PIM NOTE

THEORY OF CHANGE SUPPORTING TRANSITIONS FROM EMERGENCY CASH TRANSFERS TO REBUILDING LIVELIHOODS

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Introduction

Safety nets protect vulnerable households when their livelihoods are deteriorating. Safety nets are offered to people through different instruments. Traditional asset programs transfer material goods, including farm implements and livestock if participants are farmers. Food and cash transfers are offered to people who lack access and are therefore at risk of selling-off productive assets during acute emergencies and chronic crises. Emergency cash transfers, in particular, have become more common over the past three decades.

Despite increasing recognition of the importance of safety nets, their cost-effectiveness and "value for money" remain of concern to governments and donors. Therefore, safety net programs have increased their efforts to link their social objectives with economic goals such as poverty reduction, pro-poor growth, and sustainable livelihoods. This has increased the focus on graduation from safety net programs (Sabates-Wheeler and Devereux 2013).

In a fragile context such as in Somalia, the shift from emergency to long-term development has created a need to identify pathways to transition households from dependence on cash transfers to diversifying livelihoods. The debate supporting the "graduation approach" has led to diversification of interventions and adoption of interventions for people in extreme poverty based on the context-specific requirements, where there is no single solution to "pull the poor out of poverty" (Soares and Orton, 2017) or, in the case of Somalia, from cycles of emergency cash transfers. Threshold graduation from programs has been a hallmark of many programs (Browne 2013). However, development progress generated by safety nets can best be assessed by

KEY MESSAGES

- Emergency cash transfers reduce the risk of asset loss, increase food and nutrition security, and stabilize the livelihoods of vulnerable populations.
- We present a theory of change for increasing the likelihood of successful transitions from emergency cash transfers to diversified livelihood programs, contributing toward food security.
- Tighter integration of cash transfers and complementary safety net instruments is needed.
- Using an integrated theory of change can help safety net programs enhance the transition readiness of participants by design and strengthen the humanitarian aid–development nexus.

considering the transition readiness of beneficiary households moving between programs (see accompanying brief, Toward an Index to Assess Transitions from Emergency Response to Rebuilding Livelihoods).

The more robust the theory of change, we argue, the more effectively can the humanitarian and development community support transitions from emergency cash transfers to diversifying and sustaining livelihoods through productive safety nets. In the context of Somalia, the World Food Programme's (WFP) productive safety nets include both livelihood capability diversification and minor public works interventions, where relevant and prioritized by the community.

This brief presents a theory of change to support the seamless transition of vulnerable populations receiving emergency cash transfers to productive safety nets, with a strong emphasis on building self-sustaining, remunerative livelihoods. WFP Somalia's Urban Safety Net in Mogadishu is an interesting case for such a theory of change because WFP has completed the first phase of the program and now plans to expand the scale of operations with a strong emphasis on optimizing the transition from emergency cash transfers to productive safety nets.

Case: Urban Safety Net in Mogadishu

In Somalia, multiple shocks (flash floods, drought, desert locusts, violence, and the COVID-19 pandemic) have increased the food insecurity and livelihood risks of vulnerable populations in rural and urban areas. In response to internal displacements, WFP Somalia, in partnership with the Danish Refugee Council (DRC), manages an Urban Safety Net to deliver predictable and longer-term cash-based transfers to internally displaced people and poor households in Mogadishu. Each eligible recipient receives a transfer equivalent to US$35 per month, disbursed in a lump sum of $105 per quarter. WFP Somalia offers cash payments to beneficiaries, while the Urban Safety Net helps vulnerable populations to better withstand multiple shocks.

Typically, emergency cash-based transfers phase out after 24 to 36 months, as a result of project and funding life-cycles rather than established criteria for ending programs. WFP Somalia supports a livelihoods program that could absorb transfer participants. Identifying the right time for such transitions is hampered by the need for the appropriate methods and indicators to determine such moments. With good data, WFP Somalia could better target cash-based transfers and determine the readiness of beneficiaries to move on from emergency relief support, continue for additional cycles of cash transfers, or move into the productive livelihood programs or a hybrid mix.

The pathways between programs, however, require a thorough understanding of participants' transition readiness. Here we define transition readiness as the ability of a person or a household to transition successfully into a new, secure, diversified, and sustainable livelihood arrangement.

