the careful design and implementation of a monitoring system specifically adapted to the type of CT intervention and its objectives and potential risks, which is key to ensuring that CT interventions achieve their intended results.

Evaluations ensure that lessons learned and best practices are recorded, disseminated and used to refine the quality of FAO CT programming. For larger programmes, it is important to include real-time evaluations to monitor progress and a rigorous independent impact evaluation to assess the specific impact of CT interventions³⁴. An impact evaluation using the randomized control trials approach is recommended.

3.3 FAO's role in CT: Policy support, services and tools

FAO has demonstrated comparative advantages where the Organization is able to bring the best of its agriculture technical expertise in supporting policy in agriculture and rural development, providing analysis for CT programmes, coordinating intra- and intersectoral initiatives and evaluating CT programmes. The CT tools include vouchers, input trade fairs, public works schemes, destocking and restocking.

3.3.1 Policy support

FAO is increasingly involved in policy activities related to CT programming and social protection. CT programming can embody both aspects of FAO's "twin-track" approach to reducing hunger and poverty – by promoting livelihoods, as well as providing direct and immediate support to fighting hunger. FAO's comparative advantage lies in the interface between CT programming, food security and agriculture in particular, and with livelihoods more generally. This stems from FAO's expertise in rural and agricultural development, as well as its access to government and line ministries related to rural development, and in particular agriculture. FAO has the potential to combine multiple entry points to CT programming and explore the synergies and trade-offs between the agricultural, food security and nutritional objectives of programmes.

FAO is providing guidance and technical assistance to member countries along various dimensions of social protection related to CT programming. These include weather index and insurance schemes for smallholders and pastoralists, linking smallholder production with agricultural markets and procurement of local agricultural supplies, linkages between social protection and support to smallholder farmer development, social protection in the context of the Right to Food, and reviewing how rights frameworks within national legal frameworks and international law enable social protection instruments to be framed as entitlements³⁵. FAO can support government and other partner agencies to better articulate CT programming within agriculture and rural development strategies.

³² The *Guidelines to the Project Management Cycle* can be accessed online at <https://extranet.fao.org/fpmis/docs/280362>.

³³ The results-based monitoring and reporting approach is being harmonized for all projects.

³⁴ For example, the FAO Office of Evaluation conducted an independent evaluation of FAO's response to the 2010 floods in Pakistan. Within the overall evaluation process, a separate qualitative study of the cash-for-work programme was undertaken, producing a separate full report for this evaluation. A similar evaluation will be done for the FAO Somalia cash-for-work programme.

³⁵ For example, the FAO Regional Office for Latin America and the Caribbean (RLC), in collaboration with other agencies and programmes (Economic Commission for Latin America and the Caribbean [ECLAC], Office of the United Nations High Commissioner

3.3.2 Analytical services for CT programmes

Analytical services for CT programmes include market analysis and monitoring, impact assessment and evaluation, response options analysis, gender analysis, digital platforms for mapping CT programmes and coordination, capacity building, and developing best practices and guidelines.

FAO's technical capacity in market monitoring and analysis enables the Organization, governments, UN agencies, NGOs and other key stakeholders to make programming decisions and implement CT interventions. FAO supports national coverage for market monitoring with technical resources to provide independent, evidence-based, reliable and regular market analysis of food, nutrition and livelihood security that facilitates better informed and coordinated short-term emergency responses and longer-term strategic planning. In times of crisis, FAO's monitoring of market stability facilitates cash-based assistance and supports programmatic flexibility to account for changes in prevailing market dynamics³⁶.

Building on its comparative advantage in analysing rural household economies, FAO provides technical assistance for the evaluation and economic analysis of the impacts of CT programmes at the national, household and village levels to improve the design and implementation of CT programmes (Asfaw, S., Covarrubias, K., Davis, B., Dewbre, J., Djebbari, H., Romeo, A. and Winters, P. 2012 "Methodological guidelines: Analytical framework for evaluating the productive impact of cash transfer programmes on household behaviour")³⁷. FAO aims to strengthen these evaluations by designing and piloting modules for household surveys, designing and implementing business enterprise surveys, constructing simulation models of local village economies, and combining qualitative and quantitative methods to assess CTs' capacity to influence economic development, employment creation and poverty reduction. Ultimately, the results are intended to influence national policy processes and ongoing CT programmes.

