

STUDY

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Cash for development? The use of microcredits and cash transfers as development tools



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STUDY

Cash for development? The use of microcredits and cash transfers as development tools

ABSTRACT

Microcredits and cash transfers are two distinct tools, but they both target poor households and individuals with cash alike. This report provides details of the latest advances in these cash-for-development tools at a time when the EU is reshaping its development finance tools for the 2021-27 period. Through a literature review, our study provides the current state of knowledge on microcredits and cash transfers. It then considers current EU support for these modalities and assesses this support in light of the main findings and conclusions drawn from the literature. Research reveals much evidence confirming cash-for-development tools' contributions to poverty reduction. Furthermore, it identifies a second layer of positive economic effects resulting from their use that can be of value when determining responses to the Covid-19 crisis. Moreover, even though microfinance and cash transfers have undergone exponential growth in recent decades, their use remains very limited at EU Institution level. The report recommends that a broader and more systematic use of cash-for-development tools should be explored by EU Institutions, albeit framed within broader programming and context analysis.

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List of Abbreviations

ACF-IN	Action Contre la Faim – International Network
CCT	Conditional Cash Transfer
CGAP	Consultative Group to Assist the Poor
CSO	Civil Society Organisation
CT-OVC	Kenya’s Cash Transfers for Orphans and Vulnerable Children Programme
CVA	Cash and Voucher Aid
DFI	Development Finance Institution
DG DEVCO	European Commission’s Directorate-General for International Cooperation and Development
DWG	Donor Working Group
EC	European Commission
ECHO	European Commission Humanitarian Office
EDFI	European Development Finance Institution
EFSD	European Fund for Sustainable Development
EIB	European Investment Bank
EP	European Parliament
EU	European Union
FAO	Food and Agriculture Organisation
FMHDS	Federal Ministry of Humanitarian Affairs and Social Development
GDP	Gross Domestic Product
ILO	International Labour Organisation
J-PAL	Jameel Poverty Action Lab
LGA	Local Government Area
LIC	Low Income Countries
LMIC	Low- and Middle-Income Countries
MENA	Middle-East and North Africa
MFI	Monetary Financial Institution
MIV	Microfinance Investment Vehicle
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PNCTP	Palestinian National Cash Transfer Programme
PRAG	Practical Guide on Contract Procedures for European Union External Action

PSSB	Mozambique's Basic Social Subsidy Programme
RCT	Randomised Control Trials
SCG	Uganda's Social Assistance Grants for Empowerment
SWC	Social Welfare Fund
UCT	Unconditional Cash Transfers
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
WHS	World Humanitarian Summit

Introduction

In the last four decades, following the world-famous Grameen Bank business model's introduction, development agencies, financial institutions and philanthropic foundations have put in place microcredit funds which aim to tackle poverty. Cash transfer programmes, which provide non-reimbursable financial support to individuals and families, have also enjoyed both increased budget provision and growing attention, especially over the past twenty years.

Microcredits and cash transfers are two different development finance tools and accordingly their analyses form separate bodies of academic literature, yet they not only have similar motivations but may also face similar challenges and opportunities. Both tools are intended to reduce poverty by providing money directly to poor individuals and households. Although they might impose certain conditions, their logic relies mainly on individuals' capacities and initiative to find ways out of poverty. When compared with grants from institutions that provide goods and services for the poor, cash is often found to be provided at a lower cost and with fewer externalities.

Cash transfer and microcredit programmes have been subject to rigorous impact evaluations and have generated considerable academic debate. From a practical perspective, evaluation results for pilot microcredit programmes in Asia and pilot cash transfer programmes in Latin-America reveal success in terms of poverty reduction. Moreover, some studies conclude that microcredits have a significant and positive effect on growth. However, when assessing a broader range of effects and testing differently designed programmes under different conditions, mixed evidence is found.

Following the European Parliament's request, this study aims to provide an overview of current thinking in regard to cash transfers and microcredits as instruments for poverty reduction and promotion of sustainable development. We will also put forward recommendations for the EU development policy from the perspective of poverty eradication, which, according to article 208 of the Treaty on the Functioning of the European Union, is its fundamental objective. In particular, according to the terms of reference issued by the EP Development Committee, the study must refer to: the scale of EU support for microcredits and cash transfers in the light of existing knowledge; the extent to which the EU supports the microcredit schemes that appear more efficient; and whether or not EU support appears well-designed.

This study is conducted at a critical juncture for global development finance, at a time when the EU is reshaping its multiannual financial framework for the period 2021-27 and when the Covid-19 crisis is obliging donors as well as cooperation agencies to rethink their approach to growing development challenges. As such, our report will provide the EP Development committee with the very latest position on cash transfers and microcredits. We will also identify the EU's current support for such schemes and assess this support from the perspective of reducing poverty and fostering development.

The study is structured as follows. Firstly, the history, definition and categorisation of cash transfers and microcredits are presented. Secondly, we conduct a comprehensive review of academic papers, guidelines and evaluation reports available in agencies, NGOs and financial institutions in order to summarise the current state of knowledge among scholars and practitioners according to evaluation criteria of common use in development cooperation. Thirdly, the study has collected information from EU Institutions and Member States on their development agencies' microcredit and cash transfer portfolios. The support provided by EU Institutions to cash transfers and microcredit arrangements is outlined and assessed in light of the main findings and conclusions provided by literature for each evaluation criterion.

1 What are cash transfers and microcredits?

Microcredits and cash transfers tend to be managed in different institutional settings. Within the EU, investments in microcredit funds are made by the European Investment Bank and member states development finance institutions (EDFI), while cash transfers are funded by humanitarian agencies such as the European Commission Humanitarian Office (ECHO). Accordingly, their academic analyses involve scholars from different networks.

That said, both tools have certain common features. Not only do they both aim at reducing poverty, they also face similar opportunities and challenges due to their focus on poor individuals and households. In this section, the concept and history of cash transfers and microcredits are first reviewed separately, following which a new category of cash-for-development tools is proposed to frame both concepts. This will elaborate on their similarities and their potential contribution to the EU toolkit in its response to the COVID-19 crisis in developing partner countries.

1.1 Microcredits

Body Microcredit is the provision of small loans granted to low income individuals who are excluded from the traditional banking system (CGAP, 2009; Banerjee, 2013). This came about in response to the lack of access to financial resources affecting millions of people in the developing world (Helms, 2006). The poor have always been evaluated as high-risk clients due to their lack of guarantors and collateral. They are not considered creditworthy and hence incapable of saving, repaying a loan or launching a business that could generate profits. The only option for many has been to ask for help from relatives, which was not always available, or rely on informal financial services that may be more costly (charging interest rates well above market rates) and less reliable (Morduch, 1999; Armendáriz De Aghion and Morduch, 2010; CGAP, 2010). Thus, in most cases the poor have historically faced great difficulties in acquiring the capital needed either to save or start productive initiatives, so as to improve their well-being (Robinson, 2001). To overcome these structural obstacles, microcredit offers small-scale loans to those otherwise financially excluded but economically active, thereby unlocking their productive potential to grow small businesses.

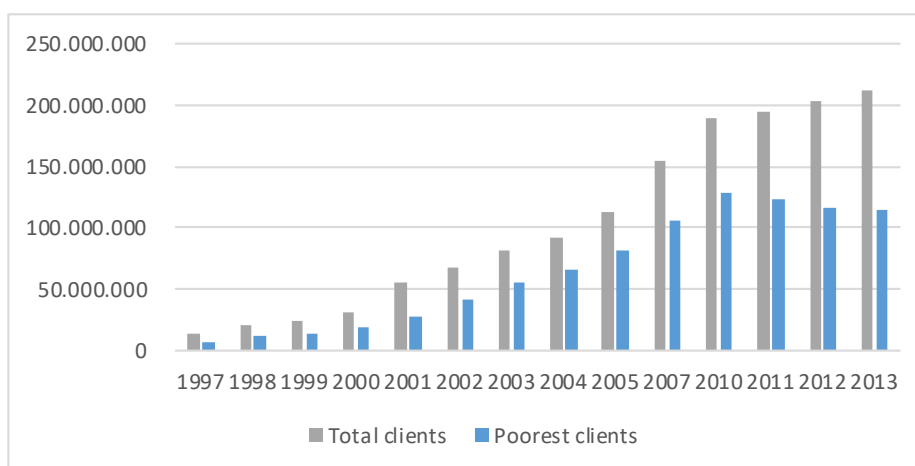
It all began in 1976, when Muhammad Yunus delivered personal loans to 42 women in the village of Jobra in Bangladesh, as a way of helping them to found a micro-business. The women used this cash to boost their productivity and subsequently managed to repay the sum in its entirety. Following this initial success, Yunus created the first microcredit programme under the auspices of his purpose-built Grameen Bank, which became famous for its microloans to poor women (Yunus, 2000).

Development agencies came to see microloans as a particularly promising path not only towards poverty reduction and development, but also the empowerment of women. This new service also attracted the interest of venture capitalists who spotted commercial opportunities, encouraged not least by reports about the low default rate with microloans. The 1980s and 1990s saw this model exported around the world, with a rapid growth in the number of new Monetary Financial Institutions (MFIs), many of them started by NGOs, funded by grants and subsidies from public and private sources. According to data from the Microcredit Summit Campaign (Reed, 2014), the worldwide microfinance industry increased in size from the 7.6 million 'poorest clients'¹ who had received microcredit by the end of 1997 to the 114 million poorest clients who were in receipt by the end of 2013. The total number of clients reached by the 3 098 MFIs reporting to the Summit was 211 million people in 2013 (MIX Market data, 2019)².

¹ According to the Summit Report, 'poorest clients' are those people living on less than USD 1.25 a day, adjusted for PPP (Reed, 2013).

² Still today there are nearly 2.5 billion people globally who have no access to formal financial services (Demirgüç-Kunt et al., 2018).

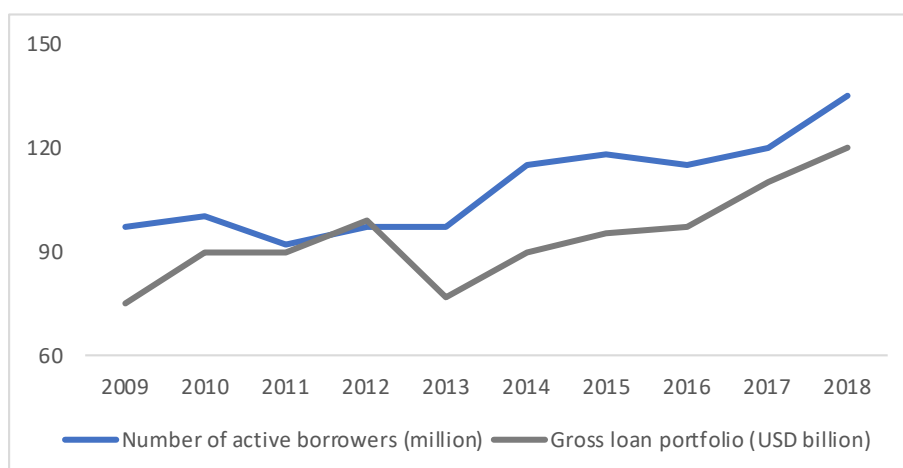
Figure 1. Microcredits granted growth rate, 1997-2012



Source: own elaboration based on Reed (2014)

The gross loan portfolio of the 763 MFIs reporting data to this institution increased from USD 2.2 billion in 2000 to USD 111 billion in 2017 (see Figure 2).

Figure 2. Evolution of the global microcredit portfolio (2009-2018)



Source: Microfinance Barometer (2019)

With regard to funding sources aimed at bringing about financial inclusion, recent years have seen rapid growth from multilateral agencies, development finance institutions and foundations, while funding from bilateral agencies and private investors has stagnated. Overall, international funding increased by 12% in 2018, continuing the previous five years' consistent trend. In the two years prior to 2018, finding growth was driven by multilateral agencies, which increased their contributions from USD 5 billion in 2017 to USD 7 billion in 2018 (Tomilova and Dashi, 2019). Bilateral agencies' commitments, on the other hand, stagnated in 2018 following the prior year's decline. Indeed, a survey of six bilateral agencies by Consultative Group to Assist the Poor (CGAP) found that only one had increased its financial inclusion commitments since 2016 (Tomilova and Dashi, 2019). This stagnation is consistent with the reported overall decline in bilateral Overseas Development Assistance (2.7% decline from 2017 to 2018) (Tomilova and Dashi, 2019). Although a microcredit industry has emerged within many developing countries, earlier optimism has been tempered with calls for realism, government measures against irresponsible practices and, in the context of support for microcredit schemes through Official Development Assistance (ODA), careful evaluation of what development results could be achieved.

Finally, over the years, it has become recognised that poor people not only need credit but also other financial services. Hence, following a definition provided by the CGAP (2016), nowadays the term

microfinance is used to describe a range of financial services available to low-income people. This includes not only small-scale loans but also savings accounts, insurance, housing loans and other financial arrangements. Savings accounts help the poor in balancing their consumption patterns and provide for unexpected negative events, whilst insurance services allow vulnerable people to leave micro-business earnings intact to provide funding in the event of illness, medical expenses, or natural disasters (Armendáriz De Aghion and Morduch, 2010). According to some authors (Matin, Sulaiman and Saleque, 2017), the potential for microfinance not only consists in opening up new possibilities for the hitherto financially excluded, but also involves the social network and institutional capital created in the process of providing these types of financial services.

