



# CTP IN CHALLENGING CONTEXTS: CASE STUDY ON CTP AND RISKS IN YEMEN 2015–2018

CaLP Case Study

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## Case study on CTP and risks in Yemen 2015–2018

Final Report

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# I EXECUTIVE SUMMARY

## SUMMARY OF THE CASE STUDY

This case study was commissioned by the Cash Learning Partnership (CaLP) as part of its programme activities on cash transfer programming (CTP) and risk, with the main aim of lowering the barriers and constraints to the systematic adoption and consideration of CTP. Building evidence and learning from specific contexts is one part of this endeavour. The purpose of this case study is to draw out learning and recommendations for humanitarian actors about risk management for CTP in complex and volatile settings, by examining closely the massive scale-up of CTP in Yemen between 2015 and 2018.

The main conclusion is that, despite seemingly enormous obstacles, primarily in the form of operational and contextual threats, humanitarian actors in Yemen were largely able to mitigate the risks this represented. This was achieved through a combination of effective and ongoing risk analysis and risk monitoring, solid collaboration, adaptation, and a high-level of risk transference to, and sharing with, the private sector. There were also specific enablers that included the historic presence of, and familiarity with, large-scale CTPs in Yemen and the infrastructure and experience to support this; supportive and encouraging institutional donors (especially for unconditional cash transfers); and, in some cases, supportive and enabling management approaches, which involved being willing to take a leap of faith to grow CTP in response to immense humanitarian need and despite the risky operating environment.

## KEY FINDINGS

The Yemeni context is very volatile, complex and high risk, but, nevertheless, it was concluded that CTP was highly appropriate for, and suited to, the Yemeni context, and in some ways perceived as less risky than other related in-kind modalities. Historically, in Yemen, CTP has been a very common modality for some time, providing support to vulnerable populations – particularly for emergency livelihoods support – from humanitarian agencies as well as from the Yemeni government. It is well understood, accepted, and perhaps even expected, by large sections of the population, as well as by the authorities. Thanks mainly to the history of CTP in Yemen, the existing infrastructure to support and scale up CTP, and the focused attention that humanitarian actors have been giving to risk mitigation, this immense scaling up of CTP has been possible. CTP has been very effective in reaching highly vulnerable and remote populations needing emergency humanitarian assistance.

The concept of risk was approached flexibly in this study to capture all aspects of the risks identified by stakeholders. The terms ‘risk’ and ‘threat’ were used interchangeably, so the term ‘risk factor’ is mainly used here.<sup>1</sup> Most of the risk factors highlighted affect all programmes and assistance modalities. The key risk factors that emerged from the research for CTP, the clear majority of which are not specific to CTP, are as follows:

- weaknesses or failures in the national banking system or currency
- volatile market functionality
- poor quality/limited quantity of service providers
- security issues related to the conflict
- general operational issues, e.g. technology, security and access
- political context
- aid diversion
- protection
- monitoring challenges
- challenges in ensuring programme integrity
- targeting

<sup>1</sup> A risk factor is an issue or category of risk or threat raised by respondents. It is not a necessarily a threat for which the risks of materialization and impact (considering probability, exposure and vulnerability) have been formally assessed.

Few of the risk factors identified are specific to CTP; most impact a wide range of programmes. Those that were very specifically relevant to CTP were related to the quality and integrity of financial service providers, the quality and value of banknotes, price volatility, the movement of money, the use of cash grants, and the impact that CTP has on the market and the conflict. While responses were not quantified, the risk factors most frequently referred to included: exchange rate fluctuations and market variations; low liquidity; fluctuations in the availability of goods in the market and price rises; the challenges faced in accessing field locations and beneficiaries; targeting; and beneficiary access issues related to security and transport costs.

Security was also cited as a major consideration, but it affects all programming in Yemen. It was clear that most threats had materialized, to some extent, in Yemen between 2015 and 2018, and were experienced across all programmes – not just CTP. The main threat that did not materialize was the collapse of the Yemeni banking sector.

Organizations reported using a wide range of mitigation measures to counter identified threats, but the most common and effective mitigation measures for CTP-specific risks included:

- using service providers enabling the transference/sharing of risk related to financial transactions, security and monitoring
- carrying out a careful assessment of banks; sharing whitelists and blacklists of banks and service providers
- varying strategies on managing the risk of bank collapse and liquidity, such as making smaller and more frequent transfers to banks
- collectively negotiating exchange rates
- conducting programme monitoring, particularly post-distribution monitoring, and using third-party monitoring and follow-up
- engagement with and support from the cash and markets working group (CMWG) and CashCap2 advisers on issues such as a common minimum expenditure basket, exchange rates and targeting criteria
- using community structures for targeting, mobilization and conflict resolution

While risk analysis was shared, to some extent, there did not appear to be a common approach to analysing risk or the consistent sharing of risk analysis; this was mainly done at agency level. And while agencies do constantly monitor threats and assess risk, using a variety of sources, and varying levels of frequency, few, if any, agencies take a structured and consistent approach to reviewing incident reports and patterns, threats, and contextual shifts against an established risk management plan. This appears to be a weakness in such a volatile context.

Geographic variation in risks and mitigation were limited, and most of the risk factors were identified as being prevalent in both north and south Yemen, to a greater or lesser degree. Some of the variation in security and access risks was reportedly linked more to specific governorates and cities, and to particular geographic pockets, rather than being more prevalent in the north or the south. The key differences highlighted were that negotiation and gaining access to field locations, along with attempts by local authorities to influence the beneficiary selection process, were more of a problem in north Yemen. Consequently, more time was spent negotiating and gaining community (and leadership) acceptance. In addition, there were reportedly fewer banks in the north and in remote areas, creating additional access issues for beneficiaries.

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<sup>2</sup> The Cash and Markets Standby Capacity Project (CashCap) aims to increase the use and effectiveness of programming across all stages of crisis responses, from preparedness and prevention to emergency and recovery activities. It is an inter-agency project managed by the Norwegian Refugee Council (NRC)'s expert.

## LEARNING

Despite the daunting task of scaling up CTP in Yemen from 2015, the humanitarian imperative and a somewhat enabling environment allowed humanitarian actors to collectively and individually identify workable solutions and constantly adapt them to the evolving context. This experience has generated a rich set of lessons, 'enablers' and good practices for non-governmental organizations (NGOs), United Nations (UN) agencies and donors, a significant number of which may be applied to other high-risk and volatile contexts.

Overall, the programmatic and funding approach of donors towards CTP was viewed as an enabling factor for the significant growth in CTP in Yemen from 2015 to 2018. Donors were supportive of CTP, across multiple sectors, with a greater preference – and, in some cases, requirement – for unconditional cash transfers. Sustainable livelihood programming was not well supported by donors, possibly because they were prioritizing ongoing, urgent humanitarian needs. Specific donor requirements were not significant nor unusual for Yemen. Other key pieces of learning coming out of the case study are as follows:

- An effective CMWG, with a committed, multisectoral membership, contributes to reducing risk through joint initiatives on risk assessment, monitoring and potential mitigation measures. Resourcing this well is critical and should include dedicated advisers (such as CashCap) and co-chairs who have sufficient time to dedicate to the role.
- Remote market monitoring works, including monitoring from outside the country.
- CTP is possible, despite a volatile currency, if the right analysis and approaches are deployed.
- Frequent communication with donors is key in managing perceptions of risk. Donors' concerns can be alleviated, they understand the context better and it makes them more receptive to any modifications.
- Scaling up CTP in very high-risk, heterogeneous and constantly changing contexts requires considerable investment.
- Selecting a financial service provider should be an iterative process.
- Clear procedures help staff and agencies manage facilitation payment risks.
- Bold management and donor support are strong enablers.
- 'Risk transfer' can be a misleading term as only some risks can be transferred, while others can be shared and some remain due to legal and contractual liabilities.
- Embedded experience counts in the scaling up of CTP, and the prior experience of CTP and the context in Yemen were major enabling factors.
- Contextual adaptation to distribution protocols can promote gender equity, and inclusion.
- Extreme need appears to minimize aid diversion.
- The process of including and excluding beneficiaries is inherently political but can be managed if approached consistently and with strong principles, which are ideally shared by all humanitarian actors.
- Innovations in technology continue to be beneficial for CTP, including for risk management.
- Volatile operating conditions need nimble and adaptable approaches, with agencies and donors prepared to shift plans and modalities.
- Economic risk factors (e.g. banking systems, exchange rates, markets) require national and international interventions by governments outside Yemen, and this is influenced by advocacy driven by strong and consistent collaboration between donors and humanitarian agencies.
- It is very challenging to create an overall picture of CTP in Yemen, and to advocate effectively (on CTP and risk management), in the absence of sufficient, standardized and comprehensive data on CTP in Yemen, and this should be a clear objective of the humanitarian community working in and on Yemen.

## RECOMMENDATIONS

The key recommendations of this study, **all of which are relevant both for stakeholders in the Yemen CTP response and in similar contexts**, are as follows:

- The approach to risk identification and analysis should be a systematic and collective process amongst humanitarian actors in volatile and complex settings, with more openness and consistency.
- Donors should also agree to accept a common risk identification and analysis approach, and categories of risk analysis, asking only that agencies clarify their mitigation approach to each. This enables a more collective approach to risk management and much greater efficiency for humanitarian agencies operating in volatile contexts.
- Humanitarian agencies need to clarify and strengthen their processes for reviewing incidents, threats and contextual issues against their risk management plan, and adjusting their operations. They should also consistently share key information with others, as each agency's operations and safety are affected by the others.
- Collective exchange rate negotiation should be a key shared function in settings with currency volatility and should be resourced collectively.
- Humanitarian actors should proactively share key resources, approaches and tools that assist in risk mitigation.
- Agencies should develop a joint advocacy strategy to address economic risks (related to banking systems, exchange rates, markets and food imports), targeting their national governments and multinational bodies.
- Governments outside of Yemen must continue to intervene on critical economic risk factors (e.g. supporting main food importers, strengthening the capacity of the central bank, formulating appropriate monetary policies), and donors and humanitarian agencies must continue to collaborate to build strong advocacy positions.
- In contexts where CTP is both high in volume and used across multiple programmatic sectors, the CMWG should have a stronger and wider remit than just a technical advisory function. The CMWG should report to the Inter-Cluster Coordination Group (ICCG), as suggested by the ICCG terms of reference, but should be linked to the humanitarian country team (HCT). To ensure that the CMWGs are effective and sustainable in demanding contexts such as Yemen, ongoing funding is required.
- In light of the fact that Yemen is the largest humanitarian crisis in the world, and that there is global interest in understanding CTP, scale-up and risk management in the Yemeni context, the dearth of (or lack of access to) current CTP data on Yemen must be immediately rectified.
- Future CTP case studies should explore the issues of gender, CTP and risk more deeply, along with the issues of inclusion of minority groups, people living with disabilities, or other marginalized sections of the population.
- A specific case study examining data protection and safeguarding in CTP would be a welcome addition to the body of knowledge on CTP and risk management.

## 2 BACKGROUND

Cash transfer programming has been consistently growing in importance over the past few years. It has evolved from being the less popular cousin of in-kind programming, fraught with a narrative critique identifying a plethora of difficult-to-manage risks, and the choice of only a few agencies, to becoming a widely adopted and considered modality for multiple programme interventions and sectors. 'The State of the World's Cash Report'<sup>3</sup> estimated that, in 2016, '\$2.8bn in humanitarian assistance was disbursed through cash and vouchers'. This was 'up 40% from 2015 and approximately 100% from 2014'. As the report states, 'the move to CTP has strong roots and is set to continue'. Despite this, there remain a number of barriers and constraints to the systematic adoption of CTP, particularly unconditional and unrestricted modalities. It still 'accounted for only 10% of humanitarian assistance in 2016'. The Global Framework for Action includes a specific objective around ensuring that cash is routinely considered, alongside other modality tools.<sup>4</sup>

According to 'The State of the World's Cash Report',<sup>5</sup> the biggest barrier to the more effective and extensive use of CTP is the perceived risks of CTP, mainly because of concerns about the misappropriation or leakage of cash. The report notes a dilemma in that donors may be able to tolerate the diversion of a modest proportion of in-kind aid, but can be much more sensitive to the diversion of cash since it is perceived that there is greater risk of harm with cash modalities compared to alternatives. This acts as an inhibitor to the wider use of CTP, and is felt by implementing agencies as well as by certain donors.

Much has been written about cash and risk<sup>6</sup> and a range of guidelines on CTP that mention risk. Panellists and participants at the Grand Bargain Cash Workstream Workshop (31 May–1 June 2017) agreed, however, that the existing evidence did not show cash to be riskier than other modalities, and pointed out that no delivery modalities are risk-free. Among several actions agreed at the workshop was an improved evidence base for CTP and risk.

Building evidence and learning from specific contexts is one aspect of CaLP's broader goal of lowering the barriers and constraints to the systematic adoption and consideration of CTP.<sup>7</sup> 'The State of the World's Cash Report' identifies the important role that donors play in demonstrating an appetite for risk and building confidence among implementing agencies. This is particularly pertinent in conflict environments, where the threats posed by armed groups are real and where access and oversight are restricted. This case study on Yemen aims to contribute to this objective of creating a greater evidence base of the management of risk in complex and high-risk settings.

<sup>3</sup> CaLP (2018) 'The State of the World's Cash Report: Cash Transfer Programming in Humanitarian Aid'. Available at: [www.cashlearning.org/downloads/calp-sowc-report-web.pdf](http://www.cashlearning.org/downloads/calp-sowc-report-web.pdf)

<sup>4</sup> The framework provides a consolidated summary of the major commitments and recommendations made to improve CTP in humanitarian response during 2015 and 2016. Available at: [www.cashlearning.org/downloads/calp-framework-web.pdf](http://www.cashlearning.org/downloads/calp-framework-web.pdf)

<sup>5</sup> CaLP (2018), op. cit.

