



Key points

- Cash transfers have the potential to promote and protect livelihoods in both development and humanitarian relief settings
- This framework focuses on three spheres: institutions, politics and governance; capacity and implementation; and local economic and social impacts
- A number of issues are common to all three spheres, including political context and acceptability, targeting and instrument choice, and beneficiaries' voice

Overseas Development Institute

ODI is the UK's leading independent think-tank on international development and humanitarian issues.

ODI Project Briefings provide a focused and specialised summary of a project, a country study or regional analysis.

This and other ODI Project Briefings are available from www.odi.org.uk

A conceptual framework for understanding the role of cash transfers in social protection

Rachel Slater, John Farrington, Rebecca Holmes and Paul Harvey

In 2006, ODI began a study to look at the role of cash transfers in social protection. 'In-kind' transfers, such as food, involve high transport and storage costs. Also, they predetermine what beneficiaries are to receive, instead of offering choice. For these reasons there is growing interest in implementing cash transfers. Cash transfers are not a panacea: they may have to complement other types of transfer, and be carefully sequenced. Safeguards regarding 'leakage' have to be in place, and potentially inflationary effects on local markets have to be considered. These are the types of issues considered in our study. We define social protection as a set of publicly mandated actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty. Operationally, it comprises: social insurance, social assistance, and standards — particularly labour-related standards.

Cash transfers can promote and protect livelihoods in the contexts of both international development and humanitarian assistance in three ways:

- By moving towards cash-based social protection and away from regular deliveries of emergency food in areas of chronic food insecurity (e.g. in Ethiopia, Afghanistan and Kenya); there are important questions about the feasibility, appropriateness, effectiveness and impact of cash-based assistance;
- By introducing conditional cash transfers, focusing largely on health and education; this is happening in parts of Latin America

but their reproducibility elsewhere is questionable; and

- By partly or wholly replacing high-cost in-kind social protection, such as subsidised food. Here the imperative is to examine the feasibility and cost-effectiveness of cash-based approaches.

Conceptual framework

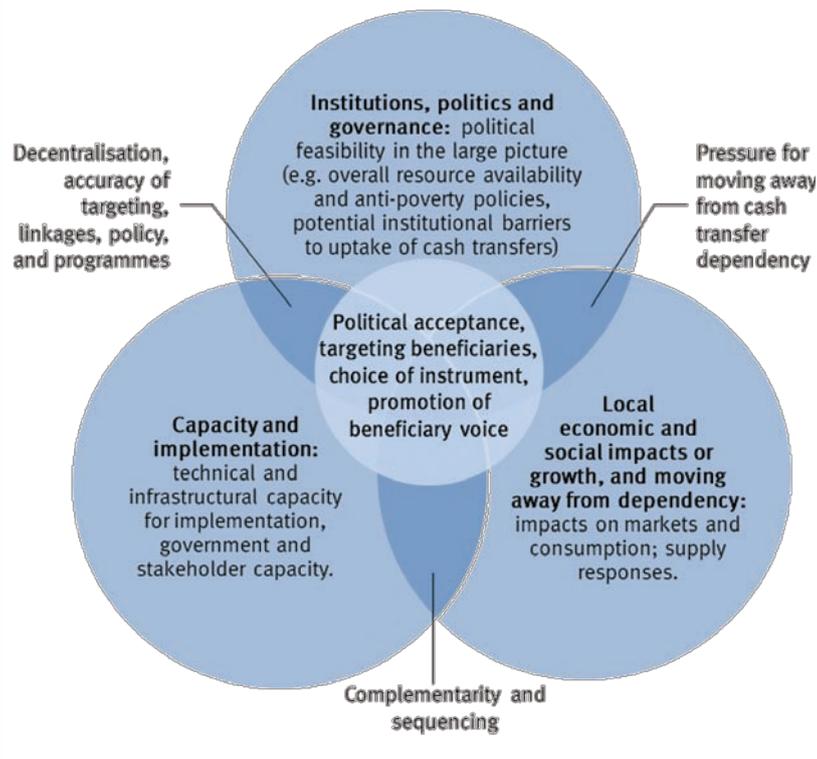
Our study is developed around seven broad research themes:

- The affordability and sustainability of cash transfers;
- Their acceptability within the wider political economy;
- Desirable (or necessary) complementarities and sequencing;
- Targeting specific beneficiary groups;
- Aid modalities and delivery capacities;
- Moving away from the need for in-kind transfers; and
- The relation between relief and development efforts.