Categories of microcredit include solidarity group loans, individual loans and community banks. Each of them differs in the way that cash is granted and responsibility for repayment is attributed.

For the first type, credit-award decisions rest on the principle of joint responsibility. In other words, individuals in the group ensure that other members are reliable in repaying the loan. Furthermore, group members usually attend the training sessions and plan the loan repayment together. Secondly, in the case of individual loans, only one individual receives a personal credit, which is granted with the aim of starting a new business. Finally, a community bank is a group of people with similar backgrounds who join together to initiate microfinance activities, primarily loans and support structures for those who want to launch their own enterprise. Usually, these organisations receive starting capital from institutional organisations such as MFIs as well as governments and/or from donations. In general terms, microfinance institutions use individual and solidarity group loans, whereas when they are granted via the community, rotating funds and municipal banks are the most common sources.

Microcredits are often differentiated in the literature according to the principles and aims of the lending institutions and investors. Considering some debates on responsible investment and over-indebtedness, the distinction between commercial or profit-oriented versus not-for-profit microfinance would be crucial.

The European Investment Bank (EIB) distinguishes between direct and indirect support to microfinance. The former modality provides funding to financial institutions that deal with end beneficiaries in the field, while the latter involves a Microfinance Investment Vehicle (MIV), such as funds or microfinance holdings, which in turn invest in financial institutions. Both support modalities can materialise in equity investment and medium/long-term debt. Finally, the academic literature often distinguishes between for-profit microcredits (facilities provided with private funds) and non-profit microcredits (those funded by public institutions)³.

1.2 Cash transfers

Cash-transfer programmes consist in providing money to individuals or households in order to help them to cover basic needs. Unlike microcredits, these programmes provide cash that does not have to be paid back and their recipients are not necessarily expected to invest the cash in productive assets, but rather pay for basic products, such as food, services, health and education.

As noted by Harvey & Bailey (2011), cash-based responses have a long history, despite being frequently portrayed as new and innovative. In their review of good practices, the authors give some examples of old cash-based interventions, including those undertaken by: Clara Barton, one of the founding figures of the American Red Cross who helped to organise cash relief following the Franco-Prussian War of 1870–71; the British colonial administration in Sudan which distributed cash to famine-affected people in 1948; and millions of people being employed in Cash for Work projects in India in the early 1970s.

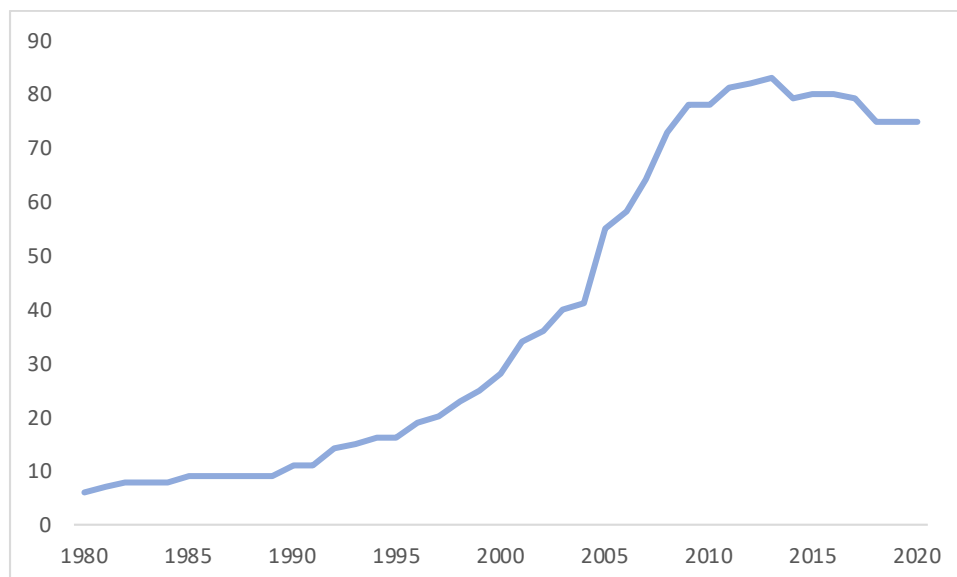
³ Hence, loans are sometimes quantified as financial investment and other times measured as development aid.

Cash transfers as long-term national public interventions were first pioneered in Brazil and Mexico during the mid-1990s. The first conditional cash transfer programme was created in Brazil during 1996 and called the *Programa de Erradicação do Trabalho Infantil* (programme for the eradication of child labour). In Mexico, *Oportunidades* (originally named *Progresá*) began in 1997. These programmes were mostly conditioned to health and education services.

According to Megersa (2019), the use of cash transfers in other developing regions, such as Sub-Saharan Africa, arose as the result of a growing understanding that in-kind food aid was not effectively attaining its goals. Food aid was certainly responding to famines, but it was unable to add to food stability. This was the case in Malawi, where cash transfers were first piloted in 2005.

Over a period of about 20 years, cash-transfer programmes have proliferated across developing countries as central elements of their poverty reduction and social protection strategies (Davis *et al.*, 2016; Pega *et al.*, 2017). Since 1980, more than 120 non-emergency national cash transfers have been set up in more than 50 LMICs. As demonstrated in Figure 4 below, the number of programmes has risen continually: today, there are around 75 programmes in some 50 LMICs.

Figure 4. Non-emergency cash-transfer programmes

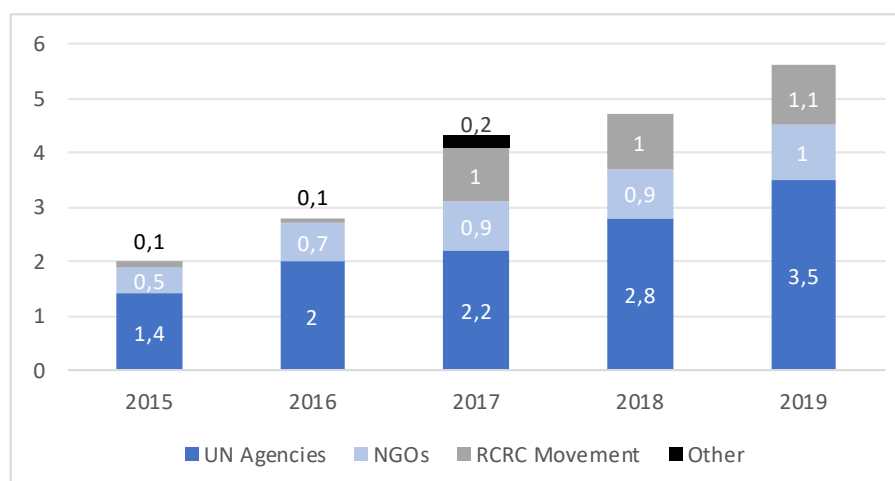


Note: The graph shows the number cash transfer programmes active across the time. The programmes have been found in the literature review listed in annex II, and the start and end date have been found through complementary web research.

Source: own elaboration

As cash-transfer programmes expanded in the framework of social safety networks built up by governments, some humanitarian organisations also experienced success with cash transfers used in emergency responses, such as those linked to: the Asian Tsunami (2004); earthquakes in Pakistan and (2005) and Haiti (2010); floods in Pakistan (2010); famine in the Horn of Africa and Sahel (2011); the Syrian refugee crisis (2012); and typhoon damage in the Philippines (2013) (EU, 2015). These responses allowed cash transfers to be tested, by way of demonstrating their feasibility and benefits as emergency-response tools. In May 2016, the first ever World Humanitarian Summit (WHS)⁴ called by the UN Secretary General took place in Istanbul. The final commitment on humanitarian financing urged the humanitarian community to scale up the use of cash-based assistance whenever possible (EC, 2019). According to the State of the World’s Cash 2020, cash transfers in the humanitarian sector amounted to USD 5.6 billion and have almost tripled since 2015.

⁴ The WHS set the stage for launching the Grand Bargain, an agreement aimed at improving the way humanitarian aid is delivered by making it more effective and more efficient. To enhance the use and coordination of cash-based programming, aid organisations and donors committed to: increasing the routine use of cash along with more traditional tools; investing in new delivery models; building evidence-based assessments; developing common standards and guidelines; and ensuring a better coordination. As a result of the two first Cash Work Stream workshops (2017, 2018), eight priority actions based on the Grand Bargain cash commitments have been set: (1) measuring cash; (2) donor coordination; (3) cash coordination; (4) measuring value for money efficiency, effectiveness; (5) risk; (6) mapping of cash work; (7) linking humanitarian cash and social protection; (8) cash and gender.

Figure 3. Evolution of emergency cash transfers (USD billion)

Source: (CaLP, 2020)

Overall, according to recent academic research, while in 1997 cash-transfer programmes were an exception limited to only two developing countries, today conditional cash-transfer programmes are run in 63 countries whilst unconditional programmes can be found in 130 countries (Bastagli *et al.* 2016a). All that said, despite policy advances and increased use of the modality, cash transfers remain a relatively smaller portion of social safety-net programming as compared to in-kind assistance (World Bank, 2015).

As mentioned above, cash transfers can be classified under two categories: emergency cash transfers, when applied in response to disasters; and non-emergency cash transfers, when established as a part of social safety nets by governments (usually referred by academics as social cash transfers). ECHO (2013) defines emergency cash transfers as the provision of money to individuals or households, either as emergency relief intended to meet their basic needs for food and non-food items or services, or to buy assets essential for the recovery of their livelihoods⁵. By contrast, non-emergency cash transfers are commonly given at regular intervals for an extended period (Megersa, 2019) and tend to be inserted into permanent social safety schemes.

Additionally, the most common categorisations of cash transfers differentiate between conditional cash transfers (CCTs), when transfers are conditional on certain behaviour to be adopted by the receivers, and unconditional cash transfers (UCTs), which do not come with explicit conditions. That said, Snilstveit *et al.* (2015) note that in practice cash transfers exist on a continuum from transfer programmes with no explicit conditions or label, via programmes with implicit directions on use (labelled programmes) and programmes with explicit conditions but no enforcement, to programmes with conditions that are monitored and enforced.

Cash transfers are also differentiated according to their delivery. Modes include: 'cash in envelope' or direct cash handed out to beneficiaries in person; paper vouchers, which are handed out directly to beneficiaries for encashment at designated outlets; delivery through micro finance institutions and trader networks; bank accounts; pre-paid cards (plastic cards usable at ATMs); mobile money (e.g. an SMS code that can be used to receive cash at certain outlets); and mobile vouchers (e.g. an SMS code used at shops) (UNHCR, 2012).

⁵ Along with cash transfers, ECHO's alternatives to in-kind humanitarian aid includes an intermediate category, namely vouchers. These are like cash transfers when denominated in money, but can also be denominated in commodities or services. UNHCR and other humanitarian actors often refer to cash transfers as Cash and Voucher Aid (CVA).

1.3 Cash-for-development tools

As mentioned earlier, cash transfers and microcredits have a separate history, yet share essential common features. Microcredits are provided on reimbursable terms and are expected to be invested in productive activities, while cash transfers are non-reimbursable and expected to be spent on basic goods and services, in order to overcome a temporary humanitarian crisis or even vicious circles of poverty that may last for a generation.

Despite their differences, both instruments take the form of cash, they are provided directly to households as well as individuals and have a clear poverty-reduction focus. Moreover, their cash nature raises similar questions among development scholars and practitioners: Is giving cash to poor people a good poverty-eradication strategy? Is the delivery of cash more efficient than the delivery of in-kind aid? Are pilot schemes scalable?

Under the label cash-for-development tools, analyses of microcredits and cash transfers are systematised in the following sections, in order to provide a response to this question and reflect on the advantages as well as the disadvantages of cash-for-development tools, when compared with traditional aid. In this report, the term traditional aid is used to refer to aid modalities channelled through institutions which receive funding in order to provide goods and services to the poor and other targets of development policies.

We will refer throughout to the concrete cash-for-development modalities: microcredits, emergency cash transfers and non-emergency cash transfers. Despite the interest that they arouse among academics and practitioners, other microfinance modalities, such as insurance or saving accounts, will not be considered since they are not based on cash delivery. We will consider both conditional and unconditional cash transfers, because the evidence that we found entails the consideration of these distinct categories.

Finally, cash-for-development tools are considered here to be aid instruments, but they can be financed with resources other than ODA: microcredit funding can be private and cash transfers can be funded via taxes. Nevertheless, both tools are analysed here from an aid perspective consistent with questions raised by the EP about their use as instruments of EU development policy.

2 The state of knowledge on microcredits and cash transfers

Cash transfer and microcredit programmes have been subject to rigorous evaluation, including impact assessment, and have always generated considerable debate amongst practitioners and scholars. These evaluation exercises tend to focus on the programmes' longer-term effects (impact) and their value for money when compared to traditional aid (efficiency). Other standard evaluation criteria such effectiveness, or sustainability are also considered. In this section, the methods used in academic and institutional literature are reviewed and their results consolidated.

A list of adapted standard evaluation criteria is provided at the end of Section 2.1 and the literature review's main findings are grouped under each of the four criteria in Sections 2.2 to 2.4. The literature review includes evaluation reports issued by experts and practitioners, covering 70 cash-transfer programmes in 31 Low and Middle-Income Countries (LMICs) and 63 MFIs operating in 16 LMICs, as well as the 2015 World Bank Group's review of its seven-year support to microfinance and the 2008 international state of microcredit (see annex II). Our desk research also covers a review of academic journals. This addresses 66 cash-transfer programmes in 37 LMICs. Regarding microcredits, six Randomised Control Trials (RCT) covering seven MFIs have been reviewed as the most recent and rigorous evidence concerning microcredit impacts on individuals, along with 19 relevant papers on the traditional debate and 13 papers on the macroeconomic impacts of microcredits.

