

CASH TRANSFERS: THEME AND VARIATIONS

Margaret Grosh Senior Advisor World Bank

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What, Why, and When?
Varieties of Cash Transfers
Basic Design Parameters
"Cash Plus:" Enhanced Design Options
Implementation Matters!

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WHAT ARE CASH TRANSFERS?

Cash transfer programs provide (ideally predictable and regular) income support

NB: "cash" no longer means only actual bills or coins, but also electronic fund transfers, implies fungibility in use

COMMON OBJECTIVES OF CASH TRANSFERS

Increase the incomes of the poor:

- Ideally in a "predictable manner"
- To help alleviate poverty
- Also used for redistribution objectives, to compensate for inequality in labor markets
- Smooth consumption: Help people cope with the consequences of shocks
- Facilitate other government reforms, e.g.,
 - Consolidate other social programs
 - Compensatory measures for other reforms (such as energy subsidies, tax reforms)

WHY GIVE CASH?

- 1. Consumer choice (demand-side factors). Because cash doesn't distort consumer preferences or presume to know what the individual families need.
- 2. Cost Effective (supply-side factors). Can be cheaper vehicle to deliver benefits than in-kind benefits (e.g., food)

WHEN & WHEN NOT TO USE CASH AS PART OF THE SAFETY NET

When is Cash Appropriate?

- Situations of Chronic Poverty
- Situations of Shocks
 - Emergencies with adequate food supply
 - Transitory shocks
- When delivery of benefits feasible:
 - Access to financial facilities (permanent or mobile)
 - Food and other necessities are available

When is Cash Inappropriate?

- When supply of essential goods disrupted (wars, natural disasters)
- Shallow financial markets (hard to move cash)
- When safety net is funded with in-kind contributions (food aid)

Plus Political Economy Considerations

IMPACTS: THE LITERATURE

Large Literature

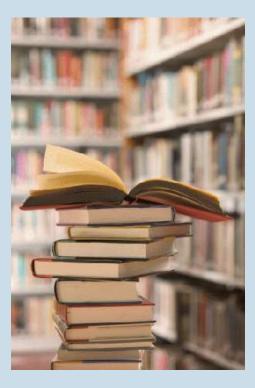
- Hundreds of individual studies
- A number of summaries:
 - Bastagli et al. 2016
 - Baez 2011
 - Hanlon, Barrrientos and Hulme, 2010
 - Grosh et al. 2008

Country Involvement

- Supported by governments and donors
 - in design of programs
 - In funding
- Initially very LAC focused, then Africa, now Asias catching up,

Because a hard case to make politically

And because of varied domains of impact



WELL SUBSTANTIATED IMPACTS IN SEVERAL DOMAINS

Do NOT

- Increase consumption of "temptation goods"
- Lead to laziness and reduced work
- Increase fertility

...

DO

- Reduce poverty among recipients
- Promote health, nutrition and development for young children
- Promote investment in education for schooling age children
- Reduce risky health behaviors for youth
- Contribute to women's empowerment and social cohesion
- Help build assets, productivity, employment
- Build resilience
- Have local multiplier effects