<sup>6</sup> 'Cash Transfer Programming and Risk', CaLP web pages. Available at: [www.cashlearning.org/cash-transfer-programming-and-risk/cash-transfer-programming-and-risk](http://www.cashlearning.org/cash-transfer-programming-and-risk/cash-transfer-programming-and-risk)

<sup>7</sup> A first case study, entitled 'CTP in Challenging Contexts: Case Study on CTP and Risks in Northern Mali', was published in July 2018. Available at: [www.cashlearning.org/downloads/160818calp-mali-case-studyfinalweb.pdf](http://www.cashlearning.org/downloads/160818calp-mali-case-studyfinalweb.pdf)



## 3 RESEARCH PURPOSE AND APPROACH

### 3.1 PURPOSE

The purpose of this review is to outline a case study on CTP and risk in north and south Yemen (building on the case study on CTP and risk in northern Mali) and draw lessons learned and recommendations on risks in challenging contexts.

The main research question is: What can humanitarian actors learn about risk management for CTP in complex and volatile settings from programmes in Yemen in the period 2015–2018?

This review focuses on how organizations managed risk and scale-up in a highly volatile and insecure context, Yemen, to achieve very high volumes of CTP within a short space of time. The aim is to provide learning and an evidence base to help key actors design their interventions and approaches, and to guide management decision-making, with the Yemeni context as a case study.

The analysis focused on: identifying risks in Yemen related to CTP; understanding how agencies analysed and monitored risks and made choices; and how they managed risk. The case study notes how donor policies, procedures and organizational approaches may have influenced decision-making on CTP and risk. Changes in risk identification and management over the period 2015–2018 are also examined, as well as geographic variation. This case study did not evaluate CTP, or agency responses in Yemen.

### 3.2 METHODOLOGY

The research approach included three complementary qualitative methods:

1. **A review of relevant sector-wide documentation on CTP risks and mitigation** in challenging contexts, as well as Yemen-specific documentation.
2. Semi-structured interviews and emailed questionnaires involving key stakeholders and informants, both individually or in small groups. The case study included 24 key informants, representing national Yemeni NGOs, UN agencies, international non-governmental organizations (INGOs), donors and sector advisers, spanning the period 2015–2018. In most cases, questions were sent prior to the interviews to enable participants to reflect on their experiences, or to gather data from within their organizations.
3. **A review of organizational documentation to support the interview responses.** This was only possible where documentation could be publicly sourced, or was provided to the review team, and where the breadth and depth of the documentation was more limited than anticipated.

### 3.3 SCOPE AND LIMITATIONS

The scope and limitations of the case study are outlined below:

- The case study highlights which of the potential risks and operational challenges actually materialized, based largely on anecdotal evidence provided by key informants. A detailed comparison of the risks of all assistance modalities was not feasible.
- The short timeframe allowed for the research presented challenges in terms of making contact with the appropriate key informants, arranging interviews, building trust and accessing key internal documentation. There was a mixed response when it came to the sharing of internal documentation.
- The aim was to gain an understanding of the specific internal processes involved in calculating and assessing risk through interviews and access to sensitive and confidential internal information, such as emails and unpublished meeting notes. This analysis proved to be difficult given the lack of access to such documentation, and so this report does not cover this area in depth.
- As the nature of this research was not evaluative, the research team has not interrogated the validity of the responses of the key informants. Findings have been triangulated or validated by examining all responses, as well as referencing key literature. Given the small sample size, a quantitative analysis of responses is not included, as this would be neither meaningful nor would it allow for adequate anonymity. Respondents largely requested anonymity and no attributable quotes, and the team endeavoured to preserve their anonymity as far as possible.

### 3.4 KEY DEFINITIONS

The CaLP glossary of CTP terms<sup>8</sup> is the primary resource for this report, so key terms have not been repeated here. A few specific terms that do not appear in the glossary have been used, and these are generally defined within the report or in the footnotes. Two specific definitions are noted below.

**Cash transfer programming (CTP)**, as defined by CaLP, refers to all programmes where cash or vouchers for goods or services are provided directly to beneficiaries. In the context of humanitarian assistance, the term is used to refer to the provision of cash transfers or vouchers given to individuals, household or community recipients – not to governments or other state actors. CTP covers all modalities of cash-based assistance, including vouchers. This excludes remittances and microfinance in humanitarian interventions (although microfinance and money transfer institutions may be used for the actual delivery of cash). The term can be used interchangeably with ‘cash-based interventions’ (CBIs), ‘cash-based assistance’ (CBA) and ‘cash and voucher programming’ (CVP).

**Risk**, for the purposes of this study, is defined as follows: Exposure to the possibility of an adverse and uncertain event or condition happening – which impacts on the programme. To fully analyse risk, one requires the identification of a threat and the analysis of vulnerability factors, including capacity and probability, as well as the analysis of impact.

As this case study focused mainly on what key informants said about the identification and management of risks, the research team approached the terminology flexibly to capture all the aspects of the risks identified by stakeholders. The terms ‘risk’ and ‘threat’ were used interchangeably, as this facilitated a more streamlined discussion with key informants, as well as the analysis. The main terms used are ‘risk’ and ‘risk factor’. Additionally, risks would normally be shown in a causal chain or hierarchy. Where risk factors are clearly linked, these have been identified, but a detailed hierarchy was not possible as this would have required a more detailed context analysis of Yemen.

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<sup>8</sup> ‘Glossary of Cash Transfer Programming’, CaLP web resource. Available at: [www.cashlearning.org/resources/glossary](http://www.cashlearning.org/resources/glossary)

## 4 SETTING THE CONTEXT FOR THE CASE STUDY

Yemen has long suffered from poverty, instability and vulnerability. However, since late 2014, and more specifically March 2015, the dramatic escalation of the conflict between the Houthis and the Saudi-led coalition, which supports the Yemeni government, has resulted in Yemen now being described as the ‘world’s worst humanitarian crisis’.<sup>9</sup>

Yemen ranks 178th out of 189 countries and territories on the latest United Nations Development Programme (UNDP) Human Development Index (HDI) ranking (September 2018),<sup>10</sup> and is one of the most vulnerable countries in the world, with a score of 6 out of 10 on the INFORM Risk Index.<sup>11</sup> Apart from the direct impact of the conflict itself, several very specific factors contribute to Yemen’s vulnerability. Yemen relies heavily on imports of most commodities (market-driven economy), including 90% of its food.<sup>12</sup> Therefore, there is little leeway for supply line disruptions. There is very limited local production, although this was not always the case.

There are two main functioning ports, both of which have been affected by the conflict, although the main impact has been on the port of Hodeidah in the north (including damage from aerial attacks, threat of closure and temporary closure). The road network is also limited and challenging, while the coalition’s tactics include causing road closures and bombing bridges in order to cut supply lines. Disruptions to access, such as port closures and road blockages, have many other impacts, such as disrupting supply lines, reducing the purchasing power of suppliers, seriously affecting the market and the price of goods, and, ultimately, resulting in the risk of famine. Disruptions can have a very swift and major impact.

According to the latest ‘Yemen Humanitarian Update’ from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), 75% of Yemenis (22 million people) are in need of some kind of humanitarian assistance or protection, and more than 2.3 million people have been displaced since 2015.<sup>13</sup> In addition, ‘18 million people, including a high proportion of Yemen’s children, are food insecure, and more than 8 million of them severely food insecure, and what that means is that those people do not know where their next meal will come from, and they need emergency food assistance to survive’<sup>14</sup>.

### 4.1 CTP IN YEMEN

CTP has been part of humanitarian and development programming, and social protection, by the UN, NGOs and the government of Yemen for many years. As one respondent indicated, this included the ‘use of the post office for public social assistance’ with the ‘capacity of reaching... many people with cash through a traditional mechanism’. Programmes were primarily conducted through the Social Welfare Fund (SWF) as unconditional cash transfers, or through the Food Security and Agriculture Cluster (FSAC)<sup>15</sup> (through multiple modalities). Before March 2015, the Yemeni government’s social protection programme (SWF), reached about 1.5 million households totalling 8 million people. The SWF was halted in 2015, while the FSAC has increased cash programming each year since 2012.<sup>16</sup>

A few humanitarian agencies were implementing CTP prior to the escalation of the conflict in March 2015, but its use has grown dramatically since then. CTP is now seen as the ‘go-to’ modality and the easiest to scale up dramatically – much more easily than in-kind programming. There is a perception that CTP can continue in

<sup>9</sup> ‘Briefing to the Security Council on the Humanitarian Situation in Yemen by the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, Mr. Mark Lowcock’, New York, 21 September 2018. Available at: <https://reliefweb.int/report/yemen/briefing-security-council-humanitarian-situation-yemen-under-secretary-general>

<sup>10</sup> UNDP Human Development Reports: Yemen country profile. Available at: <http://hdr.undp.org/en/countries/profiles/YEM>

<sup>11</sup> INFORM Risk Index: Yemen country profile. Available at: [www.inform-index.org/countries/country-profiles](http://www.inform-index.org/countries/country-profiles)

<sup>12</sup> UNOCHA (2018) ‘2018 Yemen Humanitarian Response Plan’. Available at: <https://reliefweb.int/report/yemen/yemen-humanitarian-response-plan-january-december-2018-enar>

<sup>13</sup> UNOCHA (2018) ‘Yemen Humanitarian Update’, Issue 28. Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/Yemen%20Humanitarian%20Update%20Issue%2028.pdf>

<sup>14</sup> ‘Briefing to the Security Council on the Humanitarian Situation in Yemen by the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, Mr. Mark Lowcock’, op. cit.

<sup>15</sup> UNOCHA, ‘2018 Yemen Humanitarian Response Plan’, op. cit.

<sup>16</sup> *ibid.*

Yemen, when all other modalities are highly challenged, or impossible. The global push for CTP has helped, along with the fact that the system for cash distributions at a local level is well established and very much the norm in Yemen, as will be discussed later. As one respondent noted, there is a widely held view that there is an ‘official policy of cash before anything else.’

There is very limited specific reporting on CTP in Yemen for the period 2015–2018,<sup>17,18</sup> but, it is clear from the limited information,<sup>19,20</sup> and key informants, that **cash programming has scaled up significantly in Yemen since 2015**. According to the Financial Tracking Service (FTS), Yemen shared 5th place with Sierra Leone in total value of CTP, as both received 4% of total CTP funding in 2015 and 2016. In terms of proportion, humanitarian organizations in Yemen were implementing the greatest percentage of CTP at 33%, which is well above the second-placed country, Syria, at 12%.

The ‘2018 Yemen Humanitarian Response Plan’ includes planned programming by cluster to include cash and vouchers in five clusters plans (FSAC, Protection, Shelter/NFI/CCCM, RMMS, EECR).<sup>21</sup> As part of this case study, OCHA provided a breakdown of recent activities in Figure 1.

**Figure 1. Some CTP activities – January to July 2018. Source: OCHA**

CTP modality	Unconditional cash transfers	Cash for work	Vouchers
FSAC	●	●	●
EECR	●	●	●
WASH	●	●	●
Multipurpose	●	●	●
Protection	●	●	●
RMMS	●	●	●
Shelter/NFI/CCCM	●	●	●
Nutrition	●		
Health		●	

Several national and international NGOs and UN agencies have reported implementing four CTP modalities in Yemen during the period of this case study: cash for work (CFW), vouchers, conditional<sup>22</sup> and unconditional cash transfers (UCTs). This has been reported within several clusters and sectors, as shown in Figure 2.

<sup>17</sup> This problem is not exclusive to Yemen, as noted in a 2016 report published by the Overseas Development Institute (ODI), ‘Counting cash: tracking humanitarian expenditure on cash-based programming’. Available at: [www.odi.org/sites/odi.org.uk/files/resource-documents/11296.pdf](http://www.odi.org/sites/odi.org.uk/files/resource-documents/11296.pdf)

<sup>18</sup> The CMWG provides a cash-based response dashboard, although the last update was in July 2017. Available at: [www.humanitarianresponse.info/en/operations/yemen/cash-and-marketing](http://www.humanitarianresponse.info/en/operations/yemen/cash-and-marketing)

<sup>19</sup> ‘Yemen: Cash and Market Based Response (January–December 2016)’, OCHA infographic. Available at: [www.humanitarianresponse.info/en/operations/yemen/infographic/yemen-cash-and-market-based-response-january-december-2016](http://www.humanitarianresponse.info/en/operations/yemen/infographic/yemen-cash-and-market-based-response-january-december-2016)

<sup>20</sup> ‘Yemen: Humanitarian Response Plan – Funding Status (As of 12 April 2017)’, OCHA funding graphic. Available at: [www.humanitarianresponse.info/en/operations/yemen/infographic/yemen-humanitarian-response-plan-funding-status-12-april-2017-enar](http://www.humanitarianresponse.info/en/operations/yemen/infographic/yemen-humanitarian-response-plan-funding-status-12-april-2017-enar)

<sup>21</sup> WASH (water, sanitation and hygiene); NFI (non-food items); CCCM (camp coordination and camp management); RMMS (refugee and migrant multi-sector response plan), EECR (emergency employment and community rehabilitation), ‘2018 Yemen Humanitarian Response Plan’. Available at: <https://reliefweb.int/report/yemen/yemen-humanitarian-response-plan-january-december-2018-enar>

<sup>22</sup> Conditional cash is listed among FSAC products. However, key informants did not report conditional cash as being part of their programming.

**Figure 2. CTP by modality and sector/cluster. Source: Cluster reporting and key informants in this case study.**

Type of response	Modality	Total beneficiaries reached	# of governorates	# of cistricts	# of organizations
Shelter/NFI/CCCM	Cash and voucher	123,137	14	59	21
EECR	Cash and voucher	71,257	12	116	26
FSAC	Cash and voucher	1,164,296	17	116	40
Protection	Cash and voucher	19,413	16	96	26

Source: OCHA January to July 2018

**CFW** programmes are typically reported under five clusters including: WASH; Education; Health (where CFW is used for the rehabilitation of infrastructure, schools and health facilities); FSAC (for projects contributing to the household food basket and agricultural projects); and EECR (projects related to emergency employment/income opportunities, or for rehabilitation projects that don't fall into the other four sectors).<sup>23</sup> Key informants also reported CFW in Protection, WASH, Shelter/NFI/CCCM, RMMS, and Multipurpose clusters. UNDP has the largest CFW programme, at \$200m in 2018. It appears that most other uses of CFW as a modality were considerably smaller in scale, and may supplement other projects (such as labour in WASH projects).

