

Direct cash transfers to address Loss and Damage: principles for effective response

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*These principles have
been developed by
GiveDirectly and
endorsed by the Loss &
Damage Collaboration.*

Cover image: Grace stands in front of the home she is building with the GiveDirectly cash transfer in Mkolimbo Village, Malawi. She was photographed by Chiyembekezo Kapitapita.

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The case for cash for loss and damage

The Fund for Responding to Loss and Damage (FRLD) is rapidly becoming operationalized. There have been clear calls to ensure that Loss and Damage funding directly benefits worst-affected communities, in ways that enable people to prioritize their most important needs and put communities in the lead.¹ But there has been less focus on the programs and responses that enable community-centered recovery most effectively.

Cash transfers are a highly effective investment in addressing loss and damage: a tool that is effective, flexible and scalable enough to respond to the widespread and highly individualized impacts of loss and damage - economic and non-economic (NELD) - in ways which put affected communities in the driving seat. GiveDirectly is a nonprofit that sends money directly to the world's poorest communities. Based on our [experience of delivering loss and damage support to survivors of Cyclone Freddy in Malawi](#), and from reaching more than 1.6 million people with direct cash grants, we have set out what good loss and damage programming looks like from our perspective and [how direct cash helps to deliver on that](#). Our vision is for direct cash to be a major pillar of global loss and damage support.

[Research conducted through over 300 studies,² finds that cash assistance can be more efficient,³ more effective,⁴ preferred over,⁵ and more secure⁶ than other types of assistance.](#) Innovations in automated targeting⁷ and registration, and massive expansions in access to mobile money⁸ mean that cash assistance can be rapidly scaled to reach large numbers of people in ways which reflect the highly individualized impacts of loss and damage and put individuals in the lead of their own recovery. Prioritizing cash to individuals also makes scarce loss and damage funding go further - while both are needed, \$1000 direct to a household has a much more direct and immediate impact than \$1000 invested in an infrastructure project.

Three principles for the effective use of cash for loss and damage

[We call on Governments, donors, civil society and the Fund for Responding to Loss and Damage \(FRLD\) to use large, direct and unconditional cash transfers as a central, community-led tool for addressing loss and damage.](#) The FRLD should create systems and processes that enable the rapid disbursement of direct cash to communities experiencing loss and damage at the right time.

The principles below set out what effective loss and damage programming looks like, and how cash can support each of these. They cover why cash is an effective tool and how to deliver cash in ways which are effective, equitable and safe, putting power and choice in the hands of frontline communities.⁹

1) Engage the right people

1.1) Prioritize government leadership where possible

Cash enables governments to respond rapidly and at scale in ways that meet different needs, building shock-responsive social protection systems.

- Governments should build social protection systems which allow them to rapidly reach their citizens with cash assistance after a shock.
- Cash should be delivered through existing social protection systems where possible. Where such systems are not ready or not shock-responsive, work through established organizations with experience of, and systems for, delivering cash in this setting. Such partnerships should strengthen rather than duplicate existing and planned government systems, including targeting and data management systems.
- All responses should either be requested by or planned in close collaboration with government. In contexts where this is not possible (fragile states, countries in conflict), try to engage local authorities. In all contexts ensure civil society engagement to hold government to account.

1.2) Engage affected communities to shape the response

Cash can be used as recipients choose, putting individuals and communities in the driving seat and letting families chart their own course to recovery. Communities - including marginalized groups - should shape and co-design responses.

- Engage affected communities - with particular emphasis on including girls and women, indigenous populations and other marginalized groups - to understand the nature and value of losses and damages experienced, their needs and preferences and the strategies and approaches with which they want support.
- Avoid elite capture by being aware of power dynamics within communities and collaborating with local actors to ensure marginalized communities are represented and included in decision making.
- Put in place an inclusive and participatory planning process, clearly communicate the aims and scope of the assistance throughout the project, and put accessible two-way feedback mechanisms in place. Ensure the program can adapt in response to recipient feedback throughout the life of the response.

1.3) Crowd in complementary support to amplify impact

Cash works best alongside functioning markets and services and can be used to crowd in other support.

- Cash transfers are most effective when they complement a broader array of institutional support, including service provision and investments in building systemic climate resilience.
- Ensure local markets can provide for people's key needs. If key items are scarce or missing, consider how to crowd in other market actors.