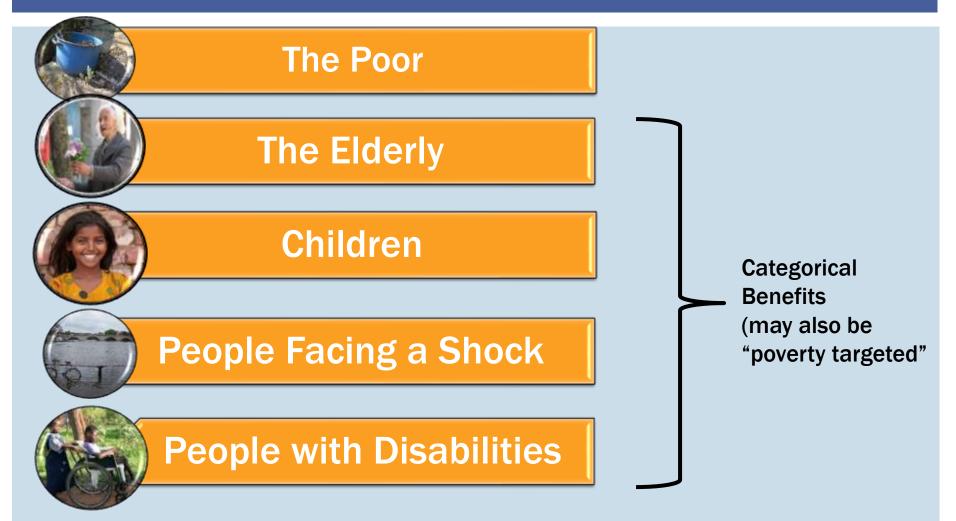
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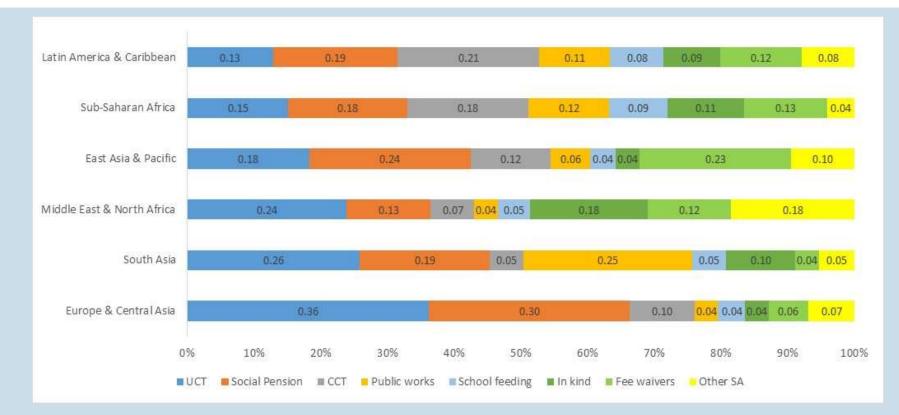
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CASH TRANSFERS CAN SERVE DIFFERENT GROUPS/PURPOSES



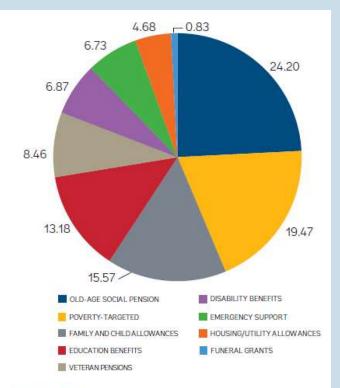
CASH TRANSFERS ARE A BIG PART OF SAFETY NET SPENDING



Source: State of Safety Nets 2018

CTs COME IN MANY FLAVORS: GLOBALLY

Share of spending on different kinds of cash transfers

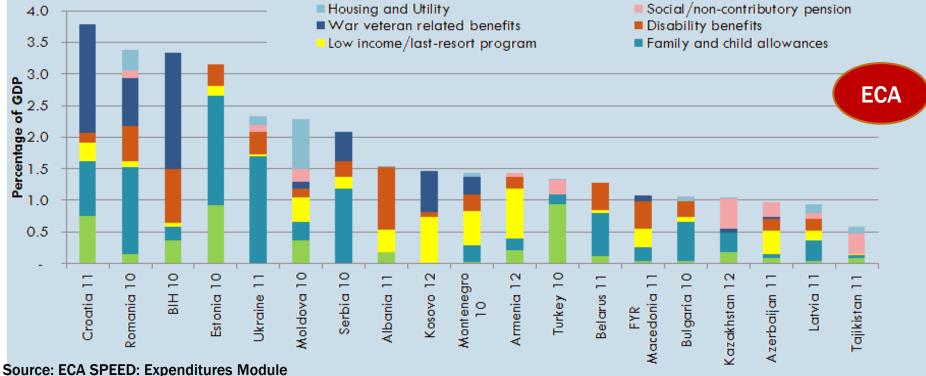


Source: ASPIRE.

Note: Average country spending on each type of transfer as share of total spending on unconditional cash transfers, based on the latest program spending value available between 2010 and 2014.

