

FUTURE-PROOF AID POLICY

EXECUTIVE SUMMARY

**From Tech to Transformative Aid Policy:
Leveraging Digital Cash & Voucher
Assistance Programming**

INTRODUCTION

To better scale emergency cash transfers and social protection programs and to meet the needs of under-resourced communities globally, a digitalization of the cash assistance programming is becoming an increasingly relevant solution.

A great deal of policy development, product design and iteration, and responsible field piloting is required to ensure that digital cash assistance (DCA) utilizing emerging technologies such as blockchain, can be executed at scale in a manner that meets minimum humanitarian standards, and without harming program participants or violating emerging regulatory compliance.

With this in mind, the purpose of this report is to help practitioners harness the potential of DCA to make the existing cash and voucher assistance (CVA) practices more innovative and transformative.

What is Digital Cash Assistance?

Digital Cash Assistance (DCA) is the modernized approach to cash transfers, which integrates frontier technologies into existing practices. It consists of disbursing digital currency (using blockchain technologies) to humanitarian aid beneficiaries, rather than physical cash, vouchers or checks. This form of aid delivery provides an opportunity to:

- + Exponentially decrease operational costs,
- + Increase the speed of program delivery,
- + Enhance coordination and monitoring,
- + Bring full transparency into the scope and economic impact of assistance.

DCA BENEFITS:

SPEED - DCA transfers can be up to 96% faster than traditional money transfer methods. Reconciliation and other complex financial processes can be automated.

COST - Transferring digital currencies is more cost-effective than other digital cash transfers. Transaction costs are 60% lower. Many processes can be optimised reducing operational costs.

SAFETY AND TRANSPARENCY - Blockchain transactions are secure and transparent, limiting the chances of fraudulent and corrupt use of humanitarian aid. Transparency and traceability increases fraud identification and remediation.

PRIVACY - Humanitarian agencies are able to track how recipients are spending aid without revealing any personal information.

LAST MILE SOLUTION - Aid recipients do not need access to the internet, a bank, or a phone or a bank account to tap into digital cash transfers. There are tools that address these challenges, such as “tap and pay” cards and on/offline functionality.

SCALABILITY - The applications used to transfer digital currency have little to no capacity barriers, meaning that it is possible to easily scale the program.

COMMUNITY PARTICIPATION - Community currencies and community engagement in the product design and iteration process offer a solution to include community voices in design, and increase purchasing power and market activity despite cash scarcity in the national currency.

What is Digital Cash Assistance?

The benefits of cash assistance have long been established. Aid delivered in cash is cheaper, more effective, more inclusive of beneficiaries, and bridging the humanitarian and development sectors into a nexus. The report provides a comparative review of the cash transfers policies and their scale across seven major humanitarian agencies (UNHCR, World Food Program, Mercy Corps, Oxfam International, UNICEF, World Vision, International Committee of Red Cross).

By examining the depth, recurrence and frequency of existing challenges in the delivery of cash assistance, the report seeks to present DCA solutions that specifically address these inhibiting factors in ways that existing solutions and methods employed by the sector have struggled to resolve. As an emerging technology, the benefits of using blockchain technology technology to deliver DCA comes at an opportune time - when there remains a culture of agility and flexibility in product design. This is a strong call to action for the humanitarian community to seize the opportunity to engage directly with the technology and its developers to create tools that address and design these problems in ways that legacy systems have not.

Despite broad commitments to deliver the majority of the world's humanitarian aid in cash, **coordination and transparency remain continuous challenges**. Our report looks in detail at several of the **Inefficiencies of Cash Assistance** experienced by the sector specialists:

Inflation

Capital Controls

Abuse of Recipients

Costly "Last Mile"
Delivery Infrastructure

Limited Technical
Capacity & Complex
Institutional Systems

Financial
Literacy & Access

Regulatory Obstacles

Perceived Risks

Corruption & Fraud

Transformative Digital Cash Assistance

Departing from these existing shortcomings of cash and voucher assistance delivery, the report introduces the concept of digital cash assistance (DCA), analyzing its key component of digital currency, and recommends methodology and policies that agencies can integrate into their existing practices when piloting and scaling DCA programs. By providing a strong foundation for the development and iteration of DCA methodology, it is our hope that the scale and impact of humanitarian aid can increase exponentially.