- Assess available services to understand what is available. If there are gaps, consider advocating with government and/or other responders to ensure complementary assistance is available.
- Evidence shows that impacts can be even greater when unconditional cash is combined with other types of safety nets, including insurance¹⁰ and social protection.¹¹ However, given the gap between needs and available resources there may be many contexts in which this is the only support available to affected populations. In these cases, large, unrestricted transfers should be prioritized to meet families' needs and priorities.

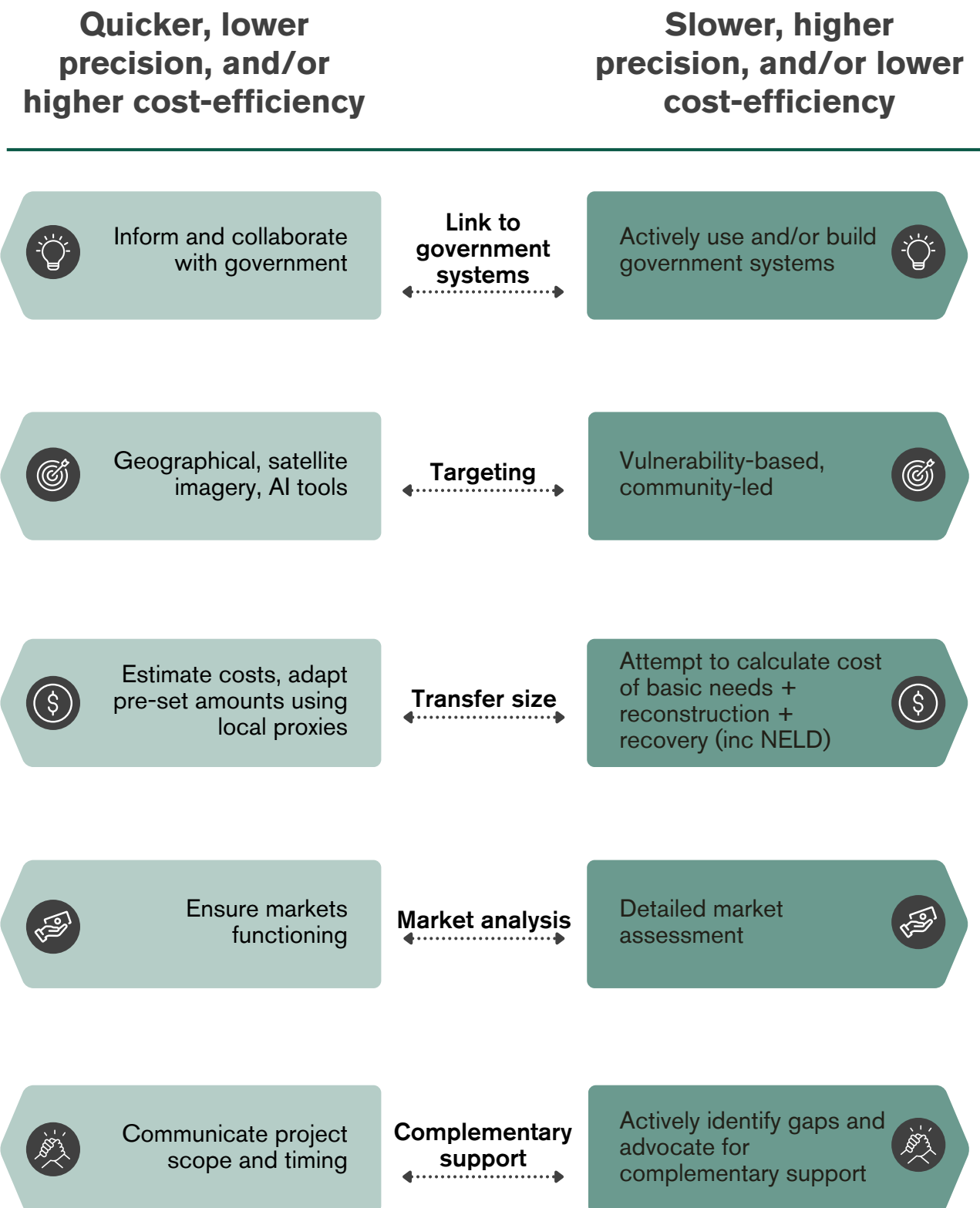
2) Design for impact

2.1) Identify and reach the worst-affected people

Technological tools – from satellite imagery to AI to call record data – can be used to quickly identify the worst-affected people and channel cash to them. And communities should engage to help identify the most vulnerable and ensure an inclusive response.