FAO's comparative advantage in providing analytical services includes establishing Food Security and Nutrition Analysis Units, which provide data as well as the technical and analytical capacities needed by FAO or its partners to design, implement, monitor and evaluate CT programmes. The Organization also draws on its extensive network of agricultural economists, market specialists, food security specialists, nutritionists, and food safety experts. At the global level, FAO's multiple capacities for monitoring trends and threats to agriculture, and food and nutrition security provide the foundation for much of the Organization's analytical work³⁸.

for Human Rights [OHCHR], United Nations Development Programme [UNDP], WFP) supports the Hunger-Free Latin America and the Caribbean Initiative, for which it has organized six seminars on CT programmes since 2006. Specifically, the Sixth International Seminar on Conditional Cash Transfers, held in March 2011, was organized jointly by FAO RLC, ECLAC, and the South America Regional Office of OHCHR. A total of 16 countries participated in the Sixth Seminar – Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Paraguay, Peru, Trinidad and Tobago, and Uruguay. The Seminar objective was to analyse the main opportunities and challenges of conditional CTs from a rights-based approach. Presentations by national committees and experts examined the practical links between these types of programmes and the basic principles of the rights-based approach, as well as the way these rights are applied within the overall social policy framework. To facilitate this analysis, a guideline was developed by FAO in collaboration with ECLAC and OHCHR.

For information on the Sixth Seminar, see http://www.rlc.fao.org/es/prioridades/seguridad/ingreso6_en/default.htm.

³⁶ In Somalia, FAO's Food Security and Nutrition Analysis Unit provides technical analysis and guidance on market behaviour to members of the cash consortium and non-cash consortium on a monthly basis to guide programming.

³⁷ For example, the DFID-funded FAO-Agricultural Development Economics Division/UNICEF-Eastern and Southern Africa Region project, entitled "From protection to production: The role of social cash transfers in fostering broad-based economic development" (PtoP) is part of the broader "Transfer Project", whereby FAO partners with UNICEF and other stakeholders, including local governments and research institutes, in an open network providing technical assistance and quality assurance to impact evaluations and supporting experience sharing in sub-Saharan Africa (<http://www.cpc.unc.edu/projects/transfer>). Currently, the PtoP initiative is operational to varying extents in Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe (<http://fao.org/economic/ptop/en/>).

³⁸ This work is conducted within the context of the Integrated FAO-WFP Joint Strategy on Information Systems for Food and Nutrition Security, 2012–2017. This point is further elaborated in **Section 4.1** of this policy document.

3.3.3 Coordination of CT programmes

At country level, CTs are used in a range of sectors and programmes. Within humanitarian and early recovery contexts, FAO ensures coordination of combined CTs with often multiple objectives across various sectors or clusters.

Coordination entails identifying all actors using CT instruments and approaches in their programmes (regardless of the type of CT modality and sector/objective); mapping “who does what where”; and facilitating regular communication (e.g. meetings, e-mail, digital platforms). Coordination should be strategic, e.g. jointly developing strategies to maximize the impact of CTs through collaboration. Coordination relies extensively on systems to monitor market impact and responsiveness to CTs. Coordinators must be able to facilitate changes in strategy or programme direction based on identified gaps in coverage and the need to reduce duplication, encourage complementarities, and identify issues linked to solutions. FAO-supported CT interventions need to be coordinated with other forms of assistance (including those by governments and other aid agencies) and reflect how CTs are intended to relate to other planned assistance.

FAO’s comparative advantage in coordinating CT programmes derives from its ability to leverage its well established relationship with governments and partners to facilitate multistakeholder coordination. Within the humanitarian realm, FAO co-leads the Global Food Security Cluster (gFSC), a platform that facilitates both intracluster coordination and cross-cluster collaboration, given that the cluster mechanism is responsible for coordinating interagency efforts within specific sectors.³⁹

The use of CTs has grown exponentially in response to some recent regional crises and in the development and social protection contexts, bringing new challenges to coordination. There is a possibility of expansion for the coordination of CT programmes at subregional and regional levels.

3.3.4 Tools

Since 2001, more than 6 million people in 25 countries have benefited from FAO’s CT programmes (see Annex). This section describes the CT tools⁴⁰ used and articulates FAO’s comparative advantage in supporting their use.

3.3.4.1 *Vouchers*

Vouchers are paper coupons, tokens or electronic⁴¹ cards that provide recipients with access to commodities from certified traders, farmers’ associations and farmers. Vouchers come in two primary forms. **Commodity** vouchers are designed to be exchanged for a specific quantity and type of agricultural, fishery or livestock inputs (e.g. seeds, tools, fertilizers, fuel, livestock, feed, fishing gear) or services (extension or veterinary). **Cash** vouchers allow recipients to buy a range of goods and services up to the designated cash value of the voucher. Vouchers can be used during fairs, at specific distribution outlets or in markets, and the traders reclaim the vouchers for cash at a bank, a money transfer agent or directly from implementing agencies, as per an established mechanism.

³⁹ As co-lead of the gFSC, FAO has recently led inter-cluster mapping and coordination for cash-based initiatives in Cote d’Ivoire, Djibouti, Kenya, Pakistan, Somalia and South Sudan. Furthermore, the FAO Subregional Emergency Office (Nairobi, Kenya) co-chairs the Regional Cash and Voucher Transfer Working Group.

