DESIGN CHOICES FOR CASH TRANSFER PROGRAMS
MANY 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)

Who to Pay?
(Designated Recipients)

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

How often to pay benefits?
(Frequency of Payments)
Benefit Levels and Structures
SETTING CASH TRANSFER BENEFITS
(SIMILAR TRADE-OFFS FOR OTHER KINDS OF PROGRAMS TOO)
Scope of coverage largely depends on budget

Trade offs between coverage & size of benefit

Budget needs to cover:
- Annual total benefit outlays
- *And* administrative costs (central + local)

With insufficient budgets...
- Arrears, unsustainable
- Discretionary allocation of benefits
- Partial or irregular payments
- Understaffing (poor quality)
- Erosion of purchasing power
- \( \rightarrow \) reduce impacts
“I think that giving cash transfers to the poor makes them lazy and reduces their work efforts”

Your Answers:
- A. “I agree”
- B. “It depends”
- C. “I disagree”
I think that giving cash transfers to the poor makes them lazy and reduces their work efforts

- I agree: 0%
- It depends: 100%
- I disagree: 0%

Source: https://api.cvent.com/polling/v1/api/polls/spr8itdl
"The common perception in my country is that giving cash transfers to the poor makes them lazy and reduce their work efforts"

Your Answers:
- A. “Mostly true in my country”
- B. “It’s mixed”
- C. “Not very true in my country”
The common perception in my country is that giving cash transfers to the poor makes them lazy and reduces their work efforts.

- Mostly true in my country: 0%
- It's mixed: 0%
- Not very true in my country: 100%
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

- Baird, McKenzie and Ozler 2018
  - ‘the presumption that they will undermine work effort.......seems largely unfounded”
IN PRACTICE, we often see:

- Low benefits
- Targeting often not income based or frequently updated
- Benefits 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
Supplement income for the poor?
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)

MIN WAGE > income replacement > income supplement
SSN benefits account for 19% of the household consumption of the poorest quintile; social insurance benefits much higher.

Source: ASPIRE database.
Figure 2.10: Transfer Amount for Cash Transfer Programs, by Income Group

Source: ASPIRE database.

Note: The number of countries (one program per country) appears in parentheses. The largest, or flagship, cash transfer program is selected per country. See the full list of selected programs in appendix E. Transfer amount values (as designed) are converted to constant 2011 prices using the PPP and CPI from the World Development Indicators. Also, 2011 is used as the base year value to calculate the CPI ratio, as deflator, between the observed year and 2011 for all sample countries. Then it is divided first by the CPI ratio and then by the 2011 PPP value to obtain constant 2011 PPP USS. In cases where CPI series are not available from the World Development Indicators, the GDP deflator is used as a proxy for deflation, particularly for Argentina and Belarus. High-income countries are excluded from this analysis because of a small sample. ASPIRE = Atlas of Social Protection: Indicators of Resilience and Equity; CPI = consumer price index; PPP = purchasing power parity.
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)](image)

- Poverty-targeted social assistance (Ndimhe Ekonomike)
- Disability assistance benefits

Legend:
- 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 Familia 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
“I think it’s better to have:”

**Your Answers:**

- A. “A flat benefit for everyone” (all beneficiaries get the same amount)
- B. “A benefit amount that is calculated to bring each family up to the poverty line”
- C. “Something in between”
I think it’s better to have

A flat benefit for everyone” (all beneficiaries get the same amount) 0%

A benefit amount that is calculated to bring each family up to the poverty line 0%

Something in between 100%
BENEFITS MENUS
SIMPLE OR COMPLEX

Example 1:
‘Simple is easy’

Example 2:
Much better for poverty

FLAT BENEFIT PER HOUSEHOLD

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

PAY PER CAPITA

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

Income

People
Many examples of the classic structures, but also many variations

**Ecuador Bono de Desarrollo Humano**
- Health/Education Grants
  - Flat transfer US$50 p/HH (Conditional, twelve times/year)

**Mexico Prospera**
- Nutrition & Health Grant
  - US$19/HH/month (Conditional)
  - +extras per children & elderly

**Philippines Pantawid**
- Health Grant
  - US$11/HH/month (Conditional)
- Education Grants
  - US$7 per child per month
  - Up to three children (max) (Conditional)