**Vouchers** (commodity or value vouchers) are widely used by the World Food Programme (WFP) and its partners (national and international), and by other national NGOs for emergency food assistance,<sup>24</sup> although some NGOs use vouchers for other sectors.<sup>25</sup> Vouchers are distributed by hand as paper vouchers, or as e-vouchers to be used with specific vendors.

**UCTs** are used by UN agencies<sup>26</sup> and international NGOs in the FSAC, WASH, Protection, Shelter/NFI/CCCM, RMMS, EECR, Nutrition, and Multipurpose clusters. UCTs are generally distributed through banks, other financial actors such as the hawala system,<sup>27</sup> and e-transfers (mobile money). In hard-to-reach areas, cash may sometimes be distributed directly, and some organizations use banks that take mobile systems to the hard-to-reach places. Humanitarian agencies have favoured particular banks and microfinance institutions (which is discussed in section 5.2.1) over post offices since 2015, primarily because of the liquidity crisis.<sup>28</sup> Post offices depend on cash from the Central Bank of Yemen, which has had difficulty maintaining sufficient liquidity. Private banks rely on their connections outside Yemen for hard currency, which the Central Bank of Yemen has not been able to provide. Banks have been a key player in ensuring that CTP in Yemen works. As one respondent noted, there has been a 'huge incentive [for the private banks] to make sure it succeeded' as they have 'relied on it for their liquidity' and to 'fulfil obligations'.

It is important to note that Yemenis are heavily dependent on **remittances**. According to one respondent: 'Yemenis survive on hawala... so the remittance network is very strong to village level. Everybody understands it' and is apparently very comfortable with it. Studies of vulnerable populations in Yemen, such as that conducted by the

<sup>23</sup> UNDP (2018) 'Guidance on Cash for Work Reporting', UNDP, V2. 19 January 2018. Available at: <https://reliefweb.int/report/yemen/guidance-cash-work-reporting-v2-19-jan-2018-enar>

<sup>24</sup> 'Yemen FSAC Emergency Food Assistance Gap Analysis Map', August 2018. Available at: <https://fscluster.org/yemen/document/yemen-fsac-emergency-food-assistance-gap-15>

<sup>25</sup> The Yemen Family Care Association (YFCA) reported using vouchers for EECR, WASH, Multipurpose, Protection, RMMS, Shelter/NFI/CCCM in 2018.

<sup>26</sup> UNHCR's CTP is 100% unconditional cash for Protection, RMMS, Shelter/NFI/CCCM, while UNICEF's CTP (2014–2017) was 100% multipurpose, unconditional cash.

<sup>27</sup> 'Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to traditional banking or financial channels... and is currently a major remittance system used around the world. It is but one of several such systems... they often operate in the open with complete legitimacy... The components of hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations. Unlike traditional banking... hawala makes minimal... use of any sort of negotiable instrument. Transfers... take place based on communications between members of a network of hawaladars, or hawala dealers. Hawala works by transferring money without actually moving it'. From 'The Hawala Alternative Remittance System and its Role in Money Laundering'. Available at: [www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/FinCEN-Hawala-rpt.pdf](http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/FinCEN-Hawala-rpt.pdf)

<sup>28</sup> Some agencies, such as UNICEF, implement their entire UCT programme through the private sector.

REACH Initiative in 2017,<sup>29</sup> have indicated that communities prefer UCTs, as do most donors (which is discussed in section 5.3.3).<sup>30</sup> Financial services accessed directly by the population are very common. As one respondent said, ‘hawalas are legal. All banks [in Yemen] have relations with hawalas.’ It is an existing network, including regional and local branches, and hawalas are considered an accepted part of the financial system in Yemen.

While data on the volume of all CTP programming by modality is lacking for Yemen, it appears that, overall, UCT is the most widely deployed CTP modality. The two very large programmes operated by UNHCR and UNICEF, and the widespread use of UCTs by most humanitarian agencies, may indicate that, in terms of total volume, UCTs are also more common, but this cannot be stated with any certainty. WFP’s voucher programme is also very large and is expected to grow. As one respondent explained, there is no major humanitarian actor who is anti-CTP in Yemen. Some were more reluctant to start with but have now embraced it,<sup>31</sup> and some donors have been more reserved in their approach. But, overall, CTP has been widely adopted and its use is growing in Yemen, across all programmes.

## 5 FINDINGS

### 5.1 RISK IDENTIFICATION AND ANALYSIS

#### 5.1.1 Means of identifying and monitoring risk

It was reported that agencies in Yemen used a number of methods to identify and monitor risk (see section 5.2.1 for a discussion on how risks were mitigated). For the most part, it appears that this analysis was undertaken at agency level, although some sharing of analysis on CTP-specific risks took place through coordination groups such as the CMWG, for example, on exchange rates, market monitoring and the value of food baskets, and the implication for cash grants. Wider context risk assessment was also often shared through various coordination forums, especially on security and access. However, humanitarian agencies do not appear to take a consistent, shared approach to risk identification and analysis. This is an area where great efficiency and the benefits of collaboration could be secured. Agencies could also lobby for donors to accept a common approach in order to generate efficiencies.

It appears that most agencies take a fairly robust approach to risk management in Yemen, as would be expected. According to one informant: ‘The risks make us assess very often. [It] forces us on a weekly and daily basis.’ It appears to be common practice that agencies undertake a periodic risk assessment for all operations in Yemen. It was reported that some agencies had a risk matrix for the whole operation and reported against this periodically. In some cases, this was then linked to their security management plan or a risk management plan.

Several agencies reported carrying out an annual country risk assessment, which included an assessment for each operational area. As one respondent explained: ‘As part of overall programming [not just CTP], we do risk management on an annual basis. From that, we have a risk management plan where head[s] of sections and senior managers discuss and share with key staff. We do a mid-year review and [an] end-of-year review. Risk management plans [are] also reviewed on [a] monthly basis. The CTP programmes have [a] similar exercise but [are] more detailed.’

One INGO reported that risk analysis and risk management was reviewed as a key component of monthly coordination meetings between key functional areas/departments and technical advisers in the main country office, and programme managers at field level. Key players bring their analysis and experience of the previous month and the group would ‘brainstorm and discuss risks, mitigation, impact on programmes’ and conduct a ‘normal risk analysis’, including probability and impact. The same organization also said it reported against key risks in quarterly management reports to management outside of the country.

<sup>29</sup> REACH Initiative (2017) ‘Inter-Agency Joint Cash Study’. Available at: <https://reliefweb.int/report/yemen/yemen-inter-agency-joint-cash-study-market-functionality-and-community-perception-cash>

<sup>30</sup> It was reported that two INGOs tried to transition to vouchers in one of their operational areas, and that this was rejected by the community and that specific project and associated technologies eventually closed down.

<sup>31</sup> There is a perception that WFP was previously more resistant to CTP, but this attitude is seen as shifting, and WFP’s CTP operation is expected to expand considerably.

Some risk factors were reported as being monitored more frequently. As one respondent said: ‘Security is very important for Yemen programming. Security is monitored daily, and with weekly updates.’ Exchange rates are monitored daily and market price monitoring is also carried out quite frequently (see section 5.2.1). Access issues were also cited as a constant threat that was being monitored, which could also be discussed periodically, both within organizations and also at inter-agency forums.

In other cases, informants reported that they undertook a specific risk analysis for each new project, either as part of general practice, or because donors required it. Two organizations reported that before commencing any large-scale cash programme, their agency undertakes an institutional risk analysis of potential partners for delivery. This includes whether the partner has a good accountability approach, and a measure of their fiduciary and operational capacity. The same agency indicated that, at project development phase, they aimed to carry out a risk assessment but that this was not a rigorous process. However, they would do a standard security/political/financial analysis, as well as an analysis of social/environmental risks due to cash for work rehabilitation projects.

Some agencies reported that they also undertook location-specific risk assessments when moving to a new location – especially on security and safety – whilst also doing a CTP risk assessment, including operational risk and fiduciary risks, CTP feasibility, and any specific ‘rules of engagement for operating in the area.’ These rules may not be immediately apparent or may be very localized.

Apart from the obvious issues, like prices and exchange rates, other sources of information on risks included: perceptions; ‘knowledge and logic of colleagues’; review of incidents (although one agency indicated ‘not sure if any accounting of incidents done’); and the sharing of specific experiences and patterns. Shared assessments, such as that carried out by the REACH Initiative on market feasibility,<sup>32</sup> and its ongoing work on price and supply chain monitoring, rapid market monitoring and financial service provider (FSP) assessments, also provide a common source of monitoring information. One agency indicated that some level of ongoing monitoring of risks happens through post-distribution monitoring (PDM).

It should be noted that several agencies (especially donors and UN agencies) use third-party monitors in Yemen.<sup>33</sup> This is either because they do not have a consistent presence in the country, or, because of security, logistics, access or staffing capacity, the agency staff cannot physically visit the locations. In this case, the monitors also collect updates on the risks. One agency indicated it had only been able to do direct field monitoring and verification of about 10% of its subprojects. However, this agency gathered significant monitoring information from its third-party monitors.

The current security context in Yemen has rendered the presence of most institutional donors as limited, while no major institutional donors have senior staff permanently based in Yemen. Some donors do make periodic monitoring visits, such as the European Community Humanitarian Office (ECHO) and the Swiss Agency for Development and Cooperation (SDC), but not all donors do this. Consequently, most donors rely on partners or third parties to undertake risk analysis and monitoring, and may complement this with risk analysis conducted by other agencies or organizations with expertise in analysing risk in Yemen. Few of them complement this with their own first-hand, country-level risk assessment, as they may do in most other operating contexts.

Most major donors have specific requirements of partners for the analysis of risks and the outlining of mitigation measures, and this is not specific to Yemen, nor to CTP. Most projects and proposals to significant institutional donors include a risk matrix as a mandatory requirement. USAID, for instance, has a ‘Modality Decision Matrix’, whose use its partners are required to demonstrate in their submissions.<sup>34</sup> ECHO requires that all proposals ‘include a comprehensive risk assessment of the chosen modality or modalities... and specific measures to be taken during implementation to minimize the risks... arrangements to monitor whether these risks develop... [and] response measures to mitigate the consequences.’<sup>35</sup> The UK Department for International Development

<sup>32</sup> REACH Initiative (2017), op. cit.

<sup>33</sup> Third-party monitoring occurs when an agency hires another organization – generally, but not always, from the private sector – to undertake independent monitoring of their distributions. This can be done either at the time of distribution, or as post-distribution monitoring. This is quite common in Yemen, especially given access and staffing constraints.

<sup>34</sup> USAID, ‘Modality Decision Tool for Humanitarian Assistance’. Available at: <https://www.usaid.gov/sites/default/files/documents/1866/ModalityDecisionTool.pdf>. USAID also provides useful guidance to its own staff (which humanitarian agencies may make use of) about USAID’s risk appetite in the ‘U.S. Agency for International Development Risk Appetite Statement – June 2018’. Available at: [www.usaid.gov/sites/default/files/documents/1868/USAID\\_Risk-Appetite-Statement\\_Jun2018.pdf](http://www.usaid.gov/sites/default/files/documents/1868/USAID_Risk-Appetite-Statement_Jun2018.pdf)

<sup>35</sup> DG ECHO (December 2013) ‘Cash and Vouchers: Increasing efficiency and effectiveness across all sectors’, Thematic Policy Document No. 3. Available at: [http://ec.europa.eu/echo/files/policies/sectoral/them\\_policy\\_doc\\_cashandvouchers\\_en.pdf](http://ec.europa.eu/echo/files/policies/sectoral/them_policy_doc_cashandvouchers_en.pdf)

(DFID) also requires that partners complete a specific DFID risk matrix. DFID staff will assess this to ensure risks are properly rated and within DFID's risk appetite, as well as ensuring that robust mitigation actions are in place.

In terms of ongoing monitoring, it appears that donors rely on regularly communicating and reviewing risk management with partners to assess the effectiveness on ongoing management, review any new or emerging risks, and ensure robust measures are in place to mitigate these. The depth and frequency of communication and monitoring varies. As some donors make monitoring visits to Yemen, they are able to discuss risks first-hand in country.

One donor indicated that, along with constant ongoing communication with partners, they also receive biweekly situation reports (with no standard format) from all partners, which include news about any implementation issues or disruptions, as well as basic market observations. Another donor indicated that once programmes are up and running, they have regular communication with partners, and monitor risks through their programme risk registers. The same donor also indicated that they have internal monthly delivery plan meetings, where they monitor any new or changing risks. They also review risk at two higher levels, including a monthly programme board meeting on Yemen and by reporting against a strategic country-level risk register, which is reviewed monthly by senior management.

It appears that agencies do constantly monitor threats and assess risk, using a variety of sources, and varying levels of frequency. However, few, if any, agencies take a structured and consistent approach to reviewing incident reports and patterns, threats and contextual shifts against an established risk management plan. This appears to be a weakness in such a volatile context.

### 5.1.2 Key risk factors in Yemen

As a result of the research, drawing on both key informants and Yemen-specific documentation on risk, three broad categories of risk were highlighted: economic, operating context (baseline and conflict), and programming. Within this, eleven key factors were identified for Yemen, each of which was deconstructed into a set of more detailed risk factors. This is outlined in Figure 3 below. This includes all risk factors that affect CTP, not just risk factors that are specific only to CTP. **One of the findings of this case study is that very few risk factors only, or predominantly, affect CTP.** These are highlighted in the table below and discussed in the section below. Even those highlighted as being CTP-specific may also impact some other assistance modalities. Mitigation for each of these risk factors is discussed in section 5.2.1.

**It should be noted that most of the threats and risk factors identified materialized, to a greater a lesser extent, at some time during the period 2015–2018.** This is discussed in each section. The most significant threats that were not reported to have notably materialized were the collapse of the banking sector and the diversion of funds to terrorist groups. These will be discussed later.