⁴⁰ Practical details (i.e. guidance on CT feasibility analysis, design, beneficiary targeting, implementation and monitoring) as well as advantages and disadvantages of each CT tool can be found in FAO’s operational guidelines: *FAO Guidelines on Public Works* (cash-, voucher- and food-for-work), *FAO Guidelines on Voucher Schemes and Input Trade Fairs* and *FAO Guidelines on Livestock Destocking and Restocking* (FAO, forthcoming).

⁴¹ Electronic vouchers (e-vouchers) are plastic cards that are redeemable for either cash or a predetermined quantity of inputs and services. Information about the beneficiary’s entitlement and identity is stored on the card. The cards have a chip or a magnetic stripe that can be swiped through a card reader. Targeted households are given an e-voucher with a unique serial number. During a set period, recipients redeem their cards for certain goods (e.g. agricultural inputs) at an authorized point of service (PoS). The traders at the PoS process the vouchers by accessing a mobile banking service via a mobile phone (Harvey, P., Haver, K., Hoffmann, J. and Murphy, B. 2010. *Delivering money, cash transfer mechanism in emergencies*, Save the Children, Oxfam Great Britain).

Where commodities and services are sufficiently available to meet demand, readily accessible for consumers and in line with FAO minimum standards of quality, vouchers have proven to be an effective and cost-efficient way to increase the access of at-risk and crisis-affected farmers, pastoralists and fishers to key inputs and services in a range of contexts. For example, vouchers can be used following a major natural disaster or to support production in the midst of protracted conflict. Disseminating information about voucher schemes to private sector input suppliers is important for stimulating supply networks, and bringing goods and services where they might not otherwise be available. Additionally, vouchers support the livelihood systems on which people depend to prevent, mitigate, survive and recover from disasters, conflicts and economic shocks, thereby representing a form of assistance which respects beneficiaries' dignity.

FAO has comparative advantages in using its technical expertise to expand availability and access to quality seeds, appropriate agricultural tools and effective and sustainable livestock management and fishing practices, as well as to promote safe technologies and working conditions and favour agricultural practices that contribute to preventing child labour in agriculture.

The Organization specializes in holistic approaches to supporting and developing market value chain systems to organize, implement and monitor voucher-based distribution schemes that: (i) promote availability, access and use, and ensure quality control standards and procedures for inputs and improved technologies; and (ii) build and support relationships between the private sector providers of inputs and services and their end users.

3.3.4.2 Input trade fairs

An input trade fair is a temporary market organized to provide a targeted population with access to agricultural inputs (e.g. seeds, tools, fertilizer, livestock, feed, fishing gear, etc.) and services through the exchange of vouchers, whereby input suppliers and vendors are mobilized to market inputs at an agreed venue and beneficiaries use vouchers of a predetermined value to purchase inputs or services.

Input trade fairs have been designed, tested and implemented as an alternative to the direct distribution of various commodities since at least the early 2000s. The most common input voucher approach is to organize an input trade fair, involving both voucher recipients and input suppliers, where beneficiaries exchange vouchers for inputs of their choice. In the past, input trade fairs were referred to as "seed fairs" as, in most cases, seeds were the only input exchanged for vouchers. Based on experience, input distributions were found to be more viable when beneficiary farmers gained access to a wider range of inputs of different types depending on their preferences – such as seeds for field crops and vegetables, fertilizers and farm implements – to increase agricultural production to meet their own food needs and produce surplus for local markets.

Input trade fairs provide an opportunity for FAO to leverage its technical expertise to assist governments, the private sector, farmers' groups and other stakeholders to develop production capacity for agricultural inputs, livestock and animal health supplies, fisheries, etc., and strengthen value chain systems, benefiting producers, traders and consumers. Over time, input trade fairs have become one of FAO's methods for increasing agricultural production while reviving local markets and providing inputs to vulnerable populations.

3.3.4.3 Public works programmes – cash-, voucher- and food-for-work

Public works programmes (cash-, voucher- and food-for work) are a classic social protection instrument that is known to generate substantial benefits in terms of poverty alleviation and food security⁴².

Cash-for-work⁴³ provides temporary employment and a source of income for vulnerable households with sufficient labour. Cash-for-work schemes supported by FAO focus on rehabilitating or constructing community assets that are important to agricultural, livestock, fishery and forestry systems – such as irrigation canals, water catchments, storage facilities, rural feeder roads, livestock shelters, landing sites for fishers, replanting orchards, reforestation, rubble clearance, land reclamation, pasture regeneration, etc.

