

ECONOMIC STRENGTHENING FOR VULNERABLE POPULATIONS

Provision: Cash Transfer and Voucher Programs



KEY POINTS

- Cash transfers are social protection programs that provide cash payments to vulnerable households, with special emphasis on women, children, people living with HIV and AIDS, and other key populations.
- Designed to incentivize behavior change, their main goal is to develop household self-sufficiency and break the transmission of poverty from one generation to the next.
- Emerging evidence shows that households receiving cash transfers spend more on food, resulting in significant gains in children's weight and height in several countries.
- Cash transfer programs can help the poor overcome demand-side barriers to food, school, health care and other needs. However, to be fully effective, these often need to be complemented by strategies to improve supply-side issues, like service delivery.

This product is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of FHI 360 and do not necessarily reflect the views of USAID or the US Government.

LIFT II is a PEPFAR-funded Associate Award under the FIELD-Support LWA, a cooperative agreement between USAID's Microenterprise and Private Enterprise Promotion Office and FHI 360 and its consortium of 24 development partners. Learn more about FIELD at: www.microlinks.org/field-support.

For more information on LIFT II, please visit our website: www.theliftproject.org

Tim Quick, PhD, MS | 202.712.0974 | tquick@usaid.gov
 LIFT II AOR • Senior Technical Advisor for HIV and AIDS & Nutrition, USAID/OHA • Co-Chair, PEPFAR Food and Nutrition Technical Working Group • Co-Chair, PEPFAR Care & Support Technical Working Group

Jacqueline Bass | 202.884.8513 | jbass@fhi360.org
 LIFT II Project Director, FHI 360

INTRODUCTION

Households can be classified as vulnerable for any number of reasons. Chronic illness, lack of employment opportunities, natural disasters, war and conflict all affect the safety, economic standing, and health and wellness of children, family members and entire communities. Household economic strengthening (HES) activities help people improve their living conditions by increasing their physical, financial, human or social assets and their capacity to attain and maintain them. Vulnerable households can directly benefit from participation in cash transfer programs, one form of HES, to accumulate productive assets and avoid vulnerability to major life events.

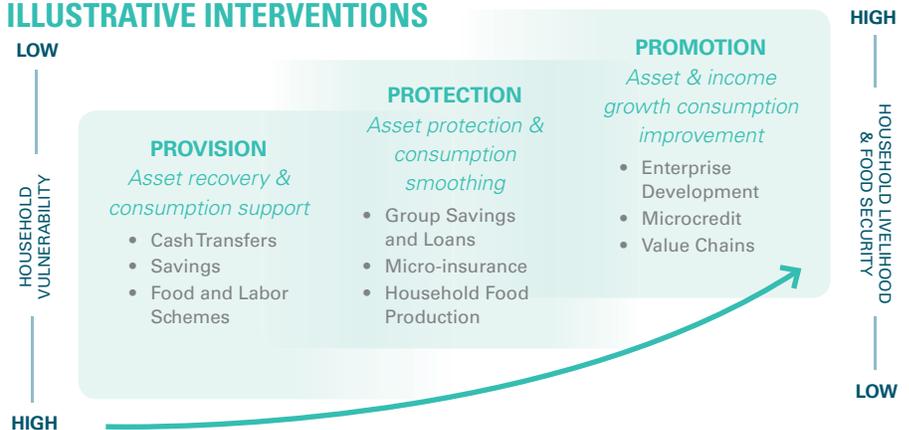
Over the past 15 years, a quiet revolution has occurred in middle- and low-income countries, where governments have invested one to two percent of their gross domestic product toward cash transfers. International donors also have increasingly emphasized the valuable role that cash transfers can play in addressing humanitarian and developmental challenges. Today, more than one billion vulnerable people have received transfers. There is emerging evidence and growing recognition that over time cash transfers help to reduce inequality, the depth or severity of poverty and chronic food insecurity.¹

WHAT ARE CASH TRANSFERS?

Cash transfer programs provide money, goods and services to poor households to reduce their vulnerability and increase their resiliency. Cash transfers are primarily used to:

- Meet basic human needs — food, water, health care, shelter
- Stabilize consumption — ensure households can meet basic needs consistently
- Protect, recover or introduce new assets — savings and items stolen, destroyed or sold
- Recover or improve the ways households previously sustained themselves
- Reduce inequality by redistributing income to the needy, helping them to overcome short-term poverty, particularly in periods of crisis
- Leverage sizable gains in complementary social services, especially health and education

LIVELIHOOD STRATEGIES & ILLUSTRATIVE INTERVENTIONS



¹ Stampini, M., & Tornarolli, L. (2012). The growth of conditional cash transfers in Latin America and the Caribbean: Did they go too far? <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37306295>



USAID
FROM THE AMERICAN PEOPLE



MAIN FEATURES OF A CASH TRANSFER PROGRAM

PURPOSE: Transfers should align with household needs and priorities.

SIZE OR VALUE: In addition to household need, the value of the transfer will depend on market prices and administrative costs of running your program.