Figure 3. Risk Factors Affecting CTP in Yemen

Risk/Threat categories	Key risk factors	Detailed risk factors	High specific relevance to CTP	
Macroeconomic risks	Weaknesses or failures in the national banking system or currency	Exchange rate fluctuations and market variations.		
		Low liquidity (shortage of cash).	●	
		Variable and often poor quality of bank notes (not accepted or difficult to change, varying value).	●	
	Volatile market functionality	Collapse of the banking system in Yemen (or specific banks) and derisking.		
		Suppliers will be unable to provide goods in the quantities, quality required, or that there will be delays		
		Price volatility (rises), shortages of goods and fuel, which negatively impacts the buying power of beneficiaries	●	
		CTP negatively affects market conditions for beneficiaries such as prices and availability	●	
	Poor/limited quality/ quantity of service providers	Limited number of suppliers/vendors		
		Few options/providers to deliver direct cash transfers (especially in remote areas of different governorates).	●	
Poor data protection practices by service providers, or inadequate requirements set by humanitarian agencies may lead to breaches of sensitive personal data.				
Operating context (baseline and conflict)	Security issues due to conflict	Inadequate systems for beneficiary tracking.		
		Crowds gather for disbursement/distribution and this is a magnet for attack.		
		Harassment, abduction, injury, death and detention of humanitarian agency staff or service providers.		
	General operational issues: technology, security and access	Active combat, including artillery fire, shelling and aerial bombardment increasing risk to staff, beneficiaries, property.		
		Increased risk of security incidents to staff and beneficiaries because of distribution.		
		Movement of money from place to place increases risk of theft or violence.	●	
		Occupational health and safety risks for staff involved in cash for work on public health projects.		
		Technology challenges disrupt programming.		
		Lack of IDs amongst beneficiaries meaning verification is difficult.		
		Challenging process of getting access to field locations and beneficiaries.		
	Political context	Challenges in physical accessibility for beneficiaries to get to distributions.		
		Authorities shut down accounts of international agencies.		
		Public services in north Yemen are not functioning optimally and are underfunded.		
	Programme issues	Aid diversion	Negotiating with multiple local authorities.	
			CTP fuel the conflict.	●
Inability to maintain, or be perceived to maintain, political neutrality.				
Protection		Fraud and corruption		
		Unknowingly funding illegal/terrorist groups/warring factions.		
		Robbery and/or theft of cash/goods from beneficiaries or service providers.		
Monitoring		Children subject to physical/sexual abuse due to exposure of volunteers, vendors, community committees and staff.		
		Women are more vulnerable to, and subject to abuse or physical security issues during and following distributions.		
Programme Integrity		Beneficiary data protection is compromised which exposes them to higher risk.		
		Limited field presence of humanitarian staff at distribution sites thus limiting oversight.		
		Limited opportunity for independent monitoring of distribution (by third parties) creates a greater risk.		
Targeting		Humanitarian agencies do not use common standards in humanitarian aid.		
	Agencies do not comply with donor requirements.			
	Agencies are pressured to include sub-groups who do not meet the vulnerability criteria.			
	The grants are spent on items which are not the intention of the grant.	●		
Targeting	Agencies do not target correctly and the most vulnerable are not included.			
	High need and limited resources result in community tension/conflict and beneficiaries/communities do not accept the targeting.			
	Pressure placed regarding beneficiary lists.			
		Duplication of beneficiaries by other organizations providing assistance.		

## ECONOMIC RISK FACTORS

### Weaknesses or failures in the national banking system or currency

Within this category, four main risk factors were highlighted. The most frequently mentioned risk factor was **exchange rate fluctuations and market variations on exchange rates**. Specific factors highlighted were: inflation and currency devaluation, as well as variations in rates between the official rate, rates provided by banks and rates on the black market. One respondent indicated that the gap between the official rate and the black-market rate had often been more than 30%. Since the escalation of the conflict in 2015, it has been, and remains, a constant challenge for humanitarian agencies, and is perceived as one of the most significant risks. It has required a high level of operational planning and adjustment for agencies and is a consistent area of inter-agency cooperation.

Another two related, but different, risk factors highlighted, were the issue of **low liquidity** (physical shortage of cash in Yemen), and the **variable and often poor quality of banknotes**. Both were mentioned by several key informants as persistent challenges, although, as one said, ‘there were constant reports of a liquidity crisis, but it never happened.’ The impact of low liquidity has been such that, at times, FSPs have been physically unable to complete a cash distribution as planned because of the lack of currency. One key informant reported that, because of this issue, their agency had to request a return of the funds they had transferred to the service provider. This was a challenging exercise and would, presumably, have had a direct impact on beneficiaries. National NGOs were reportedly more affected by issues of liquidity and banknote quality.

As regards banknotes, the first problem is that some notes had a higher value than others due to their quality; this was specifically mentioned with reference to US dollars. One respondent noted that notes printed in 2008 had 50% of the value of 2016 notes. Secondly, respondents claimed that poor-quality banknotes were not always accepted, especially by vendors, or were difficult to exchange. Both of these factors have a resulting impact on liquidity, as well as on operational efficiency and the delivery of assistance to beneficiaries.

A final risk factor mentioned, which would have a very high impact if it ever materialized (but was not viewed as imminent or very likely) was the **collapse of the entire banking system in Yemen** (or the collapse of specific banks). The main, though not the only, driver of this fear is the issue of ‘de-risking’ – or ‘de-banking’. This refers to the practice, by financial institutions, of exiting relationships with and closing the accounts of clients perceived to be high risk or, in fact, exiting their operations in a certain country<sup>36</sup>. While complete banking collapse has not happened, de-risking has been a problem in practice. As the Overseas Development Institute (ODI) reported in its 2018 study ‘Counter-terrorism, de-risking and the humanitarian response in Yemen: a call for action’,<sup>37</sup> de-risking ‘has not only targeted individuals in Yemen, but has also prevented Yemeni NGOs from receiving much-needed funds for humanitarian assistance... De-risking is also starving Yemeni businesses of access to letters of credit and, in turn, reducing their capacity to trade – and even survive.’

Several respondents reported specific challenges for their agencies in moving money into (and, much less frequently, out of) Yemen. Agencies (including donors) reported having to undertake complex and protracted negotiations, often with multiple banks, to get money into Yemen.<sup>38</sup> It has also had a wider impact on market functionality because of the impact on traders moving goods into Yemen.

In addition, ‘the financial and economic crisis in the country has been exacerbated by the politicisation of the Central Bank of Yemen (CBY) and its relocation from Sanaa to Aden.’<sup>39</sup> The non-functioning of the CBY in north Yemen is a major obstacle. Given the highly political nature of the conflict in Yemen, the political drivers for banking challenges have been less visible but, nonetheless, real.

<sup>36</sup> Durner, T. and Shetret, L. (2015) ‘Understanding Bank De-risking and its Effects on Financial Inclusion: An Exploratory Study’, Global Center on Cooperative Security and Oxfam International. Available at: <https://policy-practice.oxfam.org.uk/publications/understanding-bank-de-risking-and-its-effects-on-financial-inclusion-an-explora-582310>. The Overseas Development Institute also defines it this way in its 2018 study ‘Counter-terrorism, de-risking and the humanitarian response in Yemen: a call for action’, El Taraboulsi-McCarthy, S. with Cimatti, C. – De-risking: ‘a growing fear of terrorism and a desire to combat financial crime have seen some banks close the accounts of customers or withhold services from people or regions that they associate with high risks related to funding terrorism, money laundering or other forms of financial crime’. Available at: [www.odi.org/sites/odi.org.uk/files/resource-documents/12047.pdf](http://www.odi.org/sites/odi.org.uk/files/resource-documents/12047.pdf)

<sup>37</sup> El Taraboulsi-McCarthy, S. with Cimatti, C., op. cit.

<sup>38</sup> In one example, the International Bank of Yemen counterpart had its funds held up in Qatar, but then a Beirut bank stepped in and the matter was resolved. In another example, money had to be transferred through three separate banks before it reached Yemen.

<sup>39</sup> El Taraboulsi-McCarthy, S. with Cimatti, C., op. cit.

## Volatile market functionality

Market conditions in Yemen are quite specific, with considerable constraints, as highlighted in Section 4 above. Yemen has extremely limited domestic production and is highly dependent on imports for more than 90% of its market. There is little leeway for supply line disruptions, which can be caused by banking issues, exchange rate fluctuations, the active conflict impacting the supply line, port closures, pipeline problems and the purchasing power of suppliers. Disruptions can have a swift and major impact on the functioning of the market and the price of goods. This occurred, in practice, when the port of Hodeidah closed (for a month, in December 2017) and the impact on markets was immediate.

Two main risk factors for CTP related to this are as follows. Firstly, **suppliers would not be able to provide goods in the quantities or of the quality required, or that there would be delays**. This risk factor affects all assistance modalities, but, obviously, has a specific impact on the availability of goods in the market for the most vulnerable beneficiaries included in CTP. Closely linked to this is **price volatility (namely, price rises) partly linked to shortages of goods and fuel**, which negatively impact the purchasing power of beneficiaries. This has a specific impact on UCT and CFW programmes.

A third risk factor is that **CTP itself negatively affects market conditions for beneficiaries**, as it can distort prices and availability. Changing the purchasing power of beneficiaries can have a major impact on the markets, especially at local level. If certain groups receive cash-based assistance, it gives them greater purchasing power, which can then impact on prices. Voucher programmes can also influence markets as vendors are chosen to provide large quantities of commodities at set prices. Sometimes, this can reduce prices, due to price efficiencies generated through volume. It can also drive prices up in such an import-dependent economy.

A final area, mentioned by several key informants, was the **limited selection of suppliers and vendors**. Fewer suppliers, especially in remote and sparsely populated governorates, may mean beneficiaries have to travel greater distances, which, in turn, results in prohibitive transport costs for beneficiaries, and increases their personal risk whilst travelling. In voucher programmes, beneficiaries generally pay their own travel costs to get to the locations where the selected suppliers are based in order to use the vouchers and to have their identity verified. This can have a negative impact on a household's finances in many ways. If the family do not have any spare cash to pay for transport, they may self-select out of the voucher programme and, therefore, not access the goods. They may choose to use their savings, ask someone else to collect for them, or make other risky choices, and, therefore, leave themselves more vulnerable. It may also leave the programme more open to corruption if families try to 'sell' their place on the list of beneficiaries to avoid travelling. It also means a less open market for tendering, which may result in the programme being less cost-effective, and that less money reaches the beneficiaries.

## Poor or limited quality and quantity of service providers for cash transfers

In Yemen, there are a **limited number of service providers for the delivery of cash transfers** (especially in remote areas of different governorates in both north and south Yemen). This was cited as being more of an issue since most humanitarian agencies started using banks as service providers and distributors (which are fewer in number) rather than post offices (which are more abundant), as explained in section 4.1. This specific sub-issue is directly related to UCTs. This has multiple impacts. As stated above, in relation to a limited number of suppliers and vendors, it means beneficiaries may have to travel further to reach the providers and collect their cash, thereby exposing themselves to many risks.

Two related risk factors focused on the capacity of service providers. The first was **poor data protection practices by service providers**, which could mean that sensitive personal data is leaked. Related to this was **inadequate requirements on data protection built in by humanitarian agencies**, which was more of an operational weakness on the part of humanitarian agencies. This is a protection issue for the beneficiaries, possibly increasing vulnerability and reducing accountability and neutrality of assistance. It may also lead to breaches of donor requirements on data protection, such as those included in the General Data Protection Regulation (GDPR) for the European Union (EU). Service providers may have **inadequate systems for beneficiary tracking** to ensure that the assistance reaches the person it was specifically intended for. This may lead to problems with validation, or corruption within the system. There could be duplications or overlaps, and this could also lead to valid beneficiaries being excluded.

## OPERATING CONTEXT (BASELINE AND CONFLICT)

A range of risk factors emerged related to the security and operating environment in Yemen. Some of these related specifically to the current conflict context. Others related more generally to the operating environment in Yemen, and, while exacerbated by conflict, could not be said to be directly caused by it.

### Security issues specifically caused by conflict

Where **crowds gather for the disbursement and distribution of UCTs, CFW or vouchers**, this can create additional exposure to threats for beneficiary populations, humanitarian staff and service providers. In the context of Yemen, such crowds can be a **magnet for attack** (primarily aerial bombardment) or opportunistic, politically influenced violence. Only one such event was referred to during the research, so it is not a high probability, but it would have a major impact.<sup>40</sup>

The threat of **harassment, abduction, detention, attacks on compounds, injury and death of humanitarian agency staff or service providers** is nothing new in the Yemeni context. However, most of these threats have increased since 2015, with the exception of abduction, which has receded due to the Houthis' geographical and political control of north Yemen.<sup>41</sup> Harassment and detention have reportedly increased in prevalence, especially in north Yemen.

In addition, the risk posed by **active combat, including artillery fire, shelling and aerial bombardment**, has reportedly increased since 2015, for staff, beneficiaries, services and property.

Should they materialize, these threats can have a devastating and deadly impact, and, in addition, they may also affect the operations of the affected agency (and other agencies), which may choose to limit its activities or withdraw staff.<sup>42</sup> This happened in March 2015, when many humanitarian agencies dramatically scaled down their operations in response to the escalation in conflict. This may reduce the provision of assistance to beneficiaries, or reduce the level of oversight that impacts on accountability and compliance, leaving the organization open to more aid diversion issues, such as fraud, corruption and theft.

### General operational issues – technology, security and access

The Yemeni context is complex and high risk, and this was also the case prior to 2015. Several increased risk factors for all assistance modalities, including CTP, were highlighted in the research, and which exist at an operational level because of the delivery of aid in Yemen. Examples include the **risk of security incidents involving staff and beneficiaries due to distributions and movement in the field**, the **movement of money**, and **occupational health and safety risks for staff** involved in cash for work on public health projects. General security risks include crowd violence, robbery, threats, vehicle accidents and physical threats targeted at field operations.

With limited central authority and a system reliant on localized control, as well as limited communication, the movement of money, in an impoverished community, is a catalyst for possible crime and violence. It could also increase the risk of aid diversion. Much of the rehabilitation work for CFW focuses on water and sanitation, so there is a particular risk of waterborne diseases. Workers are not always equipped to work on these projects or in such contexts.

