

## Part A: Project Preparation

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### 1. Project Identification

#### 1.1 Problem analysis of humanitarian needs

##### ► In this chapter

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Requests for support of a humanitarian project are mostly demand-driven. The HQ desk officer responsible has to have a concept of how to act in response to these requests. One possible instrument to propose is a Cash Project. This instrument is generally used to provide efficient support to people in need in situations that are more or less stable.

##### ► Benefits

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Immediate and appropriate action is of utmost importance in an emergency situation. Systematic preparation of humanitarian projects helps to optimise use of resources and accuracy of intervention, thereby keeping the focus of aid on the beneficiaries.

Using a standard procedure for collecting project ideas will be helpful in three ways:

As a checklist of sorts, it facilitates comprehensive compilation of relevant information. It ensures availability of the most important items of information needed to prepare a Cash Project.

It assists in identifying topics that require further investigation.

##### ► Procedure

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Even if there is little time available, a comprehensive problem analysis regarding the humanitarian situation and its context helps to clarify the following points:

- **Description of the humanitarian problem:** by means of a list of facts, ideas, solutions and open questions
- **Definition of the target group:** by means of a brief description of potential target groups, their structure and characteristics, as well as their most important and urgent needs
- **Identification of the target area:** where humanitarian problems are most pressing; the area should be accessible for humanitarian aid workers
- **Other humanitarian actors:** clarification of the activities, focuses, capacities and roles of all important local and international players engaged in humanitarian aid in the same area
- **Provisional objectives:** description of important needs that are met only insufficiently or not at all, along with provisional objectives and related risks



- **Written documentation of project idea:**

A comprehensive overview of a project idea should always be furnished in writing. This will provide a basis for discussions with different partners and for checking whether a suggested project responds appropriately to the needs initially identified.

#### *Template "Cash Project Idea"*

<b>General information</b> <ul style="list-style-type: none"><li>○ Place and country where project is to be implemented</li><li>○ Desk officer responsible</li></ul>
<b>Description of the humanitarian problem (not more than 20 lines):</b> <ul style="list-style-type: none"><li>○ Type of disaster</li><li>○ Time when the disaster occurred</li><li>○ What has happened since the disaster?</li></ul>
<b>Description of the target group:</b> <ul style="list-style-type: none"><li>○ Number of directly affected victims</li><li>○ Living conditions at present</li><li>○ The victims' most urgent needs at the moment</li></ul>

<p><b>Other humanitarian actors:</b></p> <ul style="list-style-type: none"> <li>○ Who is doing what at the moment?</li> <li>○ Local players and local actors</li> </ul>
<p><b>Alternative ways of solving the problem:</b></p> <p>Advantages and disadvantages of:</p> <ul style="list-style-type: none"> <li>○ Cash</li> <li>○ In-kind</li> <li>○ Vouchers</li> <li>○ Other means</li> </ul>
<p><b>Possible or necessary partners for implementation:</b></p> <ul style="list-style-type: none"> <li>○ Partners at governmental level</li> <li>○ International organisations (IOs)</li> <li>○ Non-governmental organisations (NGOs)</li> <li>○ Bank or postal money transfer system</li> </ul>
<p><b>Formulation of the project objective:</b></p> <ul style="list-style-type: none"> <li>○ Main objective</li> <li>○ Goals and targets</li> </ul>
<p><b>Preliminary risk analysis:</b></p> <ul style="list-style-type: none"> <li>○ What are the major threats to project implementation?</li> <li>○ What could go wrong and why?</li> </ul>
<p><b>Visualisation (if available):</b></p> <ul style="list-style-type: none"> <li>○ 1 or 2 photos related to the humanitarian problem / target area</li> <li>○ Sketches related to project implementation/objectives</li> </ul>
<p><b>Sources of additional information:</b></p> <ul style="list-style-type: none"> <li>○ Web sites</li> <li>○ Important papers and documents</li> </ul>

	<p><b>Use of template</b></p> <p>Using the template facilitated discussions between humanitarian aid experts. Project presentation was limited to the essentials. As a result, it was possible to identify promising approaches and the main questions to be investigated in the next step.</p>
	<p><b>Copy / paste-approach</b></p> <p>There are some who hope and assume that if they follow a “copy/paste approach”, by replicating a Cash Project that has been successfully implemented before, problems will be solved more quickly or even avoided. Experience has shown that this assumption is definitely wrong.</p>

## 1.2 Comparing cash to in-kind or vouchers

### ► In this chapter

During an emergency – be it a natural or a man-made catastrophe – the immediate response of the international community is to provide the victims with basic necessities such as food, clothing and shelter.