- Conduct a vulnerability analysis and hazard analysis at a national, regional, and local level. Consider rapid needs assessment tools including use of satellite imagery,¹² Earth Observation,¹³ call detail records,¹⁴ AI,¹⁵ post-disaster needs assessment (PDNA) tools¹⁶ and crowd-sourced data to quickly identify and reach the worst-affected.
- Identify a geographical area and target communities in tandem with the government where possible. This should be driven by where the worst damage has been felt, where the population have the least resources to recover and face high risks of future climate impacts.¹⁷
- Define the eligibility criteria (which could be based on individual need or blanket coverage of a community or geographical area) and understand the ceiling for enrollment (i.e. how many people can be reached with the available budget.)
- The worst-affected people may not just be the most physically exposed but those who are historically marginalized and have less access to resources. Targeting should consider the particular needs and vulnerabilities of marginalized groups, girls and women, people living with a disability and elderly people and marginalized groups.
- Needs assessments should ideally be driven by communities themselves. Assessment should include understanding: what people have lost; how losses differ between groups; which losses can and cannot be addressed by cash; and the overall objective and scope of support, which should support strategies specific to the nature of loss and damage experienced (e.g. supporting relocation).

Figure 1: Every design decision has tradeoffs: more precisely targeted vs faster response, larger transfers vs reaching more people. The decision in each case will depend on the project objectives and the situation faced.



2.2) Cover all loss and damage experienced

Unlike other types of response, large cash transfers can be sized to cover the breadth of economic and non-economic loss and damage experienced: transfers should meet basic needs, support durable reconstruction and ensure resilient recovery.

- The overall value of the transfer should cover basic needs, reconstruction and resilient recovery, including both economic and non-economic loss and damage where possible. This will mean a large transfer, in contrast to other types of cash assistance (humanitarian, social protection) which are smaller - largely designed to meet immediate and day-to-day needs only. Larger transfers have been found to have longer-term impacts¹⁸ and have a greater impact on productive assets.¹⁹
- Unconditional transfers, which can be spent as the recipient chooses, are aligned with the principles of Climate Justice. The evidence shows that unconditional cash which can be spent according to the recipient's individual needs and preferences is more efficient, more effective and preferred by recipients.²⁰

2.3) Deliver assistance as efficiently and transparently as possible

Nearly 80% of the world have access to a financial account. Digital payment channels (including mobile money) are fast, scalable and secure, enabling financial inclusion and opening up other economic opportunities.

- Delivery methods could include the traditional banking system, alternative financial service providers (including mobile money) or even directly handing out cash if there are no viable alternatives.
- Digital (including mobile) delivery is preferable to improve traceability, speed, safety and to enable instant feedback. Digital delivery channels can also help to strengthen financial inclusion: phone ownership can empower people and open up economic opportunity.
- Engage financial service providers ahead of time to ensure agents have sufficient liquidity and to put safeguards in place.

3) Maximize quality and safety

3.1) Keep recipients safe

Cash is a secure and dignified way of sending assistance – the channels used to deliver it can also be used to verify its safe arrival. Follow best practice in safe, inclusive cash delivery.

- Cash assistance is generally safe and dignified,²¹ but there are risks including exacerbating inter-community, intra-community and intra-household conflict. Work with the community to identify safeguarding concerns and mitigation options.
- Ensure feedback mechanisms exist to enable recipients to immediately report incidents and concerns and have the capacity to act on this and flex the project in response. These could be project specific but should ideally include strengthening or establishing government-led grievance redress mechanisms (e.g. child protection committees).

- In contexts where people are relocating, limit the risk of inter-community conflict through engaging community leaders and local government and communicating benefits for host communities, including economic multiplier effects.

3.2) Get the timing right

Cash support can be timed to arrive when it's most needed – to support planting season, to help families get through lean season, or when people need to resettle and/or rebuild.

- The optimal timing of the transfer will depend on a number of factors including when funding becomes available, the type of shock and how much is known about its impacts ahead of time.²²
- Timing should consider seasonality - growing season, lean season and seasonal weather variations - to ensure transfers arrive in time to support people's livelihood and subsistence activities.
- It should ideally be phased with other types of support for maximum impact, for example bridging the gap between immediate, lifesaving humanitarian aid and longer term development/climate adaptation support. However, with growing gaps between needs and resources other assistance may not be on offer, in which case, the flexibility of cash enables it to be channeled to whatever recipients need most.
- The phasing of how the transfer is delivered should maximize safety, convenience and be driven by recipient preferences. A single large transfer (which may be delivered in tranches) is more appropriate than smaller payments delivered over time for supporting rehabilitation and reconstruction, as evidence shows large one-off payments encourage investment in productive assets and improve economic outcomes more effectively.²³

3.3) Focus on results and accelerate learning

This is an emerging field – we call on others to scale and replicate this approach in other contexts and share what they learn.