International NGOs, UN agencies and civil society organisations who form the landscape of key stakeholders in humanitarian community need only look to global commitments outlined first in 2005 and revised in 2011 in the Transformative Agenda, which **called for better coordination and accountability**. Then, in 2016 the World Humanitarian Summit established the Global Grand Bargain commitments calling for the humanitarians to **increase aid transparency, and increase delivery and coordination of cash assistance**.

Within the context of the sector's own commitments, DCA provides a growing toolkit of solutions that blend transparency with quicker, more traceable and accessible scaling of cash programmes, improved cost efficiency and agility. The role of humanitarian agencies to harness and participate in the development and deployment of these technologies not only promises positive outcomes and impact of existing interventions: **it is a twinning of transformational agendas across two global industries - tech and international assistance**. Humanitarian agencies deal with communities worldwide who are hearing about and engaging with these technologies in a diverse number of ways, and we must do justice to our engagements with them to ensure that their voices are heard and included as these technologies continue to evolve over time. For humanitarian agencies, this means better and more effective geographic coverage of vulnerable populations. For the tech industry and companies engaged in the development of blockchain solutions, community participation presents a gateway to inclusive mass adoption.



READ MORE IN THE
FULL REPORT

What is a Digital Currency?

Digital currency, unlike fiat currency controlled by banking institutions, is used to transfer value online using blockchain networks.

The report familiarizes the reader with the economic attributes of the stable digital currency (“digital dollar”) explaining different types of collateralization. Then the paper discusses several risks associated with the digital currencies such as: volatility, cyber theft, fraud, regulatory risks, custody, uncertainty.



Oxfam Vanuatu

A LIVE USE CASE STUDY

Oxfam's DCA initiative in a disaster-prone Vanuatu provides an interesting case study that other humanitarian agencies can look to when designing digital cash assistance solutions.



OXFAM VANUATU, A LIVE USE-CASE STUDY

A main objective of the UnBlocked Cash project has been to develop an innovative model for deploying a more rapid, efficient, and transparent cash assistance for future disaster relief programs. In this project, Oxfam Vanuatu trialled the world's first digital currency-backed cash assistance program, providing a community-inclusive approach to deploying blockchain and similar emerging technologies in the field.

A photograph of a two-masted sailboat named "SUNSET CRUISE" docked in a harbor. The boat is white with brown trim and has its sails down. It is positioned in the center of the frame, with a modern building visible in the background on the left. The water is calm, and the sky is overcast.

2019 PILOT RESULTED IN		
<p>Delivery times reduced by 96% (registration and disbursement time cut down from 1 hour across 2 days to under 6 minutes).</p>	<p>Distributing aid costs lowered by 75% (through MEAL and other processes optimization; transaction costs using blockchain have been cut by 60%).</p>	<p>Increased satisfaction rates despite the use of digital technologies in populations with little to no digital fluency.</p>

OXFAM VANUATU, A LIVE USE-CASE STUDY

The payment delivery system runs on the Ethereum public blockchain and is enabled by the participation of community-level vendors who play a direct role in micro-economic recovery and development. It is a blend of humanitarian assistance, digital financial inclusion, and locally-led blockchain innovation.

In October 2020 Oxfam together with 17 local and international partners (including among others: World Vision, Red Cross, Save the Children, UNFPA) integrated this DCA solution into the live response reaching 35,000 beneficiaries. Oxfam is now piloting the solution in other countries and regions.



FOR LIVE UPDATES FOLLOW
@UNBLOCKEDCASH

What does DCA mean for Humanitarian Agencies using it?

Disburse aid instantaneously to tens of thousands beneficiaries using a single digital device and shared platform.

Provide 100% transparency to donors as to how the aid is being spent, while preserving beneficiary data privacy rights.

Provide access to financial services and products not previously accessible for many communities in the emerging market due to political and economic instability resulting in a breakdown of traditional finance

Use digital currencies independently of failed financial systems, while retaining value and maintaining delivery speed and scope and adhering to “do no harm” principles.

Participate in and contribute to the global design and implementation of blockchain and other emerging technologies in a manner that represents the needs of humanitarian and development agencies and the communities they serve.

What's Next?

This report, from cLabs and Emerging Impact, aims to help humanitarian and development agencies to understand how to harness the power of frontier digital technologies in a transformative, and non-disruptive way.

We believe that technology is a utility and as such it works best when developed with, for, and by the end-users. In this case, the users of blockchain technologies and digital currencies are humanitarian actors, who should actively participate in the ways these technologies are being developed.

We are looking forward to your feedback, questions and new perspectives.

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