**Savings Accounts for Youth**
- US$287 per youth
  - Upon graduation
  - From High School (conditional)

**Disability Grants**
- US$50 (Conditional +65 years in poverty, no contributory pension)

**Elderly**
- US$50 (Conditional +65 years in poverty, no contributory pension)

**Elderly Grants**
- US$50 (Conditional, twelve times/year)

**Education Grants**
- US$10-66/child/month (Conditional)
  - Higher for girls after 7th grade

**Disability Grants**
- US$50 (Conditional +40% disability, in poverty, no health insurance)
**STRUCTURE OF BENEFITS VARIES A LOT**

* = Added benefits in recent reforms

**Brazil Bolsa Familia Example**

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

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

**Extreme Poor**
- Receive All types

**Moderate Poor**
- Receive Only Variable Benefits
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

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)
“Cash transfer programs should always have time limits for how long people can benefit:”

**Your Answers:**
- A. “I agree”
- B. “I disagree”
- C. “It depends”
Cash transfer programs should always have time limits for how long people can benefit

- I agree: 100%
- I disagree: 0%
- It depends: 0%

Source: https://api.cvent.com/polling/v1/api/polls/sp2wh3qp
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)
“I think it’s better to pay benefits to:”

Your Answers:
- A. “The designated head of household”
- B. “The man in the household”
- C. “The woman in the household”
- D. “It depends.”
I think it’s better to pay benefits to

- The designated head of household: 0%
- The man in the household: 0%
- The woman in the household: 100%
- It depends: 0%

Source: https://api.cvent.com/polling/v1/api/polls/spx0keq9
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, child malnutrition, etc.
- Cultural norms also matter
TO CONDITION OR NOT
THE COUNTRY THAT I WORK ON:

- A. “Already has a CCT Program in operation”
- B. “Is actively developing a CCT Program”
- C. “Is considering a CCT Program”
- D. “Has no program or no plans for a CCT Program”
- E. “I can’t decide how to answer because I’m not sure how to define a CCT program’
The country that I work on

A. "Already has a CCT Program" 100%
B. "Is actively developing a CCT Program" 0%
C. "Is considering a CCT Program" 0%
D. "Has no program or no plans for a CCT Program" 0%
E. "I can’t decide how to an..." 0%

Source: https://api.cvent.com/polling/v1/api/polls/sp-73f6kl
SOME KEY ASPECTS OF CO-RESPONSIBILITIES

1. Define the Menu of Co-responsibilities
   What are the specific actions required of different categories of household members (e.g., pregnant-lactating women, young children, school children, etc.)? Do those actions apply to all household members in each category?

2. Monitor and Verify “Compliance”
   What are the “systems” for monitoring? Institutional roles & responsibilities? Information systems to support this? Frequency of monitoring? Frequency of data entry & reports?

3. Define Consequences for Non-Compliance
   What are the consequences if household members do not comply? Notification? Suspension or reduction in payments? By how much? Some % or 100% of benefits?

4. If Consequences are linked to Payments, calibrate timing and information flows for Enforcement of any Penalties
   Need to be clear on information systems to support links between conditionalities monitoring and payments systems; recognize the need for “lag times” between monitoring of conditionalities, decision on consequences for non-compliance, and imposition of any payments consequences
CCTS ARE VERY DIVERSE
(SOME EXAMPLES OF CONDITIONALITIES)

**Education**
(Enrollment, School attendance)

*Most LAC countries*
*Macedonia, Romania, Turkey*
*Cambodia, Philippines*
*Pakistan*
*Kenya, Tanzania, Ghana, Malawi, Congo, Togo, Senegal*

**Health Visits**
(prenatal, vaccines, child growth)

*Brazil, Chile, Colombia, Ecuador, Honduras, Jamaica, Mexico, Panama, Peru*
*Kazakhstan, Turkey*
*The Philippines*
*Tanzania, Congo, Togo, Senegal*

**Participate in Workshops**

*Colombia, Mexico, Panama*
*The Philippines*
*Pakistan WeT CCT*
*Mali, Niger, Senegal, Burkina Faso*
SOME EXAMPLES OF CONDITIONALITIES MENUS

