

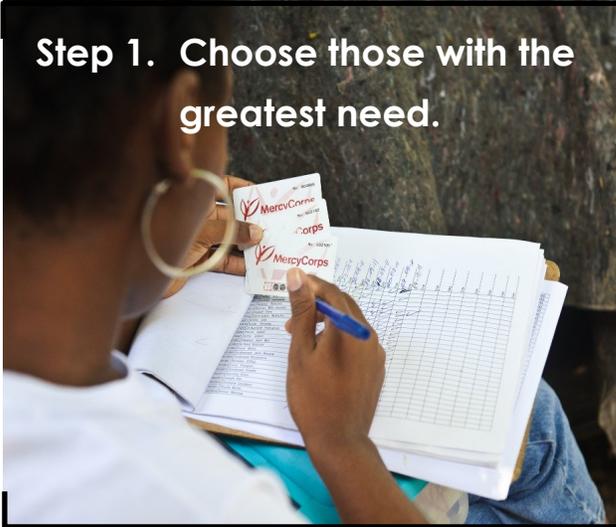
Keeping Cash Safe

The Code of Federal Regulations 226.21(b) states that recipients of United States government funding (including non-governmental organizations) shall maintain financial management systems that provide for the following:

- *Records that identify adequately the source and application of funds for federally-sponsored activities...*
- *Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.*

Extensive field experience shows cash, vouchers, e-transfers, and other forms of aid distribution are no more at risk of corruption than commodities, because international aid organizations are held to strict financial management standards regardless of the method of delivery. Below is a breakdown of the safeguards Mercy Corps has in place.

Step 1. Choose those with the greatest need.



Data shows that if aid is delivered to those with the greatest needs, then it will be used appropriately.¹ Many households targeted by Mercy Corps spend 50 to 80 percent of their income on food. Below are examples of techniques used to identify the most vulnerable:

- Involve local leaders in determining the criteria for participation (e.g. families with young children, widows, the extremely poor).
- Verify lists of recipients against government records.
- Require identification and a signature or thumbprint, and do not allow substitutions beyond the original list without prior approval.
- Select random participants for in-person visits to make sure they meet the criteria as reported.
- Vet potential vendors and staff through a global database which flags individuals with a history of suspicious activity.

1. http://www.gppi.net/publications/research_paper_series/misconceptions_about_food_assistance/

Step 2. Use the right approach.



Beyond cash, aid organizations have many tools that can distribute aid as or more effectively than in-kind commodities. These tools help tailor programs to the security risks of each situation.

- Risk assessments determine the most secure way to transfer aid. If security is an issue, mobile transfers or checks can be used. Vouchers can restrict spending to a certain type of assistance (e.g. food).
- Offering only small loans (between \$20-\$50) and varying the route/days for distributions provides a smaller target for theft.
- Conducting transfers in a fairly public location such as a government building and requiring multiple representatives (from the aid organization finance team, community leadership, and local partners) during the actual transfer ensures all business is transparent.

Step 3. Use rigorous follow-up and monitoring.



After aid is given, aid organizations follow up to make sure it was used appropriately. The following tasks monitor aid to show security measures are working.

- Talk with beneficiaries and vendors in person to confirm use of funds: What did they buy? Did they have to pay bribes or have money stolen? If so, the program will be immediately revised.
- Review records to make sure all paperwork is accounted for (signatures, ID records, vendor receipts).
- Maintain community complaint mechanisms such as a 'hotline' or a comment box where problems can be reported.