Very rarely, cash is provided to cover humanitarian needs. In order to find the most appropriate solution, it is necessary to understand the mechanisms of the following three relief approaches:

- Cash
- In-kind
- Vouchers

► **Procedure**

○ **Advantages and disadvantages**

As a first step, it is important to clarify the advantages and disadvantages of the three approaches. A rough analysis allows for pre-selection of the appropriate type of intervention.

Advantages of In-kind	Advantages of Voucher	Advantages of Cash
<ul style="list-style-type: none"> <li>○ Gives larger quantities by tapping donor surpluses (e.g. Swiss milk powder)</li> <li>○ Immediately increases food availability</li> <li>○ Directly addresses nutritional deficiencies</li> </ul>	<ul style="list-style-type: none"> <li>○ Involves local business</li> <li>○ Targets items to be chosen by beneficiaries</li> <li>○ Not sensitive to inflation</li> <li>○ Financial transfers concern business people only</li> <li>○ Easy to monitor</li> </ul>	<ul style="list-style-type: none"> <li>○ Easily converted</li> <li>○ Can be self-targeting</li> <li>○ More choice for beneficiaries</li> <li>○ Cash contributions favour women, children and elderly</li> <li>○ More cost-efficient</li> <li>○ Minimal transfer costs</li> <li>○ Encourages productivity and stimulates markets</li> </ul>
Disadvantages of In-kind	Disadvantages of Voucher	Disadvantages of Cash
<ul style="list-style-type: none"> <li>○ High transport and storage costs</li> <li>○ High administrative costs</li> <li>○ Losses from spoilage and theft</li> <li>○ Less easily exchanged</li> <li>○ Disincentive effects on production</li> <li>○ Competes with local markets and trade</li> </ul>	<ul style="list-style-type: none"> <li>○ Applicable only after conflicts and disasters</li> <li>○ Less choice for beneficiaries</li> <li>○ Requires extensive administrative measures</li> </ul>	<ul style="list-style-type: none"> <li>○ Applicable only after conflicts and disasters</li> <li>○ Losses due to inflation</li> <li>○ Risk of leakage during transfer and payment process</li> <li>○ More difficult to target</li> <li>○ Can be used for anti-social activities</li> <li>○ Security risk during implementation</li> </ul>


○ **Combining in-kind and cash**

Cash support should not replace efforts to improve food availability. Cash distribution complemented by food distribution may well be the most appropriate approach.

○ **Stereotypes**

Cash distributions often provoke extensive discussions regarding misuse (e.g. security issues, incompatibility with traditional hospitality, malpractice and corruption). Most of the critics do not realise that their scepticism originates from a paternalistic background. Impact analyses and monitoring have shown that, in general, beneficiaries use the financial assistance provided in a very responsible and differentiated way.

These controversies are important. Each of the partners involved has their own ideas about Cash Projects. In order for implementation to be successful, project designers must consider all of these different viewpoints and reservations. A project can only be launched if all parties involved agree that the cash approach is the most appropriate one in terms of usefulness and acceptability.

	<p><b>Cash for host families</b></p> <p>Refugees are often accommodated in private homes. Their hosts bear a considerable financial burden, but are not entitled to receive relief goods – a fact that is frequently forgotten. Additional household members mean additional costs for water, electricity and fuel. These costs can only be covered with additional cash.</p>
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### 1.3 Preconditions for a Cash Project

► **In this chapter**

Cash Projects aim to maximise the empowerment of beneficiaries while at the same time minimising implementation costs.

Generally it can be said that the preconditions for the implementation of professionally designed humanitarian activities are also valid for Cash Projects. However, the implementation of Cash Projects calls for additional, specific preconditions. Quite early in the decision-making process, attention must be paid to these specific preconditions. If they are not met, the quality and impact of Cash Projects may be considerably reduced.

► **Benefits**


The need for a Cash Project may be given without any doubt. However, there may be restrictions or factors which make implementation impossible. In-depth knowledge about the preconditions helps minimise initial risks.