2.1 Assessing cash transfers and microcredits

Evaluation reports commissioned by practitioners cover a wide range of aspects and tend to have a strong focus on short-term effects⁶. For instance, the assessment of health-conditioned cash transfers looks initially to be at variance with the usage of health services and products by cash recipients as well as the subsequent immediate health outcomes (J-PAL, 2020). This approach is well suited to analysing conditional cash transfers, as it targets behaviour leading to expected outcomes (e.g. the increase of uptake of health services). By contrast, interventions targeting a wider array of effects, such as unconditional transfers, are better evaluated in terms of their longer-term effects on health, education, food security and income (J-PAL, 2020). These long-perspective assessments often also consider negative unintended effects, such as higher spending on alcohol or tobacco and inflation (S. Handa et al., 2018), or positive impacts which are different from a programme's longterm goal, such as liquidity (Concern Worldwide, 2011).

As noted by Beck (2015), the gender dimension is critical in discussion on the impact of financial inclusion tools, not only in terms of access to financial services across males and females, but also in terms of female empowerment being an important outcome variable. Sengupta and Aubuchon (2008) go still further: 'any review of microfinance is incomplete without a discussion of its impact on women.' According to the authors, this focus follows largely from Yunus' conviction that lending to women has a stronger impact on the welfare of a household than lending to men.

Practitioners also assess these tools against other criteria, such as coherence. For instance, the design of cash transfers is also assessed in terms of how well it fits into broader aid strategies and how it combines with other forms of assistance (Bailey & Pongracz, 2015). In a similar vein, humanitarian actors relate the success of cash transfers with supply-side interventions, ensuring the availability of food or shelter materials in the market.

⁶ This does not end with the identification of effects in the shorter or longer term, but also includes testing hypotheses about effectiveness factors with a view to influencing the design of future programmes (Bailey & Pongracz, 2015; Megersa, 2019; Harvey & Bailey, 2011). For instance, microcredit studies often refer to how loans should be tailored so as to: increase their impact (Beck, 2015; J-PAL, 2018a); avoid over-indebtedness and preserve MFIs' sustainability (Sengupta and Aubuchon, 2008; Khandker *et al.*, 2013); and align microcredits to development goals such as climate change adaptation (Agrawala, Carraro and Biraj, 2010).

Efficiency, also referred to as 'cost-effectiveness' or 'value for money', considers the cost in relation to what assistance achieves, for example annual household consumption gain, as a proportion of total programme cost (Bailey and Pongracz, 2015; Sulaiman, 2016). To date, according to Harvey and Bailey (2011), there are only a limited number of cost-effectiveness analyses.

Sustainability assessments of cash transfers look at dependence on donor provision (McCord, 2009). For this purpose, in the framework of social protection programmes, some authors (S. Handa et al., 2018) assess sustainability through the cost of pilot cash transfers based on the total targeted population as a percentage of public spending or Gross Domestic Product (GDP).

The focus of academic literature is impact analysis, with impact defined variously as the long-term effects linked to: poverty reduction (Imai *et al.*, 2010; Lacalle-Calderon, M., Perez-Trujillo, M. and Neira, I. (2018); health and nutrition (Martins *et al.*, 2013; Doocy and Tappis, 2017; Pega *et al.*, 2017; J-PAL, 2020); mental wellbeing (Angeles et al., 2019); productive investment and access to services (Harvey and Bailey, 2011); cognition (J-PAL, 2020); and learning outcomes (Snilstveit et al., 2015). Occasionally, researchers study multiplier effects, in other words the overall monetised market benefits from cash aid for each US dollar provided to beneficiaries (Doocy & Tappis, 2017). When it comes to CCTs, behaviour changes prior to the impacts being assessed (effectiveness) are also analysed. For instance, school participation is measured along with learning outcomes (Snilstveit et al., 2015). Finally, some authors (Handa *et al.*, 2018a) also measure cost-effectiveness through the Cost-Transfer Ratio (CTR), which is administrative costs of in-kind aid versus transfer costs.

Those working in microfinance institutions often state that the impact of microcredit is so obvious that it is not worth spending large amounts of money and human resources on the implementation of costly and complex impact assessment studies. They affirm that the growth of microfinance is driven by hundreds of stories concerning clients who have improved their lives because of microfinance services. However, stories do not prove causality (Banerjee, Karlan and Zinman, 2015). To demonstrate that progress in poverty-reduction indicators can be related to micro-credits or cash transfers, a scientific method in the form of a rigorously designed micro-level impact evaluation study is required. Here, there are two main types of micro-level impact evaluation designs.

The first comprises observational studies, where the researcher observes only data, which is usually provided by a microfinance institution, to understand what has happened (retrospectively) to the circumstances of the microfinance beneficiaries. These studies observe the lives of those individuals in the sample who have received microfinance services (intervention group) and compares it with the lives of other individuals who have not received microfinance services (control group). The aim is to analyse if there is any difference in the evolution of both groups.

The second type comprises experimental studies, known as Randomised Control Trials (RCT), where the researcher designs a trial within which intervention and control group individuals are randomly selected from a unique population, which ensures that both groups are equal in all their initial characteristics. Once these groups are created, the researcher intervenes granting financial services only to those individuals in the intervention group, but doing nothing with individuals in the control group. The researcher then follows developments in the lives of individuals in both groups to see if they experience different outcomes. If so, given that both groups were identical at the beginning of the process in all known characteristics, except acceptance of microfinance services, it could be affirmed that microfinance (the only variance) causes the difference in life outcomes. Accordingly, randomisation facilitates the identification of causal effects by minimising the selection biases that can confound observational studies (Banerjee, Karlan and Zinman, 2015).

Both types of evaluations are often consolidated in meta-evaluations. These studies review several individual programme evaluations and test hypotheses with collected evidence, facilitating understanding of the present position in both fields of research: cash transfers and microcredits.

Finally, practitioners' accumulated experience with these tools can also be found in policy guidelines and management tools, albeit mixed with theoretical and normative ideas that are not always tested with robust methods. In the case of cash transfers, guidelines tend to highlight their cost-effectiveness in comparison to the delivery of goods or services to local markets by aid agencies, and also reflect how cash transfers may affect markets' and individuals' resilience⁷. In the case of microcredits, investors' associations and rating tools (CGAP, 2006; European Union, 2011; Smart Campaign, 2016) suggest that their impact is related to the efficient and responsible management of microcredit institutions, which involves strategic clarity, staff capacity, accountability for results, knowledge management, prevention of over-indebtedness, transparency and responsible pricing.

In summary, both scholars' and practitioners' works on cash transfers and microcredits refer to questions that are standard in development cooperation evaluation (OECD/DAC, 2019). These questions or criteria are listed in the following table and further used in this section to summarise current debate on the use of these tools in development cooperation.

⁷ According to ECHO (2019) cash transfers provide people in need with wider and more dignified assistance, giving them the flexibility to choose what to purchase based on their preferences, support local markets, lay the foundations for communities' recovery and resilience, and can complement existing social safety protection systems.

Box 1. Applying evaluation criteria to cash-for-development tools

Efficiency	<i>The extent to which the intervention delivers, or is likely to deliver, results in an economical manner.</i> In cash-based interventions, this is often assessed by comparing the price of goods or services in local markets compared to the price it would cost an aid agency to deliver them, considering the rest of related costs. In microcredits, costs are considered for lenders (e.g. administrative costs, risk of defaults) and borrowers (e.g. rates of interest).
Effectiveness	<i>The extent to which an intervention achieves its primary objectives.</i> In conditional cash transfers, that is a certain use of the cash transferred related to basic products and services. In microcredits, this means investment of the funding in launching, continuing or expanding a small business.
Impact	<i>Higher-order effects and broader changes to which an intervention may be contributing.</i> The expected positive effects sought by these tools are poverty reduction indicators such as income increase, health improvement and education completion. Impact studies also analyse indirect and unintended effects, be they positive (e.g. market development, human dignity preservation, adaptation to climate change, etc.), or negative (e.g. inflation, domestic conflicts, etc.).
Sustainability	<i>The extent to which the net benefits of the intervention can last long-term and be scaled up to other beneficiaries.</i> In microcredits, this is related to default rates and the possibility of funding new operations with the reimbursement of old ones. In cash transfers, this has been operationalised as the cost of pilot cash transfers at the scale of the whole target population, as a percentage of public spending or GDP.

2.2 Efficiency

Humanitarian cash aid contributes to nutrition goals better than food aid

Cash transfer programmes have been fostered upon the basis of its expected efficiency. Assuming that beneficiaries make use of the cash received in a way which is closely aligned to donors’ wills, cash transfers are found to be a logistically simpler and economically cheaper alternative to the delivery of goods and services. However, only a limited number empirical analyses on cash transfer programmes have focused on their cost-effectiveness⁸.

That said, in the humanitarian context, most studies have found that cash programmes framed under nutrition goals are more cost-effective than food aid (Bailey, 2013). A review of 30 livelihood programmes, 11 unconditional cash transfer interventions and 7 cases based on graduation⁹, concluded that cash transfers are, at least in the short term¹⁰, more efficient than other approaches, with efficiency being measured as a proportion of the annual household consumption gain against total programme costs (Sulaiman, 2016). In the same vein, an academic review of ten studies suggested that UCT programmes

⁸ This is noted by (Bailey and Pongracz, 2015).

⁹ The graduation approach targets families living in extreme poverty and considered too poor for microfinance services. It provides a regular and time-bound cash transfer to enable them to meet basic needs and plan their livelihoods and savings for productive assets (UNHCR, 2020).

¹⁰ More evidence is needed for the long-term effectiveness, which is not easy to assess in the timeframe of humanitarian responses.

have a lower cost per beneficiary than vouchers and in-kind distribution, partly due to less administrative costs (Doocy & Tappis, 2017).

Additionally, the studies and papers that refer to the efficiency of humanitarian cash programmes suggest that there is room for improvement. This could be achieved through larger programmes, fewer aid agencies, common service providers and reliance on government social safety-nets (Bailey and Pongracz, 2015). This idea is endorsed by UNHCR (2012).

Innovations, including digitalisation and lower costs

Efficiency assessments of cash-based tools often verify whether their direct or indirect costs are lowered by product and market innovations. Although the number of studies on this specific issue is limited, there is evidence of the positive role of flexible lending designs, including: grace periods; tailored products for specific targets, such as farmers and women; the use of social networks; and closer relationships between banks and customers (J-PAL, 2018a; Beck, 2015). In the same vein, digitalised scoring systems for microcredits and mobile banking apps in cash transfers would lower costs (Sulaiman, 2016; J-PAL, 2018b). The latter is already integrated in the discourse of some relevant humanitarian actors (UNHCR, 2012; EU, 2015). In this respect, as opposed to in-kind aid, ECHO indicates that money can be distributed directly using: an electronic card, not necessarily associated with a bank account; cash cards; mobile phone transfers; remittance companies; post offices; or even physically in person (EU, 2015, pp. 5–6).

2.3 Effectiveness

Cash transfers have proven to be effective

Most evaluations show that emergency and non-emergency cash-transfers are effective in achieving their primary aims. J-PAL, using evidence from 21 studies conducted in 13 LMICs, conclude that cash transfers programmes, which are conditional on the use of health products and services, generally increase targeted behaviour's rates of adoption (J-PAL, 2020).

In the education sector, Snilstveit et al. (2015) reached similar conclusions when assessing programmes targeting primary and secondary schools in 52 LMICs. Cash transfers were found to be the most effective basis among various programmes that aim to improve access to education, measured as rates of school participation, dropout and completion. Moreover, several studies show that this works, even when the cash is not conditional on school enrolment (Pega *et al.*, 2017). Increases in school attendance rates under UCT terms are not as high as those with CCT, but by comparison their unit costs are lower, as they do not require monitoring and enforcement (Benhassine *et al.*, 2015)¹¹.

In the humanitarian sector, beneficiaries also seem to use cash as expected. For instance, in Pakistan Catholic Relief Services (CRS) provided cash grants of USD 35 each to complement in-kind shelter materials as part of its response to the 2005 earthquake. Although no conditions were attached to the cash, most of the money was spent on shelter and households complemented the cash with considerable investments of their own (Harvey & Bailey, 2011).

In other words, evidence rejects the main theoretical concern about cash transfers: the possibility that beneficiaries misuse the money. The actual expenditure resulting from transferred cash meets the donors' theory of change, even when transfers are unconditional. Some studies have shown that cash grants are also used to repay debts, which is seen as problematic, but overall it nevertheless ultimately increases expenditure in health and education as expected by donors (Harvey and Bailey, 2011).

¹¹ As an attempt to combine the effectiveness rates of CCT and the low cost of UCT, labelled cash transfers avoid investments oriented to enforce conditions but, upon the basis of behavioural economics, they are believed to increase the UCT effectiveness as parents mentally process the purpose for which the cash is transferred (Benhassine et al., 2015).

Cash transfers remove financial barriers to basic services. In the education sector, for instance, they reduce the cost of education for families, by covering direct schooling costs (tuition fees, uniforms, textbooks, etc) and opportunity costs (loss of income from child labour) (Snilstveit *et al.*, 2015). Obviously, the cost of education is perceived by most people as a profitable investment, but poor households might lack information about education returns, possibly living in communities without clear norms and models in this respect (Baird, McIntosh and Özler, 2011).