In Yemen, there is always a possibility of **technology challenges disrupting programming**, specifically because of a poor communications and power infrastructure, and fuel supply issues. This could result in a number of issues, such as disruptions to field communications for the management of safety and security, an impact on electronic funds transfers, as well as on the management of beneficiary data.

The **lack of a suitable means of identification for beneficiaries** makes verification difficult. Many beneficiaries have no form of acceptable identification, for multiple reasons (e.g. displacement or failed government systems). This means humanitarian agencies and service providers need to find other ways of undertaking verification and post-distribution monitoring. This could impact programme integrity in terms of targeting and corruption.

<sup>40</sup> Earth-moving equipment for an aid project was mistaken for military equipment and was targeted in an airstrike, which resulted in fatalities. Other examples have included aid convoys and civilian targets (such as health centres run by INGOs, and school buses) being hit.

<sup>41</sup> Abduction was primarily a tool of al-Qaeda and is not commonly used by the Houthis.

<sup>42</sup> Wintour, P. 'Red Cross pulls foreign staff out of Yemen', 'The Guardian', 7 June 2018. Available at: [www.theguardian.com/world/2018/jun/07/icrc-pulls-foreign-staff-out-of-yemen](http://www.theguardian.com/world/2018/jun/07/icrc-pulls-foreign-staff-out-of-yemen)

Added to this is the cultural issue of women being veiled in many parts of Yemen, meaning that facial verification may be challenging. Sometimes, women use a service provider for this, but this may also be a protection issue for them.

**Access to beneficiaries** and **access for beneficiaries** were both raised consistently as risk factors. For humanitarian agencies, the process of getting access to field locations and beneficiaries has been persistently challenging. They have to contend with the physical access, remoteness, difficult-to-reach areas, climate, terrain and the lack of availability of fuel. But, perhaps a more significant obstacle is the process of securing all the requisite permissions for movement, and undertaking deconfliction to ensure protection for the agency.

While beneficiaries do not necessarily face the same hurdles in permissions, they do face major challenges when travelling to receive assistance, as outlined previously. One respondent reported that humanitarian agencies sometimes have to arrange or pay for the transport of beneficiaries to get to the main village to receive their payment from the financial intermediaries who are issuing the payments. However, another issue linked to the conflict is that, occasionally, beneficiaries must cross the north–south border in order to receive assistance, and there are, sometimes, additional obstacles due to their actual or perceived political or tribal affiliation.

One issue that was raised was the ever-present threat that the **authorities would shut down the bank accounts of international agencies**, thereby making it impossible for them to operate. This would most likely be for political reasons, but it could also happen in the event of the inadvertent funding of terrorist groups. There were no reported closures of bank accounts in the recent period.

## Political context

Along with the above-mentioned operational issues, several broader risk factors were outlined by respondents in relation to the political context and the impact this has on CTP. The first of these was the fact that, due to the conflict and north–south division, **public services in north Yemen are not functioning optimally and are underfunded**. A consequence of this is the second factor, which is that all agencies and providers must **negotiate with multiple local authorities**.

The second group of risk factors concerns the impact of the political context on humanitarian operations, and, conversely, the impact of humanitarian operations on the political context. The first of these is the risk that, somehow, **CTP fuels the conflict or influences the political landscape** – whether intentionally or otherwise. Lots of actors in a context such as Yemen find cash appealing. For this reason, there is a perceived risk that CTP may be used as a tool in the conflict because of its fungibility. Nevertheless, there is little or no evidence to suggest that this has occurred in Yemen in the last three years. In addition, there is the perceived risk that CTPs may not target, or ultimately be received by, the most vulnerable people, but, instead, be diverted to those who are fighting (although these may, in fact, be amongst the most vulnerable). However, this is possible for almost all programming in Yemen, especially as elements in all communities are directly or indirectly involved in the conflict in some way or other. There is a perception that this is more difficult for in-kind programming, or health programming. But any of these programmes can suffer targeting issues, or inadvertently support combatants or strengthen the hand of specific groups or factions in a conflict.

Directly related to this is **the inability of humanitarian agencies to maintain, or be perceived to maintain, political neutrality**. The risk is that agencies will be accused of not being balanced in their programming, and of supporting one side of the context more than the other. This is a strategic risk in Yemen, and some humanitarian agencies have been the target of such accusations, impacting on their operations. All of this can have a significant impact on safety and security, as well as community acceptance and agencies' ability to operate.

## PROGRAMMING

### Aid diversion

**Fraud and corruption** remain a significant threat in Yemen for all programmes, due partly to the somewhat questionable capacity of financial institutions (e.g. most institutions are still using paper-based banking), and the operating context (conflict and a high degree of vulnerability). This includes many forms: influenced or altered beneficiary lists; inaccurate beneficiary lists; undue influence over who sits on selection committees; and staff taking bribes and facilitation payments (e.g. to include people on committees or lists).<sup>43</sup> There is a perceived risk that authorities may also syphon money off from bank accounts or distributions. ‘Elite capture’ was also raised as an issue.<sup>44</sup> Whilst the threat of fraud and corruption are very real, overall, these were not raised as significant issues for CTP in Yemen, and no more so than in other similar contexts. In fact, several respondents indicated that, in this area, CTP presents a lower risk than in-kind programming. Theft of food and goods was identified by several respondents as a higher risk, presumably because of high visibility, risk in transit and lawlessness.

A specific subset of fraud and corruption is the threat that funds are misappropriated, and that **humanitarian agencies unknowingly fund illegal groups, terrorist groups and warring factions**. This is linked to a number of other risk factors, such as: a lack of compliance with donor requirements; the impact that humanitarian aid has on fuelling the conflict and contributing to insecurity; the risk that agencies are asked to leave the country or can no longer operate if this is exposed; a possible loss of public confidence in, and support for, the programme in Yemen; and reputational risk (especially for donors).

Misappropriation of funds could also politicize aid if one group is better served than others and may, ultimately, reduce the amount reaching beneficiaries. While this would represent a critical threat with high impact if it ever materialized – agencies are vulnerable to it, and donors are especially concerned about it – evidence that this has happened ranges from zero to minimal. Most agencies did not view this as a high risk, as it seems the probability of funding such groups is low (even if some combatants, individually, may be included as beneficiaries, which appears more likely). As one respondent said, ‘the risk of diversion of cash was perceived but not realized... if funding was diverted, it went on khat,<sup>45</sup> not terrorist groups’. No agency reported a terrorist funding diversion, and they ‘shared PDM data [that] showed that it was not a problem’. It should be noted that it is very difficult to track international financial flows, and that this requires high levels of expertise.

**The robbery of cash and goods from beneficiaries and service providers** was also cited as a threat. This is not considered a high risk in Yemen as robbery of this nature is reportedly uncommon in the country and is not accepted in the culture. However, with constantly increasing vulnerability comes desperation, adaptation and changed behaviours. Incidents of theft from beneficiaries were reported as being more common close to banks, and less so near post offices, so the perception seems to be that the risk has marginally increased because more humanitarian agencies are using banks and not post offices. No hard data on this was available for the study.

### Protection

Three primary protection risk factors related to CTP were raised by respondents. The first of these was the **threat of children being subject to physical or sexual abuse** due to their exposure to volunteers, vendors, community committees and the staff of humanitarian agencies and service providers. Whilst this is a valid concern, it was not identified as a widespread issue and is, therefore, perceived as a low risk. In general, children are not the direct recipients in CTP and, therefore, their exposure to this type of threat is perceived as low in Yemen.

A second risk factor is **that women are more vulnerable too, and subject to abuse or threats to their physical security during and following distributions**. Specifically, where women are the named recipients in distributions, they may be subject to increased risk if they have to travel to collect their cash or their vouchers, or

<sup>43</sup> A facilitation payment is a payment that is made to expedite an action from a person with authority, regarded by most donors and from a due diligence standpoint as fraud or bribery. In the context of CTP/CBIs in Yemen, such payments may be attempted, requested or made to ensure that the names of people who would not otherwise meet the selection criteria are added to the beneficiary lists.

<sup>44</sup> ‘Elite capture is a phenomenon where resources transferred for the benefit of the masses are usurped by a few, usually politically and/or economically powerful groups, at the expense of the less economically and/or politically influential groups.’ Extract taken from National Council of Applied Economic Research (NCAER) (2009) ‘Elite Capture and Corruption: Concepts and Definitions’, prepared by Diya Dutta. Available at: [www.academia.edu/237917/Elite\\_Capture\\_and\\_Corruption\\_Concepts\\_and\\_Definitions](http://www.academia.edu/237917/Elite_Capture_and_Corruption_Concepts_and_Definitions)

<sup>45</sup> Khat is a plant that grows in the Arabian region. It is chewed (or drunk as an infusion) as a stimulant, primarily by men. In Yemen, it is considered a common daily practice for most men, and, therefore, part of daily household expenditure.

because of the pressure placed on them regarding the distributions. In addition, and either because of cultural, safety or logistical reasons (concerning their ID or an unwillingness to reveal their faces), they may rely on others to collect their cash or vouchers. This also leaves them vulnerable and opens the door to possible corruption. This is a significant threat for the women, but prevalence seems low and it is, therefore, not viewed as a high risk. Education level, literacy, numeracy and familiarity with financial services were not mentioned as risk factors (as mentioned previously, Yemenis are very familiar with financial services).

The final risk factor is that when **beneficiary data protection is compromised**, this exposes them to higher risk. Depending on who obtains the data, this increased risk can be due to: pressure to share or pass on their grant; leaders in their community applying political pressure and seeking additional power; and identity theft, thereby possibly impacting their access to further assistance. The prevalence of this risk does not seem high, so it is considered a lower risk.

## Monitoring challenges

Two main risk factors emerged related to monitoring: **the limited field presence of humanitarian staff at distribution sites, thereby limiting oversight in cases of fraud or protection issues**; and **limited opportunities for the independent monitoring of distribution (third party), thereby exposing agencies to greater risks regarding fraud and protection issues**.

Direct monitoring of distribution in Yemen is considered a widespread challenge for all programmes. Most international organizations have a limited presence of staff monitoring at field level, and particularly a limited presence of senior, internationally experienced staff. As previously discussed, third-party monitoring is used either as primary monitoring (more in the case of UN agencies) or secondary monitoring. While having fewer humanitarian agency staff in the field can be a mitigation measure to minimize security and safety risks for the agencies, it also means that they have transferred the risk and the monitoring to a service provider (be they from the private sector or a national NGO), and so the risk remains. Sometimes, the presence of humanitarian staff can act as a deterrent or protection measure, reducing fighting and aerial attacks, or bearing witness. Conversely, having fewer staff can also increase risks to programme integrity.

## Challenges to programme integrity

One risk factor concerning programme integrity is if **humanitarian agencies do not consistently use common standards in the distribution of humanitarian aid**. This can occur across all assistance modalities. Examples of this in Yemen include: the value of the food basket or cash grant; criteria for assessing vulnerability; whether or not to share data with the authorities on beneficiaries; or whether to accept lists of beneficiaries from the authorities or local leaders, or to accept their influence in drawing up beneficiary lists (as discussed below). It was reported that, overall, in Yemen, considerable effort was put into agreeing common standards and approaches in a number of areas, and, when applied, it had a positive impact. However, where agencies could not agree on common standards, or where some agencies chose to opt out of common agreements or practices, this presented a threat and called into question the integrity of the overall humanitarian response and/or individual programmes.

A number of examples were given where specific agencies chose to opt out of common standards (specifically, the value of cash transfers), or accepted the influence of the authorities over beneficiary lists. The use of different standards can cause conflict in communities. It can also lead to accusations of political bias and inequity, and can encourage people to move to another location in order to receive a better deal from another humanitarian agency. Additionally, the value of the minimum expenditure basket (MEB) may not always keep pace with market fluctuations.

The risk that **agencies do not comply with donor requirements** is universal but can be an additional issue in a complex setting such as Yemen, especially given the scale of CTP. This may impact future funding to Yemen and, therefore, the level of agencies' reach. It may also call into question the integrity of a particular agency and create challenges in dealing with the authorities – de facto or otherwise.

Another risk factor related to integrity (but also closely linked to targeting) is when **agencies are pressured to include sub-groups who do not meet the vulnerability criteria**.<sup>46</sup> If included, this may undermine the whole integrity of an agency's approach and the agreed criteria, and call into question the humanitarian mandate, while others who are more vulnerable may have to be excluded. If they are excluded, then agencies may risk reduced community acceptance. It was not clear whether this occurred, but agencies did face pressure to act in this way.

A final area related to integrity is the threat that **grants will be spent on items for which the grant is not intended**. For example, there is a persistent concern that cash grants are spent on khat. In Yemen, this is not perceived as a significant overall programme risk for two reasons. Vulnerability is so persistently high that the most urgent needs are almost always met first – generally food – and when the amounts provided are relatively small (see section 5.2.1), they tend to be spent on urgent needs, with little to spare for non-essential items.<sup>47</sup>

## Targeting

In a context such as Yemen, where the needs are huge – 80% of the population is living below the poverty line and in need of assistance – targeting and coverage are clearly persistent challenges. A key risk factor is that **agencies do not target correctly and the most vulnerable are not included**. The lack of official information about vulnerability in Yemen – particularly no reliable social and economic data – is also a contributing factor.<sup>48</sup> While this is a high overall risk, and despite the huge scale of the CTP operation, humanitarian agencies cannot target 80% of the population, so there will always be some exclusion overall, and there may also be some exclusion within specific communities. Agencies work hard to mitigate against this, as will be discussed later, but it cannot be avoided completely.

On a related, albeit slightly separate, note, is the fact that **high humanitarian need and limited resources create conflict and beneficiaries or communities do not accept the targeting**. They either do not agree with the criteria, or they are not satisfied with the choice of who finally gets included, for multiple reasons. This affects overall community acceptance of the programmes and can cause conflict within communities and impact social cohesion. It can also create or increase aggression directed towards humanitarian agencies or service providers. If the targeting criteria change, and this changes the composition of the beneficiary lists, then humanitarian agencies may face the additional problem of people arriving for a cash transfer (outlaying their own money for the journey) only to find they are not on the lists (but previously had been).

