

ECONOMIC STRENGTHENING FOR VULNERABLE POPULATIONS

Provision: Cash Transfer and Voucher Programs



KEY POINTS

- Cash transfers are shaping social protection and humanitarian relief efforts by addressing issues of exclusion, intergenerational poverty and redistribution of wealth.
- Some of the most significant achievements of cash transfers include targeting the poor; focusing on children and delivering transfers to women; and changing social accountability relationships between beneficiaries, service providers and local and central governments.
- Through new social assistance policies and administrative practices, cash transfer programs have become one of the most effective and efficient interventions for vulnerable households.
- Transfers have led to an overhaul in the relief-to-development continuum by focusing on increasing the purchasing power of disaster-affected households to enable them to meet their minimum needs for food and non-food items and assisting in the recovery of people's livelihoods.

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

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INTRODUCTION

The global spread of cash transfer programs coupled with continued innovations in their design and delivery present development practitioners with a great opportunity to extract lessons learned from their implementation. This knowledge and experience is revealing a clearer picture of conditions, tools and processes needed to promote high-impact and well-targeted programs for vulnerable populations. Through social inclusion, cash transfers have revamped poverty alleviation and humanitarian relief programs, including in-kind transfers (e.g., food distribution), and have facilitated greater social returns on their investments.

Cash transfers offer a direct means of addressing short-term consumption needs and long-term poverty. The provision of resources directly to households and individuals is a tool used across the relief and development spectrum of activities and can promote linkages between them. As a result, agreement has emerged among donors, governments and development providers that cash transfers offer an efficient way to reach the most vulnerable. In fact, one recent study has found that on average 80 percent of the benefits go to 40 percent of the poorest families.¹ Cash transfer recipients use these funds to address challenges that are priorities for themselves and their families. Beyond their cost effectiveness, cash transfers have also achieved reasonable success in meeting people's needs in faster and more appropriate ways that maintain the dignity of disaster-affected and vulnerable populations and empower individuals and communities to prioritize their needs.

Beyond their primary welfare and humanitarian objectives cash transfers have:

- Reduced poverty through increased total and food expenditures
- Decreased malnutrition (stunting) among young children
- Increased higher educational enrollment and lowered dropout and repetition
- Maintained dignity and promoted choice and empowerment
- Improved the experience with and use of cash transfer and voucher approaches, thereby reducing the dominance of commodity-based approaches (i.e., food distribution) in emergency and relief situations

LIVELIHOOD STRATEGIES & ILLUSTRATIVE INTERVENTIONS



¹ Paes-Sousa, R., Regalia, F., & Stampini, M. (2013). Conditions for success in implementing CCT programs: Lessons for Asia from Latin America and the Caribbean. <http://www.io.iadb.org/intal/italcdi/PE/2013/11990.pdf>



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IS YOUR ORGANIZATION READY TO IMPLEMENT A CASH TRANSFER PROGRAM?

Before you decide to start a transfer program, complete the following organizational assessment to rate your organization's (O) and partners' (P) readiness to implement a program. (Use a scale of 1 to 3 where 1 = we/they cannot do this; 2 = we/they can do this; and 3 = we/they already do this well.)

Rate organizational readiness	O	P
Knowledge and experience designing transfer programs		
Knowledge and experience implementing and monitoring transfer programs		
Understanding of local and national transfer programs		
Knowledge of local and national regulations governing trade and other relevant business / financial transactions		
Trustworthy, responsible and trained staff to safeguard assets and/or cash		
Inventory system (assets and cash) in place		
Tracking systems / M&E (pre/post transfers) in place		
Storage infrastructure is sufficient and secure (pastures for goats, warehouses for grain, banks for cash, etc.)		

In addition to knowledge, experience and readiness, you will need to consider whether your organization has the funding and other resources needed to implement a cash transfer program, including funds for local staffing and supervision, operational costs, market and household assessments, training for recipients and communities, and ongoing M&E.

MANAGING RISK

Concerns about using cash transfers commonly refer to the potential for insecurity, misuse and corruption. Cash gives vulnerable households more choices and supports local markets but also poses risks such as corruption and targeting. However, evidence and experience, particularly in Latin America and Africa, show that these concerns have not been borne in practice. Still, these risks should be taken into consideration when programs are designed, monitored and evaluated but should not be a deterrent. The following table lists some of the risks associated with implementing cash transfers and provides actions to address those risks.

RISK	ACTION
Reputation Poor program quality reflects badly on the organization.	Follow best practices of program design and involve qualified partners. Conduct thorough due diligence on partners <i>before</i> signing agreements.
Security, theft, fraud and corruption Loss of program funds, assets and equipment by households or sponsoring organization.	Adopt security protocols and internal controls for all parties. Monitor the situation regularly.
Pricing volatility Prices go up or down because of the distribution of transfers or changing market conditions.	Maintain reserve funds to cover potential inflation.
Asset availability Scarcity or shortages of food, water, shelter materials, etc.	Monitor prices and inventory levels in the market and adapt to shifting trends.
Unintended consequences Dependency created, households sell transferred goods or buy unnecessary goods.	Monitor as part of the M&E system and modify transfer type, value or other features as needed.
Community backlash Targeted households may face stigma or increased requests for help from neighbors. Community may make demands for the expansion of the program to include others.	Carefully weigh pros and cons of targeting criteria. Consult with community members beforehand to anticipate ways the community might react to the inclusion of only certain households.

INNOVATIVE SOCIAL ASSISTANCE POLICIES AND ADMINISTRATIVE PRACTICES

Although cash transfers are a simple idea, their implementation requires the careful coordination of several institutions and considerable financial and human resources. By taking advantage of technological advances, cash transfer programs have introduced important improvements:

- **Unified registries guide** beneficiary selection, registration, payment and monitoring
- **Systematic evaluations** collect practical evidence on program performance
- **Improved payment systems** reach populations previously excluded from the financial sector
- **Reduced transaction costs** make cash transfers less costly than food distribution programs

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.