Some cash programmes are more effective than others. The opportunity costs of attending school increases with age, as informal work and marriage opportunities arise and hence effective cash programmes increase the value of transfers in accordance with a child's age (Snilstveit *et al.*, 2015). The transfer recipient is also a relevant factor, with the cash being more effective when transferred to mothers (Snilstveit *et al.*, 2015) and literate beneficiaries (UNHCR, 2012).

This said, there might also be barriers for basic products and services on the supply side, with the most relevant lessons learned on cash transfers' effectiveness stemming from market analysis¹² (UNHCR, 2012; ECHO, 2013; WFP, 2014; Bailey and Pongracz, 2015; Megersa, 2019)¹³. ECHO (2013) provides a good example of why markets matter. With emergency responses, in the context of food insecurity cash delivery might work from a nutritional perspective in the period after harvest, when supplies are plentiful, but nevertheless in-kind aid is still needed during the lean season.

Other factors that might interfere with the correct and effective use of cash are security and corruption risks. According to policy guidelines (ECHO, 2013), the risk of the cash being stolen by intermediaries and recipients, or misappropriated by elites, must be taken into consideration. However, no empirical analysis indicates that this occurs more often than when distributing in-kind aid. With emergency responses, in the context of food insecurity cash delivery might work from a nutritional perspective in the period after harvest, when supplies are plentiful, but nevertheless in-kind aid is still needed during the lean season.

Microcredits are an effective tool for the consolidation of self-employment and microenterprises

Effectiveness assessments of microcredits based on randomised methods in seven countries¹⁴ (J-PAL, 2018a; Banerjee *et al.*, 2019) reveal that targeting households which are already operating businesses before receiving microcredits leads to greater effectiveness, while microloans to new entrepreneurs are more often used for consumption and/or risk mitigation rather than investment (J-PAL, 2018a). Overall, demand for traditional microcredit products have proved to be modest when offered to a general population (much lower than the partner microcredit institutions had originally forecasted).

Additionally, within the long debate on microcredits' impact (see *impact* section), several studies revealed that microfinance institutions could not necessarily focus on the poorest borrowers. For instance, Sengupta and Aubuchon (2008) suggest that alleviating poverty might be a secondary goal, after ensuring MFI profit. Hence, it is proposed that donors' subsidies are kept specifically to maintain the original microcredit focus on the poorest borrowers. In this vein, development and philanthropic investors have set guidelines to safeguard 'the mission of microcredit providers to combat poverty and financial exclusion' (EU, 2011, p. 26), and promote social responsibility for the whole industry, including commercial investors. These

¹² In a review of good practices, Harvey & Bailey (2011) consider: the importance of security and corruption risks; gender issues and power relations (including beneficiaries' indebtedness); political feasibility; NGO/institutional skills and capacity; timeliness ('cash transfers have often taken longer to establish than in-kind programmes, in part at least because cash transfers are still a relatively new modality for many agencies'); as well as contingency planning and seasonality.

¹³ Megersa (2019) indicates that market analysis must inform cash transfers in high inflation environments in order to index transfers to food prices.

¹⁴ Bosnia and Herzegovina, Ethiopia, India, Mexico, Mongolia, Morocco.

guidelines address consumer protection, interest rate limits, prevention of over-indebtedness together with MFI's governance and management (CGAP, 2006; European Union, 2011; Smart Campaign, 2016).

Finally, one thing becomes clear in microcredit evaluation: microfinance services do not necessarily have to be set up, managed and put to use identically in each and every region, or even among the various microcredit organisations operating in a single country (or region). Aspects such as the amount of capital, term, amortisation fees and interest rates applied are what set apart microcredits from one region to the next (EU, 2011).

Box 2. The multiplier effects of cash

Cash transfers generate increased demand that can in turn elicit a supply response from local producers. Multipliers (the proportional effects of a cash transfer on communities' spending, benefits or income) measure this stimulus to the local economy. Academics and experts have found positive multiplier effects of cash both in humanitarian assistance and in non-emergency programmes.

During 2007, in Malawi's northern Dowa district beneficiaries spent 95 % of the emergency cash they received on local commerce and businesses, including village traders, wholesalers and small traders, with the rest being saved. As a result, each dollar of cash assistance generated USD 2 in indirect benefits for the local economy (Doocy and Tappis, 2017). The Zimbabwe Emergency Cash Transfer (ZECT) by Concern Worldwide registered a multiplier of 2.59, far greater than that resulting from food aid. Stauton (2011) describes the process as follows: 'Farmers now have a market for their surplus crops. While they will spend some of the income they gain from selling produce on purchasing goods from outside the area (such as farm inputs), they will now contribute to the local economy by buying from other farmers and traders in the region. They are more likely to pay their school and health levies, as well as being more likely to engage other local services. In turn, they will benefit when traders and other farmers wish to buy from them [...]. The markets are highly localised and these benefits are significant. These benefits do not occur where food is given to beneficiaries directly' (Stauton, 2011, p.26).

More recently, Thome *et al.* (2016) found positive multipliers in Sub-Saharan national programmes: 1.34 in Nyaza (Kenya); 1.35 in Abi-Adi (Ethiopia); 1.79 in Zambia; 1.81 in Garissa (Kenya); 2.23 in Lesotho; 2.50 in Ghana; 2.58 in Hintalo (Ethiopia).

2.4 Impact

Cash transfers' long-term impact is meeting donors' expectations

Cash transfers are mostly expected to generate impacts on health and education. In the empirical literature, there is evidence that such effects do occur and moreover that they fuel one another.

A meta-evaluation in Brazil indicated a positive association between CCT programmes and improvements in recipients' diet and nutritional status (Martins *et al.*, 2013). Additionally, the first comprehensive systematic review of 21 UCT programmes in LMICs, mostly conducted by governments, concluded that UCTs improved longer-term expected outcomes such as resistance to illness, food security and dietary diversity (Pega *et al.*, 2017)¹⁵. Finally, Angeles *et al.* (2019) collected evidence in Malawi on the improvement of mental wellbeing amongst the country's youth by means of national UCT.

Through beneficial impacts on health, cash also produces positive impacts on education. For instance, improvements in health and nutrition could enable children to enrol in school earlier (Molina Milán *et al.*, 2020). Following this reasoning and based on the above-mentioned review of evidence from 13 LMICs, J-PAL (2020) suggests that cash transfer programmes which are conditional on the use of health products and services can improve cognition and educational outcomes in the longer term. That said, improving

¹⁵ However, this would not happen through an increased use of health services.

children's school participation through cash transfers may have a limited effect on learning outcomes if the existing curriculum content, materials and teachers available are not of sufficient quality (Snilstveit *et al.*, 2015).

In the context of emergencies, cash transfers also have an impact on access to healthcare and food. Harvey & Bailey (2011) highlight an Oxfam programme in Zambia, where transfers were necessary to enable some households to obtain health care. This was also the case in Ethiopia, where cash transfers enabled more timely access to health care because recipients did not have to sell grain before attending clinics. As a part of a systematic review, Doocy & Tappis (2017) analysed five studies assessing the effects of cash-based approaches on humanitarian aid. Studies found that UCTs led to greater improvements in dietary diversity and quality than food transfers (although food transfers were found to be more successful in increasing per capita caloric intake than unconditional cash transfers and vouchers). Evidence suggests that transfers of cash or vouchers cannot substitute for the specialised food supplements that are needed to address severe and moderate acute malnutrition. However, when combined with micronutrient supplements and disease prevention, cash transfers can contribute towards protecting children's nutritional status (Harvey and Bailey, 2011). Additionally, in those contexts, providing people with cash may also have a positive influence on caring practices (Harvey and Bailey, 2011). In Ethiopia, for example, Save the Children found that mothers in households which had received cash transfers fed their children more frequently and gave them a wider variety of grains and pulses along with increased amounts of livestock products, oil and vegetables.

Moreover, major concerns on unintended negative impacts have been contested by research. Initial critics of cash transfers argued that several unintended effects would make these programmes counterproductive. A sudden influx of cash would raise inflation; its misuse could bring additional social problems, such as alcoholism; vulnerable people would become more dependent on aid¹⁶.

Of course, certain negative spill-overs have been found by some researchers, such as domestic conflicts around the use of cash and resentment from non-beneficiaries (Samuels and Jones, 2013), but most empirical literature comes to reject theoretical concerns about cash transfers. The inflationary effects of cash interventions have been rejected in empirical analyses covering Somalia, Pakistan, Philippines and the USA, where more than USD 6 billion were distributed following hurricanes Rita and Katrina (Bailey and Pongracz, 2015). In the same vein, cross-country studies clearly show that communities receiving cash transfers are not subject to price inflation or distortion (S. Handa *et al.*, 2018).

Other worries have also been contested and refuted with evidence. Based on the revision of large-scale national programmes owned and operated by African governments, S. Handa *et al.* (2018b) conclude that cash transfer programmes do not induce higher spending on alcohol or tobacco, they are not fully consumed rather than invested, they do not create dependency (decreasing participation in productive work) and they do not increase fertility.

New evidence and new arguments supporting cash transfers

Impact analysis of cash transfers not only contests initial criticism, through new evidence it actually provides support for arguments in favour of mobilising cash instead of products or services. Evaluations capture different impacts that were initially unintended, but which are positively aligned with the logic of programmes and broader development plans. These effects can be grouped into two categories: psychosocial effects, which are reviewed further in this section and include dignity, autonomy and interpersonal relations; along with economic effects, which are described in the following paragraphs.

¹⁶ For instance, ECHO (2013), along with Oxfam (2006) or UNHCR (2012), suggests to carry out a market assessment prior to cash transfers to evaluate the risk of causing or contributing to inflation in the prices of key goods if there is not sufficient supply.

Cash transfers increase liquidity, producing wide-ranging financial benefits with onward flows into a great variety of businesses and services within a community and may have multiplier effects, in accordance with Keynesian economic theory. Doocy & Tappis (2017) found that UCT programmes generated more than USD 2 of indirect market benefits for each USD 1 provided to beneficiaries, compared with USD 1.50 of indirect market benefits for each USD 1 equivalent provided to beneficiaries through vouchers. In Mozambique and Zimbabwe, the average multiplier effect of two UCT programmes was 1.59, meaning that households spent 59% more than they received through cash transfers. In other words, an injection of cash amounting to USD 1 would generate additional income of USD 0.59 for the local economy, a result which is generalisable to other sub-Saharan countries, according to the authors (S. Handa et al., 2016). Other studies (Concern Worldwide, 2011) in rural Zimbabwe calculate a multiplier effect of 2.29 for humanitarian cash versus only 1.67 for food.

From this perspective, even cash transfers spent in debt repayment might add value to development interventions, as they do have a positive effect on liquidity and even restore relations in the credit markets. Using cash to repay debts enables credit markets to start functioning again and in many crises informal credit systems form an important part of how people attempt to cope (Harvey and Bailey, 2011; OPM, 2013). Furthermore, the distribution of cash facilitates access to financial services for the poor (UNHCR, 2012).

Local goods and services markets are also restored or strengthened when cash is used instead of in-kind assistance. ECHO (2013) warns about challenges for cash transfers in the early stages of crisis response due to market disruption, infrastructure damages and displacement of people. However, it advocates the use of cash as soon as markets start recovering, as it can then provide people with the necessary support. In protracted crisis and during transition towards recovery and development, the use of cash is strongly recommended as a means of protecting or restoring livelihoods. It will also in turn stimulate production, dynamise trade, help traders to establish new links with other markets and thereby boost employment potential.

Empirical analyses confirm this line of reasoning. Where cash is being provided as emergency relief, it will very likely be spent on immediate consumption but, in less acute situations, cash can help to stimulate productive investment, such as in livestock and small shops (Harvey & Bailey, 2011). The positive impacts of investment in livestock and agricultural inputs are consistently found across CCTs in Latin America and UCTs in sub-Saharan Africa (Bastagli *et al.*, 2016).

The idea of cash transfers is supported not only by materialistic arguments, but also policy guidelines issued by humanitarian actors, which tend to agree that cash-based aid preserves people's dignity better than in-kind aid, as it allows them to make choices. It empowers beneficiaries to determine their own needs and the best ways to meet them within a given community, regardless of the reasons for their vulnerability. In displacement contexts, cash which can be spent anywhere facilitates new relations between displaced and host communities (Oxfam, 2006; UNHCR, 2012; EC, 2019).

Empirical research on this kind of impact is not so developed as to provide hard evidence for the previous statements, but along with the accumulated experience of the institutions concerned, incipient qualitative research does confirm such views. Qualitative and participatory research on beneficiaries' and communities' perceptions of five UCT programmes in the Middle-East and North Africa (MENA) and Sub-Saharan Africa suggests that UCTs have positive qualitative impacts on beneficiaries' individual (self-perception),

intra-household (quality of life) and community (social capital) levels¹⁷. In the same vein, S. Bastagli *et al.* (2016) points to cash providing recipients with economic autonomy and self-sufficiency.

The long debate on microcredits' impact

During recent decades several micro-level impact evaluations have been undertaken. Most of them have reported that well-managed MFIs have been able to: create millions of savings accounts for the poorest families; start new businesses; generate new jobs and maintain those already existing among the economically active poor; raise durable consumption; increase women's decision-making power; increase birth control; improve the education and health of children; reduce violence against women; and build new social capital among microfinance clients (Pitt, Khandker and Revised, 1997; Khandker, 2005; Coleman, 2006; Lacalle Calderón, Rico Garrido and Duran, 2008; Feigenberg, Field and Pande, 2010; Karlan and Zinman, 2010; Deloach and Lamanna, 2011; Karlan and Apple, 2011; Dupas, Robinson and Org, 2012). Agrawala, Carraro and Biraj (2010) also find that microfinance contributes to climate change adaptation¹⁸.