The purpose of cash-for-work is to ensure that beneficiaries earn the income to meet short-term needs for consumption and, if possible, production. If a household's basic needs are not being met, FAO should consider first supporting for short period the provision of unconditional CTs through partner agencies, while planning and organizing cash-for-work activities⁴⁴. To ensure a smooth transition to a more developmental and right-based approach, cash-for-work programmes should include from the beginning some elements of guarantee, paying a living/minimum wage rate to enhance decent work conditions and give rural workers greater bargaining and purchasing power.

Similar to cash-for-work, **voucher-for-work** refers to an intervention in which beneficiaries are paid vouchers in exchange for work performed on labour-intensive projects to construct and/or rehabilitate public and community infrastructure. The vouchers can then be exchanged for specific items, such as seeds, tools, livestock or veterinary services from agreed suppliers.

The use of vouchers may be considered as an alternative to cash payments when the implementation of a cash-for-work scheme is not feasible or optimal owing to various restrictions such as insecurity, inflation or a weak or absent banking system, or where there is an imperative to restrict purchases by participating households to specific goods, services or commodities.

FAO also provides technical assistance on **food-for-work** schemes, where beneficiaries employed in labour-intensive projects designed to build or rehabilitate agriculture infrastructure, assets or marketing facilities are paid with food. In close coordination with other actors specializing in food assistance, FAO's role in food-for-work focuses on ensuring an appropriate level of technical specification in the design, implementation and monitoring of food-for-work schemes, including those managed by governments.

Several concerns exist around public works, which can often be addressed by sensitive design and implementation⁴⁵. Specifically, public works programmes promoted by FAO should adopt comprehensive

⁴² High-Level Panel of Experts. 2012. *Social protection for food security. A report by the High Level Panel of Experts on Food Security and Nutrition*. Committee on World Food Security. Rome.

⁴³ Cash-for-work is also known as cash-for-assets, public works, employment generation work, public employment programmes.

⁴⁴ Unconditional CT interventions are appropriate if essential goods or services are readily available and accessible from local markets. Across the UN system, the majority of unconditional CT programmes are implemented by WFP, UNICEF and UNDP. Given the comparative advantages of other agencies in targeting some extremely vulnerable subgroups and FAO's comparative competencies working with vulnerable working populations, FAO's primary strategy to ensure that the most vulnerable populations are not excluded from the benefits of increased access to cash is to provide unconditional CTs through partnership with governments, other UN agencies and other similarly experienced institutions. In exceptional circumstances, where FAO is the only humanitarian actor in an area of acute vulnerability, the Organization may choose to provide direct cash grants to highly vulnerable people, especially those who are unable to participate in public works programmes or productive schemes (e.g. some types of disability, children, women caring for the elderly, infirm and children, households lacking available labour, etc.) as a short-term measure.

⁴⁵ Common criticisms of public works include: (i) the energy expended performing manual labour reduces the net nutritional impact of the food or cash wages; (ii) the work requirement excludes many highly vulnerable individuals and households, notably older persons, persons with disability, the chronically ill and pregnant women; (iii) women are disproportionately represented among the poor and food insecure, but are excluded from public works by the heavy manual labour involved and their time constraints; and (iv) assets created by public works that are not maintained often deteriorate after the project ends (High-Level Panel of Experts, 2012).

approaches that build on existing skills, target market needs and build self reliance beyond basic survival needs. The focus and design of public works should be defined together with beneficiary communities and reflect the specific needs, aspirations and constraints of women, men, youth and children. Public works programmes should not compete with farming calendars and attention is needed to prevent gender biases, avoiding heavy manual work for women and taking into account women's time constraints (i.e. ensuring the presence of work site facilities, such as crèches). In certain contexts, public works programmes should include an unconditional CT component, targeting community members that may be excluded from participating in and benefiting from public works (i.e. lactating mothers, elderly and disabled).

By integrating more developmental objectives into the conception of these interventions, governments can also obtain longer-term impacts in terms of food security. For example, by supporting capacity building and skills development, actively promoting the engagement of women and youth or fostering group cooperation, and facilitating access to credit and other productive resources. Predictability and some elements of guarantee should be ensured at the start of the programme in order to increase efficacy and smooth the transition to more developmental interventions. Attention must be paid to assessing how programmes can be easily scaled up in response to shocks, given the context of intervention, and ensuring that they are sustainable and designed according to available financial resources at the country level. In the context of high and volatile food prices, an indexation of CTs or a combination of cash and food can be appropriate to maintain household food purchasing power.

FAO's comparative advantage in working with public works programmes lies in its unique technical capacities, which are applicable in a range of agro-ecological settings and in areas as diverse as water management (e.g. building and rehabilitating dams and rainwater catchments, small-scale irrigation and household rainwater storage tanks); land management (e.g. soil conservation, afforestation, reforestation, sand dune stabilization); and rural development (e.g. promotion of decent rural employment, rehabilitation of feeder roads, reconstruction of markets damaged by conflict). Rehabilitating or developing such assets can mitigate the impact of natural disasters and climate change. In supporting the sustainable recovery of community assets, FAO's cash- and voucher-for-work schemes also enhance community resilience, and support and build livelihoods in the longer term, while promoting community participation and a degree of ownership.