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Transition readiness thinking is the main component of a theory of change to better integrate cash transfers with productive safety nets and long-term livelihood support.

Foundational concepts to understand transitions

Soares and Orton (2017) argue that providing training and some assets does not result in the poor graduating out of poverty. Neither does such an approach consider personal attributes, which are a significant risk source that can affect change. Our proposed theory of change considers personal characteristics of the participants as a key determinant of the change process and trajectory – in other words, human agency matters. The transition readiness approach also studies "system performance and access to enablers." Further, the theory of change we present suggests possible indicators of transition readiness to facilitate program managers' decisions on who, when, and how to graduate households.

From graduation to transition

In the context of Somalia, where participants in emergency cash transfer programs are enrolled for a defined time period and exited at end of the intervention, the theory of change proposes a set of conditions related to human agency, systems performance, and access to enablers which will build toward transition options such as livelihood diversification, continuation of cash transfers for the chronically poor and households lacking labor, or a hybrid approach. As safety nets in Somalia are primarily donor funded, long-term predictable safety nets of over 10 years provided through social protection platforms are not available in the near future. Given the chronic emergency context, the extreme trauma, and the shattered lives and livelihoods faced in Somalia, we propose a transition from emergency aid to diversifying and improving livelihoods productivity driven by households self-selecting this option. The equivalent of "sustainable graduation" would be the transition readiness of the beneficiaries to embark on rebuilding livelihoods.

In its simplest form, a transition describes the process of entire systems (i.e., individuals, households, and communities) moving between two points in time. Transitions are collective experiences linked to expectations, coping responses, and consequences of an imminent or sudden change.

Community dynamics, markets, and support services offered by governments are all important components of a transition-oriented theory of change. Still, they are insufficient to enable transitions in the absence of agency and capability to enhance accompanying measures for individuals or households.

Understand pathways

Program participants follow heterogeneous livelihood pathways during transitions between programs. Often these pathways present two broad categories of households: improvers and late improvers who enjoy sustained improvements in three dimensions of well-being (material, relational, and subjective) and respond well to the transition between programs; and decliners and dropouts who experience improvements in the indicators during the program but lose gains during or after transitions. Decliners and dropout households need longer preparatory support, as well as additional support post-program (Sabates-Wheeler et al. 2018). A better understanding of these transitional patterns and pathways could help to target better accompanying measures. The Transition Readiness Index and data collected through the WFP post-distribution monitoring help identify the pathways (see accompanying brief on Transition Readiness Index).

System capabilities

As the ability of households to successfully transition depends on the broader system, the theory of change we suggest in this brief takes a nuanced view of system capabilities. While some capabilities are inherent to a system, others are dynamic. It is important to understand the enablers and disablers of successful transitions within the inherent capabilities and focus and build dynamic capabilities for change.

Inherent capabilities take a lot of time to change and often change little in response to accompanying services, skills training, and counseling. They are inherent to the person, household, market, or society in most cases. Examples of inherent capabilities include resident status, age, occupational requirements and the broader security setting.

Dynamic capabilities of people and social systems do change in response to interventions such as accompanying support, counseling services, and skills development. Examples of such dynamic capabilities at the individual level include goal orientation, stress management, and access to relevant market information. Understanding dynamic capabilities matters for developing targeted transition support measures.

Therefore, a theory of change should focus on supporting the dynamic capabilities of systems. For example, there is consensus among safety net specialists that some programs could target both consumption smoothing and productivity enhancement. Asset transfers are more effective when delivered during the cash transfer phase (Devereux and Isimbi 2019). Asset-based nutrition programs generate more synergies than asset- or nutrition-specific programs in isolation (Devereux and Isimbi 2019).

An essential capability of households and communities during transitions is adapting to unknown, often rapidly developing circumstances. Adaptive capacity is the ability to respond to changing contexts such as a deteriorating security situation, collapsing segments of informal markets, natural calamities including climate change, and the effects of shocks. Adaptive capacity is a direct outcome of individual and collective strength and system resilience. Hence, developing these adaptive capacities at all levels is the main feature of this theory of change and the WFP Somalia Urban Safety Net.

