



## Cash Benchmarking: A New Approach to Aid Effectiveness

Cash benchmarking aims to create a standard of cost-effectiveness to ensure that USAID's program design, procurement, and management system adds value to our foreign assistance investments. To do so, it uses the impact per dollar of household grants (i.e. unconditional cash transfers to individuals or households) as a "benchmark" to compare against the impact per dollar of a program, activity, or intervention. By examining whether an intervention is better than an equivalent sized household grant rather than simply being better than no intervention at all, cash benchmarking can help USAID improve the value for money of its programming.

### Background: Why Household Grants?

Evidence shows that household grants may have significant positive impacts on many development priorities targeted by USAID such as monetary poverty, household investment, school enrollment, health service use, female empowerment, nutrition outcomes, and stimulating the local economy. A major driver of the cost-effectiveness of household grants is that they are relatively economical to administer, with a large portion of the grant reaching the pockets of the beneficiaries. As a result, household grants of a value comparable to that of typical USAID programs may serve as a useful benchmark for programs targeting individual, household and village level outcomes. Cash benchmarking is not relevant for systems level programs such as vaccination campaigns, promotion of media freedom, public infrastructure, economic policy reform, etc.

USAID has commissioned research in Rwanda, Liberia, Malawi and the Democratic Republic of Congo to test the use of cash benchmarking as an approach to measure cost-effectiveness. For example, in 2015, with financial support from the U.S. Global Development Lab (now part of USAID's Bureau for Development, Democracy and Innovation) and [Google.org](https://www.google.org), the USAID/Rwanda Mission signed a [Global Development Alliance](#) with [GiveDirectly](#) to compare household grants to a [nutrition program](#) and a [workforce development program](#). In addition, the Agency has partnered with [Good Ventures](#) and the [Development Impact Lab at the University of California at Berkeley](#) on three studies that explore the impact per dollar of household grants on a wide range of outcome indicators. Overall, this research will add to the body of evidence on household grants and help establish the potential for a cash benchmark for a variety of outcomes that can be used when designing programs.

### Cash Benchmarking Next Steps

Per USAID's [Operational Policy for the Program Cycle](#), project and activity design teams are encouraged to consider the cost-effectiveness of programs and other related analyses in their decision-making process. Cash benchmarking can provide a rigorous minimum cost-effectiveness standard for USAID programming. USAID is developing a tool to synthesize household grant studies and estimate the impact per dollar of different household grant sizes on different outcomes based on country context.

### Additional Reading on Cash Benchmarking and Household Grants

- [Cash Learning Partnership Definition of Unconditional Cash Transfers](#)
- [Cash transfers: what does the evidence say? A rigorous review of impacts and the role of design and implementation features](#)
- [Highlights from the Research 4 Action Workshop on Cash and Nutrition](#)
- [Benchmarking a Nutrition Program Against Cash Transfers in Rwanda](#)
- [General Equilibrium Effects of Cash Transfers: Experimental Evidence from Kenya](#)
- [Cash Transfers and Temptation Goods | Economic Development and Cultural Change](#)