FAO-supported public works schemes must be in line with existing country employment rules. This also applies, where feasible, to the humanitarian context.

3.3.4.4 Livestock destocking and restocking

FAO has the technical expertise and operational capacity to organize, implement and oversee destocking activities in a timely and effective manner. Destocking involves the purchase and slaughter of non-core livestock in the early stages of a drought. Fresh or dry meat can be sold for cash or distributed to nutritionally-vulnerable populations in affected communities. Two types of destocking activities are described in the Livestock Emergency Guidelines and Standards (LEGS): “accelerated off-take”⁴⁶ and “slaughter destocking”. Of the two, FAO mainly implements slaughter destocking⁴⁷.

Destocking provides rapid assistance to crisis-affected communities, increasing the availability, access, use and stability of food resources and protecting productive assets, i.e. core herds of essential breeding stock. Destocking helps to relieve pressure on natural resources to the benefit of the remaining stock and provides a direct or indirect source of food to crisis-affected families. Destocking also promotes livestock marketing linkages between traders and livestock owners with potential longer-term benefits (LEGS, 2009).

Restocking is an intervention for pastoral, agropastoral or smallholder families whose livelihoods depend heavily on livestock. Restocking can be appropriate for pastoralists and agropastoralists who have lost core breeding stock as a result of drought, extreme cold, other natural disasters, pandemics, or conflict. The aim is to promote the rebuilding of livelihoods to prevent the “drop out” of vulnerable herders or to provide families with the opportunity to re-enter the pastoral or agropastoral sectors.

Many smallholder farmers keep a limited number of animals, usually a mix of species that are well integrated into farming practices. While not entirely reliant on livestock for income and food, animal ownership is an integral part of their support system and an important contributor to the household economy, as well as providing an essential safety net.

FAO’s comparative advantage in herd management is grounded in the Organization’s extensive experience in commercial livestock operations and support to pastoral and agropastoral communities. Such technical expertise is vital – issues of quality, strategy and timeliness are essential to maximize the impact of de- and restocking exercises aimed firstly at salvaging the value of at-risk livestock and preserving a minimum core herd from which vulnerable livestock owners can rebuild after a crisis.

FAO plays a key role in providing cross-sectoral and cross-cluster coordination tools, including ones linked to the Integrated Food Security Phase Classification⁴⁸. In situations where clusters are not effective (e.g. rehabilitation, transition or development contexts), FAO can support CT coordination through sectoral or food security working groups. In highly insecure and politically sensitive environments, FAO has the capacity to develop and implement data security measures.

⁴⁶ Accelerated off-take is generally large scale and carried out by private traders and, in the past, by some governments through subsidies for purchase of livestock to be slaughtered in government abattoirs – however, this is becoming less common (LEGS, 2009).

⁴⁷ FAO. 2011. The use of cash transfers in livestock emergencies and their incorporation into LEGS. *Animal Production and Health Working Paper. No. 1*. Rome.

⁴⁸ See, for example, the Cash Transfer Information Platform, the Dynamic Atlas tool, and others.

4. CONSIDERATIONS FOR IMPLEMENTATION

This policy, based on many years of experience, evaluation and reflection, should be used by FAO staff to guide the Organization's approaches to CT programming. The policy outlines the range of CT instruments that FAO uses in its humanitarian, development and investment initiatives in support of farmers, fishers and fish farmers, pastoralists, foresters and the agricultural systems on which they depend.

The policy encourages FAO staff engaged in CT programmes to explore strategic partnerships based on comparative advantages in order to increase the impact of programmes, minimize duplication and address potential gaps in service. CTs have proven to be a powerful tool in the global fight against food insecurity, malnutrition and poverty. FAO is encouraged to robustly engage member countries and partners in exploring the full potential of these tools at a scale significant enough to turn the tide of hunger.

4.1 Strategic partnerships

FAO's humanitarian, development and investment strategies aim to raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of rural economies. FAO's approach to partnership is geared towards developing and fostering relationships that contribute to these strategic aims. Such partnerships reflect both a confidence in FAO's experience and expertise in CT programmes and a respect for the comparative advantages of other institutions in some applications of CT programmes that influence agricultural systems and food and nutrition security.