Additional problems can occur if only certain groups are targeted (or are perceived to have been targeted), such as internally displaced persons (IDPs) or refugees, ethnic minorities etc. There may be the additional challenge of polygamous households where only the first wife will be listed as head of household and, thereby, access the household grant, but possibly not subsequent wives; or they will have been unable to access the grant or goods. Linked to this is **pressure placed on humanitarian agencies regarding beneficiary lists**, thereby negatively affecting impartiality and integrity. This is a more significant issue in north Yemen. In some cases, the local authorities provided the lists to the agencies and strongly pressured them to adopt the lists, which some humanitarian agencies agreed to do, while others did not. In other cases, authorities tried very hard to influence the composition of the lists. This is clearly linked to the issue of community acceptance, but it is also linked to the role of humanitarian agencies in the conflict itself, and can politicize aid and affect social cohesion. If the authorities have provided the lists, then the accountability of the lists is subject to question, as it will not be clear whether the selection process follows humanitarian principles and targets the most vulnerable. In Yemen, there is always some level of association and influence, although this issue is not unique to Yemen.

The **duplication of beneficiaries by other organizations providing assistance**, whilst a constant concern of donors, is not considered a significant issue in Yemen. As previously mentioned, the need is huge, and with the limited number of agencies carrying out large-scale cash transfers, there is reportedly effective geographic distribution within Yemen. The risk of gaps is much greater than the risk of overlap.

<sup>46</sup> The example of teachers was cited. Many people in Yemen need help, with more than 80% of the population living below the poverty line. Government systems have failed, and, for instance, teachers' salaries cannot be paid. Teachers may be considered a vital part of the community as far as functioning, social cohesion and development are concerned, but they may not meet the agreed vulnerability criteria.

<sup>47</sup> This does not mean that money is not spent on khat; it is, and the use of CTP for khat remains an ongoing concern.

<sup>48</sup> The Food Security and Agriculture Cluster has a set of standard vulnerability criteria that are consistently used by its members for emergency food and livelihoods assistance, for all assistance modalities.



### 5.1.3 Geographic variation

Most of the risk factors were identified as being prevalent in both north and south Yemen to a greater or lesser degree. Overall, the type, frequency and severity of security issues were reported as varying to some extent between north and south Yemen, but these generally affect all types of programming, and were not reported as being CTP-specific. Some of the variation in security and access risks was reportedly linked more to specific governorates and cities, and to particular geographic pockets, rather than being more prevalent in the north or the south. For instance, the cities of Aden and Taiz were both identified as being especially challenging. In addition, the more remote areas (both in the north and the south) presented greater challenges as regards the existence of vendors and service providers.

The most significant variation, which was CTP-specific, was that attempts by the authorities to influence or provide beneficiary lists was more of a problem in north Yemen. Access was also more challenging in north Yemen given limited central authority and services, as well as the multiplicity of local actors and authorities that agencies had to negotiate with.<sup>49</sup>

A further issue that came up was that banks were more prevalent, especially in more remote areas, in south Yemen, rather than in north Yemen. This impacts those agencies that use banks as opposed to post offices.

### 5.1.4 Modality/programme-specific choices/comparisons

It was not possible, nor intended, within the parameters of this research, to conduct a detailed comparative analysis between CTP modalities and other in-kind modalities. However, the overwhelming perception appeared to be that, overall, CTP is no more risky than other types of comparable in-kind programming. A key factor, as noted in the risks section, is that CTP, where primarily delivered through private sector service providers (both for UCTs and vouchers), results in a large portion of risk being transferred to the service provider. Some types of in-kind programming were viewed as being a higher risk than CTP, particularly as regards theft. Food is an attractive commodity and is perceived as being easier to steal than cash or vouchers, which are subject to tighter management controls.

As mentioned in section 4, because Yemen's economy depends on imports, livelihoods activities focused on agricultural production are seen as marginal in their effectiveness. This is especially so given the high levels of poverty and vulnerability, whilst the prevalence of these programmes is low. Moreover, as will be discussed in section 5.3.3, many donors do not support sustainable livelihoods programming in Yemen.

### 5.1.5 Change over time

The Yemeni context is particularly volatile, meaning change is constant. Overall, the operating context, and all key indicators on vulnerability have continued to deteriorate. One respondent summarized the situation as follows: 'Since the conflict escalated in 2015, there has been a marked deterioration in access, security and the economy, and increasing humanitarian need. Poverty and gender inequality have continued to increase, with purchasing power continuing to decline. State fragmentation, rapid population growth and poor provision of basic services, water scarcity, and [a] poorly managed economy dependent on declining oil reserves, and endemic corruption and high youth unemployment, are all factors in Yemen [that result in] increasing risk.' Additionally, difficulties in targeting were specifically mentioned as a constantly growing challenge. This appears to be due mainly to the fact that an ever-increasing number of Yemenis are in need of humanitarian assistance, and that not all of them can be targeted.

As result, the prevalence and likelihood of most risks occurring, as described in 5.1.1, were reported to have increased, along with intensity and impact in some cases. However, in the absence of a detailed analysis of prevalence and, therefore, probability, one can only assume, but not conclusively state, that risk overall has increased. Despite this, there was little evidence to indicate (either from respondents or from written documentation) that the actual threats have substantially altered over time. Respondents did not report that new threats had emerged, but rather, that existing risk factors had increased or expanded due to the worsening context.

<sup>49</sup> The Ministry of Planning and International Cooperation (MoPIC), the primary 'government' agency for humanitarian agencies to liaise with in north, was noted as being a particularly challenging counterpart.

## 5.2 RISK MANAGEMENT

### 5.2.1 Means of mitigation

A wide range of risk mitigation measures related to implementing CTP in Yemen emerged from the research, as well as measures taken more generically when in complex and volatile settings.<sup>50</sup> A number of mitigation measures serve multiple risks, and they are generally outlined below under the same key risk factors as in section 5.1.2. In general, the measures included below were viewed as effective in mitigating risk, to varying degrees. Where key informants reported that these were not effective, then this is specifically mentioned.

#### Economic context

One key factor to note is that, in Yemen, most humanitarian agencies subcontract some elements of their CTP to third parties. This could include cash distribution, voucher management, and processing or monitoring, and is viewed as a key means of mitigating financial and security risks, as well as strengthening programme integrity. This is a form of ‘risk transference’, and, as described by key informants, constitutes one of the most significant risk mitigation strategies in Yemen. Because this is so pervasive, risk transference through third parties is reported here within each risk category. It should be noted, however, that while some degree of risk can be transferred and shared by using third parties, this does not transfer the overall legal liability that the organization holds. Donors (and any other relevant legal frameworks within Yemen, and within the country in which the humanitarian agency is legally registered) will continue to hold the primary contracting party legally liable to meet their compliance requirements.

To minimize the risk of a weak or failing banking system and currency, a number of mitigating measures were reported.<sup>51</sup> Firstly, organizations scrutinize banks and service providers through due diligence processes. They also reported making use of a number of shared resources, such as lists of whitelisted or blacklisted banks, and approved money exchangers.<sup>52</sup> As discussed in section 4.1, the use of the hawala system is very common in Yemen. While this system may appear unorthodox, it has been accepted and embraced by the humanitarian community. As one respondent noted, if the use of the hawala system is questioned now, one risks questioning the last fifteen years of operating in Yemen.

As well as official exchange rates (UN and otherwise), that are updated frequently and shared, respondents indicated that, over time, many sorts of negotiations and special arrangements have been made between organizations and banks on exchange rates.<sup>53</sup> Individual organizations reported negotiating with banks directly and frequently for rates between the black market and the official rate. There have also been successful coordinated efforts (through OCHA, the humanitarian country team (HCT) and the CMWG) to negotiate a common/better exchange rate. Donors have also lobbied the Central Bank of Yemen to promote practices and policies that help to minimize currency fluctuations.

#### Quality and quantity of service providers

Most organizations reported using well-vetted financial service providers to disperse the actual cash, while they maintained strong financial and data controls. In these cases, the service provider bears financial liability, while having minimal access to beneficiary data. Some organizations reported that they do not pre-finance their service partners at all, and that the cash to pay them on completion of the operation is transferred to Yemeni banks just before payment becomes due, in order to minimize the amount of time that cash sits in Yemeni banks. The CMWG and the REACH Initiative are in the process of conducting an FSP capacity assessment that will help determine the options for using different technologies to deliver CTPs.

It was reported that distribution schedules were planned well in advance so that planning could also help to minimize the amount of money transferred and held in Yemeni banks at any one time. Hence, informants noted that they tend to transfer smaller sums more frequently. Some organizations said they insure transfers of funds so

<sup>50</sup> While key informants provided many examples of proposed mitigation strategies, as highlighted in their risk matrices and plans, this section primarily reflects those strategies that were actually used, as opposed to simply being planned.

<sup>51</sup> The ODI report ‘Counter-terrorism, de-risking and the humanitarian response in Yemen: a call for action’ outlines not only the impacts of de-risking on Yemen, but also includes a four-point proposal for improving the current situation. Available at: [www.odi.org/sites/odi.org.uk/files/resource-documents/12047.pdf](http://www.odi.org/sites/odi.org.uk/files/resource-documents/12047.pdf)

<sup>52</sup> Different organizations have their own lists, and these are either shared informally or published.

<sup>53</sup> The Yemen CashCap adviser spearheaded an effort to negotiate directly with banks on exchange rates, and this was viewed as very successful.

that the bank would bear any potential losses. International organizations tend to transfer money to Yemen in US dollars, after which their partners distribute the cash in Yemeni riyals (most typically). They tend to negotiate with banks to guarantee liquidity for a given period of time.

## Volatile market functionality

Since market functionality risks affect any organization conducting CTP, functionality is assessed at every step of a CTP operation in Yemen. Donors require robust market risk assessments in proposals, while organizations build in contingencies within proposals for variabilities such as price fluctuations. Organizations also conduct feasibility studies during programme design and during implementation, and they may retender regularly in order to renegotiate terms with banks and partners to mitigate any potential losses caused by these fluctuations. Retendering also allows organizations to implement new clauses if concerns arise, for example, improved data protection measures.<sup>54</sup>

In Yemen, some common mitigation practices are driven by, or coordinated through, the CMWG. Perhaps the two most important of these are microeconomic variable monitoring, and market price monitoring. Both are undertaken frequently due to the fluid situation in Yemen. The FSAC has established a common survival minimum expenditure basket (SMEB),<sup>55</sup> which is meant to cover the minimum food needs of a household and average costs, whilst avoiding having a negative impact on the market. This mitigation is most effective, of course, when the majority of organizations use the same value, and there has been a consistently strong push for all agencies to adhere to this in Yemen. Some humanitarian agencies have been considerably more collaborative in this regard than others. A number of agencies also reported having to lobby very hard for the SMEB to be revised as conditions changed rapidly. It is generally updated every four to six months.<sup>56</sup>

Behind the scenes, donors, the UN and INGOs have undertaken a number of wider advocacy measures to influence, for example, importers on prices and the availability of goods, or to keep the ports open, which has been crucial. These measures were viewed as being vital and somewhat effective.

## Operating context

Standard security risk mitigations apply to all programming in Yemen. For example, having strong security assessments, robust security protocols and standard operating procedures (SOPs), dedicated security personnel, and regular security updates and reassessments when the conflict escalates or where there are new hotspots. Security and access risks increased when the crisis escalated, and using third parties for distribution and monitoring became a more common and effective practice.

For cash distributions specifically, security risks in Yemen are often transferred to private sector providers, which manage their own security protocols (carry escorts, armed guards or use armoured vehicles). However, many organizations did report having staff present at distributions and, therefore, having to manage their security. Several international organizations use electronic transactions, which means cash is not transported by staff or partners. In general, beneficiaries do not receive large amounts of cash in one go (typically less than \$10), which helps to reduce the risk of robbery. Good relationships and communication with political authorities at the national, governorate and local levels have also, reportedly, helped in gaining pre-approved access permissions. This has also been helpful in obtaining local knowledge on security threats and, thereby, mitigating risks to the physical safety of beneficiaries and staff.

Access permissions also include advance requests to the Saudi-led coalition<sup>57</sup> for deconfliction in order to avoid airstrikes in areas of disbursement. Oxfam has a field distribution SOP in place as well as distribution protocols that include mitigation such as minimizing the size of the crowds gathering in order to reduce the risks of airstrikes or other crowd attacks. Since CFW programmes rely on groups of beneficiaries gathering, deconfliction measures are

<sup>54</sup> One agency reported this as a very effective means of dealing with multiple risk factors, such as fraud, exchange rate issues and data protection.

<sup>55</sup> 'FSAC Revised Minimum/Survival Food Basket' (January 2018). Available at: <http://fscluster.org/yemen/document/fsac-revised-minimum-food-basket-january>.

<sup>56</sup> Work has also been undertaken to calculate a survival minimum expenditure basket (SMEB), which includes items other than food that are necessary for a family's survival, i.e. 'the basic needs of the most vulnerable people who require immediate lifesaving assistance'. From 'Survival Minimum Expenditure Basket, Yemen: Guidance Document for Multi-Purpose Grants', November 2017. Available at: [www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/survival\\_minimum\\_expenditure\\_basket\\_yemen\\_november\\_2017.pdf](http://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/survival_minimum_expenditure_basket_yemen_november_2017.pdf)

<sup>57</sup> Saudi Arabia leads the coalition that includes the United Arab Emirates, Kuwait, Egypt, Bahrain, Morocco, Sudan, Jordan, and Senegal. For more information, see 'Key facts about the war in Yemen', 'Al Jazeera' article, 25 March 2018. Available at: [www.aljazeera.com/news/2016/06/key-facts-war-yemen-160607112342462.html](http://www.aljazeera.com/news/2016/06/key-facts-war-yemen-160607112342462.html)

critical to ensure their safety. CFW programmes also have to mitigate different types of risk involving occupational safety and health concerns. For example, a water delivery infrastructure project may entail risks for waterborne diseases that would be mitigated by public health awareness training for workers, as well as specific SOPs.