Nevertheless, other studies have captured some negative effects of microcredits and have recommended caution due to over-indebtedness and repayment problems¹⁹. These problems have proven that microcredit can also be a debt trap (Tucher, 2006; Maes and Reed, 2012). Other non-positive and negative impacts referred to by academics are: unchanged poverty levels; increased inequality; positive outcomes are only short-term; exploitation of women continues; increased workloads and child labour; as well as the creation of dependencies and barriers to sustainable local economic and social development (Rogaly, 1996; D. Hulme, 2000; Copestake, 2002; Ditcher, 2007; Bateman and Chang, 2009; Bateman, 2010; van Rooyen, Stewart and de Wet, 2012).

Freire (2006) affirms that microcredits alone do not help to generate the necessary critical mass in economic activity required for changes in well-being and poverty reduction, as claimed by others. In this regard, Hulme (2000, p. 26) contends that 'not all micro-debt produces favourable results, especially for poor people working in low-return activities in saturated markets that are poorly developed and where environmental and economic shocks are common. Because of circumstances beyond their control (sickness, flood, drought, theft and so on), lack of skills and knowledge or taking bad decisions, a proportion of poor borrowers encounter great difficulties in repaying loans which could even result in suicides'. Furthermore, following Maldonado and González-Vega (2008) for some types of borrowers access to MFIs may have potentially negative effects of increased demands for child labour.

As Roodman (2012) affirms, access to financial services may improve the wellbeing of many poor people, but the process is not automatic. In a comprehensive and balanced review of the literature on MF impact assessment, Roodman (2012) found little evidence that the MF movement had lived up to its claims of achieving development or reducing poverty in the last 30 years.

Microcredit's impact is modestly positive, but not transformative

As evidence provided by the microcredit evaluation literature is mixed, some scholars have tried to resolve the historical debate using methods that allow for controlling exogenous variables which might affect the progress made by microcredit beneficiaries. These take the form of so-called randomised control trials

¹⁷ Two in the Middle East and North Africa (MENA) region (the Palestinian National Cash Transfer Programme (PNCTP) in Gaza and the West Bank, and the Social Welfare Fund (SWF) in Yemen); and three in Sub-Saharan Africa (Kenya's Cash Transfers for Orphans and Vulnerable Children (CT-OVC) programme, Mozambique's Basic Social Subsidy Programme (PSSB), and Uganda's Senior Citizen Grant (SCG), part of the Social Assistance Grants for Empowerment (SAGE) programme). The research was carried out by the Overseas Development Institute.

¹⁸ These authors focus on Bangladesh and highlight how microcredits provide the poor with the means of accumulating and managing assets (thereby reducing their overall vulnerability), as well as financing activities that are more specifically targeted at reducing vulnerability to weather and climate risks, especially in the areas of water management, agriculture and fishery, forestry, health, and housing.

¹⁹ See the case of India in 2010, and previous cases in Bolivia, Bosnia-Herzegovina and Morocco. (Van Rooyen *et al.*, 2012).

(RCT), which produce moderately favourable findings on microcredit's impact. Seminal research has been undertaken by Angelucci, Karlan and Zinman (2015), Attanasio *et al.* (2015), Augsburg *et al.* (2015), Banerjee, Karlan and Zinman (2015), Crepón *et al.* (2015), Tarozzi, Desai and Johnson (2015), and Banerjee *et al.* (2019). These are seven rigorously designed micro-level impact evaluation studies, which identify a consistent pattern of modestly positive, but not necessarily transformative, effects (Banerjee, Karlan and Zinman, 2015).

Giving small loans in the form of microcredits has in general terms not led to transformative impacts on income, long-term consumption, women's empowerment or investment in children's schooling, but nor have widespread harmful effects been provoked (J-PAL, 2018a). In his review of the World Bank Group's support for microfinance, Beck (2015) also points out that whilst evidence on the impact of microcredit on households and microenterprises is ambiguous, in any event 'effects of access to credit are typically statistically and economically more significant for individual or household level outcomes than on the microenterprise level' (Beck, 2015, p. 20). The exception to this assertion, aligned with findings on *effectiveness*, is highlighted by J-PAL (2018a): larger, pre-existing or profitable businesses achieve higher profits as a result of microcredits. The last RCT conducted (Banerjee *et al.*, 2019) shows that households which were already running businesses before microcredit was introduced, enjoyed 35 % more assets and were able to generate double the revenues with its help.

Another attempt to overcome the historical debate on micro-credits is macro-analysis. Over recent decades, research on the impact of microfinance has almost exclusively been limited to micro-evaluations conducted with micro-data from different countries and contexts, making it difficult to generalise these analyses' conclusions (Hermes, 2014). Concerning macro-level studies aimed at identifying the impact of microfinance on economic growth, job creation, social cohesion, poverty and inequality reduction, little empirical research has been conducted to date. This is probably due to the lack of reliable macro-data on microfinance, which have only recently become available (Kulkarni and Gaiha, 2017; Lacalle-Calderon, Perez-Trujillo and Neira, 2018), but are still insufficient (Demirguc-Kunt *et al.*, 2018) for generating rigorous and long-term macro level studies.

Among the few studies analysing how microfinance affects macroeconomic activity, we find the following. In regard to microfinance's impact on economic growth, after accounting for country and time effects in a dynamic panel data model, Lacalle-Calderón, Chasco and Alfonso-Gil (2015) find that microfinance has a positive and statistically significant effect on economic growth through private investment. Other studies which find a positive effect from microcredit on GDP growth are: Maksudova (2010), who examines the interaction between microfinance and private banking in determining economic growth; Sodokin and Donou-Adonsou (2010) who measure the joint impact of banks and microcredits on economic growth in the West African Monetary Union region; Alimukhamedova and Hanousek (2015), who find long-term evidence of microfinance's significant ability to affect countries' macroeconomic activities, finding this positive effect to be more pronounced in weaker environments; Sylwester and Donou-Adonsou (2015) who find that despite microfinance's lack of positive impact on investment or education (measured by the average years of primary education), it does provide benefits on economic growth and total factor productivity; and Raihan, Osmani and Khalily (2017) who estimate the macro impact of microfinance on the GDP of Bangladesh and find that microfinance adds between 8.9 % and 11.9 % to the country's GDP. Nevertheless, despite all these positive results, the most recently published report on these issues, following research by Islam and O'Gorman (2019), finds that microcredit is not a panacea for improving welfare, since its impact differs significantly across countries.

Concerning the macro effect of microfinance on poverty²⁰ reduction, little research has been undertaken. The most outstanding studies are those by Imai *et al.* (2010), who find a positive and significant impact of

²⁰ Usually these papers use the Headcount Poverty Ratio as the proxy for measuring poverty.

microfinance services on a country's poverty reduction effort, and Lacalle-Calderón, Pérez-Trujillo and Neira (2018), who not only confirm this positive effect, but also find that microfinance reduces poverty among the poorest.

Finally, the main results from academic literature covering the impact of microfinance on inequality (usually measured through the Gini Index) at the macro level are also positive and statistically significant (Kai and Hamori, 2009; Hermes, 2014; Lacalle-Calderón *et al.*, 2019). Besides these empirical studies, Ahlin and Jiang (2008) as well as Mahjabeen (2008) have also studied the macro-level effect of microfinance on inequality, albeit through a theoretical model, to analyse microfinance's potential for creating a redistributive effect on a country's overall economy. Both papers found that microfinance reduces inequality²¹.

Box 3. Does Microfinance reduce Poverty among the Poorest?

A macro quantile regression by Lacalle-Calderon, Perez-Trujillo, and Neira (2018) is an example of how macro-level research starts filling the gap micro-evaluation literature on micro-credits. Several impact evaluations have emphasised the nonuniform distribution of benefits, claiming that microcredit benefits moderately poor clients more than the extremely poor, whereas other studies have found that microfinance benefits those in extreme poverty more than those experiencing less severe poverty. Since these papers are micro-evaluations from different countries and contexts, it is difficult to generalize their conclusions.

When reliable macro data on microfinance is available, empirical studies on the macroeconomic effect of microfinance on poverty may clarify the unresolved issue of microcredit impact on poverty. Lacalle-Calderon, Perez-Trujillo, and Neira (2018) used panel data for 57 countries for the years 2005, 2008, and 2011 to estimate the distributional impacts of microcredits on two poverty indices. Results reveal not only that microfinance significantly reduces the incidence and depth of poverty, but also that this effect differs across the different poverty levels (quantiles). The effect of microcredit on poverty reduction is slightly larger among countries where the incidence and depth of poverty are the highest, suggesting that microcredit reaches and benefits even the poorest individuals. The authors conclude that, although microfinance is not the 'silver bullet' and should be used in conjunction with other development tools, it does reduce poverty among the poorest: They recommend that more governments, NGOs and individuals should invest greater efforts in supporting microfinance institutions and their activities.

Does cash empower women?

As previously mentioned, gender is a key dimension within microcredit's impact assessment, which connects to Yunus' conviction that lending to women rather than men has a stronger impact on the welfare of households. Indeed, Littlefield, Morduch and Hashemi (2003), Pitt and Khandker (1997), and Angelucci, Karlan and Zinman (2015) highlight microcredit's positive impacts, suggesting that women gain the ability, confidence and knowledge to make their own decisions. Additionally, in the field of cash transfers, based on a review covering a 15 years' evaluation, the ODI concludes that this funding modality also produces the impact of: increasing women's decision-making power and choices, including those on marriage and fertility; and reducing physical abuse by male partners (Hagen-Zanker *et al.*, 2017).

However, RCT researchers, referred to earlier, have found not only that microcredits do not favour women's empowerment, but they also produce several negative impacts²². These include: an additional workload on women who are already running businesses and caring for children (Cheston and Kuhn, 2002); negative

²¹ Despite recent methodological developments and their findings, accumulated evidence on microcredits' impact is still mixed and their critics consider that microcredit programmes deserve all the praise and attention that they receive.

²² Some studies, at least in the case of group lending, generalise this problem to other socially excluded groups (Geleta, 2014; Molnár and Havas, 2019).

reactions by husbands that lead to verbal and physical violence (Sugg, 2010); as well as additional mental and physical harassment for women forced by husbands to ask for the credit and carry responsibility for repayments (Armendáriz and Roome, 2008). A much-cited paper by Goetz and Gupta (1996) puts it this way: it is mostly the men of the household and not the women borrowers who actually exercise control over the borrowings.

Macro-level studies point to microcredits' positive impact

Although most macroeconomic research on microcredit points to positive results, different and diverse impacts have been found in different contexts (Castells-Quintana, Larrú and Lacalle-Calderón, 2019; Islam and O'Gorman, 2019). At the micro level, it has been found that some contextual factors can be integrated into complex interventions. The impact of microcredit on health can be improved by combining loans with health education (Lorenzetti, Leatherman and Flax, 2017). In the field of cash transfers, the literature suggests that cash transfers require complementary supply-side interventions in order to produce the expected impact. For instance, the impact of school participation on long-term learning outcomes might require curriculum development or teachers' training in addition to financial support to poor households (Snilstveit *et al.*, 2015).

The humanitarian community has always been very conscious about the number and variety of factors determining the results of cash delivery. In a review of good practices, Harvey & Bailey (2011) find that the most relevant actors in their interventions consider: security and corruption risks; gender issues and power relations (including beneficiaries' indebtedness); political feasibility; NGO/institutional skills and capacity; timeliness ('cash transfers have often taken longer to establish than in-kind programmes, in part at least because cash transfers are still a relatively new modality for many agencies'); together with contingency planning and seasonality. ECHO recommends that three analyses should be carried out before launching a cash-based intervention: context analysis, market analysis and operational analysis (ECHO, 2013). In other words, the effectiveness and impact of cash-for-development tools might depend on: analysis prior to their use; good project design; complementarity with other interventions; as well as insertion in broader planning and programming.

Box 4. ECHO's evolving position on cash transfers

In 2013, DG ECHO dedicated one of its thematic policy documents to 'Cash and Vouchers: Increasing efficiency and effectiveness across all sectors'. In this paper, it was stated that the EC did not advocate for the preferential use of either cash/voucher-based or in-kind humanitarian assistance. Furthermore, it was required that all cash-based humanitarian assistance be systematically analysed, with context, intervention and market analyses determining on a case by case basis whether or not cash was an efficient and effective alternative to in-kind aid (ECHO, 2013).

Three years later, DG ECHO adopted ten principles for multi-purpose cash-based humanitarian assistance. Principle 2 states that individuals and households who are affected by disaster have different sets of needs, which require a response that is flexible and dignified. Hence, cash-based responses meet these requirements more easily than in-kind assistance. This paper does recall some concerns about cash-based assistance as being more prone to corruption or diversion than in-kind assistance and states that there is little evidence to suggest that cash-based responses are more risky than other approaches. (EU, 2015)

More recently, DG ECHO has said that, 'where it is right for the context and in the best interests of beneficiaries, cash represents the most effective and efficient modality to provide aid to those who need it most' (EC, 2019, p. 1). Entitled 'Doing More Cash, Better', the EU 2019 Cash Compendium informs us that European and global humanitarian assistance is increasingly delivered in the form of cash, arguing that 'cash assistance is not only more efficient, but is also providing people in need with wider and more dignified assistance, giving them the flexibility to choose what to purchase based on their preferences. It also results in more aid directly reaching beneficiaries, which ultimately ensures the maximum impact for

those in need and better value-for-money for donors and taxpayers. Finally, cash transfers support local markets, lay the foundations for communities' recovery and resilience, and can complement existing social safety protection systems'.