CTs COME IN MANY FLAVORS: AND WITHIN COUNTRIES

Social Assistance Spending as share of GDP, by main benefit types



Nith 20-40+ Separate Benefits Programs in Many Countries

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MANY DESIGN OPTIONS PARAMETERS AFFECT IMPACTS

Who to Support? (Target Group)

How much should they receive? (Size of Benefit)

> How to Structure Benefits with Conditions? (CCTs)

How many to support? (Coverage & Budget) How often to pay benefits? (Frequency of Payments) Who to Pay? (Designated Recipients)

How long Should they receive benefits? (Length of Enrolment) BROAD COVERAGE? OR NARROW TARGETING?

How many to support?

Trade offs between budget, coverage & size of benefit

What is role of specific program? 'last resort' after many others reduce need? 'first resort?

Different decisions for different programs

What is balance in social contract – mix of programs, tax structure and incidence

INSUFFICIENT BUDGETS FOR DESIGN TRIGGER ALL SORTS OF PROBLEMS

With insufficient budgets...

- Arrears, unsustainable
- Discretionary allocation of benefits
- Partial or irregular payments
- Understaffing or insufficient admin systems (poor quality)
- Erosion of purchasing power
- Frozen intakes so can't serve new clients

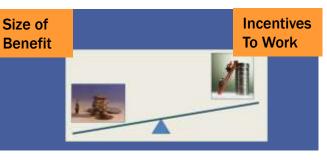
=> reduce impacts

SETTING BENEFITS: WHAT IS THE INTENDED PURPOSE?

- Supplement income for the poor? Achieve a food basket or other set of inputs?
- Compensate for the cost of raising children?
- Replace earnings of children to reduce child labor or support schooling?
- Replace income for those who aren't working (disability, old age, unemployment)



DISINCENTIVES TO WORK? THEORY AND EVIDENCE



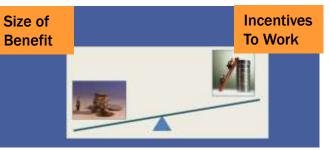
THEORETICAL CONCERNS:

- More income means people can afford more leisure
- Benefits adjusted (or taxes increased) as income rises will discourage work
- Might be larger effects for larger benefits, steeper withdrawal schedules or groups with tentative labor force attachment
- REASSURING EVIDENCE that poverty targeted transfers are not reducing ADULT work effort

Meta analysis:

- Banerjee, Hanna, Kreindler and Olken, 2016 re-analyze data from 7 RCTs
- "find no systematic that cash transfer programs discourage work"
 Literature review:
- Bastagli et al. 2016 detailed systemic review
- 74% of studies show reduction in CHILD labor;
- ADULT labor force participation INCREASES in over half of cases

DISINCENTIVES TO WORK? PRACTICE

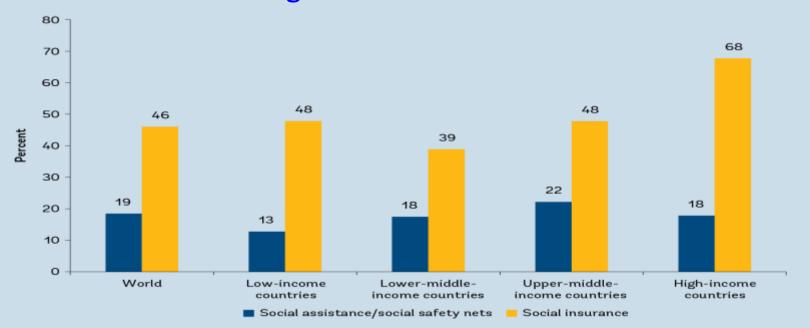


IN PRACTICE, we often see:

- Low benefits
- Eligibility often not income based or frequently updated
- Benefit levels rarely based on income
- Large share of beneficiaries unlikely to work (or work many hours) anyway – children, elderly, disabled, etc.
- Some programs have explicit nudges, supports or requirements for work or job search
- And many beneficiary households are also producers and use some of the cash to improve their businesses