We developed a framework (Fig. 1), linking together a number of concepts and research questions to structure the study. In this study, cash transfers are treated as a form of social assistance, in particular:

- Cash given to individual households;
- Cash grants, cash for work and voucher programmes, rather than interventions such as monetisation, microfinance, insurance, budget support or fee waivers; and
- Cash as an alternative to in-kind transfers

Figure 1: Conceptual framework



three themes is beneficiaries' 'voice' — meaning that programmes, schemes and projects are designed and delivered in ways that promote the ability of intended beneficiaries to recognise and claim their entitlements. Thus, criteria for inclusion must be simple and transparent, delivery systems robust, and information readily accessible.

Other overlapping sub-themes include the extent of decentralisation, which links practical implementation costs with political decisions to implement a cash transfer. Linkages in Fig. 1 relate to research questions about how well integrated the policies and institutions that deliver social assistance are with those that support productive sectors. Complementarity and sequencing are issues at the interface of implementation and impact. Perceptions of how the poor should move on from receiving cash transfers link political decisions and the local economy: they will influence the volume and duration of benefit of any subset of beneficiaries.

Relevance for humanitarian aid

Since all three spheres, plus overlapping issues, can apply in both development and relief contexts, this framework is also applicable to humanitarian aid. And, although cash transfers are being used more in emergencies, they are not automatically central to any linkage between relief and development. Cash transfers designed as longer-term social assistance are beginning to be seen as a better option than recurrent provision of large volumes of emergency food aid, not least because of the greater resilience they offer the poor in the face of shocks and stresses. It is in the institutions, policies, governance, capacity and implementation parts of the conceptual framework that interactions between relief and development processes will be strongest.

Of crucial importance here will be a broadening of policy thinking, at national and international levels, to consider options other than food aid. Also important will be the evolution of implementation capacity in emergency-prone areas so that small, regular payments of cash become a workable option alongside the delivery of truckloads of food.

Project information

This paper is an output from an ongoing ODI research study (2006–09) on cash transfers and their role in social protection. The study aims to compare cash with other forms of transfer, identifying where cash transfers may be preferable, the preconditions for cash transfers to work well, and how they may best be targeted and sequenced with other initiatives. The study explores a number of issues of interest to donors and governments, including which forms of targeting and delivery mechanisms are most appropriate, and the implications of donor pressure to reduce people's reliance on cash transfers. This project is co-funded by the Swiss Agency for Development and Cooperation (SDC).

For further information contact Rachel Slater (r.slater@odi.org.uk)

For more ODI resources on cash transfers visit www.odi.org.uk/plug/projects/cash_transfers.html

such as food aid, agricultural inputs, shelter and non-food items.

Results

The framework identified three principal spheres of decision-taking, implementation and impact: institutions, politics and governance; capacity and implementation; and local economic and social impacts.

As Fig. 1 shows, sub-sets of issues relevant to our research themes fall within each of these three spheres. In addition, cross-cutting issues arise at the intersections of the spheres.

The political context for cash transfers is potentially complex, but to understand this complexity is an essential step in making the context more favourable. First, the overall political feasibility of cash transfers depends on, for example, the type and extent of political commitment to poverty reduction, and the overall availability of resources for social transfers. Second, political acceptability on a more day-to-day basis will depend on the size and cost of administrative effort to implement cash transfers, but also on the perceptions of the electorate: prejudices against perceived 'handouts' will limit cash transfers to 'cash for work' modalities, in which the poor are seen to be 'earning' transfers.

These considerations are located at the intersection of all three circles in the figure, as also are issues of targeting and instrument choice. Targeting is a political process as much as a technical one, and has implications for the outcomes of cash transfers. The final element located at the intersection of all



Overseas Development Institute

111 Westminster Bridge Road, London SE1 7JD

Tel +44 (0)20 7922 0300

Fax +44 (0)20 7922 0399

Email publications@odi.org.uk

Readers are encouraged to quote or reproduce material from ODI Project Briefings for their own publications, but as copyright holder, ODI requests due acknowledgement and a copy of the publication.

© Overseas Development Institute 2008
ISSN 1756-7602