The evolution of ECHO's support for cash-based assistance has been aligned to the international humanitarian consensus.

2.5 Sustainability

Sustaining livelihoods and markets with cash-for-development tools

In line with the previous section, cash transfers are supported by humanitarian donor agencies' understanding that cash-based aid sustains beneficiaries' livelihoods and markets, hence paving the way for recovery and long-term development. Although this idea has not been the focus of cash transfer research, some studies do confirm multiplier effects (Stauton, 2011; Handa *et al.*, 2016; Doocy and Tappis, 2017) and increased productive investment (Harvey and Bailey, 2011; Bastagli *et al.*, 2016), which in turn favour market growth in vulnerable contexts and enable the poor to access new livelihoods.

Sustainability is also a strong argument for microcredits as an alternative to other poverty eradication tools, as MFIs, unlike NGOs and aid agencies, aim at self-financing their transaction costs with their own microfinance activity. Well-managed MFIs from the outset focus financial planning on attaining financial self-sufficiency, one of the pillars of this industry (Gueyié, Klaus and Fischer, 2009). In broad terms, microfinance aims at building a self-sustainable system in order to reach an increasingly large number of beneficiaries, without depending on international subsidies. This concept is based on distributing small loans to launch small businesses that provide a regular source of income with which to repay the principal plus interest. Repayment of interest bearing loans guarantees capitalisation of the MFIs, thereby providing further financing for other small enterprises and achieving a sustainable system, unlike that of Official Development Assistance (ODA), which requires large annual contributions from donor countries (Lacalle-Calderón, Alfonso-Gil and Rico-Garrido, 2015). Instead of giving subsidised credit to the poor, microfinance should be built on permanent, dynamic, customer-oriented institutions that cover most or all of their budgets with fees and interest (Gueyié, Klaus and Fischer, 2009; Rosenberg, 2010; Roodman, 2012).

Indeed, microfinance services have undergone an exponential increase during the last three decades, based on funds from multilateral agencies and also those from private funders. Despite this sustainability sign, according to Sengupta and Aubuchon (2008), the true position is that less than half of all MFIs return a profit and most still require the help of donors as well as subsidies. This lack of financial sustainability²³ does not necessarily indicate a failing MFI, but rather raises questions about the mission and direction of that particular MFI (see *effectiveness* section). Furthermore, donor provision could be enhancing sustainability through the reduction of rates and hence reduction of the moral hazard problem (at higher interest rates, only risky borrowers apply for a loan, thus increasing the default rate and lowering returns) (Sengupta and Aubuchon, 2008). This does not mean that MFIs themselves have nothing to contribute in the area of sustainability. Indeed, product and market innovations such as those described in the *efficiency* section (digitalised credit scoring, flexible lending designs, tailored products for specific targets, use of social networks, closer relationship with customers, etc.) could do so through an optimised rate of repayment.

²³ According to the authors, 'the organization [MFI] can be operationally sustainable or it can be financially sustainable. An MFI that is operationally sustainable raises enough revenue to cover the cost of operating the business (paying loan supervisors, opening branch offices, etc.). Subsidies might still be used to issue loans or cover defaulted loans. An institution that is financially sustainable does not require any subsidised inputs or outside funds to operate. Instead, it raises money through its lending operations' (Sengupta and Aubuchon, 2008).

Sustainability factors of the microcredit industry

The debate on microcredit sustainability is not conclusive, but nevertheless does shed light on certain sustainability factors. Based on a case in India, Beck (2015) links an excessively rapid expansion of microfinance to the risk of crises resembling the 'classic banking boom and bust cycle', where over-indebtedness can come from the demand side (uninformed and irrational behaviour) or the supply side (dynamic lending with increasing loan size).

Conversely, as previously explained, social variables such as the use of networks, closer relationships between bank and customers as well as gender may favour repayment. Sengupta and Aubuchon (2008) highlight practitioners' belief that women tend to be more risk averse in their choice of investment projects, more fearful of social sanctions and less mobile (thus easier to monitor) than men. This would make it easier for MFIs to ensure a higher rate of repayment.

Would the generalisation of cash transfers be sustainable?

While cash transfers in humanitarian contexts are intended to overcome crises, cash-transfer programmes as social safety nets may target the same households for years and in doing so might break the circle of poverty over the course of just one generation, as has been achieved in Mexico or Brazil. However, can low-income countries afford to make widespread use of such a mechanism?

Some scholars suggest that national cash transfer programmes are not scalable in low-income countries without donor support due to fiscal constraints and policy priorities (McCord, 2009). Moreover, certain practitioners argue that the success of cash transfer programmes under the umbrella of strong government departments, such as those in Mexico and Brazil, cannot automatically be replicated in Sub-Saharan Africa and mainly in rural underserved areas where poverty eradication programmes are most needed. These arguments have more recently been contested by research on longer periods of time and a higher number of countries (Plavgo, de Millano and Handa, 2013; Handa *et al.*, 2018b).

Box 5. The cost of cash-transfer systems for Sub-Saharan governments

Drawing on case studies in Kenya, Malawi and Zambia, McCord (2009) suggests that cash transfer programmes in Sub-Saharan Africa would be affordable only on the basis of continuing provision by donors. This issue has been the subject of later examination by S. Handa *et al.* (2018) in their work on the revision of large-scale national programmes operated by governments in Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia (2) and Zimbabwe. These authors argue that high costs are explained by the fact that programmes were relatively new when they were analysed and hence had not as yet benefited from economies of scale and efficiency gains as observed in other countries. For instance, in Lesotho, 100% of programme costs during the first 15 months were devoted to its start-up (design, roll-out, institutional management and coordination). The cost-transfer ratio (CTR) fell from 2.28 (January 2009 to December 2011) to 0.53 (January 2012 to December 2012). Similar large efficiency gains after three and four years of implementation are found in Kenya and Zambia, respectively. Indeed, under the scenarios of full national expansions (i.e. targeting the whole category of beneficiaries), programme costs would increase to: 1.7% of total government expenditure or 0.8% of GDP in Lesotho for 2020-2021; and 1.29% of GDP in Kenya. S. Handa *et al.* (2018, p. 287) also confirm that, with few exceptions, 'non-emergency cash transfers at scale as a percentage of current spending and GDP would be feasible and fully within the cost considerations of any national government'.

In the same vein, Plavgo, de Millano and Handa (2013) conducted the exercise of extending simulated scale-up costs for all Sub-Saharan countries. The authors assume that a hypothetical programme would target the ultra-poor, scale up to 20% of the national population, pay an amount equivalent to 20% of households' pre-intervention monthly consumption and incur administration costs of 12% percent. The results of this exercise show that the annual cost of a cash transfer programme in 2012 would represent

1.1 % of GDP and 4.4 % of government expenditures on average (while over 10 % in Democratic Republic of Congo, Zimbabwe, Central African Republic, and Madagascar). If expansion were restricted to rural households, as is currently the case, costs could fall by 37 %.

Moreover, decisions on long-term and universal policies such as the set-up of a cash transfer scheme must not be based on an assumption that the fiscal space is unchangeable. The design of universal cash transfer schemes obviously needs to be framed under broader fiscal policy choices, but it should take into account that cash transfers appear to be more efficient than other forms of assistance and that they produce a second layer of economic impacts that might also contribute to enlarging developing countries' fiscal space.

3 Cash-for-development tools in the EU

The only EU Institutions programme which is specifically devoted to these aid modalities is the European Investment Bank microfinance facility. However, by means of different funding modalities such as guarantees, budget support and grants, EU financial support is provided to development partners that do distribute to individuals and households through cash transfers and microcredits, as outlined in the following paragraphs.

EIB microfinance facilities

Given microfinance's reimbursable nature, it falls under the European Investment Bank (EIB) umbrella, which invests both in the EU and in priority partner countries. Included are the Eastern and Southern Neighbourhood along with ACP countries. Funding for microfinance is channelled through the European Investment Fund, which is part of the EIB Group and also owned by the European Commission, as well as EU member States' public and private financial institutions. The funding is further channelled through financial intermediaries which manage country-specific microfinance facilities and their high demand imposes strict conditions on the allocation of EIB investments, which are not framed under policy dialogue between the EU Delegations and recipient governments, nor combined with other financial resources in the national indicative programmes

According to the EIF web page, this EU microfinance portfolio is valued at EUR 300 million, comprising 30 intermediaries and more than 1.5 million beneficiaries.

Table 1. The EIB microcredit portfolio

	Intermediaries	EUR Million	%
ACP	68	677	48 %
Neighbouring Countries	19	177	8 %
Europe and Accession Countries	6	633	44 %
	93	1487	100 %

Source: <https://www.eib.org/en/products/loans/microfinance/across-the-globe.htm>

Along with funding, the EIF provides technical assistance.

The EU External Investment Plan and partners

The EU External Investment Plan supports public and private investors by mobilising funding for partner countries in the EU Neighbourhood and Africa. This plan is implemented by means of guarantees (sharing the risks carried by private investors and development banks) and blended finance (covering part of the initial costs of a development project with concessional funding). According to its webpage, the plan has already allocated USD 5 billion and mobilised ten times that value in additional investments (EC, 2020c).

The plan aims at creating jobs and contributing to other SDGs, such as climate action and energy, and has a strong focus on SMEs. That said, investments in the financial sector with deployment of microcredits can also be funded under the plan, as is so with the IncludFI and NASIRA programmes.

The NASIRA programme, led by the Netherlands' DFIFMO, uses guarantees that make it possible for local banks to lend to underserved entrepreneurs, often otherwise perceived as too risky. It targets portfolios consisting of loans to young, female and migrant entrepreneurs, including refugees, returnees and internally displaced people. The programme targets several countries in Africa and the Middle East, such as Jordan, Egypt and Zambia.

Similarly, the recently launched InclusionFI programme, led by the Spanish Development Agency (AECID), focuses on the productive investment of African diasporas' remittances and related financial inclusion effects. The programme has benefitted from an EU guarantee to mitigate the risk of local financial institutions that channel the diaspora's savings towards productive investments. This guarantee amounts to EUR 20 million and complements a technical assistance package for local financial institutions of EUR 11 million.

Member States' DFIs such as FMO, along with the EIB, are increasingly partnering with the EC in order to pool reimbursable and non-reimbursable finance, together with both private and public resources, in line with the new European consensus on development and the Addis Ababa Agenda of Action. Of the fifteen European DFIs (EDFIs), all but three have a track record in microfinance and could channel EU guarantees as well as blended finance towards microcredit deployment in partner countries²⁴. However, the number and volume of ongoing programmes supported by the EU External Investment Plan suggest that microfinance is not a priority among EDFIs.

Most EDFIs emphasise their contribution to increasing gender equality through financial inclusion and highlight the high proportion of female customers comprising the MFIs' client base. MFIs active in rural development also feature prominently in the portfolios of most EDFIs.

The EC's growing support for emergency cash transfers

DG ECHO funds cash transfer schemes in the context of humanitarian interventions. Such schemes are put in place by ECHO (NGOs and UN bodies) and the decisions on transferring cash to disaster victims instead of providing in-kind assistance have mostly relied on these partners, which include more than 200 NGOs and about 20 international organisations. In general terms, these institutions have integrated cash transfers into their toolkits and used them according to each context and as part of a broader humanitarian response (Oxfam, 2006; ACF-IN, 2007; FAO, 2011).

Indeed, ECHO's support comes aligned with an increasing use of cash transfers among the humanitarian community (ECHO, 2019b). The Sphere Project incorporated cash transfers among its standard practices for the international humanitarian community, by including guidance on their use in the 2011 Sphere Handbook (The Sphere Project, 2011). According to the FAO (2013), the provision of cash-based food aid is increasing due to: a growing appreciation of markets' importance within coping strategies; the improved functioning of markets in many developing countries; the increased integration of food systems; the accelerated pace of urbanisation and increasing accessibility of basic financial services, including those in rural areas; expanded access to electricity networks, increased diffusion of mobile phones and the growth of financial service infrastructure; as well as the growing recognition of a right to social protection and social security. Moreover, high and volatile food prices have increased interest in the use of vouchers and CTs as means of protecting purchasing power and preserving or increasing livelihood and productive assets to boost access to food. After all, as pointed out by the European Commission (2019), international policy advancements have elevated the importance of cash transfers as an essential component of humanitarian assistance: 'the global discussion on cash has highlighted the need to do more cash, and to do it better' (EC, 2019, p. 3).