FREQUENCY: When and how often transfers are given is based on the size and type of the transfer and the perceived period of need. Cash transfer programs can be time-, value- or goal-bound.

CONDITIONALITY: Cash transfers should only be conditional if (1) the conditions will have a direct benefit on households or specific household members, (2) the conditions can realistically be met and (3) your organization can monitor whether conditions are being met.

TARGET GROUP: Cash transfers should be targeted at highly vulnerable households in the provision stage. Make a conscious effort to reach those who are geographically and socially excluded, as these are often the poorest households.

EDUCATION/AWARENESS: Cash management, financial literacy and improved nutrition can all help maximize the use and benefit of cash transfers.

ELIGIBILITY/ENROLLMENT: Develop a system for determining who is eligible for the cash transfers and tracking who has received them. The potential for fraud in cash transfer programs is high.

DELIVERY METHODS: Develop partnerships with financial institutions, reliable local community-based organizations and vendors to help deliver cash and ensure conditions are met.

SECURITY: Assign expiration dates to vouchers and require identification to exchange them. Ensure that partners have anti-fraud measures in place, and provide extra theft protection particularly to child-headed households.

EXIT STRATEGY FROM THE ONSET: Begin with the end in mind. Ideally, cash transfer programs have a clearly defined exit strategy as part of their program design.

WHO CAN BENEFIT MOST FROM CASH TRANSFERS?

Cash transfers are best suited to the needs of very vulnerable households in the provision stage. Specifically, cash transfers are most appropriate for households and individuals who:

- Are unable to meet daily basic needs.
- Have suffered a shock (natural disaster, theft, illness) and temporarily lack basic necessities.
- Can benefit from temporary income or in-kind support while recovering from injury or illness to avoid depleting savings or selling off assets.
- Suffer a high opportunity cost (e.g., not attending school) by participating in income-generating activities.
- Live in an area where desired goods and/or services are available and cash is a critical barrier to access.

CHARACTERISTICS OF CASH TRANSFER PROGRAMS

A cash transfer is money provided to a head-of-household to purchase whatever the household needs, such as food, water or medicine. Cash allows for flexible spending and can also strengthen local markets by enabling people to buy basic items from community businesses and marketplaces. Cash transfers can be unconditional or conditional and are used across the relief-to-development continuum of programming.

Unconditional cash transfers (UCTs) have no restrictions on how money is used and no requirements placed on beneficiaries in order to receive them. A recent UCT evaluation conducted by GiveDirectly in rural Kenya, through which poor families were given at least \$404, found that UCTs led to significant increases in income, assets, psychological well-being and female empowerment.²

Conditional cash transfers (CCTs) require that recipients meet specific conditions in order to receive the transfer. These often include terms such as sending children to school, attending a local health clinic to immunize children or meeting childhood development or growth targets. Vulnerable children can benefit above and beyond the value of a transfer when conditions are directly linked to child health, education or nutrition.³

Vouchers are an alternate format for delivering cash transfers with a cash value or for a specific item, often used when security conditions raise the likelihood of theft or when the program wants to minimize diversion of cash to non-priority uses. Vouchers also are useful for (1) supporting local markets, (2) maintaining control of the quality of goods acquired by linking voucher redemption to only qualified suppliers and (3) developing strategies to wean recipients off subsidies by lowering the amount of the voucher over time.

Cash transfers help beneficiaries overcome demand-side barriers, but they cannot solve supply-side problems with service delivery, such as teacher performance or the training of public health professionals. Cash transfers therefore need to be complemented by ongoing strategies across sectors to improve service quality. Emerging evidence shows that households receiving cash transfers spend more on food, helping them overcome critical barriers to food access and use, which has resulted in significant gains in children's weight and height in several countries.⁴ The evidence base for conditional cash transfers has thus far demonstrated significant impacts on poverty, education, health and nutrition in low HIV prevalence countries and, in countries with high prevalence, unconditional transfers also demonstrate promising impact on food consumption and human capital.⁵

² Klein, M., & Mayer, C. (2011). "Mobile banking and financial inclusion: The regulatory lessons" World Bank Policy Research Working Paper 5664.

³ Department for International Development. (2011). Cash Transfers Literature Review. http://www.who.int/alliance-hpsr/alliancehpsr_dfidevidencepaper.pdf

⁴ Baiyye, S., & Hedlun, K. (2012). The impact of cash transfers in emergency and transitional contexts: A review of evidence. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7596.pdf>

⁵ Adato, M., & Bassett, L. (2012). Social protection and cash transfers to strengthen families affected by HIV and AIDS. DOI: <http://dx.doi.org/10.2499/9780896292017>

This publication is part of a practitioner oriented technical note series featuring economic strengthening interventions. It provides an overview of cash transfers and vouchers as consumption support in the household vulnerability continuum of provision-protection-promotion. Additional briefs address program elements, implementation and M&E. LIFT II matches beneficiaries with appropriate household economic strengthening (HES) activities based on three categories of vulnerability.