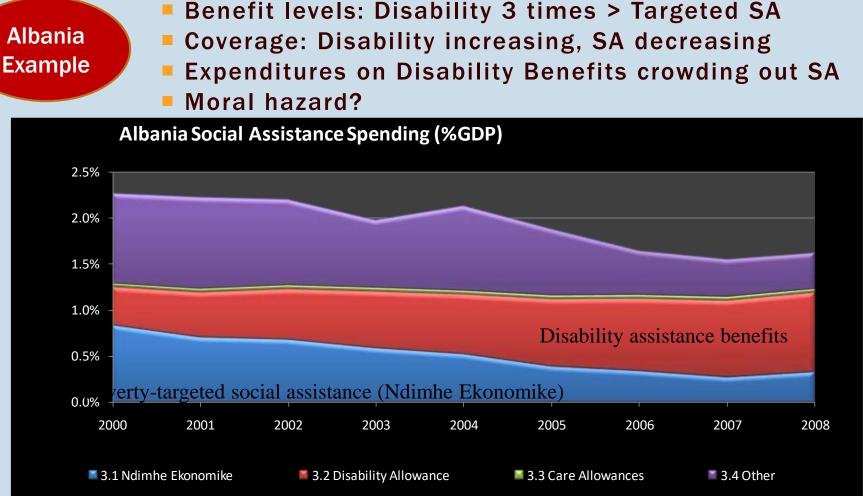
BENEFITS AS OBSERVED IN ASPIRE

SSN benefits account for 19% of the household consumption of the poorest quintile; social insurance benefits much higher



Source: ASPIRE database.

ANOTHER CONSIDERATION: BENEFIT LEVELS & INCENTIVE COMPATIBILITY IN SP SYSTEMS (ACROSS PROGRAMS)

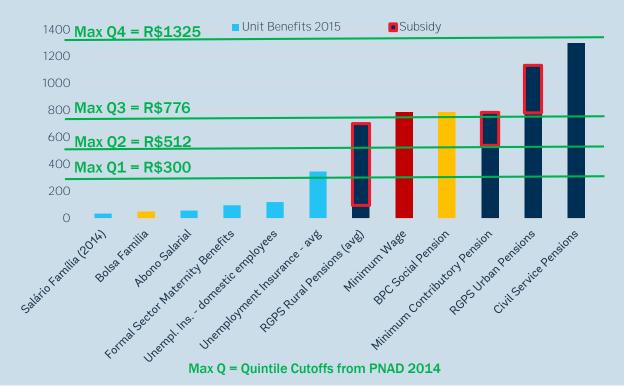


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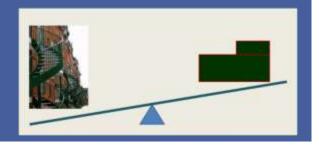
Brazil Example

- Bolsa benefits a tiny fraction of minimum wage
- And of child allowance available in formal sector
- And of subsidy in pensions system

Comparing Unit Benefits across Types of Programs



BENEFITS MENUS SIMPLE OR COMPLEX



Example 1:			
'Simple is easy'	FLAT BENEFIT PER HOUSEHOLD	BUT Large households get less per capita;	
		Poorer usually in larger households	
Example 2		Common but NOT	
Example 2:			