## Programme-related mitigation measures

Programme mitigation includes measures that reduce the risk of aid diversion and strengthen beneficiary protection, targeting, monitoring and overall programme integrity. As many of these measures are closely interlinked, all, apart from aid diversion, are discussed together below.

### Aid diversion

In Yemen, organizations report aid diversion mitigation measures as including: maintaining tight financial controls (some have already been mentioned in the macroeconomic section above); implementing monitoring measures, as well as internal and external auditing, and fraud and corruption training. Some agencies prefer to use e-transfers in remote programming as the practice inherently addresses several remote programming risks, for example: with regard to monitoring and tracking, the money is monitored in real-time on a tablet dashboard, while partners have minimal opportunity to influence finances, targeting or privacy.

### Programme integrity

Operating in volatile situations requires flexibility. Access issues (denied permissions or specific incidents) can affect programme operations. Flexible programming has enabled organizations in Yemen to quickly reassess the situation and adapt. For example, during a 2017 escalation in the conflict that threatened to delay disbursements, one organization distributed double payments in anticipation of access issues. Organizations also build mitigation measures into their proposals, such as mandatory lead times (longer inception periods), or build in a financial buffer, as previously mentioned. A common aspect of contingency planning among CTP implementers in Yemen was moving between cash, vouchers and in-kind food assistance, depending on the most recent assessment of risk and any particular objections or obstacles in the local context at which aid was targeted.

Implementing common standards among organizations – specifically the SMEB, the exchange rate and targeting criteria – helps boost the overall integrity of the response because it reduces inequity, creates consistency, improves transparency and reduces inter-community conflict. Several respondents indicated that the provision of tools, guidance and capacity-building to staff and partners was crucial in mitigating programme risks.

In order to ensure programme integrity, humanitarian actors undertake various forms of programme monitoring for the purposes of verification, for example, tracking use, reducing fraud, improving targeting, preventing fund diversion and ensuring accountability. Several organizations rely on third-party monitoring for verification, while others use a combination of third-party monitoring and their own staff.

Several organizations described their **beneficiary feedback and complaint mechanisms** as effective mitigation measures for many concerns about programme integrity (including protection issues). Approaches described by key informants are consistent with common practice, including: hotlines (in house or third party); printed materials at distributions outlining entitlements along with information about how to raise grievances and protection concerns; designated focal points for raising grievances or protection concerns; incident reporting, tracking and reviewing; and post-distribution monitoring. These were reported as being well understood and grievance mechanisms well utilized. A number of agencies reported that they specifically review incident and complaint log sheets regularly, and one organization provided the researchers with its complaints procedure. Specifically, in relation to the safeguarding of staff and beneficiaries, a number of agencies indicated that they have a code of conduct, in-house/third-party call centres/hotlines; in-house focal points, staff training.

Issues related to **access for women** (e.g. presenting identification or travelling in safety) were reportedly being mitigated by creating an identification process using photographs and fingerprints, and then having female staff and security officers present for distribution, for example. Paying beneficiaries' travel costs or using a third-party service to retrieve the payment relieves the financial burden of travel.

**Targeting risks** have been mitigated in Yemen by standard practices, such as conducting thorough needs assessments (which are very challenging in the Yemeni context) and excellent communications and transparency with communities. One agency reported the critical role that community mobilizers play in preparing communities. In Yemen, many humanitarian agencies shared targeting criteria through the CMWG, which serves as a mitigation measure as long as most organizations do the same. Most organizations use local community structures, to some degree, in the beneficiary selection process, which empowers the communities, increases safety and transfers some (institutional) risks from organizations. In some cases, potential beneficiaries help choose the selection committees from the community leadership, while others use established structures. Where specific groups (e.g. teachers) do not fit the criteria, communications with the community on targeting criteria have been crucial, and, in some cases, a small CFW project has been offered. While pressure to accept lists provided by community leaders and the authorities has been strong, a number of agencies have resisted, and have instead worked with communities on preparing lists, but this has not consistently been the case, which has been problematic.

While there is not one shared **beneficiary tracking platform** used by all agencies, there are some shared measures. FSAC has a system in place to limit duplication, which is seen as effective. The cluster prepares a district plan annually, which is updated on a quarterly basis. This plan shows targets per district, WFP (and partner) caseloads, and non-WFP caseloads and gaps.

On **data protection**, the approach to mitigation varied. One agency indicated that in 2015–2016 this had not been managed as well as it could have been, and that it was not sufficiently focused on it, but that it had significantly tightened up its approach. Data protection is enhanced where beneficiary data does not exist locally on devices used for distributions, and is stored on the organization’s servers, accessible to a limited number of staff. Some organizations have global data protection systems that require that no third parties have data stored locally. Some agencies built data protection into new agreements with FSPs, as previously mentioned, although, in general, the capacity and practice of humanitarian agencies and FSPs has varied. Another variation is the level of data the FSP has access to. Generally, it seems they have to have access to some data in order to enable verification. In terms of biometric identification, a number of agencies reported moving in this direction (e.g. using iris scans and fingerprints) and outlined varying practices with regards to who has access to this data, how long it is retained and when it is destroyed.

## 5.3 PROGRAMMING AND RISK

### 5.3.1 Specific operating procedures

This study found four examples of specific operating procedures for Yemen: UNHCR produced country-level ‘Standard Operating Procedures (SOPs) for Cash-Based Interventions for Refugees and Internally Displaced Persons in Yemen’;<sup>58</sup> Oxfam also has specific ‘Security Guidelines for Cash Distribution’ for Yemen, while the Norwegian Refugee Council (NRC) has ‘SOPs for Cash Distribution: Cash Transfer through a Third Party’, and ‘SOPs for Voucher Programming’, all of which aim to reduce risks during CTP/CBI programming. It seems unlikely that other agencies would not have similar documents, although they may be considered technical or programme design inputs, or annexes to proposals rather than actual operating procedures.

Three agencies used alternative operating procedures for Yemen during the period 2015–2018. These are global procedures designed for programmes that involve some degree of remote implementation and/or monitoring. They are not specific to CTP, only to high-risk and hard-to-access contexts in general. The only Yemeni national non-governmental organization (NNGO) interviewed for this study, the Yemen Family Care Association (YFCA), is currently producing a risk policy, but it is not clear if this will result in specific operating procedures.

### 5.3.2 Means of coordination

Yemen currently has an inter-sector CMWG. It was initially formed and hosted by the Food Security and Agriculture Cluster, under the chairmanship of Oxfam. However, as the crisis deepened and CTP became common in multiple sectors, it was considered vital to have a harmonized approach and to expand membership to other clusters. Therefore, a decision was taken for the CMWG to be hosted under the humanitarian country team, where it is

<sup>58</sup> This document, which could serve as a model for other agencies, includes procedures for many aspects of CTP.

co-chaired by OCHA and Oxfam.<sup>59</sup> The CMWG's role does not include coordinating cash, and all coordination discussions and activities must take place via the clusters.

The CMWG has an active Google Group mailing list, used by various actors, to coordinate cash discussions, share market and currency information and to cross-share information from other clusters with a broader audience. The mailing list currently has over 250 members from more than 70 organizations. All significant donors, including the World Bank and the International Monetary Fund, are members of the group, as well as Yemeni national NGOs. The CMWG's functions are: to facilitate the sharing of information, lessons learnt and best practices that would inform cash programming; to develop standards and guidelines; to develop capacity-building; and to conduct assessments and ongoing monitoring that inform cash programming. There is also a CFW working group, and a Currency and Liquidity technical and working group.

Most participants interviewed for this study spoke highly of the CMWG, seeing it as a forum that creates parity across agencies, and that provides appropriate technical guidance that mitigates risks for staff, beneficiaries and donors. It is held up globally as a positive example of a well-functioning and effective technical cash working group. However, the fact that there is no cash coordination mechanism, with a stronger mandate to coordinate and steer across all clusters, is seen by some as a weakness. The CMWG has not been able to deal with more strategic programmatic issues, like targeting and beneficiary lists, and, in fact, was reportedly actively discouraged from doing so by the ICCG, in some cases.

In 2017–2018, the Yemen CMWG received dedicated, expert support from two CashCap advisers, which enabled the group to address the demands of working in a volatile, high-risk context through a series of initiatives, including: Survival Minimum Expenditure Basket, 'Yemen Guidance Document for Multi-Purpose Grants' (January 2017); 'Desk review of Cash and Market studies, Yemen' (February 2017); 'Inter-Agency Joint Cash Study: Market Functionality and Community Perception of Cash Based Assistance' (December 2017, REACH Initiative); 'Currency of Transfer Guidance Note' (February 2018). The additional support from the CashCap advisers was highly valued, as one respondent explained: 'The CashCap adviser had a real expertise and the time to dive deep.' And, as was discussed in section 5.2.1, the CashCap adviser was able to spearhead some very critical joint initiatives in areas such as exchange rates.

Currently, expert services are also provided by the REACH Initiative, including the Joint Market Monitoring Initiative, which has been going on since March 2018, and a Joint Financial Services Provider Assessment, which is currently under way (as at September 2018).

It was reported that, amongst donors, no formal coordination mechanisms exist, or have existed throughout 2015–2018. This may partly be due to the fact that all donors are based outside of Yemen, with no in-country presence. Donors have engaged informally in coordinating messaging, especially with relation to large multi-donor-funded programmes with UN agencies. Some donors have coordinated messages related to CTP, such as the need for a robust targeting strategy and biometric registration. WFP hosts quarterly donor round tables to discuss its CTP.

### 5.3.3 Donor-specific approaches/policies/concerns

In general, donors have been highly supportive and encouraging of CTP in Yemen, and are viewed as instrumental in the immense scaling up of CTP in the country. Faced with a situation of vast and dire needs, most appear to have embraced CTP as one of, if not the, most appropriate modality of assistance to achieve coverage quickly. However, many insist on their guidelines and risk assessment tools being used, and require regular updates, as discussed in section 5.1.1. While they tend to request more details about the mechanics of the CTP during the proposal development and approval stage, it was reported that no donor had formally introduced any specific policies or procedures for Yemen.

**DFID** is considered by participants to be the most 'open' to CTP as a modality across multiple sectors and interventions. DFID harbours concerns about potential diversion and the protection of beneficiary data, for it requires particular processes and procedures, and has commissioned a specific due diligence report on its

<sup>59</sup> Terms of reference for CMWG Yemen. Available at: [www.dropbox.com/sh/dqd5hmlufdwvm11/AADgxHbgNjqLpVltd6-ElTf\\_a?dl=0&preview=Yemen+CMWG\\_tor\\_final\\_2017.pdf](http://www.dropbox.com/sh/dqd5hmlufdwvm11/AADgxHbgNjqLpVltd6-ElTf_a?dl=0&preview=Yemen+CMWG_tor_final_2017.pdf)

partners in Yemen. DFID prefers UCTs, but also funds CFW and vouchers. It does not currently accept proposals for CTP for livelihoods recovery, although it is unclear if this is for risk management reasons or for other reasons.

Because of its effectiveness and cost-effectiveness, **ECHO** has also actively encouraged the use of cash within an integrated approach, together with WASH, Shelter and Food clusters. It funds CTP (UCTs) for rapid response, one month after displacement. It is not open to the use of cash for livelihoods programmes, including CFW, although its sister agency, DEVCO, has recently approved a grant for cash use in a resilience project.

The **US governmental donors** are open to the use of CTP in Yemen. The Office of U.S. Foreign Disaster Assistance (OFDA) funds UCTs and has been proactive in working with partners to assess if CTP is the best choice and ensuring that risks are managed. In the Food for Peace programme, vouchers are the preferred modality, as these are regarded as less risky. Overall, USAID is perceived as somewhat more selective and perhaps less flexible as a donor for CTP, because of the strict limitations on what CTP can be used for in terms of sectors or needs.

All other major institutional donors appear to be supportive of CTP and, in general, encourage UCTs, with less support for CFW and vouchers. Overall, participants in this study report that donors have become more flexible over time with regards to CTP in Yemen, as they have seen how agencies have performed and managed risk, and as need has escalated.

## 5.4 LEARNING

### 5.4.1 Lessons learnt

Given the breadth and complexity of the risks outlined in previous sections, scaling up CTP in Yemen may have seemed a near impossible task, or at least beyond the existing risk-tolerance threshold of most humanitarian actors. Nevertheless, the diverse and comprehensive nature of the risk mitigation measures employed are testament to the collective will to manage risks. Collectively and individually, humanitarian actors identified workable solutions and constantly adapted them to the evolving context, resulting in a scale-up into the largest-ever CTP in the world.

The experience of scaling up CTP in Yemen in the last three years has generated a rich set of lessons, enablers and good practices for NGOs, UN agencies and donors, a significant number of which are considered to be applicable to other high-risk and volatile contexts. Keeping in mind the key research question for the case study – What can humanitarian actors learn about risk management for CTP in complex and volatile settings from programmes in Yemen in the period 2015–2018? – some of the learning is outlined below.

#### **An effective CMWG, with a committed, multisectoral membership, contributes to overall risk mitigation**

Most informants agreed that CMWG Yemen has generated highly valued processes and products that have served to mitigate risks for CTP. These include regular price and market monitoring, agreement on standard CTP values, timely studies on financial providers and exchange rates, and agreement on what type of beneficiary information can be shared with the authorities. In effect, CMWG Yemen served not only as an information sharing and coordination hub, but also as an enabler of risk management in Yemen. The deployment of two CashCap advisers, and the existence of two co-chairs who have dedicated substantial amounts of time to the CMWG, were key enablers of its effectiveness.

#### **Remote market monitoring works**

Despite initial scepticism from some actors, especially donors, remote market monitoring was effectively implemented from Jordan, thereby avoiding additional exposure and costs across the country. The REACH Initiative, which provided assessment and research services to the CMWG, was able to coordinate data collection, analyse data provided by partners and end-users, and produce accurate and regular monitoring reports from outside Yemen. This model for market monitoring could be implemented temporarily (during extreme spikes of insecurity) or permanently in other high-risk contexts.