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. One example of FAO's approach to strategic partnership is reflected in its joint strategy with WFP on Information Systems for Food and Nutrition Security. The strategy describes the comparative advantages of each organization and, based on this, identifies synergies where collaboration will enhance a common goal of improving food and nutrition security globally. FAO has also a strategic partnership with the ILO⁴⁹, which can be instrumental in the development of broader social protection systems and linking to programmes and policies relevant to employment in agriculture and rural areas. Furthermore, though active engagement in the Cash Learning Partnership (CaLP)⁵⁰ platform, FAO is able to collaborate closely with other CT programme actors (e.g. government, other UN agencies, NGOs, etc.) to improve coordination of CT initiatives, exchange technical advice and share good practices and lessons learned.

In its partnerships with others, FAO strives to maintain a central role in ensuring a high standard of technical quality in CT applications in the agriculture sector (crops, livestock, fish, forestry and natural resources) and the value chains that support the sector. The Organization achieves this, *inter alia*, through direct technical assistance, building the technical capacity of partners, providing support and advocating for an enabling policy and institutional environment for CT programmes, and monitoring and evaluating CT programmes.

Examples of FAO's partnership in support of the Organization's commitment to enhancing food and nutrition security include unconditional CTs and food-for-work, where partner organizations (such as UNICEF and UNDP) bring considerable experience to restoring the health and strength of the agrarian labour force or the supply side aspects of CT programmes (such as WFP and food-for-work). Across the UN system, there are a number of agency-specific policies that articulate each agency's approach to CT programmes. This includes the United Nations Policy for Post-Conflict Employment Creation, Income

⁴⁹ FAO and ILO signed a Memorandum of Understanding in 2004, which establishes collaboration along the respective areas of comparative advantage (see also: www.fao-ilo.org).

⁵⁰ CaLP is composed of Oxfam Great Britain, the British Red Cross, Save the Children, the Norwegian Refugee Council, Action Against Hunger International and the International Federation of the Red Cross and Red Crescent Societies. The Steering Committee organizations come together to support capacity building, research and information sharing on CT programming as an effective tool to help deliver aid in times of crisis.

Generation and Reintegration (developed under the leadership of the ILO and UNDP); UNICEF’s Social Protection Strategic Framework; UNDP’s Cash-for-Work “Signature Product”; and WFP’s Policy on Vouchers and CTs, among others.

4.2 New transfer technologies for delivery mechanisms

For years, the most common delivery method of CTs was direct distribution of cash or vouchers to beneficiaries. This is labour-intensive, time consuming and potentially risky, but requires limited technological infrastructure. The rapid expansion of electricity networks, penetration of mobile phones and growth of financial service infrastructure (even in some of the poorest countries) is changing CT programming modalities. A range of new mechanisms is available to deliver cash electronically to people who otherwise lack access to financial services⁵¹. Innovative delivery mechanisms include mobile money transfer systems, debit cards and prepaid cards.

FAO’s interest in the electronic delivery of cash is driven by several factors⁵²:

- manual delivery of cash can be risky in terms of security and potential leakages (fraud and corruption);
- delivering cash electronically reduces labour and administrative costs for implementing agencies;
- electronic delivery can also reduce costs for beneficiaries; and
- electronic delivery can preclude the need to gather beneficiaries in centralized locations, saving both their time and reducing a potential security liability.

Choosing a CT delivery mechanism is context specific. The choice depends on the programme objective, beneficiary preferences and cost considerations. These factors should be considered when selecting delivery mechanisms:

1. **Technological literacy** – The simpler the delivery mechanism technology, the less demands are made on beneficiaries (i.e. if the CT project transfers cash to mobile phones, this requires a degree of technological know-how).
2. **Transaction time** – Some mechanisms are more time consuming than others. Redeeming an electronic voucher as a scratch card entails entering the PIN number into an agrodealer’s mobile phone. An electronic swipe card, however, can simplify and speed up the voucher redemption process.
3. **Accessibility** – In certain environments, CT beneficiaries must travel a considerable distance to reach designated PoS locations. The chosen mechanism should be easily accessible to beneficiaries and minimize their travel time and costs. It is important to carefully assess who will ultimately benefit from the CT delivery mechanism. For example, in some countries access to new technologies used to deliver cash (e.g. mobile phones) can be restricted to a male family member.

⁵¹ In Africa, mobile phone subscriptions increased from 11 million in 2000 to 333 million in 2010, reaching a penetration of 41 percent (ITU, 2011).

⁵² Vincent, K. and Cull, T., 2011 Cell phones, electronic delivery systems and social cash transfers: Recent evidence and experiences from Africa. *International Social Security Review* 64 (1):37-51.

4.3 Cost-efficiency and -effectiveness of CT versus in-kind

Often, CT interventions are compared with the equivalent in-kind (e.g. seed provision) intervention from a cost-efficiency perspective (i.e. comparing costs of the two different mechanisms for the same level of benefits). Such comparative (cost–benefit) analyses are difficult to carry out because in-kind and CT activities have different methods of overhead cost attribution and various CT delivery mechanisms have different associated costs and benefits (for both beneficiaries and organizations managing the transfers).

