

Direct cash transfers to address Loss and Damage: principles for effective response

Annex A: What the evidence says about cash transfers in crises

Cash assistance is an extremely well-evidenced form of aid, with [more than 300 studies](#) showing that cash can be more efficient and more effective than other forms of assistance, and is almost universally preferred by recipients.

Cash transfers can be more efficient than other types of assistance. Evidence from multiple studies shows cash is [more cost-efficient](#) than material or voucher-based assistance, with [one study](#) showing that 2.5 times more of total aid budgets reached recipients with cash than with food aid. Evidence shows that significant volumes of traditional (non-cash) aid is [wasted or resold](#) because it doesn't align with people's preferences, with [70% of Syrian refugees in Iraq](#) reporting that they had sold other items received as aid at a discounted rate to get cash to buy what they needed.

Cash can be more effective in meeting people's actual needs. People are best-placed to know what they need, especially when the impacts of crisis are highly individualized. [84% of economists surveyed](#) agree that cash payments increase the welfare of recipients to a greater degree than do transfers-in-kind of equal cash value. Evidence from Lebanon shows those who received cash had [bigger increases in food consumption and dietary diversity](#) than those who received food vouchers. Unconditional cash can support improved health (in a project in Rwanda cash [reduced child mortality by 70%](#)), education (across 35 studies, cash recipients [42% more likely to attend school](#)) and employment outcomes (in a project in Kenya, [youth employment increased from 37% to 64%](#) after cash transfers).

People consistently prefer cash to other forms of aid. Cash puts power and choice in the hands of recipients, and can be a more dignified and community-led form of assistance than other forms of aid. Studies from Yemen and Zimbabwe found that between [90 and 100% of households expressed a preference for receiving cash](#) over other forms of aid.

People use cash on the things that matter most. Despite concerns that people might misuse cash, multiple studies show that cash transfers in fact [reduce overall expenditure on "temptation goods"](#) (alcohol and tobacco), with most programs showing that people invest in the things that will matter most for them and their families. Even cash transfers to "high risk" groups - including [youth with a criminal history in Liberia](#)¹ and [homeless people in Toronto](#) -

¹ Cash transfers combined with cognitive behavioral therapy

have resulted in reduced criminality, violence and drug use, reduced homelessness, reduced spending on temptation goods and increased investments in productive assets.

Cash transfers are less susceptible to misappropriation and fraud than other types of assistance. The evidence shows that distributing cash can be [less risky than other forms of assistance](#), including in fragile and conflict-affected settings. Because cash assistance generally has fewer intermediaries than other forms of assistance, and can be delivered digitally which decreases visibility and increases traceability and the ability to follow up with recipients, evidence suggests that [less cash is lost to misappropriation and fraud](#) than other types of assistance.

Cash transfers can be delivered in ways which ensure inclusion and gender transformation. The impacts of cash [benefit women and girls at least as much as men and boys](#), with evidence it can increase women's decision-making power in the household. Half of female Venezuelan migrants in Ecuador who received cash transfers stated they had experienced [positive changes related to financial decision-making](#). Cash can [increase girls' school attendance](#) and [reduce intimate partner violence](#).

Cash transfers are quick to disburse and can be scaled rapidly. Because of reduced delays for procurement and logistics, cash can reach affected people far more quickly than other forms of assistance. Because of its flexibility there is a growing body of evidence showing that [cash disbursed before disaster strikes](#) can enable people to prepare and respond as they see fit, reducing losses and damages and improving recovery.

Cash support boosts local markets, creating economic spillover effects in the local community and supporting economic recovery. Every dollar delivered through cash transfers can have a [fiscal multiplier of 2.5x](#). Evidence from Kenya shows that cash transfers [improved the food consumption of people in neighboring villages](#) to those who received cash.

Larger cash transfers have greater and more sustainable impacts and enable long term improvements in food security and investment in productive assets. In Rwanda, large lump sum transfers led to a [394% increase in productive assets](#), 108% increase in monthly income and 35% increase in productive hours.

Cash can have climate resilience benefits and help people adapt to climate shocks and chronic impacts, including improved resilience to drought and crop diversification. Investments in more durable housing and livelihoods diversification enabled by cash transfers also confer climate resilience benefits.