Comparing Cash and Voucher Transfers in a Humanitarian Context: Evidence from the Democratic Republic of Congo

Researchers:

Jenny Aker

Sector(s): Crime, Violence, and Conflict, Finance, Social Protection

Location: Congo

Sample: 474 internally displaced persons

Target group: Communities recovering from conflict Internally displaced persons

Outcome of interest: Social service delivery Food security Nutrition

Intervention type: Cash transfers Unconditional cash transfers Vouchers

AEA RCT registration number: AEARCTR-0001585

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Partner organization(s): Concern Worldwide

While cash transfers have become increasingly common in poverty alleviation programs worldwide, most humanitarian assistance still comes in the form of in-kind transfers, such as food, goods or clothing, or vouchers. Researchers tested the relative effectiveness and cost-effectiveness of an unconditional cash transfer and a voucher program on household consumption and well-being in a camp for internally displaced persons in the Democratic Republic of Congo. Both programs increased food security and asset ownership, but cash transfers were more cost-effective and allowed households to purchase a more diverse set of food and non-food items.

Policy issue

While cash transfers have become increasingly common in poverty alleviation programs worldwide, most assistance still comes in the form of in-kind transfers, which provide households with specific goods or assets rather than unrestricted cash. Governments and aid organizations often prefer in-kind transfers for several reasons. In-kind transfers can encourage consumption of particular items such as food, or increase the availability of certain items that are not readily available in local markets. In-kind transfers may also reduce the risk of theft for program recipients and may be seen by non-recipients as more justified than cash transfers to a select group of eligible beneficiaries. However, cash transfers have fewer administrative costs and recipients may prefer the flexibility of cash. Despite abundant evidence that cash transfers improve a wide range of outcomes, there is little evidence on their effectiveness relative to in-kind transfers.

Context of the evaluation

The Democratic Republic of Congo (DRC) has been engaged in severe conflicts since the late 1990s. These conflicts have claimed an estimated 3 million lives through fighting, disease, and malnutrition and have also displaced millions of people. At the time of this study in 2011, there were an estimated 1.7 million internally displaced persons (IDPs) in the eastern part of the DRC, most of whom lived in formal or informal camps. Without access to land, livestock, or other means of generating income, many IDPs

depended on external aid. Throughout the conflict, humanitarian organizations have distributed basic goods such as food, medicine, blankets, and hygiene kits. In the years prior to the study, humanitarian organizations also began to provide cash transfers or vouchers that can be used to purchase goods at pre-organized fairs. Such vouchers are common in humanitarian assistance. For example, in 2012 over 58 percent of USAID's emergency response funding was allocated to in-kind transfers, 25 percent of which were vouchers.

This study was located in an informal IDP camp in Masisi territory in the DRC. The camp had a total population of approximately 2,500 individuals. Households had very few opportunities to earn income, and those that did primarily worked as daily wage laborers or transporters. Average weekly income for households in the camp was 2400 Congolese Francs (US$2.50), and households spent 70 percent of their income on food. Households had low-diversity diets and, at the time of the initial survey, had eaten an average of 1.3 meals in the past day.



An open market full of people shopping for food in the Democratic Republic of the Congo.

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Details of the intervention

In response to the ongoing conflict in eastern DRC, Concern Worldwide, an international non-governmental organization, designed a short-term transfers program to increase households' access to basic food and non-food items and services. Between 2011 and 2012, researchers partnered with Concern Worldwide to test the relative effectiveness and cost-effectiveness of cash transfers and vouchers in an informal IDP camp. Researchers randomly assigned 474 households to one of two groups:

Cash transfers: Households received an unconditional cash transfer of US$130—approximately two-thirds of the total annual GDP per capita for DRC—over seven months. Payments were made in three disbursements: September 2011 (US$90); November 2011

(US$20) and February 2012 (US$20). The transfers were deposited into an interest-free and free-of-charge account at the office of a local cooperative in a nearby town and market center. This meant that program recipients had to travel 20 kilometers to the town to collect their transfer, which amounted to over three hours of travel time.

Vouchers: Households received coupons to use at pre-organized voucher fairs, which sold a variety of food and non-food items. The total value of the vouchers was also US$130, and the timing and amount of the distributions were similar to those of the cash transfers. The coupons were distributed at the town center on a different day than that of the cash transfer. For the first distribution, program recipients could spend the voucher on a variety of items, including food, school fees, clothing, agricultural inputs and small animals. The second and third vouchers could be spent only on food items at the fairs.

Given the vulnerability of the study population, there was no pure comparison group. Rather, researchers compared the relative impacts of different transfer methods.

Researchers conducted household surveys, obtained price data from voucher fairs and markets, and held focus groups to understand how the type of transfer impacted households' purchasing decisions and well-being.

Results and policy lessons

Households who received vouchers and cash transfers saw no difference in food consumption or other measures of well-being, but cash transfers were relatively more cost-effective than vouchers.

Household consumption: Households that received cash transfers primarily used them to buy food for immediate consumption needs, but also to invest in non-food items and their children's education. Although one reason for using voucher fairs in eastern DRC was concern that local markets did not offer a wide selection of the goods beneficiaries needed, households that received cash transfers were equally able to purchase a wide variety of food and non-food items. Compared to voucher recipients, they used their transfers on a more diverse set of food and non-food items, including health expenses, school fees, and debt reimbursements. Less than one percent of households used their cash transfer to buy "temptation goods" such as doughnuts and beer. Voucher households were more likely to purchase food items that were easier to store and resell, such as salt. However, these different purchasing decisions did not lead to variations in food consumption or asset ownership between the two groups. Researchers suggest this was because the transfers were non-binding, and sharing within the camp was relatively common.

Cost-effectiveness: Cash transfers were cheaper to implement, costing US$11.35 per recipient compared to US$14.35 for the voucher program. In addition, because the fees to open accounts for cash transfers were a one-time fixed cost, if the cash transfer program were to continue with existing recipients, researchers estimate that the cost per recipient would decline.

These results suggest that unconditional cash transfers may be an effective way to improve households' purchasing power and food security in emergency settings, while giving households the freedom of choice and at a lower cost.