It is even more challenging to assess cost-effectiveness, longer-term effects (e.g. increased demand, stimulus to local economy, creation of decent employment, increased gender and social equality, etc.) and specific advantages (e.g. greater choice and dignity for beneficiaries, increased human capital) of CT programmes with respect to in-kind assistance.

However, it is important that both the projected cost-efficiency and potential cost-effectiveness of FAO-supported CT interventions be taken into consideration in making the decision to use CTs in place of, or in conjunction with, in-kind assistance⁵³.

4.4 Risks

CT programmes, while bringing many benefits, also pose risks that must be identified and addressed at the time of planning. FAO will develop appropriate procedures, guidelines and institutional support to identify and manage these risks as well as to establish monitoring mechanisms to support early identification of deviations and promote learning and knowledge sharing regarding CT activities. Below is a list of the main risks that FAO should consider in its support to CT programming:

1. **Implementation capacity** – CT programmes must be supported with adequate implementation capacity (within governments as well as FAO and implementing partners). However, in certain environments and countries, government capacity to implement and manage CT programmes is particularly a challenge and poses a range of risks.
2. **Security risk** – In certain environments, beneficiaries may face threats of violence. However, years of CT programming demonstrate that cash does not actually pose a greater security risk than in-kind assistance. In many circumstances, CTs are less visible and can significantly reduce the risk of theft compared with delivering large (and therefore highly visible) volumes of in-kind commodities.
3. **Inflation** – In local markets, inflation may occur as a result of a rapid injection of cash and increased demand for certain commodities. Thus, inflationary effects may undermine the benefits of cash payments or vouchers with a specific monetary value. This risk can be minimized beforehand with thorough market analysis and concomitant in-kind support or other interventions to increase supply to meet demand.
4. **Misappropriation** is defined as the unintended diversion of allocated food or cash from officially listed programme beneficiaries that takes place at the distribution point. This can occur due to leakage of appropriated funds or goods in the process of delivering the transfers to the distribution points. In other words, the difference between the transfer entitlement and the amount of the transfer actually received by an officially listed programme beneficiary represents misappropriation at the beneficiary level⁵⁴. CT delivery mechanisms should be carefully planned and closely monitored to minimize this risk.

⁵³ See Annex: *Case study on China* for an example of a cost–benefit analysis of adopting the voucher approach.

⁵⁴ Ahmed, A., Quisumbing, A., Nasreen, M., Hoddinott, J. and Bryan, E., 2009. *Comparing food and cash transfers to the ultra poor in Bangladesh*. International Food Policy Research Institute.

5. **Misuse** – Cash can be considered more “attractive” than in-kind commodities, making it susceptible to diversion and corruption. In general, however, misuse has affected only a small fraction of CT programme beneficiaries. This risk is further minimized in CT programmes where the transfer is provided on condition that it is used for specific goods and service.
6. **Exclusion** refers to a targeting error that results in households being excluded from receiving assistance despite being eligible and in need. As a result, CT programmes may pose the additional risk of adversely affecting non-beneficiary community members by exposing them to the inflationary effects of CT interventions, but without the benefits of the programme. Careful design of targeting criteria and its implementation and monitoring will minimize this risk.
7. **Elite capture** – This is a type of targeting exclusion error that can occur when certain segments of a targeted population experience reduced access to public goods and services provided through CTs than others. In other words, there is a selection bias through which some parts/people/social groups of the population in need benefit from CTs while others do not.
8. **Intrahousehold resource allocations** – Under the best of circumstances, households can be the site of competition for resources, with uneven power relations based on age, gender or status determining control over resources. These dynamics are often exacerbated during humanitarian crises. Vulnerable groups may not be able to access or retain control over the CT or voucher, including not having influence over the use of the resource. This concern is pertinent not only to CTs, but to other types of assistance.

ANNEX: FAO CT PROJECTS – SUMMARY OF ACTIVITIES AND COUNTRY CASE STUDIES

Since FAO first engaged in operationalizing CTs in 2001, the Organization has reached over 2 412 152 household (6 407 943 individual) beneficiaries in 25 countries through over 70 projects, with a total estimated value of operations of USD 193 750 752. The table below summarizes FAO’s experience in working with vouchers, input trade fairs, public works schemes, and livestock destocking (cash-for-animals) and restocking (through vouchers and fairs).