Targeting

"Know your clients" is a critical precondition for targeting cash transfers and accompanying support to the right people at the right moment. The more heterogeneous the safety net participants are, the more sophisticated the data collection required to know the households and the context in which they secure their livelihoods. As yet, metrics used by safety net programs monitor only a few key indicators that help to predict participants' transition readiness. We are now expanding these indicators to develop a comprehensive, multidimensional Transition Readiness Index to help safety nets target their interventions.

The Urban Safety Net in Mogadishu targets two broad categories of participants: First, internally displaced people who have migrated from rural areas in Somalia to the capital city in search of shelter, food, and health services. Second, households in vulnerable situations in urban Mogadishu who are at risk of losing livelihoods. Such households typically reside in informal settlements. Both target groups represent households with significant levels of vulnerability, female headedness, and joblessness. WFP and partners also include single women and households with disabilities and special needs.

Impact pathways

Along with our conceptualization of transitions, we define three broad areas of support to strengthen the links between humanitarian aid (such as cash transfers) and development (productive safety nets, livelihood support).

1. Human agency

This first impact pathway aims to enhance the capacity, capability, and agency of households and their members to prepare and eventually go through a transition from cash transfers to productive safety nets or other programs, with support such as:

- Trauma counseling and mentoring to improve mental health, especially for households that have undergone traumatic life events in the wake of internal displacements.
- Vocational training to increase the employability of recipients or to engage clients and customers when self-employment is the pathway of choice.
- Job placement support to expose future graduates to potential employment opportunities. Respective strategies must understand job market dynamics in both the formal and informal sectors.
- Business incubation and start-up grants to support potential entrepreneurs among cash transfer recipients with the basic capital to start a business.
- Coaching and mentorship.

The transition from emergency cash transfers to livelihood support will introduce additional aspects of building human agency as mentioned above. Sequencing these instruments and addressing the appropriate households in each of these sequences will be critical for success. The Transition Readiness Index aims to provide the analytics for tracking respective transitions. Also necessary will be the flexible use of instruments that build human agency, supported by flexible program budgets.

For the potential second phase, contingent on availability of funding for the Urban Safety Net in Mogadishu, WFP envisions two broad occupational strategies. One is urban and peri-urban farming. Measures include support for vegetable production, processing, and marketing. The value of urban and peri-urban farming is twofold. It provides additional foods for households and a fall-back option when households are short of cash. It also can become a remunerative livelihood that increases the cash flow into households. Supportive training and extension services will be essential for success.

Small enterprise development is the second major occupational strategy and includes carpentry, tailoring, food processing, and cooking. Like the urban farming strategies, the success of these strategies depends on the incubation of small-scale businesses fit to operate in the informal and formal sectors.

For all these occupational strategies, digital solutions will make an important contribution to linking safety net participants to potential service providers, job markets, and marketing.

The intervention also will acknowledge that certain chronically poor and labor-deficit households will need to be identified and receive continued long-term cash transfers.

2. Systems performance

A second major impact pathway aims to support communities in order to improve the performance of the system in which households are embedded. Social systems must enable transitions from emergency cash transfers to productive safety nets. Three broad instruments, and therefore investments, are critical.

- Group and community strengthening to enhance social capital and cohesion, especially between refugees and host communities.
- Labor market interventions, such as salary support, to absorb members of households whose participation in the emergency cash transfer program has ended. Work with social entrepreneurs to create employment opportunities for former recipients of emergency cash transfers. Support for participation in urban market systems.
- Measures to increase personal safety and security in urban neighborhoods, including measures to reduce domestic violence and increase buffering capacities against violent conflicts.

All three of these instruments contribute to a transition-conducive context. The better the performance of the social system in which households are operating, the better the support for transitions.

3. Enabling conditions

The third impact pathway increases the ability of the government and local NGOs to provide enabling support to participants transitioning from cash transfers to productive safety nets. Improved capacity of the service context has direct implications for the enabling system comprised of communities and households. The service context also mediates access to essential assets, information, and finance, all relevant for a successful transition of safety net participants. Instruments include:

- Capacity development for government staff in managing social safety nets and providing transition services to participants.
- Digital solutions to increase capacity for service provision to safety net participants.
- Strengthen access to microfinance and develop partnerships with banks to support clients' micro-business incubation with financial literacy and bank accounts.
- Strengthen service provision for physical and mental health and make respective mentoring services readily accessible to safety net participants.