Aligned with this humanitarian consensus, ECHO issued a policy document in 2013 stating that it did 'not advocate for the preferential use of either cash/voucher-based or in-kind humanitarian assistance', while

²⁴ BIO (Belgium), CDC (UK), COFIDES (Spain), KFW DEG (Germany), FINFUND (Finland), FMO (Netherlands), IFU (Finland), NORFUND (Norway), OeEB (Austria), PROPARCO (France), SIFEM (Switzerland), and SWEDFUND (Sweden) provide microfinance through a combination of direct investments to microfinance institutions (MFIs) and banks, and indirect investments to funds and non-profit corporations, some of which operate internationally, providing finance in multiple countries. The size of investments varies considerably, with most from the last ten years falling between 3 and 15 million euros. For more information on EDFIs overall portfolio see (EDFI, 2020).

providing guidance for partners to make an effective use of this tool on the basis of a humanitarian, market and operational analysis (ECHO, 2013). More recently, ECHO has clearly expressed its preference for cash tools, stating that 'cash assistance is not only more efficient, but is also providing people in need with wider and more dignified assistance, giving them the flexibility to choose what to purchase based on their preferences. It also results in more aid reaching beneficiaries directly, which ultimately ensures maximum impact for those in need and better value-for-money for donors and taxpayers. Finally, cash transfers support local markets, lay the foundations for communities' recovery and resilience and can complement existing social safety protection systems' (ECHO, 2019a)²⁵. By this time, the humanitarian consensus had also reinforced its preference for cash tools. The grand bargain agreement reached under the auspices of the World Humanitarian Summit likewise included clear support for cash-based humanitarian aid and indicated that it was under-utilised²⁶.

Similarly, DG DEVCO allows grant beneficiaries to use their funding for provision of financial support to third parties, including individuals, if called for under intervention logic and certain contractual conditions. According to the practical guide on contract procedures for European Union external action (PRAG), financial support to third countries might include 'unconditional cash transfers to refugees to support their living or to human rights defenders to support their work in general' (EC, 2020b). This implementation modality is thus decided by grantees at a project level, usually in the framework of thematic programmes such as CSO, IEDDH or Aid to Uprooted People, which share some common features with humanitarian aid.

Otherwise, cash transfers are not in the EC toolkit for longer-term development cooperation and no policy paper concerning their use has been adopted by DG DEVCO²⁷, as it was by DG ECHO. This said, aid decisions made at delegation level, which materialise in budget support, delegated cooperation or grant agreements, might in turn fund cash transfer programmes or provide support for microfinance (see Box 6 below).

A new momentum in cash-for-development tools

Ranging from 6 % to 49 % of GDP, fiscal packages are at the centre of developed countries' responses to the economic crisis brought about by the COVID-19 pandemic (Anderson *et al.*, 2020). On top of financial imbalances in the public sector that work as automatic stabilisers, additional liquidity is being injected into the private sector through development banks' credit lines guaranteed by governments, deferrals of certain payments (including taxes and social security contributions) and cash transfers.

[African Ministers of Finance](#) who gathered at the UN Economic Commission for Africa when the pandemic broke out, announced stimulus packages of only 0.8 % of GDP on average. Their economies were facing similar or greater liquidity challenges, but their policy space was obviously not the same. Whilst at a very early stage of the crisis the international community announced its support in financial terms with a moratorium on all debt service payments from low income countries (LIC) and provision of emergency financing through the IMF, nevertheless further support to their economies is still needed. ODA providers are taking into account these financial concerns in different ways. The EU, for instance, is expanding and accelerating public budget support, while the World Bank is providing funds for national cash transfer programmes to expand their coverage.

²⁵ See also the evaluation of the Use of Different Transfer Modalities in ECHO Humanitarian Aid Actions 2011-2014 conducted by (ADE, 2016).

²⁶ According to the EC Cash Compendium, a Donor Working Group (DWG) comprising development and humanitarian donors was created in early 2018 and is currently chaired by the EU (DG ECHO/DG DEVCO). The primary role of the DWG is to support and ensure donor harmonisation and strategic oversight as it relates to the establishment and running of a safety net in Somalia. To support this, the DWG is to be assisted in the technical aspects by a Technical Assistance Facility (TAF), which is expected to be in place by early 2019. A key task for the TAF will be to develop the current ECT into a system which is better suited to a longer-term safety net approach, including building in a shock-responsive component.

²⁷ See the EC Communication on social protection in the EU development cooperation (DEVCO, 2012).

Before the pandemic, it was ECHO alone which clearly committed to increasing the use of cash in development cooperation, while cash transfers and microcredits are not even mentioned in the EU COVID-19 Global Response (EC, 2020a). However, some recent promising experiences (see Box 6) and several strategic elements in the EC response plan suggest that greater attention will be paid to such tools in future. These elements are liquidity, which is an emerging priority for development aid, the digital agenda and the prevalence of gender equality together with other inclusive approaches consistent with promotion of the EU's fundamental values.

In line with the EC (2020a) communication on COVID-19, the economic and social consequences of this pandemic result in a liquidity crisis which is difficult to handle in many developing and emerging economies, given situations of high debt and limited policy space. Addressing liquidity challenges brought by the crisis entails additional financial resources and a different allocation pattern that may prioritise some aid modalities over others. The communication advocates: debt relief measures in collaboration with the IMF and the World Bank; support to local banks via international financial institutions and European development finance institutions, supported by the European Fund for Sustainable Development (EFSD); further reorienting guarantees from the EFSD towards shorter-term risk-sharing on loans for micro-entrepreneurs and SMEs; support to SMEs and the self-employed via guarantees, liquidity provisions; along with general technical assistance.

The EU's global response to COVID-19 is also intended to integrate previous agendas, such as the European Green Deal and the Digital Agenda, preserving an inclusive approach with regard to gender. As explained in the previous sections, cash transfers and microcredits are aid modalities that can be geared towards specific liquidity goals in poor communities. At the same time, their design and management tend to seek synergies with gender equality, digitalisation opportunities and broader financial inclusion goals.

Box 6. Cash-transfers and the EU Global Response to COVID-19

Unlike the case with humanitarian assistance, cash-transfers are not in the EC toolkit for long-term development assistance, although other instruments such as budget support and grants may provide funding for policies and programmes that in turn provide cash to vulnerable households and individuals. In Myanmar, for instance, the EU has contributed to alleviating the impact of COVID-19 on garment sector workers. Over 25 000 workers from more than 40 factories in Myanmar lost their jobs in March 2020, while 350 000 workers were at risk of either being suspended without pay or losing their jobs permanently. The EU Delegation intervened by granting an emergency cash fund of EUR 5 million, with cash transfers disbursed through Wave Money directly to the workers, thereby helping them through this crisis.

In Tunisia, an EU-funded programme, IRADA, seeking private-public collaboration for inclusive employment has decided to reorient its action in response to COVID-19's socio-economic impact and support the emergency programme put in place by the Tunisian government. To do this, the IRADA programme directly supported microenterprises affected by the crisis with cash in order to limit the socio-economic impacts (layoffs, suspension of payments, bankruptcies, etc.).

In Nigeria, the EU has supported an Unconditional Cash Transfer project of the Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development (FMHDS) seeking to alleviate the pandemic's socio-economic impact on vulnerable communities in selected Local Government Areas (LGAs) across the Lagos state. The EU support was channelled as a contribution to the Nigeria One UN COVID-19 Response led by the United Nations Development Programme (UNDP), with a total budget of USD 2.3 million. In the related press release it was noted that the COVID-19 pandemic is expected to trigger a 60 % decline in earnings for the world's 1.6 billion informal workers (ILO), while half of the world's people are trying to survive without any form of social protection.

In Senegal, conversely, the EU Delegation and member states' embassies suggested the government use cash transfers in its official support for the basic needs of vulnerable households, using EU funding. The Senegalese government and local experts, though, opted for in-kind assistance, arguing that cash was difficult to distribute, likely to be misused and useless in underserved markets.

Conclusions and recommendations

Academic research and evaluation reports have improved the understanding of cash-for-development tools and from a poverty reduction perspective have provided much evidence supporting their positive impact. When compared with in-kind assistance, these tools seem to be more cost-effective than aid provided in the form of products and services. Furthermore, they produce a second-layer of economic benefits such as the preservation and restoration of livelihoods, liquidity and market development. These effects may increase their comparative advantage at critical economic junctures such as that resulting from the COVID-19 pandemic. The main findings and conclusions of this literature review are further summarised in the following paragraphs.

- Cash-for-development tools are being increasingly used. In the last three decades, microfinance services have undergone an exponential increase with a ten-fold growth in the number of national cash-transfer programmes for LMICs. In the humanitarian sector, the total amount of cash transferred has almost tripled since 2015.
- Empirical analysis on cash transfers and microcredits shows different effects in different countries and highlights a considerable number of factors that concern programme design, recipients features and market conditions. Evaluation reports, academic papers and policy guidelines tend to agree that tools are not effective *per se*.
- Evaluation of cash transfers programmes are positive overall. They have proved to be effective in the sense that recipients use them for health, food and education, in line with donor expectations. Even though unconditional transfers are not usually evaluated in terms of how cash is used, some studies show that unconditional cash translates into increased school participation and completion.
- In the longer term, cash transfers have a positive impact on several health outcomes and educational outcomes through the removal of financial barriers. In emergencies, there is a great deal of evidence supporting positive impacts on outcomes related to food security and nutrition, liquidity, productive investment and access to services. Researchers and practitioners agree on cash enhancing beneficiaries' dignity and autonomy. Overall, major concerns on the negative impacts of cash (inflation, misspending, etc.) have been contested by research, although some possible issues should be considered, such as intra-household tensions around how the money should be spent, resentment from non-beneficiaries and creditor pressure on cash receivers.
- Microcredits have been found to be more effective in preserving self-employment and microenterprises than in launching new entrepreneurships. Their impact on poverty alleviation has been questioned in many research papers.
- The long debate on microcredit's impact tends to conclude that it does not produce any significant transformative effect. Moreover, potential benefit regarding women's empowerment has not been realised. However, the impact at a micro level is modestly positive and an emerging stream of literature covering macro-level analyses points to positive effects on poverty eradication, inequality reduction and overall growth.
- The very nature of cash and its liquidity effects add value to cash transfers and microcredits during critical economic times, such as that stemming from the ongoing COVID-19 crisis. Both tools might be used to channel liquidity from the international community to developing countries, targeting the poorest as a priority.
- Managers of cash-transfer and microcredit programmes have signalled their preference for digital solutions and women recipients. Furthermore, they favour synergies with other strategies and agendas prioritised in the EU development policy and the EC COVID-19 global response.

- In humanitarian contexts, cash transfers have been found to be more efficient than in-kind aid; moreover, UCT appear to be more efficient than CCT. In other contexts, there are only a limited number of comparative cost-effectiveness analyses and it is difficult to confirm with any certainty assumptions claimed on the efficiency of cash when compared with other poverty-oriented interventions based on the delivery of goods and services.
- The microcredit industry's sustained growth with private sector involvement confirms its sustainability. However, mixed evidence on impact and specific studies on the financial strategies of MFIs together with institutional investors' standards all suggest that donors' support is needed not only to preserve their poverty orientation, but also to ensure efficient and responsible management.
- Regarding the sustainability of cash transfers in long-term poverty eradication strategies, for reasons of cost, doubts have been raised about the possibility of scaling up these programmes and integrating them within social safety nets in low income countries.

Overall, cash tools are positively evaluated as development cooperation modalities, but their use is very limited at EU level. While the microfinance industry has continually grown over the past three decades, the EIB microcredits portfolio remains relatively small, to the extent that only two EDFIs have mobilised guarantees under the EU External Investment Plan. In the field of cash transfers, DG ECHO has a long track record in proving cash-based emergency aid and has recently committed to increasing the use of these modalities over traditional in-kind aid in line with the international humanitarian consensus. Nevertheless, cash transfers programmes do not form part of the EC toolkit in longer-term development cooperation.

Upon this basis, the following recommendations can be made to the EU Institutions in order to explore a broader and more systematic use of cash-for-development tools.

1. Any generalisation of cash-for-development tools upon the basis of positive experiences documented in the academic or institutional literature should be avoided. In-depth review of this literature indicates that their positive effects are subject to many influential factors that need to be considered case by case. The decision to provide cash aid instead of more traditional aid modalities needs to be framed in more complex interventions, broader programming and context analysis, which often relies on EU development partners.
2. Accordingly, the establishment of *ex ante* quantitative objectives on the volume and weight of these tools should be avoided.
3. This said, since cash-for-development tools have been positively evaluated, the EC could adopt a position on their use, by sending a clear message to its development partners on the relevance and the possibility of funding these tools with EU aid budget and its different contract modalities. ECHO policy papers on emergency cash transfers could be a good example of this.
4. Specifically, implementation of the EU External Investment Plan could be reviewed in dialogue with EDFIs and international partners so as to determine if the guarantees and blended finance provided are adapted to strengthen support for microcredits.
5. Enhanced support to microfinance facilities by the EC could be taken as an opportunity to insert credit in more complex interventions and broader planning. Reimbursable aid providers tend to make demand driven funding allocations, though subject to responsible investment criteria, instead of seeking complementarity and synergies with other development interventions.
6. The use of cash transfers as long-term development aid could be explored by EU delegations in the framework of their dialogue with partner governments. In countries where cash-transfer schemes are being set up within governmental structures, budget support agreements could provide the framework for EU support. Furthermore, grant agreements with non-governmental institutions could be used for pilot programmes.

7. In order to facilitate the EU support for cash-for-development proposals when considered relevant and feasible by the partner governments and organisations, EU Delegations should be provided with information on these tools and their development potential as well as constraints according to empirical assessments. Moreover, some guidance should be provided on how to use the existing EU contracting modalities to support microcredits and cash transfers in partner countries.
8. Considering the geographical priorities of EU aid and the current situation regarding non-humanitarian cash transfers in Africa, further research on the scalability and sustainability of these programmes from an institutional and financial standpoint deserves support from the EU.
9. Finally, when exploring these possibilities, special attention should be given to the alignment and complementarity of these tools with other goals and agendas, such as the EU's Global Response to the COVID-19 crisis, the Digital Agenda and efforts to support liquidity.