- Identify indicators which will show the extent to which cash transfers have helped people recover from the losses and damages they've experienced and whether the objectives of the project - basic needs, reconstruction, resilient recovery - have been met. This may mean establishing a pre-crisis "baseline" with recipients, which can be challenging retrospectively, and a detailed understanding of the economic and non-economic losses people have suffered and how they value these.
- Focus on outcomes not expenditure - avoid putting an undue monitoring burden on small programmes or "policing" how people spend their money. Include people's qualitative perception of how their losses and damages have been addressed.
- Encourage and act on feedback from recipients throughout the life of the project.
- Share what you learn and help to build the evidence base. As this is an emerging area, be transparent and open about your findings - positive and negative - and use them to accelerate system-wide learning.

Endnotes

- ¹ See the [UN Special Rapporteur on the Right to Development's 12 Principles of Climate Justice](#), [CJRF's Principles for Community-First L&D Response](#), [IIED's Briefing on Locally Led Loss and Damage](#) and - separate but linked - the [Principles for Locally Led Adaptation](#).
- ² [Research on cash transfers](#). GiveDirectly. 2020.
- ³ [Cash-based approaches in humanitarian emergencies: a systematic review](#). Shannon Doocy and Hannah Tappis. 2017.
- ⁴ [Cash transfers: what does the evidence say?](#). Francesca Bastagli, Jessica Hagen-Zanker, Georgina Sturge. ODI. 2016.
- ⁵ See [Annex A](#) for further details on the evidence on cash transfers.
- ⁶ [Cash is no Riskier than Other Forms of Aid. So Why Do We Still Treat In-kind like the Safer Option?](#). The CALP Network. 2019.
- ⁷ [Study: AI targeting helped reach more of the poorest people in Togo](#). GiveDirectly. 2021.
- ⁸ [The State of the Industry Report on Mobile Money](#). Rishi Raithatha, Aramé Awanis, Christopher Lowe, Devyn Holliday and Gianluca Storchi. GSMA. 2023.
- ⁹ Tools to support each of these principles are listed at [Annex C](#).
- ¹⁰ [Cash transfers and index insurance: A comparative impact analysis from northern Kenya](#). Nathaniel D. Jensen, Christopher B. Barrett, and Andrew G. Mude. 2017.
- ¹¹ [Social protection for climate-induced loss and damage: Priority areas for increasing capacity and investment in developing countries](#). Red Cross Red Crescent Climate Centre (RCCC). 2023.
- ¹² [Catalogue of Surge Services](#). Red Cross Red Crescent (IFRC GO).
- ¹³ [How Earth Observation Can Enable Anticipatory Action in Humanitarian Crises](#), Sarah Whelan and Andrej Verity. Digital Humanitarian Network. 2022.
- ¹⁴ [Assessing the Use of Call Detail Records \(CDR\) for Monitoring Mobility and Displacement](#). Talia Gerstle, Maya Hardimon, Galen Hunt, Iona Main, Liza Paudel, Daniel Pontón, Sri Harshita Rallabhandi, Kaitlin Roh, Maria Romano, Emily Tenenbom, and Julia Tuttle. Migration Data Portal. 2021.

¹⁵ Study: AI targeting helped reach more of the poorest people in Togo. GiveDirectly. 2021.

¹⁶ Post-Disaster Needs Assessment. United Nations Development Programme. 2015.

¹⁷ Noting that spillover impacts on supply chains, livelihoods etc will likely be felt outside the area of greatest impact.

¹⁸ Youth Employment and Productivity: Medium-term Experimental Evidence from Rwanda. Craig McIntosh and Andrew Zeitlin. 2022.

¹⁹ Using Household Grants to Benchmark the Cost Effectiveness of a USAID Workforce Readiness Program. Craig McIntosh and Andrew Zeitlin. 2020.

²⁰ See Annex B.

²¹ See Annex A.

²² There is evidence to suggest that anticipatory cash - cash received before a shock occurs when early warning data is received - can be more effective, safeguard lives and livelihoods and limit losses and damages, but this still needs to be defined in many Loss and Damage responses due to timescales over which funding is released and the challenge of understanding the extent and nature of losses and damages before a shock hits.

²³ Early findings from the world's largest UBI study. GiveDirectly. 2023.

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