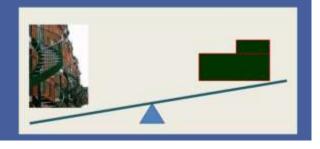
Much better for poverty

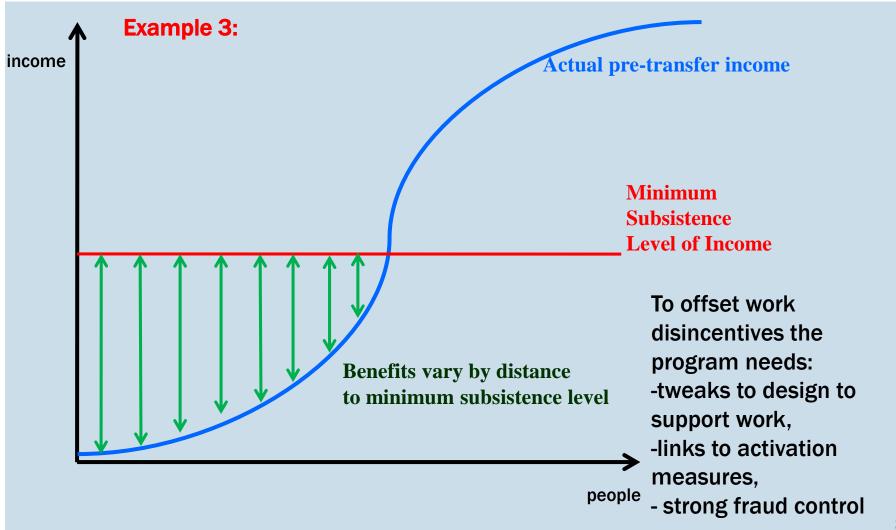


Common but NOT evidence-based concern over fostering fertility

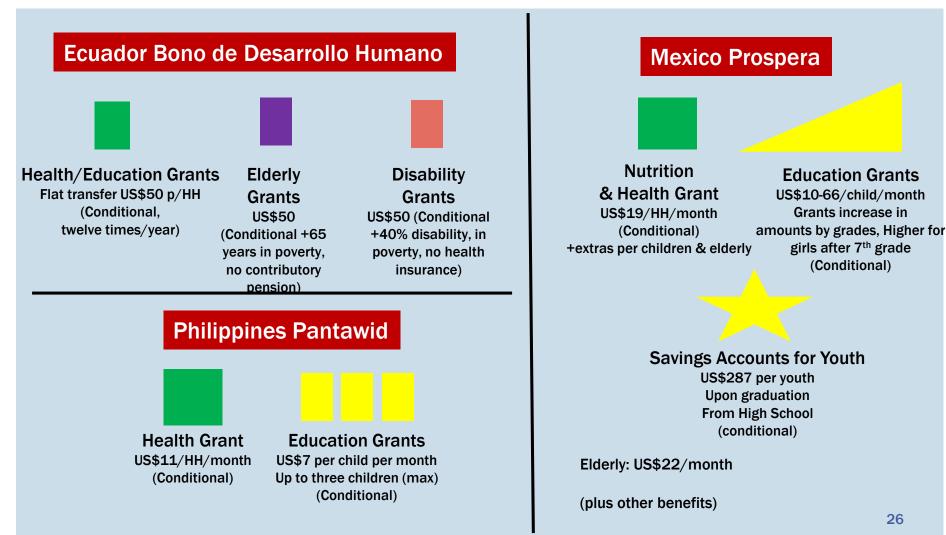
Common for: child allowances, social pensions, some poverty-targeted benefits