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Annex I: Inventory of cash transfers

The following are cash transfer programmes found in the literature reviewed for the elaboration of this report²⁸.

Country	Program	Year start	Year end
Bangladesh	Primary Education Stipend (PES) Programme	2002	Ongoing
Bangladesh	Shombhob project	2012	2013
Bangladesh	The Female Secondary Stipend Programme (FSSP)	1982	Ongoing
Belize	Creando oportunidades para nuestra transformación social (Building Opportunities for Our Social Transformation, BOOST)	2011	Ongoing
Bolivia	Bolivida	1998	2001
Bolivia	Bono Juancito Pinto	2006	Ongoing
Bolivia	Bono Madre Niña-Niño Juana Azurduy	2009	Ongoing
Botswana	Botswana Old Age Pension	1996	Ongoing
Botswana	Botswana Orphan Care Program	1999	Ongoing
Botswana	Botswana Program for Destitute Persons	2002	Ongoing
Brasil	Bolsa Escola	2001	2002
Brasil	Cartão Alimentação	2003	Ongoing
Brasil	Programa Bolsa Verde	2011	2018
Brazil	Bolsa Alimentação	2001	Ongoing
Brazil	Bolsa Escola	2001	Ongoing
Brazil	Cesta Cheia, Família Feliz	2001	Ongoing
Brazil	Continuous Cash Benefit Program (BPC)	1993	Ongoing
Brazil	Programa de Erradicação do Trabalho Infantil (PETI)	1996	2006
Burkina Faso	Nahouri Cash Transfers Pilot Project	2008	2010
Cambodia	Cambodian Primary Scholarships Pilot	2008	2011
Cambodia	CESSP Scholarship Programme (CSP)	2005	Ongoing
Cape Verde	Cape Verde Minimum Social Pension	1957	Ongoing
Chile	Chile Solidario	2002	Ongoing
Chile	Chile Seguridades y Oportunidades - SSyOO (Ingreso Ético Familiar - IEF)	2012	Ongoing
Chile	Subsidio Único Familiar	1981	Ongoing
Colombia	Familias en Acción	2001	Ongoing
Colombia	Subsidios Condicionados a la Asistencia Escolar	2005	2012
Colombia	Más Familias en Acción	2001	Ongoing
Colombia	Red Unidos (Ex Red Juntos)	2007	Ongoing
Costa Rica	Avancemos	2006	2019
Costa Rica	Creemos	2019	Ongoing
Costa Rica	Superémonos	2000	2002
Ecuador	Bono de Desarrollo Humano	2003	Ongoing
Ecuador	Bono Solidario	1998	2003
Ecuador	Desnutrición Cero	2011	Ongoing
El Salvador	Comunidades Solidarias Rurales / Red Solidaria / Programa de Apoyo a Comunidades Solidarias	2005	Ongoing
Eritrea	Eritrea Results-Based Financing CCT	Not found	Not found
Ethiopia	Ethiopia Productive Safety Net Programme	2005	Ongoing
Ethiopia	Tigray Social Cash Transfer Program Pilot (SCTPP)	2011	Ongoing
Gaza and West Bank	Palestinian National Cash Transfer Programme (PNCT)	2010	Ongoing
Ghana	Livelihood Empowerment Against Poverty (LEAP)	2008	2017
Guatemala	Bono Social (ex Mi Bono Seguro) (2012-)	2012	Ongoing
Guatemala	Mi Familia Progresá (2008-2011)	2008	2011
Guatemala	Protección y Desarrollo de la Niñez y Adolescencia Trabajadora	2007	2008
Haiti	Ti Manman Cheri	2012	Ongoing
Honduras	Bono 10,000	2010	Ongoing
Honduras	Programa de Asignación Familiar-I (PRAF-I)	1990	1998
Honduras	Programa de Asignación Familiar-II (PRAF-II)	1999	2005
Honduras	Bono Vida Mejor (ex Bono 10.000 Educación, Salud y Nutrición)	2010	Ongoing
Honduras	PRAF/BID Fase III (2006-2009)	2006	2009
Indonesia	Direct Cash Transfer Program	2005	2008
Indonesia	Jaring Pengaman Sosial (JPS)	1998	2003
Indonesia	Program Keluarga Harapan	2007	Ongoing
Jamaica	Programme of Advancement Through Health and Education (PATH)	2001	Ongoing
Kenya	Kenya Hunger Safety Net Programme	2013	2018
Kenya	Cash Transfer for Orphans and Vulnerable Children (CT-OVC)	2009	2018
Kenya	Cash Transfers for the Elderly	2007	Ongoing
Kenya	Hunger Safety Net Programme (HSNP)	2013	2018
Lesotho	Lesotho Old Age Pension	2004	Ongoing
Lesotho	Child Grant Programme (LCGP)	2009	Ongoing

²⁸ An inventory of microcredit programmes (i.e. microfinance institutions, MFIs) is updated regularly by the World Bank at <https://datacatalog.worldbank.org/dataset/mix-market>. At the time of writing this report, 3114 MFIs distributed across 123 countries were listed at this webpage.

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Country	Program	Year start	Year end
Malawi	Social Cash Transfer Pilot Scheme (SCTPP)	2006	2008
Malawi	Social Cash Transfer Program (SCTP)	2009	Ongoing
Mali	Mali Bourse Maman	2002	2012
Mauritius	Mauritius Old Age Pension	1951	Ongoing
Mexico	70 y Más	2007	2013
Mexico	PROCAMPO	1994	Ongoing
Mexico	Programa de Apoyo Alimentario	2009	Ongoing
Mexico	Programa de Atención a Adultos Mayores en Zonas Rurales	2003	Ongoing
Mexico	Progresa / Oportunidades / Prospera	1997	Ongoing
México	Becas para el Bienestar Benito Juárez (2019-)	2019	Ongoing
México	Programa de Estímulos para el Bachillerato Universal, "Prepa Sí"	2007	2019
Morocco	Tayssir	2008	2010
Mozambique	Mozambique Food Subsidy Program	1990	Ongoing
Mozambique	Basic Social Subsidy Programme (PSSB)	1992	Ongoing
Namibia	Namibia Child Maintenance Grant	1960	Ongoing
Namibia	Namibia Disability Grant	1992	Ongoing
Namibia	Namibia Foster Care Grant	1960	Ongoing
Namibia	Namibia Old Age Pension	1992	Ongoing
Namibia	Namibia Special Maintenance Grant	1960	Ongoing
Nepal	Nepal Poverty Alleviation Fund	2003	Ongoing
Nicaragua	Atención a Crisis	2005	2006
Nicaragua	Red de Protección Social	2000	2006
Nigeria	Nigeria COPE CCT	2007	Ongoing
Nigeria	Nigeria Kano CCT for Girls' Education	2010	2011
Pakistan	Benazir Income Support Program (BISP)	2008	Ongoing
Pakistan	Punjab Female Stipend Program	2003	Ongoing
Panamá	Bonos Familiares para la Compra de Alimentos	2005	Ongoing
Panamá	Red de Oportunidades	2006	Ongoing
Paraguay	Tekopora	2005	2014
Paraguay	Abrazo	2005	Ongoing
Perú	Juntos (Programa Nacional de Apoyo Directo a los más Pobres)	2005	Ongoing
Philippines	Pantawid Pamilya	2008	Ongoing
Dominican Republic	Programa Solidaridad	2005	2012
Dominican Republic	Progresando con Solidaridad	2013	Ongoing
Rwanda	Rwanda Direct Support/VUP Programme	2008	Ongoing
Senegal	Senegal Child Focused Social Cash Transfer	2009	2011
Senegal	Senegal Pilot CCT (OVC Education)	2008	2010
Sierra Leone	Sierra Leone Unconditional Cash Transfer	2007	Ongoing
South Africa	South Africa Child Support Grant	1998	Ongoing
South Africa	South Africa Old Age Grant	1928	Ongoing
Swaziland	Swaziland Old Age Grant	2005	Ongoing
Swaziland	Swaziland Public Assistance Grant	1985	Ongoing
Tanzania	Tanzania Community Based-CCT	2010	2012
Tanzania	Tanzania HIV/AIDS CCT Pilot	2008	2010
Tanzania	Tanzania Social Action Fund (TSAF)	2000	Ongoing
Trinidad and Tabago	Targeted Conditional Cash Transfer Program (TCCTP)	2005	Ongoing
Uganda	Senior Citizen Grant (SCG)	2011	Ongoing
Uganda	Social assistance Grants for Empowerment (SAGE)	2012	2014
Uruguay	Asignaciones Familiares - Plan Equidad (2008-)	2008	Ongoing
Uruguay	Plan de Atención Nacional a la Emergencia Social (PANES)	2005	2007
Uruguay	Tarjeta Uruguay Social (ex-Tarjeta Alimentaria)	2006	Ongoing
Yemen	Social Welfare Fund (SWF)	1996	Ongoing
Zambia	Zambia Cash Transfer Pilots (Chipata, Kalomo, Katete, Kazungula, Monze)	2003	2010
Zambia	Harmonised Social Cash Transfer (SCT) program	2015	Ongoing
Zambia	Social Cash Transfer (SCT) program - Child Grant (CG) model	2011	2014
Zambia	Social Cash Transfer (SCT) program - Multiple Categorical Targeting Grant (MCTG)	2011	2014
Zimbabwe	Zimbabwe Protracted Relief	2008	2012
Zimbabwe	Harmonized Social Cash Transfer (HSCT)	2012	Ongoing

Annex II: Review of cash transfer and microcredit evaluation

- Cash transfers: evaluations, number of programmes evaluated and evaluation criteria

	Category	Evaluation reference	N. of programmes	Effectiveness	Impact	Efficiency	Sustainability	
Cash transfers (CT)	Emergency	Doocy & Tappis (2017)	8		X	X		
		Martins et al., 2013	1		X			
		Snilstveit et al. (2015)	1	X	X			
		Bailey (2013)	19			X		
		Bastagli et al. (2016)	2		X			
		Harvey & Bailey (2011)	4		X			
		Sulaiman (2016)	10				X	
		Non-emergency	Angeles et al. (2019)	1			X	
			Martins et al. (2014)	5			X	
			Pega et al. (2017)	15	X	X	X	
	S. Handa et al. (2018)		8		X		X	
	Snilstveit et al. (2015)		34	X	X			
	Bastagli et al. (2016)		19		X			
	J-PAL (2020)		16	X	X			
	McCord (2009)		5				X	
	S. Handa et al. (2016)		2			X		
	Samuels and Jones (2013)		5			X		
	Thome et al. (2016)	7			X			
	Mixed and unspecified unspecified	Snilstveit et al. (2015)	1	X	X			
		Pega et al. (2017)	2	X	X			
Snilstveit et al. (2015)		2	X	X				
Subtotal CT			120					

- Microcredits: evaluations, number of MFIs evaluated and evaluation criteria

Category	Evaluation reference	N. of MFIs	Effectiveness	Impact	Efficiency	Sustainability
Micro evaluations (historical debate)	Agrawala et al. (2010)	44		X		
	Bateman (2010)	86		X		
	Bateman and Chang (2009)	86		X		
	Beck, Thorsten (2005)	1	X	X	X	X
	Cepeda et al. (2018)	27		X		
	Coleman (2006)	3		X		
	Copstake (2002)	1		X		
	Deloach and Lamanna (2011)	1		X		
	Dichter (2007)			X		
	Dupas and Robinson (2013)	53		X		
	Feigenberg et al. (2010)	250		X		
	Freire (2006)			X		
	Goldberg and Karlan (2008)			X		
	Hulme (2000)			X		
	Hulme (2007)	86		X		
	Karlan and Apple (2011)			X		
	Karlan and Ziman (2010)	18		X		
	Khandker (2005)	86		X		
	Khandker and Hussain (2013)	86		X		
	Lacalle et al. (2008)	52		X		
	Maes and Reed (2012) Tucker 2006	328		X		
	Maldonado and Gonzalez-Vega (2009)	2		X		
	Pitt and Khandker (1998)	3		X		
	Robinson (2001)	78		X		
	Rogaly (1996)			X		
	Roodman (2012)			X		
	Sengunpta and Aubuchon (2008)	1	X	X	X	X
	Tucker (2006)	1		X		
	Van Rooyen et al. (2012)			X		
	Randomized control trials (improved micro-evaluation)	Angelucci et al. (2015)	1		X	
Attanasio et al. (2015)		1		X		
Augsburg et al. (2015)		1		X		
Banerjee et al. (2015b)		1		X		
Crépon et al. (2015)		1		X		
J-PAL (2018a)		7	X	X		
J-PAL (2018b)		11			X	
Tarozzi et al. (2015)		2		X		
Banerjee <i>et al.</i> (2019)	1		X			

Category	Evaluation reference	N. of MFIs	Effectiveness	Impact	Efficiency	Sustainability
Macro evaluation	Ahlin and Jiangm (2008)	2170		X		
	Castells-Quintana et al. (2019)	2411		X		
	Donou-Adnosou and Sylwester (2016)	1812		X		
	Hermes (2014)	1812		X		
	Imai et al. (2012)			X		
	Islam and O’Gorman (2019)	536		X		
	Kai and Hamori (2009)	1555		X		
	Lacalle et al. (2015b)	1708		X		
	Lacalle et al. (2019)	3620		X		
	Mahjabeen (2008)	86		X		
	Maksudova (2010)	2629		X		
	Sodokin and Donow-Adonsou (2010)	178		X		

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