

***Briefing on Cash Transfers for the International Development Committee, submitted by members of the Cash Learning partnership (CaLP) including***



**The Independent Commission on Aid Impact recently concluded that cash-based programming delivers strong development results and represents excellent value for money for the UK taxpayer. It recommended that DFID scale up its use of cash-based programming as part of its wider efforts to increase the impact, efficiency and transparency of UKAid.**

### **What are cash transfers?**

Cash transfers can be used to provide help to those affected by humanitarian crises and drive long-term development. They can take the form of small, regular payments as well as larger cash grants, enabling people to meet their most urgent needs and to invest in the things they need to foster development and recovery after a disaster.

One of the many advantages of this approach is that it can be adapted depending on the needs of the people and the situations. Examples of cash for poverty relief include regular payments to vulnerable people or poor households. These payments can be made in the form of paper vouchers, mobile money transfers or pre-paid debit cards that can be used to withdraw cash.

### **Is there good evidence regarding cash transfers?**

The evidence base regarding the effectiveness of cash programming is one of the strongest in international aid. A systematic review by the [Overseas Development Institute](#) found more than 200 high quality studies from around the world relating to cash.<sup>i</sup> When the results of these are

compared systematically, they find that cash-based programmes are a very effective way of delivering a range of development results, including economic development, improved health and nutrition, school attendance and psychological well-being. There is also very strong [evidence](#) that cash is a cost-effective way of delivering to people affected by humanitarian crises.<sup>ii</sup>

### **Cash-based approaches stimulate markets and economic development**

Cash transfers also have an economic multiplier effect. Cash is spent in the local economy, typically with small businesses and market traders who may also be suffering because of the situation or crisis. Studies show that cash relief can boost employment and enterprise, thereby fuelling the economy when it needs it most. One study shows that every \$1 given in cash relief generated \$2.13 of GDP for the Lebanese economy.<sup>iii</sup> Another study showed that giving people cash grants helped them to increase their assets by 58%, and their earnings by 34%.<sup>iv</sup>

## Technology means that cash can be delivered quickly, safely and cheaply

Digital payment systems - including mobile money and e-bank accounts are making it possible to reach poor and vulnerable people very quickly, cheaply and securely. Electronic payments, money transferred to banks, mobile banking and e-money accounts are made secure using PIN codes or biometric identifiers. Business partners range from global mobile phone and financial service providers to local shops acting as mobile money agents.

## Cash offers a way of reducing bureaucracy and fraud

A [National Audit Office report](#)<sup>v</sup> concluded that cash-based delivery, particularly e-payments, provide a way of reaching beneficiaries more directly as they can be traced more easily. Biometrics and the use of new data management systems used to deliver cash can also minimise the risks of fraud and corruption. Cash based approaches have been found to be more secure than distributions of food and goods, also known as 'in-kind' aid, even in the most hostile environments such as Somalia in 2010-2012.<sup>vi</sup>

## People spend cash wisely and do not become dependent

Evidence shows that people spend cash wisely on the items that they and their families need most<sup>vii</sup> such as food, clothing, transportation and communication expenses.<sup>viii</sup>

Equally, there is strong evidence that giving people cash transfers does not discourage them from working, if anything they work more. The [Overseas Development Institute](#) found that cash transfers deliver an increase in the proportion of adults in work and the number of hours they work.<sup>ix</sup> One study found that earnings were 40% higher four years after a lump sum cash transfer.<sup>x</sup>

## The future of cash: a tipping point?

ICAI found that cash-based programming comprises a very small part of DFID's current spending (about 2%). The Bilateral and Multilateral Aid Reviews published in 2016 emphasised DFID's commitment to ensuring that UKAid is invested in line with the evidence of what works. The evidence in support of cash is now compelling.

## Recommendation

Based on its review of the evidence and of DFID's operations ICAI recommended that DFID should scale up the use of cash. We agree. Such a scale up would increase the impact of DFID's investment and drive modernisation of the wider aid system.

*The Cash Learning Partnership (CaLP) is the global partnership for cash transfer programming in humanitarian aid. Our 50 members include UN agencies, donors, NGOs and private sector companies. Together, they deliver the vast majority of cash programmes in humanitarian settings worldwide. Since our founding in 2005, CaLP has played a leading role in promoting and improving cash programming across the humanitarian sector. For more information please contact Paula Gil Baizan at [advocacy@cashlearning.org](mailto:advocacy@cashlearning.org)*

<sup>i</sup> Bastagli, F., Hagen-Zanker, J., Harman, L., Barca, V., Sturge, G., Schmidt, T., & Pellerano, L. (2016). Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features. Overseas Development Institute. <https://www.odi.org/sites/odi.org.uk/files/resource-documents/10749.pdf>

<sup>ii</sup> ODI (Overseas Development Institute). 2015. Doing Cash Differently: How Cash Transfers Can Transform Humanitarian Aid, Report of the High-Level panel on Humanitarian Cash Transfers, London: ODI, Center for Global Development.

<sup>iii</sup> Lehmann, C. and Masterson, D. (2014) Emergency Economies: The Impact of Cash Assistance in Lebanon, An Impact Evaluation of the 2013-14 Winter Cash Assistance Program for Syrian Refugees in Lebanon. International Rescue Committee.

<sup>iv</sup> Haushofer J and J Shapiro (2016) [The short-term impact of unconditional cash transfers to the extreme poor: experimental evidence from Kenya](#).

<sup>v</sup> UK National Audit Office (2011) Transferring cash and assets to the poor, Report by the Comptroller and Auditor General. HC 1587, Session 2010-2012.

<sup>vi</sup> Humanitarian Outcomes (2012) Final Evaluation of the Unconditional Cash and Voucher Response to the 2011-12 Crisis in Southern and Central Somalia, UNICEF. [https://www.unicef.org/somalia/SOM\\_resources\\_cashevalsum.pdf](https://www.unicef.org/somalia/SOM_resources_cashevalsum.pdf)

<sup>vii</sup> Evans, D. and Popova, A. (2014) Cash transfers and temptation goods: A review of global evidence. Policy Research Working Paper 6886. World Bank <http://documents.worldbank.org/curated/en/617631468001808739/pdf/WPS6886.pdf>

<sup>viii</sup> Bastagli, F., Hagen-Zanker, J., Harman, L., Barca, V., Sturge, G., Schmidt, T., & Pellerano, L. (2016). Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features. Overseas Development Institute.

<sup>ix</sup> Bastagli, F., Hagen-Zanker, J., Harman, L., Barca, V., Sturge, G., Schmidt, T., & Pellerano, L. (2016). Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features. Overseas Development Institute.

<sup>x</sup> Blattman, C. Fiala, N. and Martinez, S. (2013) *The economic and social returns to cash transfers:*

*evidence from a Ugandan aid program.* Working Paper. Berkeley, CA: Center for Effective Global Action (CEGA), University of California.