CASH TRANSFERS: THEME AND VARIATIONS

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OUTLINE

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

<table>
<thead>
<tr>
<th>Do NOT</th>
<th>DO</th>
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<tbody>
<tr>
<td>• Increase consumption of “temptation goods”</td>
<td>▪ Reduce poverty among recipients</td>
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<tr>
<td>• Lead to laziness and reduced work</td>
<td>▪ Promote health, nutrition and development for young children</td>
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<tr>
<td>• Increase fertility</td>
<td>▪ Promote investment in education for schooling age children</td>
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<td>▪ Reduce risky health behaviors for youth</td>
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<td>▪ Contribute to women’s empowerment and social cohesion</td>
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<td>▪ Help build assets, productivity, employment</td>
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<td></td>
<td>▪ Build resilience</td>
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<td>▪ Have local multiplier effects</td>
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CASH TRANSFERS CAN SERVE DIFFERENT GROUPS/PURPOSES

- The Poor
- The Elderly
- Children
- People Facing a Shock
- People with Disabilities

Categorical Benefits (may also be “poverty targeted”)
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

Source: ECA SPEED: Expenditures Module

With 20-40+ Separate Benefits Programs in Many Countries
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MANY DESIGN OPTIONS
PARAMETERS AFFECT IMPACTS

Who to Support? (Target Group)

Who to Pay? (Designated Recipients)

How much should they receive? (Size of Benefit)

How long should they receive benefits? (Length of Enrolment)

How to Structure Benefits with Conditions? (CCTs)

How many to support? (Coverage & Budget)

How often to pay benefits? (Frequency of Payments)
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)

Income supplement < Income replacement < Minimum wage
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
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
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)

- Benefit levels: Disability 3 times > Targeted SA
- Coverage: Disability increasing, SA decreasing
- Expenditures on Disability Benefits crowding out SA
- Moral hazard?

**Albania Example**

**Albania Social Assistance Spending (%GDP)**

Disability assistance benefits

Poverty-targeted social assistance (Ndimhe Ekonomike)

- 3.1 Ndimhe Ekonomike
- 3.2 Disability Allowance
- 3.3 Care Allowances
- 3.4 Other
ANOTHER CONSIDERATION:
BENEFIT LEVELS & INCENTIVE COMPATIBILITY IN SP SYSTEMS (ACROSS PROGRAMS)

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

Max Q4 = R$1325
Max Q3 = R$776
Max Q2 = R$512
Max Q1 = R$300

Max Q = Quintile Cutoffs from PNAD 2014
**Example 1:**

‘Simple is easy’

- **Flat Benefit Per Household**

**Example 2:**

Much better for poverty

- **Pay Per Capita**

**BUT**

Large households get less per capita; Poorer usually in larger households

Common but NOT evidence-based concern over fostering fertility

Common for: child allowances, social pensions, some poverty-targeted benefits
Example 3:

To offset work disincentives the program needs:
- tweaks to design to support work,
- links to activation measures,
- strong fraud control

Benefits vary by distance to minimum subsistence level

Minimum Subsistence Level of Income

Actual pre-transfer income
MANY EXAMPLES OF THE CLASSIC STRUCTURES, BUT ALSO MANY VARIATIONS

<table>
<thead>
<tr>
<th>Country</th>
<th>Program Name</th>
<th>Health/Education Grants</th>
<th>Elderly Grants</th>
<th>Disability Grants</th>
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<tbody>
<tr>
<td>Ecuador</td>
<td>Bono de Desarrollo Humano</td>
<td>Flat transfer US$50 p/HH (Conditional, twelve times/year)</td>
<td>Disability Grant US$50 (Conditional +65 years in poverty, no contributory pension)</td>
<td>Disability Grant US$50 (Conditional +40% disability, in poverty, no health insurance)</td>
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<tr>
<td>Mexico</td>
<td>Prospera</td>
<td>Nutrition &amp; Health Grant US$19/HH/month (Conditional)</td>
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<td>Education Grants US$10-66/child/month (Conditional)</td>
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<td></td>
<td></td>
<td>+extras per children &amp; elderly</td>
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<td>Savings Accounts for Youth US$287 per youth (Conditional)</td>
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<td></td>
<td>Elderly: US$22/month (plus other benefits)</td>
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</tbody>
</table>

(Conditional = requirement met to qualify for grant, +65 years = age required, no contributory pension = no requirement for additional income, +40% disability, in poverty, no health insurance = specific criteria for grant eligibility, Higher for girls after 7th grade = additional benefit for girls in higher grades, conditional = dependent on meeting certain criteria, flat transfer = fixed amount per household, boosts = increase in amounts by grades, higher for girls = additional benefit for girls in higher grades, upon graduation = grant awarded upon completion of education, from high school = grant awarded upon completion of high school education.)
STRUCTURE OF BENEFITS VARIES A LOT

Brazil Bolsa Familia Example

Extreme Poor Receive All types

Variable Benefits
US$13 each child < 15 years, or P/L mother
Up to five variable benefits total (max)
(conditional – health & education)

Variable Benefits for Teens
US$16 each child 16-17 years old
Up to 2 variable benefits total (max)
(conditional – education)

New top up benefit
Up to US$29 to bring each HH up to extreme poverty line
(unconditional)

Base Benefit (flat; for extreme poor)
US$29 per household per month
(unconditional)

* = Added benefits in recent reforms
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

Sources: Mexico ENIGH; Ecuador ENEMDU; Brazil PNAD; Colombia GEIH; Philippines FIES/APIS (2013 not 2012)
Frequency of benefits:
- Depends on goals & implementation capacity
- Only or higher in “hungry’ season or at beginning school year, planting season

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 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)
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
  - Entrepreneurship programs

- For families: ‘productive inclusion’
  - Financial inclusion
  - Short course training, sometimes with apprenticeships
  - Entrepreneurship 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

- Conditionalities Monitored but Enforcement only After repeated Non-Compliance

- Conditionalities Monitored & Penalties Enforced For Non-Compliance

**“Soft”**

- **Human Capital Conditions Announced**
  - Ecuador Bono,
  - Kenya OVC-CCT,
  - Malawi M’chinji
  - Ghana LEAP
  - Lesotho CGP

- Examples: Mali, Niger, Burkina Faso

**“Hard”**

- **Brazil Bolsa Familia, Pakistan WeT**

- **Productive CCT**
  - Cameroon – Moral Contract with 10 actions (training, community works, human capital, etc.)

- Mexico
  - Panama
  - El Salvador
  - Jamaica
  - Tanzania
  - The Philippines
EXAMPLES OF “CASH PLUS” APPROACHES IN AFRICA

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

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

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

Participation in awareness seminars
On productive practices, or public works

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

Incentives for Education & Health
EXAMPLES OF “CASH PLUS” APPROACHES IN LATIN AMERICA

Conditional Cash Transfers (CCTs)
Ex: Colombia Mas Familias en Accion, Jamaica PATH

Incentives for Education & Health

CCTs in broader Strategic Framework
Example: Brasil Sem Miseria; Mexico Prospera

Social Service Links

Productive Inclusion (Urban & Rural)

Social Contracts for each Family

Psycho-Social Supports At CENTER of the model

Integrated Service Models:
Example: Chile Solidario / Programa Puente
EXAMPLES OF “CASH PLUS” APPROACHES IN MANY OECD COUNTRIES

- Incentives For Work
- Social Contracts With Mutual Responsibilities
- 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!

Design Parameters Are just the TIP Of the iceberg

Implementation Matters (a lot!)
THANK YOU