SIMPLE OR COMPLEX? GUARANTEED MINIMUM INCOME PROGRAMS

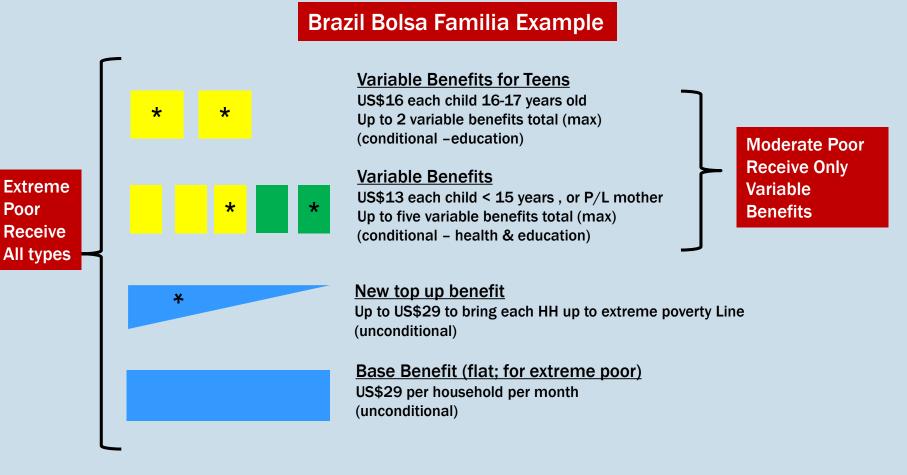




MANY EXAMPLES OF THE CLASSIC STRUCTURES, BUT ALSO MANY VARIATIONS



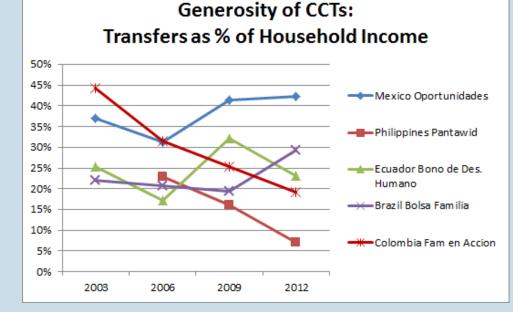
STRUCTURE OF BENEFITS VARIES A LOT



* = Added benefits in recent reforms

ADJUSTING BENEFITS OVER TIME

- Benefit values can erode over time (e.g., Philippines & Colombia)
- Unless their values are adjusted (e.g., Brazil & Mexico)
- Best to use an evidence-based, regular formula





Pantawid CCT - Philippines



FREQUENCY OF BENEFITS

How often to pay benefits? (Frequency of Payments)

Frequency of benefits:

- Depends on goals & implementation capacity
- Once? Monthly? Bi-Monthly? Quarterly?
- Only or higher in "hungry' season or at beginning school year, planting season

Predictability Matters!

Regularity of payments:

- Crucial for impact: stability of cash flow matters to the poor
- Respect a clearly established & communicated schedule
- Timing of benefits & elections (!)
- Pay everyone the same day?
 - "Multiplier" impact on local markets & prices is smoother if payments staggered throughout the month (e.g., if paying with banking system)
 - Security concerns for physical delivery of cash (for providers & beneficiaries)

DURATION, RECERTIFICATION, EXIT

How long Should they receive benefits?

Duration of Benefits for Specific Groups:

- Chronic poor vs. transient poor?
- Young children or school children?
- Disabled (temporary or permanent disability)?
- Elderly (start age, death)

Recertification:

- Again, depends on type of target group
- And institutional capacity
- Monthly, quarterly too much (costs to beneficiaries)
- Many countries: two years
- Political will to remove beneficiaries who do not qualify

Exit conditions:

- Exit criteria? E.g., higher income thresholds, earned income "disregards"
- Time limits? (But.... Chronic poverty)

WHO TO PAY? DESIGNATED RECIPIENT

Designated recipient ≠ target group

Who will receive the payment on behalf of:

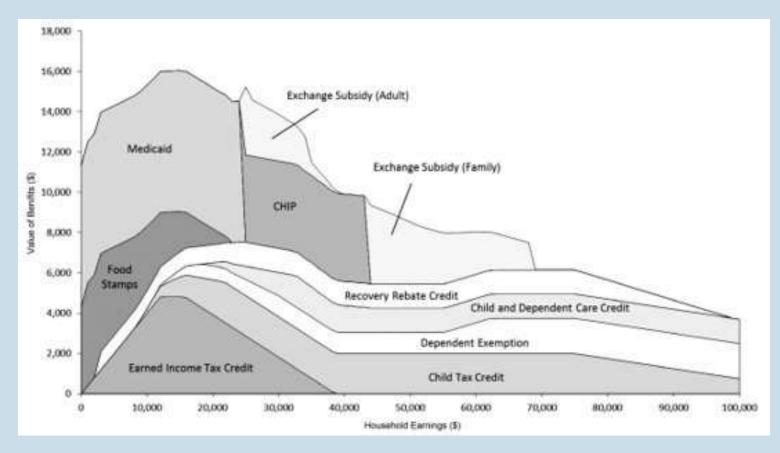
- The family (head of household? Mother? Father?)
- Children (parent? Which?)
- Youths (themselves or parent)?
- Severely Disabled (care giver, designee, institution)

Gender considerations:

- Many programs pay the benefits to the "woman / mother"
- Women may make more child-centric use of transfers (evidence-based)
- Empowering women can have impacts on women's health, intimate partner violence
- Cultural norms also matter

HOW DO THE PIECES FIT TOGETHER?