**Tanzania CCT**

**Children ages 7-15**
- Enroll in school
- 80% attendance

**Children ages 0-5**
- Visit health clinics 6 times per year

**Elderly**
- Visit health clinic once per year

**Philippines Pantawid CCT**

**Children ages 3-5**
- Enroll in daycare or preschool
- 85% attendance

**Children ages 6-14**
- Enroll school
- 85% attendance

**Pregnant Women**
- Pre-natal visits each trimester
- Delivery assisted by skilled health professional

**Mexico Prospera**

**All Grantees**
- Regular school attendance for all kids for 3rd to 12th grades

**Grantees 7th-12th grade**
- Finish high school before 22 years old to receive savings account benefit
  *(jovenes con Prospera)*

**All members of HH**
- Visits to health clinics

**Brazil Bolsa Familia**

**Children ages 6-15**
- Enroll in school
- 85% attendance

**Children ages 0-7**
- Vaccines + medical care

**Pregnant/Lactating Women**
- Nutritional monitoring, pre-natal & post-natal checkups

**Grantees 7th-12th grade**
- Participate in health & nutrition workshops

**Elderly > 75**
- Visits to health clinics every six months

**Family**
- Attend family development session at least once/month

**All HH members > 15**
- Participate in health & nutrition workshops

**Children ages 6-14**
- De-worming pills at least twice a year at school

**Elderly > 75**
- Visits to health clinics every six months

**Teens ages 16-17**
- Enroll in school
- 75% attendance
“ACCOMPANYING MEASURES” IN CCTs (“Softer Conditionalities”)

**Accompanying Measures – Human capital**
Examples: Mali, Niger, Burkina Faso, Pakistan & The Philippines (Family Development Sessions).

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

**Accompanying Measures – Productive**
Examples: Cameroun, Malawi

Participation in awareness seminars
On productive practices, training sessions, or community works
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
DIVERSITY IN ENFORCEMENT & CONSEQUENCES FOR NON-COMPLIANCE

Lesotho CGP
- Beneficiaries instructed to “spend CCT on children”
-但 no Enforcement
- Evidence suggests it worked*

Brazil Bolsa Familia
- Warning (& social worker follow-up)
  - 1*
- 30-day blockage with Benefit accumulation
  - 2x
- 60-day suspension with benefit accumulation
  - 3x
- 60-day suspension with NO benefit accumulation
  - 4x
- Termination of Benefits
  - 5x

Philippines Pantawid
- Temporary Suspension for that month
  - 1
- Termination of Benefits
  - >1*

Mexico PROSPERA
- Temporary Suspension for that month
  - 1
- Termination of Benefits
  - 4-6*

* Ben Davis (2014)
* Instances of non-compliance
* “Continued non-compliance”
  * 4x continuous or 6x total
Typically a time lag is needed between conditionalities monitoring, verification, and any consequences linked to payments.

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<th>Verification, Data Entry &amp; Checks</th>
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In this illustrative example:
- Monthly payments
- Bi-monthly conditionalities monitoring
- Plus one month lag for any consequences links to payments
Conditionalities can have different meanings in diverse contexts:

- **C = Communications.** Conditionalities are communicated but not enforced (e.g., “spend CT on your kids” or “come participate in workshop”)

- **C = “Citizen Rights.”** Conditionalities should help the extreme poor take up their citizen rights for education & health. E.g., First instance of non-compliance in Bolsa Familia = signal for intervention or more “Care”

- **C = “Contract.”** Conditionalities serve as incentives for behavioral change. With the “contract,” benefits are suspended or terminated in case of non-compliance with conditionalities.
“WITH CCTS, CONDITIONALITIES SHOULD BE:”

- **A.** Announced but not monitored or enforced
- **B.** Monitored with warnings, extra help or small penalties for those who do not comply
- **C.** Monitored and enforced with quick and substantial reductions in benefits
With CCTs, conditionalities should be

- A. Announced but not monitored or enforced: 0%
- B. Monitored with warnings, extra help or small penalties for those who do not comply: 0%
- C. Monitored and enforced with quick and substantial reductions in benefits: 0%

Source: https://api.cvent.com/polling/v1/api/polls/sptsbmbw
Do the Conditions Matter?
Main argument for UCTs is that the key constraint for poor people is simply a lack of money.

