Economic Strengthening for Vulnerable Children: Cash and Asset Transfers

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Over the past fifteen years, a quiet revolution has seen government in both middle and low income countries invest anywhere from one to two percent of their gross domestic product (GDP) towards cash and asset transfers. Today more than one billion vulnerable people have received transfers leading towards a rethinking of traditional ways to deliver development assistance. This rapid spread has been driven by a growing recognition and evidence that transfers can help reduce inequality and the depth or severity of poverty as well as their unique role in situations of chronic food insecurity.

Households can be vulnerable for any number of reasons. Entrenched poverty, chronic illness, lack of employment opportunities, natural disasters, war and conflict all affect the safety, health and wellness of children, caregivers, 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 them. Vulnerable children (VC) can directly benefit from participation in transfer programs to accumulate productive assets and avoid vulnerability to life cycle events.

HES activities are most effective when they are well matched with the needs and capabilities of the targeted beneficiaries. There are three basic types of approaches, each appropriate for different levels of household vulnerability:

PROVISION: for households that are in destitution. These households require ***consumption support***, which involves the provision of cash, assets, food, and other goods for families that need assistance just to survive day to day.

PROTECTION: for households that are struggling to make ends meet. Households like these need ***money management*** activities, like savings and financial literacy, which help those who have just enough to get by use and protect their resources so that when they experience some shock or major event, they don't slip into destitution.

PROMOTION: for households that are poor but stable and are prepared to grow. These households need enterprise development activities, which help households that can assume the risk of investing time and other resources to start or grow small- or large-scale businesses.

This brief, the first in a three-part series, will address provision and consumption support activities, which include **cash and asset transfers**.

What are transfers?

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

- Meet basic human needs — food, water, healthcare, shelter
- Stabilize consumption — ensure households can meet basic needs consistently
- Protect, recover or introduce new assets — savings, items stolen, destroyed, sold
- Recover or improve the ways households (HHs) previously sustained themselves
- Reduce inequality and the depth or severity of poverty
- Leverage sizable gains in complementary social services especially health and education

MANAGING RISK

Transfer programs are not without risks. Notable risks and mitigation methods include the following:

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 before signing agreements.
Security, theft, fraud, corruption Loss of program funds, assets, 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.

Who can benefit most from transfers?

Transfers are typically most useful for very vulnerable households and individuals – those in the **provision** stage. Specifically, 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

Characteristics of transfer programs

Transfers typically fall into one of two categories:

A **cash transfer** is money provided to a head-of-household to purchase whatever their 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.

An **asset transfer** is a targeted disbursement of something that is in limited supply, has been lost, consumed, sold or used to build additional household assets. It can be anything from food and household supplies to livestock, agricultural equipment, or trade inventory. Asset transfers can strengthen local markets when items are purchased locally as long as the program does not negatively affect the supply levels needed to meet other local demands.

An alternate format for delivering either cash or asset transfers is in the form of a **voucher**. Vouchers with a cash value or for a specific item are often used when security conditions raise the likelihood of theft or the program wants to minimize diversion of cash to non-priority uses. Vouchers also are a useful way of supporting local markets while maintaining control of the quality of goods acquired by linking voucher redemption to only qualified suppliers.

Transfers can also be ***conditional*** or ***unconditional***. **Conditional** transfers require that recipients meet specific conditions such as sending children to school, attending a local health clinic, 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 and/or nutrition.

All of these three mechanisms highlighted are demand-led interventions to achieve program objectives. It is therefore important to note that these interventions cannot solve supply-side problems with service delivery for example teacher performance or the training of public health professionals. Transfers therefore need to be complemented by ongoing sector strategies to improve service quality. Nutrition though may be an exception as emerging evidence shows that households receiving transfers spend more on food, resulting in significant gains in children's weight and height in several countries.

Determining the context for transfer programs

You should conduct a **household livelihood analysis (HLA)** to determine a household's needs. For example, what level of vulnerability does the household fall into, and is consumption support the best way to meet household needs? What length of assistance is required? Would local customs determine a preference for assets or cash? Is it safe to provide cash?

A **market assessment** can help shape your delivery decisions. The assessment's results will reveal whether marketplaces are open and accessible, if basic goods are available in sufficient quantities and at reasonable prices, whether there are restrictions on the movement of goods and whether local traders can meet an increase in demand. (***Please refer to the Resource Guide for more information on HLAs and market assessments.***)

Answering these questions during household and market situational assessments will help inform the appropriate transfer type. For example, you should not try to distribute cash where there is a high possibility or perceived possibility of theft. Instead, use in-kind food, water or other basic assistance to meet household needs. You may also use vouchers if the market assessment finds goods are being freely exchanged at normal prices.

The main features of a transfer program

Every transfer program should consider the following factors.

Purpose: Transfers should meet households' basic needs.

Size or value: In addition to household need, the value of the transfer will depend on market prices; volume, weight, size and shape; and infrastructure 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. Transfer programs can be time-, value-, or goal-bound.

Conditionality: Transfer 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: Asset and 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, improved nutrition, and livestock care can all help maximize the benefit of transfers. Age-appropriate training is important for child recipients.

Eligibility/enrollment: Develop a system for determining who is eligible for the transfers and tracking who has received them. The potential for fraud is high.

Delivery methods: Develop partnerships with financial institutions, reliable local community-based organizations, and vendors to help deliver cash and other assets.

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

Exit strategy: Begin with the end in mind. Ideally, transfer programs end when they are no longer needed.

Monitoring and evaluation (M&E)

The primary functions of the monitoring and evaluation of transfer programs are to:

- Ensure programs are reaching the intended population
- Verify transfers are providing intended benefits
- Identify additional benefits or unintended negative consequences
- Track changing household needs to inform program adjustments
- Track changes in the marketplace to inform program adjustments
- Learn lessons to improve future practice and policy and enhance accountability

The scope of your M&E plan will depend on your organizational capacity and resources. For even a relatively simple plan, you will need to develop indicators, or things you can measure and track to verify your results. A few common indicators include:

- Percent of transfers verified as correctly delivered
- Gender/age of recipients
- Average delivery time of assets
- Number of people receiving transfers

- Number of people registering for a conditional activity
- Changes in household coping strategies
- Average satisfaction rating from participants
- Household income/expenditure levels

For much more information about M&E, see these resources: ***Guidelines for Cash Transfer Programming*** is a comprehensive document on cash-based transfers by the Red Cross/Red Crescent Movement. This publication presents step-by-step instructions on the full project cycle and has a useful monitoring and evaluation section.

Action Against Hunger/AFC International has also developed ***Food Security and Livelihood Monitoring and Evaluation Guidelines: A Practical Guide for Field Workers***, a rigorous M&E tool for integrated programs.

Is your organization ready to implement a cash transfer program?

Before you conduct household and market assessments and choose a transfer type, complete the following organizational assessment to rate your and your partners' readiness to implement a program.
(Use a scale of 1 to 3 where 1 = we/they cannot do this and 3 = we/they already do this well.)

Rate your organization's "readiness"	Our rating	Partner rating
Knowledge and experience designing transfer programs		
Knowledge and experience implementing and monitoring transfer programs		
Understanding of local and national social assistance programs (government 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 & 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 and experiential "readiness," you will need to consider whether your organization has the funding and other resources needed to implement a transfer program, including funds for local staffing and supervision, operational costs, market and household assessments, training for recipients and communities, and ongoing M&E. Remember that partner organizations might provide costs and resource savings.

For more details on transfer programs, please refer to the ***Economic Strengthening for Vulnerable Children Resource Guide*** *at www.theliftproject.org.*

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