Selected SP interventions Colorado State, US



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CT PROGRAMS FREQUENTLY ADD "PRODUCTIVE" ELEMENTS

- For children
 - Information, nudges or conditions with respect to health and education
- For graduating youth:
 - Scholarships
 - Short course training, sometimes with apprenticeships
 - Entrepeneurship programs
- For families: 'productive inclusion'
 - Financial inclusion
 - Short course training, sometimes with apprenticeships
 - Entrepeneurship programs
 - Ag extension
 - Links into value chains
 - Asset transfers

SPECTRUM OF "SOFT" & "HARD" CONDITIONALITIES

Encouraged Participation In Awareness Workshops	Conditionalities Announced but Not monitored Or Enforced	Moni Enforce After	tionalities tored but ement only repeated ompliance	Conditionalities Monitored & Penalties Enforced For Non-Compliance
"Soft"	Human Capital Conditions Announced Ecuador Bono,		olsa Familia, stan WeT	"Hard"
Examples: Mali, Niger, Burkina Faso	Kenya OVC-CCT, Malawi M'chinji Ghana LEAP Lesotho CGP <u>F</u> Ca Co (trai	Productive CCT ameroon – Moral ntract with 10 actions ning, community works, human capital, etc.)		Mexico Panama El Salvador Jamaica Tanzania The Philippines

EXAMPLES OF "CASH PLUS" APPROACHES IN AFRICA AFR







Participation in awareness seminars On nutrition, family practices, health, Sanitation; Nutrition packet



Accompanying **Measures – Human capital** Examples: Mali, Niger, Burkina Faso, etc.







Accompanying **Measures – Productive** Examples: Ethiopia, Cameroun, Malawi, etc.

Incentives for Education & Health

CCTs with conditions on school attendance or health care use Examples: Tanzania, Rep. Congo, Togo Or with "Soft Conditions" Examples: Kenya, Malawi, Ghana Leap, Lesotho CGP

36

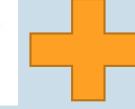






Participation in awareness seminars On productive practices, or public works







EXAMPLES OF "CASH PLUS" APPROACHES IN LATIN AMERICA



Social Contracts for each Family

Psycho-Social Supports At CENTER of the model

37

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EXAMPLES OF "CASH PLUS" APPROACHES IN MANY OECD COUNTRIES OECD





One-Stop Shops For Job Services + Benefits Social Supports & Links to other Social Services





THE PLUS AGENDA: ATTRACTIVE, BUT COMPLICATED

The PLUSes presumably add impacts, BUT:

- Add costs
- Rely on quality of allied services for impact
- Complexities of where to locate or link that
- How well targeted are the PLUSes on different families' constraints?
- If conditional, risk losing a part of the target population and benefits

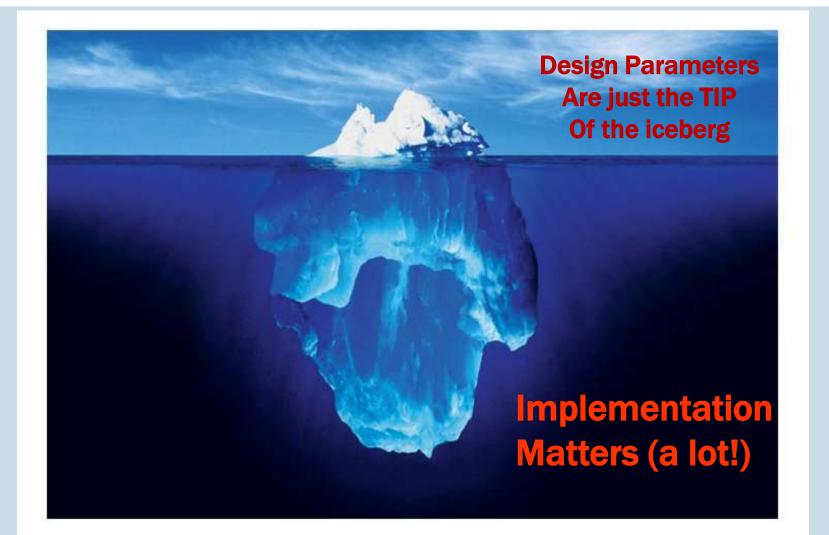
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IMPLEMENTATION MATTERS!



THANK YOU