Our theory of change assumes that specific transition support services provided by the government, health, and finance sectors are three key levers to increase the likelihood of a successful transition from cash transfer programs to other types of support. The mere existence of these services provides households with incentive to consider a proactive transition into programs that may support them in developing more remunerative livelihoods. These services also provide buffering capacities for communities hosting transition-ready households. Therefore, these services must be inclusive, and social safety net providers need to enhance this inclusiveness by developing the capacity of the entire safety net system.

Transition mentoring

A central feature of WFP Somalia's attempt to increase transition readiness of cash transfer participants is the development of capacity throughout the life-cycle of cash transfer and productive safety net programs. The profiling of participants takes note of the capacity needs in view of future livelihood options. The Transition Readiness Index provides the necessary metrics to understand emerging transition readiness and improving capabilities of certain target groups within the overall group of participants.

Although standardized, the accompanying courses contain flexible elements and modules targeted to program participants based on their needs.

In Mogadishu, for example, digital financial inclusion of cash transfer participants starts from profiling them upon enrolment in the social safety net. Participants enrolled in this course will pass through a three-stage curriculum. A foundational course module provides participants with the basic skills necessary for transitioning, including literacy and numeracy. The second stage offers participants technical knowledge and skills, and the third phase then prepares for the business incubation. Several of the instruments to increase household agency are embedded in this course. Successful completion of the course provides participants with relevant certificates. The effects anticipated through this course are not confined to the domain of knowledge and technical skills – social capital and networks will also be strengthened through social learning and group dynamic support. As such, the course supports the development of a framework to support transitions between cash transfers and productive safety nets. However, not all emergency cash transfer participants will be sufficiently ready to attend the offered course. The Transition Readiness Index helps identify the right participants at the right moment.

Alliances

No aid agency is likely to have the means and capabilities to manage comprehensive safety nets, as presented in this brief. Working in partnerships and broader safety net alliances offers one way to operationalize the theory of change underpinning urban safety nets.

The core implementers of the Urban Safety Net (Benadir Regional Administration and Mogadishu Municipality) oversee the cash transfer and productive safety net operations. They are critical to ensuring the quality and targeting of safety net services. Closer partnerships with banks and microfinance institutions are essential to support the second and third impact pathways. Partners, including civil society operating across the municipality, provide community services and, as such, strengthen the resilience of the broader social system in which transitions from cash transfers to productive safety nets take place.

Transition outcomes

The goals of cash transfer programs can be short, medium, and long term: to protect poor and vulnerable participants against hunger and destitution (reducing transitory/consumption poverty), to build up productive assets to enhance the resilience of the household against shocks and stresses (preventing declines into deeper poverty and destitution by supporting upward pathways via wage labor and entrepreneurial risk-taking), and to nurture a strategy for transitions to independent livelihoods (Slater and McCord 2009; Sabates-Wheeler et al. 2018). Hence, programs should enhance the beneficiaries' abilities to prevent, mitigate, and cope with consumption and livelihood risks without compromising assets. In this regard, the theory of change to support transitions is explicitly outcome oriented. Outcomes, however, are sequenced along the life-cycle of the programs.

Conclusion

Concentrating on cash transfers remains a central task of safety net programs. However, in the best-case scenario, transfers help stabilize resources and enhance resource accumulation. A comprehensive definition of transition and related indicators is therefore required. If these conditions are not met, beneficiaries are unlikely to become economically active simply as a result of transfers over a period defined by the program.

Without a doubt, social safety nets are critical for poor people. Given the complexity of transitions from these programs, we must develop concepts, indicators, and strategies to increase people's ability to transition. However, the aim is not to "exit" people from safety net programs as quickly as possible. Rather, it is necessary to design transfer programs so that beneficiaries are as best prepared as possible for life after transfer payments. To define these preparations in the best possible way, it is necessary to further develop new, innovative, systemically effective, and well-calibrated accompanying measures in different contexts.

Against this backdrop, the theory of change we propose in this brief advocates for a systemic, comprehensive framing of transitions from emergency cash transfers to productive safety nets. On the one hand, such framing will increase the cost of respective programs. Funds allocated to cash transfers will then be divided with diversifying livelihood measures. On the other hand, a systemic approach to transition readiness is likely to increase the success rate of transitions and increase the return on investment for funders.

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