### **CTP is possible, despite a volatile currency**

The fact that all the agencies interviewed were able to implement CTP programmes in Yemen over the period of this study demonstrates that CTP is a feasible option, even in contexts where currency fluctuation is high and/or unpredictable. Informants suggested that the following four elements were key enabling factors: liquidity in the market; constant price monitoring; CTP actors that are responsive to price/market monitoring outputs and willing to revise their calculations regularly; and donors that are primed and willing to accept repeated modifications to the budget. They also learned that setting aside a contingency reserve to cushion the operation from any changes was a good move.

### **Frequent communication with donors is key in managing perceptions of risk**

Donors' concerns about CTP in insecure and volatile settings can be alleviated through more frequent, informal communication with their partner agencies in contexts such as Yemen to ensure that they are fully informed of changing contexts and evolving risks. Donors interviewed for this study felt reassured by having access to up-to-date information, and verbal reports from their partners as often as needed, and knowing that contingency planning was taking place. This, in turn, makes them more receptive to modifications proposed or explained after the fact by their partners.

### **Scaling up CTP in very high-risk, heterogeneous and constantly changing contexts requires considerable investment**

It takes time to build up a CTP operation with extensive coverage in a country like Yemen, where diverse scenarios exist simultaneously. Agencies have to contend with serious changes in the operating environment, an evolving and sometimes demanding funding context, and negotiations with all types of stakeholder, in addition to a swathe of other ongoing operational and security concerns. Most informants interviewed for this study agreed that the success of the scale-up was largely due to the time they invested – continuously – in assessing risks and adapting risk mitigation strategies.

### **Selecting a financial service provider should be an iterative process**

For CTP in insecure settings, where some of the most vulnerable people are in remote or very hard-to-access areas, the choice of financial service provider (or, most probably, a decision to choose multiple providers) is one of the key decisions that determines whether aid reaches the people who need it most in an accountable manner. As well as sharing selection criteria, several agencies in Yemen agreed that a willingness to be audited by an independent third party, and actual audit results, are crucial. Furthermore, by regularly tendering for financial services, the agency encourages current providers to demonstrate effectiveness and ethical performance.

### **Clear procedures help staff and agencies manage facilitation payment risks**

A donor-led review of one agency's CTP operations in Yemen recommended that, when there is a high risk of facilitation payments being demanded or made, agencies need to develop, actively apply and communicate their policies and procedures. Such procedures should include: training for staff and awareness raising about the policy with community committees; a means for recording instances of facilitation payments being requested or made; and a nil declaration (a statement that none were found to have been made) on distribution reports. This type of tracking will help agencies to better assess the likelihood and rate of occurrence, and to monitor the effectiveness of measures taken to reduce the risk.

### **Bold management and donor support are strong enablers**

Several agencies commented on the unique contribution of their above country management line (such as regional management or headquarters teams) and their donors, who, on the basis of the best available information, and driven by a clear humanitarian imperative, were prepared to take calculated risks despite not having similar previous experience of CTP on this scale. In addition, the process they had put in place, of continuously assessing risk and testing mitigation measures, allowed them to validate and build on their decisions, resulting in large-scale CTP programmes. One INGO's programme, for example, grew from \$12m to \$32m between mid-2015



and early 2018. Another indicated that while their agency was a relative newcomer to CTP, because of the huge humanitarian need and their organizational willingness, their programme in Yemen had grown to be the biggest CTP operation in the world for their agency, while CTP represented 90% of their country programme. In addition, maintaining regular and ongoing communication with donors was very useful for managing perceptions about risk and ensuring donors had a clear and detailed understanding the changing context.

### **‘Risk transfer’ can be a misleading term**

While several key mitigation measures used in Yemen can technically be classified as ‘risk transfer methods’ or ‘risk sharing’, from a compliance as well as from an ethical perspective, the risks are not fully transferred. The humanitarian organization is still responsible for the way in which the mitigation measures (such as the use of third parties) are carried out, and the outcome in terms of donor and legal compliance. For example, using an FSP can mitigate some risks, such as the security of agency staff, and share some risks, such as financial compliance. The provider selected is contractually obliged to assume a specific set of risks, but the humanitarian agency that contracts them also remains (legally) responsible.

### **Embedded experience counts**

When CTP, albeit in different forms, was a familiar assistance modality prior to the humanitarian crisis in Yemen, and when systems already exist (even if not currently functioning) and the targeted beneficiaries have used them before, CTP is a relatively easy choice compared with other modalities that may be unfamiliar or unacceptable to the people an agency is trying to assist. Even when other contextual factors have changed, such as the increased volatility and insecurity in Yemen during the period of this study, a history of CTP is an important enabling factor for success in new or massively scaled-up CTP operations. As one respondent said: ‘It’s amazing what you can do, if you are willing to use the systems. We didn’t impose anything. We used the national system that people were used to using.’

### **Contextual adaptation to distribution protocols can promote gender equity, and inclusion**

Sometimes, specific cultural and contextual factors influence how beneficiaries, especially women, find multiple ways to physically access assistance and be verified. In Yemen, women are the main decision-makers for household expenditure so are often the designated household recipient of cash programmes. The measures that are normally built in to cash distributions to reduce risk – such as the presentation of ID cards, facial recognition, and privacy at distribution points – were not always feasible in Yemen, where many women either do not have official ID cards, are veiled, do not travel far from their homes, or, if they do, may need to be accompanied. Agencies learned, on the spot, how to find creative options, such as creating IDs with photos and fingerprints, having female staff and security offers present for distributions, paying beneficiaries’ travel expenses and using a third-party service to retrieve the payment, thereby reducing the burden of travel. Humanitarian actors need to be aware and flexible, and to assess and mitigate risks.

### **Extreme need is perceived as a key factor in minimizing aid diversion**

It is a common perception that the risk of aid diversion in Yemen is high. This view was not borne out by the review. The broad conclusion of most participants in this study is that when needs are so high, the misuse of funds is low, and the infrastructure and implementation controls for CTP minimize the likelihood of this occurring.

### **The process of inclusion and exclusion is inherently political, but can be managed**

In a context such as Yemen, how criteria for assistance are established, how selection committees are established and who, ultimately, is included on beneficiary lists can be, and be seen as a political act. Sometimes, the process cannot be divorced from the conflict and the political context. In Yemen, various humanitarian actors took different approaches, with greater and lesser rates of success, and varying results regarding impartiality. This is an area that needs close attention and a common approach.

### **Innovations in technology continue to be beneficial for CTP, including for risk management**

Technology continued to be an enabler in the scaling up of CTP, both in previously tried-and-tested forms and in more innovative ones. In Yemen, agencies used relatively standard technology (electronic transactions to FSPs at field level to enable beneficiaries to collect their funds from banks or post offices). Standard technology also contributed to data protection, through the use of tablets in conjunction with secure cloud/central server storage of beneficiary names, transactions and other sensitive data. The most innovative technology of the Yemen CTP scale-up was WFP's introduction of biometric technology for beneficiary verification, which has been widely regarded as a success. Data protection risks can largely be mitigated, even when using service providers.

### **Volatile operating conditions need nimble and adaptable approaches**

Donors and implementing agencies alike stressed the need for iterative and frequent contingency planning, not as a separate formal exercise but as a way of having a set of options to deploy in the event of specific changes in the operating context. Agencies reported using different assistance modalities and shifting between them in response to different factors. Agencies monitored variables in the operating context, systematically reassessed options and made changes when necessary, in the knowledge that the same process could be reversed in response to new risks. Agencies also shifted from their traditional programme modalities in Yemen and globally in response to the move to CTP in Yemen, scaling up and building new capacity, and taking bold decisions to expand.

### **To address economic risk factors (e.g. banking systems, exchange rates, markets) requires high-level advocacy**

The significant and diverse economic risk factors that affect humanitarian programming in Yemen cannot be adequately addressed by local risk mitigation measures alone. They require national and international interventions by governments outside of Yemen, which, in turn, requires advocacy driven by strong and consistent collaboration between donors and humanitarian agencies.

## **6 RECOMMENDATIONS**

**It is recommended that the approach to risk identification and analysis be a formal, collective process amongst humanitarian actors in volatile and complex settings, with more openness and consistency.** Risk analysis tends to be conducted by each agency individually, at least partly in response to its donors' requirements. Neither the process nor the output is shared with other agencies. If agencies shared methods and products, they could develop a joint approach to risk management. The Yemen humanitarian response specifically would benefit significantly from an agreed standardized methodology, identifying threats, vulnerability, exposure and risk, and presenting them in a causal chain.

There appears to be an unhelpful culture of confidentiality in relation to risk management in Yemen and in other similar contexts, which offers no real benefits and wastes resources. The threats are primarily the same, and the analysis of probability and impact should be collective. This would ensure efficiency gains, along with collective wisdom, shared experience and analysis. Agencies can then choose the mitigation strategies that best suit their agency's mandate, approach, budget and programme, including advocacy for mitigation of macro-level risks. This common approach to risk analysis could be facilitated by a cash coordination group, the CMWG, or another active forum. **Donors should accept a common approach and categories (rather than making specific requirements), asking agencies to clarify their mitigation approach to each, within their individual risk management plan.**

On a related note, **humanitarian agencies should strengthen and clarify their procedures for reviewing incidents, threats and contextual issues against their risk management plan**, and adjusting their operations accordingly. Given that each agency's security and operations depend on how others manage their security and operations, such information or changes of common interest and benefit should be shared with other agencies through a common risk management space or forum. Similarly, **humanitarian actors should proactively**

**share key resources that assist in risk mitigation.** This could include lists of whitelisted or blacklisted banks and approved money exchangers, and any organizational assessments or audits of national partners or service providers.

**Collective exchange rate negotiation is much needed and can be very effective** in a volatile currency context such as Yemen. This is a key shared function that should be resourced amongst humanitarian actors in order to generate efficiencies and ensure that programmes are more effective.

**Similarly, collective advocacy addressing macroeconomic risks (related to banking systems, exchange rates, markets and food imports) is essential** and could achieve high-impact changes that single agencies cannot expect to achieve on their own. Such advocacy – ideally guided by a joint strategy – should target national governments and multinational bodies. If clearly related to risk analysis, donors are likely to be supportive of this approach. **Governments outside of Yemen must continue to intervene on critical economic risk factors** (e.g. supporting main food importers, strengthening the capacity of the central bank, formulating appropriate monetary policies), and donors and humanitarian agencies must continue to collaborate to build strong advocacy positions.

Given that Yemen is the largest humanitarian crisis in the world, and that there is global interest in understanding CTP, scale-up and risk management in the Yemeni context, **the dearth of (or lack of access to) current CTP data on Yemen must be immediately rectified.** This is critical for advocacy purposes and learning.

**Effective and functioning CMWGs and advisory resources allocated to them are critical in contexts such as Yemen.** In contexts with such large-scale CTP operations, such as Yemen, appropriately high-level technical advisory and coordination support on CTP must be provided on a medium- to long-term basis to humanitarian agencies. For short-term or interim needs, this could be in the form of CashCap deployments to the CMWG, but for countries with medium-term and significant volumes of CTP, a full-time CMWG coordinator is required. The CMWG should report to the ICCG, as suggested by the ICCG terms of reference,<sup>60</sup> but should be linked to the HCT and should have a stronger and wider remit than just a technical advisory function. To ensure that the CMWG is effective and sustainable in demanding contexts such as Yemen, ongoing funding is required.

The relationship between **gender, CTP and risk** was briefly touched upon in this case study, but **merits far greater attention.** Also, very little information was obtained on the **inclusion of minority groups**, people living with disabilities, or other marginalized sections of the population. Future CTP case studies should explore this issue, as it appears to be a significant gap in learning about CTP in volatile contexts.

In relation to the above, a specific case study **examining data protection and safeguarding in CTP would be a welcome addition** to the body of knowledge about CTP and risk management.

<sup>60</sup> 'Standard Terms of Reference for Inter-Cluster (Sector) Coordination Groups'. Available at: [www.dropbox.com/s/pdfb8czsizkxhze/Standard%20%20ICCG%20ToR%20Final%20Version%20December%202017.pdf?dl=0](http://www.dropbox.com/s/pdfb8czsizkxhze/Standard%20%20ICCG%20ToR%20Final%20Version%20December%202017.pdf?dl=0)

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The Cash Learning Partnership

Yemen is one of the most vulnerable countries in the world, and has long suffered from poverty, instability and vulnerability. The conflict, which has unravelled since late 2014, and, more specifically, since March 2015, has left 22 million Yemenis in need of some kind of humanitarian assistance or protection. Some 18 million people are food insecure, including a high proportion of Yemen's children. More than 8 million of them do not know where their next meal will come from, and they need emergency food assistance to survive. This situation is aggravated by additional factors: Because of the very limited local production, Yemen relies heavily on imports of most commodities. The two main functioning ports have been affected by the conflict. Disruptions to access, such as port closures and road blockages, lead to supply line disruptions, reducing the purchasing power of suppliers, seriously affecting the market and the cost of goods, and, ultimately, resulting in the risk of famine.

Despite these challenges, cash transfer programming (CTP) has been part of humanitarian and development programming for many years. While a few humanitarian agencies were implementing CTP prior to the escalation of the conflict, its use has grown dramatically since then. Humanitarian organizations have increased their use of both unconditional and conditional cash and voucher modalities as a potential tool for scaling up the emergency response, recognizing the immense possibilities it offers within the Yemeni context in stimulating local demand and the functioning of the market. CTP is now seen as the 'go-to' modality and the easiest to scale up dramatically.

This case study aims to contribute to the body of evidence on CTP-related risks and mitigation strategies by closely examining the massive scale-up of CTP in Yemen between 2015 and 2018. Specifically, the analysis focuses on: identifying risks in Yemen related to CTP; understanding how agencies analysed and monitored risks and made choices; and how they managed risk. The case study notes how donor policies, procedures and organizational approaches may have influenced decision-making on CTP and risk. Changes in risk identification and management over the period 2015–2018 are also examined, as well as geographic variation. The overall aim is to draw lessons learnt and make recommendations that inform humanitarian actors about risk management for CTP in other challenging contexts.