► **Procedure**

The following table provides a list of issues to be evaluated:

	Factors favouring implementation	Factors hindering implementation
<p><b>Appropriate moment</b></p> <p>Cash Projects cannot be implemented at any time. Generally speaking, Cash Projects require a rather stable situation.</p>	<ul style="list-style-type: none"> <li>▪ Pressure to cover urgent needs for winter</li> <li>▪ Solidarity shortly after a conflict or natural disaster</li> <li>▪ Favourable public opinion in the donor country</li> </ul>	<ul style="list-style-type: none"> <li>▪ Situation of continuing conflict</li> <li>▪ Potential beneficiaries not settled or with hosts</li> <li>▪ Rivalry between ethnical or social groups during a conflict</li> </ul>
<p><b>Security situation</b></p> <p>A relatively stable situation is necessary to ensure the security of the local staff and expatriates, as well as the security of money transfers. Information is usually provided by international agencies, and is easily available.</p>	<ul style="list-style-type: none"> <li>▪ No armed conflicts</li> <li>▪ Target area is under the strict control of the army and/or the police</li> <li>▪ Set-up of UN security system</li> <li>▪ SDC risk assessment and security plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk of kidnapping, as a traditional source of in-come</li> </ul>
<p><b>Intentions of other actors</b></p> <p>If other actors are planning or implementing similar projects, it is important to know whether they are competent and, if so, at what time they will start and complete their projects and what budgets they have at their disposal.</p>	<ul style="list-style-type: none"> <li>▪ No other actor is planning a Cash Project</li> <li>▪ Regular coordination meetings with other actors in the same field for information exchange only</li> <li>▪ Willingness to exchange data of potential and actual beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>▪ A “big” donor or an international agency announces the imminent implementation of a Cash Project</li> <li>▪ Long negotiations about sizing and targeting the cash contributions</li> <li>▪ Hidden and unfruitful competition between humanitarian actors in the same field</li> </ul>
<p><b>Availability of an implementing partner</b></p> <p>Potential implementing partners that would be able to support the Cash Project in its main activities are a positive asset.</p>	<ul style="list-style-type: none"> <li>▪ Good connections and close to the target group</li> <li>▪ Supportive with regard to professional registration and verification</li> <li>▪ Capable of conducting reliable financial transfers, payments and financial monitoring</li> <li>▪ Good contacts with mass media</li> <li>▪ Support with legal issues</li> </ul>	<ul style="list-style-type: none"> <li>▪ Attempts of the local administration to interfere in project management</li> <li>▪ Un-cooperative local administration</li> <li>▪ Bad reputation of potential implementation partner and lack of public confidence</li> </ul>
<p><b>Reliability of money transfers</b></p>	<ul style="list-style-type: none"> <li>▪ Previous experience or on-going money transfers on the part of SDC</li> <li>▪ Uncomplicated money transfers</li> <li>▪ Early check with Federal Administration concerning reliability of banking institution to be chosen</li> <li>▪ Clarify local experiences with post, banks and other financial agencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ High overhead costs, transfer and payment fees</li> </ul>
<p><b>Significance of the contribution</b></p> <p>Project planning means optimising the variables: number of potential beneficiaries, budget available, and significance of the individual cash contribution.</p>	<ul style="list-style-type: none"> <li>▪ Availability of a budget estimate, based on the number of potential beneficiaries</li> <li>▪ Check if their needs can be significantly covered with a cash contribution</li> <li>▪ Design 2-3 alternatives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Planned contributions and alternative set-ups cannot be checked in the target area</li> <li>▪ Missing information about cash, in-kind or voucher contributions of other donors</li> </ul>
<p><b>Ensured engagement of professionals for implementation</b></p> <p>The implementation of Cash Projects according to the procedures laid down in this workbook requires a certain level of professionalism and willingness to work in a team.</p>	<ul style="list-style-type: none"> <li>▪ Desk, PM and backstopper form a team</li> <li>▪ PM is familiar with implementation of humanitarian projects</li> <li>▪ PM is familiar with Cash Projects and basic data management</li> <li>▪ Early involvement of PM during elaboration of project idea, assessment and project outline</li> </ul>	<ul style="list-style-type: none"> <li>▪ PM includes beginners</li> <li>▪ PM is unable to communicate and cooperate with HQ and backstopper</li> </ul>

<p><b>Local conditions for implementation</b></p> <p>Good local infrastructure and functioning local structures facilitate quick project implementation.</p>	<ul style="list-style-type: none"> <li>▪ Local administration is functioning well</li> <li>▪ Accessibility of target areas and beneficiaries for monitoring and verification</li> <li>▪ Communication technology is working at local and international levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ See also "Security situation" above</li> </ul>
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	<p><b>Factors hindering Cash Project implementation</b></p> <ul style="list-style-type: none"> <li>▪ If the number of beneficiaries and the budget are too small, standardised project implementation is too costly (criteria: overhead costs)</li> <li>▪ High risks related to money transfers and payments</li> <li>▪ On-going conflicts or unstable conditions</li> <li>▪ Potential beneficiaries not in a stable living situation</li> <li>▪ Registration of potential beneficiaries and verification of information impossible</li> <li>▪ High inflation of local currency without possibility to pay in a foreign currency</li> <li>▪ Lack of professional cash know-how</li> </ul>
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