Summary of CT activities

CT tools	Countries where implemented	Used since	Beneficiaries reached (estimated)	Total projects	Total budget (USD)
Vouchers	Burundi, [#] China, Colombia, Ethiopia, Guatemala, Haiti, Kenya, Lesotho, Mozambique, Niger, Somalia, South Sudan, Swaziland, Uganda, ^{**} Zambia, ^{**} Zimbabwe	2004	732 417 households (3 082 151 individuals) [#] (44 195 households; 252 948 individuals)	43 projects [#] (11 projects)	24 179 881 [#] (3 865 656)
Seed and input trade fairs	Burundi, Colombia, Haiti, Lesotho, Mozambique, Niger, Somalia, South Sudan, Swaziland, Uganda	2004	1 296 849 households (1 062 882 individuals)	27 projects	2 359 731
Public works: cash-for-work, voucher-for-work and food-for-work	Chad, Cote d’Ivoire, Ethiopia, Guatemala, Guinea Bissau, Haiti, Liberia, Niger, Pakistan, Somalia, St. Lucia, Timor-Leste, Uganda, West Bank and Gaza Strip	2006	866 209 households (4 042 584 individuals)	23 projects	178 128 035
Livestock destocking/restocking	Ethiopia, Haiti, Niger, Somalia	2005	204 899 households (1 029 529 individuals)	11 projects	9 397 330

[#]Denotes standalone voucher scheme (excluding input trade fairs, vouchers-for-work, and restocking).

*Denotes the use of e-voucher.

Country case studies

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

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".

The 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 agrodealers 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 compared with 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"

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 and Pakistan

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.

FAO Somalia established a specific cash-for-work **monitoring unit and verification systems** that enable FAO Somalia to avoid or immediately stop possible collusion between service providers or misappropriation of funds by staff of service providers, and to cancel contracts with service providers who did not respect cash disbursement modalities as per contractual obligations with FAO. The monitoring and verification system includes:

1. Reconciliation between service providers reports and vouchers payment by money vendors
2. Field monitors: 19 field monitors were deployed to south-central Somalia
3. Remote sensing: comparison of aerial photographs and satellite images to confirm execution of the works (e.g. canal rehabilitation, water catchments)
4. Call centre: the call centre conducts beneficiary surveys on the telephone
5. A biometric system to register, identify and pay beneficiaries through digitization and recognition of their thumb-print will be ready for deployment in September 2012
6. Launching an awareness campaign in Somalia in order to inform the population at large of the entitlements associated with their participation in cash-for-work schemes and report on the consequences in the event of non-compliance with procedures

In **Pakistan**, where many households lost both productive and non-productive assets as well as their income in the floods of 2010, FAO's extensive emergency and rehabilitation response programme included a large cash-for-work component. The cash-for-work intervention was undertaken in three provinces (Khyber Pakhtunkhwa, Punjab and Balochistan) where the floods had ruined thousands of irrigation channels filling them with debris and silt. The intervention sought to repair and de-silt on-farm irrigation channels and restore and improve water availability for crop production. In total, the cash-for-work component of the response programme allocated USD 7 429 349 and directly benefited 69 931 households who repaired 1 065 irrigation channels, recovering 114 655 hectares of irrigated land.

FAO's Office of Evaluation conducted an **independent evaluation** of FAO's response to the 2010 floods. The evaluation found that the provision of cash to affected communities was very much relevant to their needs at a time when other sources of income had been lost and households needed cash to procure food and livelihood assets. Furthermore, the cash provided through the intervention in many cases has been invested in livelihood assets (physical, human) that will provide continuing benefits. In addition, the long-term effect of the water channel repairs is their impact on future crop yields. Now cleared, these channels can be maintained annually by the farmers themselves.

Source: FAO Office of Evaluation, Independent Evaluation of FAO's Response to the July 2010 Floods in Pakistan

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

FAO uses slaughter destocking as a last-resort intervention in response to droughts whereby cattle, goats and sheep are purchased from poor and vulnerable households that are willing to sell their animals for cash. 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 over 192 575 households (962 875 individuals) through meat distribution, primarily of sheep and goats.

ACRONYMS

CaLP	Cash Learning Partnership
CPF	FAO Country Programming Framework
CT	Cash transfer
DFID	United Kingdom's Department for International Development
ECLAC	Economic Commission for Latin America and the Caribbean
EMMA	Emergency Market Mapping and Analysis Tool
EUFF	European Union Food Facility
FAO	Food and Agriculture Organization of the United Nations
FP DRR	FAO Framework Programme on Disaster Risk Reduction for Food and Nutrition Security
gFSC	Global Food Security Cluster
ILO	International Labour Organization
ITU	International Telecommunication Union
LEGS	Livestock Emergency Guidelines and Standards
NGO	Non-governmental Organization
OHCHR	Office of the United Nations High Commissioner for Human Rights
PtoP	Protection to Production
PoS	Point of service
RAF	FAO Response Analysis Framework
RLC	FAO Regional Office for Latin America and the Caribbean
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WFP	World Food Programme