The poor know what they need, and will spend or invest it to meet those needs.

Technical answers: To offset occasions where family decision-maker doesn’t have child’s interest fully to heart; when families don’t perceive the full long term returns to more education; when there are externalities to education or health.

Political answer: Transfers more acceptable if seen as going “beyond handouts” and “rewarding” socially desirable behaviors.
Philosophical appeal for “social compact” along the political spectrum – but with nuanced “interpretations”

CCTs viewed as less “assistencialista” by both sides

“Left:”
Social debt to the poor
Structural impacts on poverty
Conditionalities as basic rights

“Right:”
Not so expensive (cost/GDP)
Not just a cash handout
Conditionalities as contracts

Broad political support for CCTs by parties along political spectrum in many countries in LAC & across changes in administration
“IN MY COUNTRY (HOME OR FOR WORK):”

- **A. Conditions would/do increase political support for cash transfers**
- **B. Conditions would/do decrease political support for cash transfers**
In my country (home or for work)

A. Conditions would/do increase political support for cash transfers - 100%

B. Conditions would/do decrease political support for cash transfers - 0%
UCTs ALSO HAVE IMPACTS, BUT IMPACTS OF CCTs CAN BE HIGHER
0. UCT programs unrelated to children or education – such as Old Age Pension Programs (2)

1. UCT programs targeted at children with an aim of improving schooling outcomes – such as Kenya’s CT-OVC or South Africa’s Child Support Grant (2)

2. UCTs that are conducted within a rubric of education – such as Malawi’s SIHR UCT arm or Burkina Faso’s Nahouri Cash Transfers Pilot Project UCT arm (3)

3. Explicit conditions on paper and/or encouragement of children’s schooling, but no monitoring or enforcement – such as early Ecuador’s BDH or Malawi’s SCTS (8)

4. Explicit conditions, (imperfectly) monitored, with minimal enforcement – such as Brazil’s Bolsa Familia

5. Explicit conditions with monitoring and enforcement of enrollment condition – such as Honduras’ PRAF-II or Cambodia’s CESSP Scholarship Program (6)

6. Explicit conditions with monitoring and enforcement of attendance condition such as Mexico’s Oportunidades
Each unit increase in the intensity of the conditionality is associated with an increase of 7% in the odds of being enrolled in school:
What is the policy on consequences for non-compliance?
- Does it apply to all household members in each category (e.g., all school children)?
- What are the payments implications?
- If family members don’t comply and the family is terminated from the program, then the program loses the chance to help them

Many outcomes, many groups, many values may not be served by conditions / hard consequences:
- Some behaviors may lend themselves well to conditions, but be careful about degree of consequences (warning signal, % reduction, full reduction vs termination)
- Some behaviors may be better promoted through softer “accompanying measures” such as family development sessions (e.g., build nutrition awareness) rather than “hard conditions with monitoring and consequences”
Why the Hype about CCTs?
PROVEN RESULTS OF CCTs:
FOR A RELATIVELY LOW COST

- **Proven impact on range of outcomes**
  - Poverty, consumption, use of services in education and health, some outcomes

- **Total costs of CCTs:**
  - About **0.4%** of GDP for larger programs
  - CCTs often replace more expensive, badly targeted programs (fiscal consolidation)
  - Countries spend far more on regressive programs: e.g., 4% of GDP on deficits in pension systems – which largely benefit the rich

- **Administrative costs:**
  - Around **6-12%** for mature, large CCT programs
  - Though **Start-up costs** can be higher:
LAC’s programs were early movers on fronts other than conditions:

- EVALUATION REVOLUTION
- Step change in caliber of monitoring, accountability, documentation of processes, etc.
- Modernization of targeting
- Often catalyze the building of shared social registries

So a lot of the early hype on CCTs was actually about modern Social Assistance
What if the “supply-side” of social services is not available or of adequate quality in some areas (e.g., education & health)?

Where not available, options are:
- Build up the supply side
- Limit the CCT to areas where the supply of services is available
- Limit and or soften the condition

And of course QUALITY matters to outcomes
- CCTs have strong record of increasing service use but much weaker record of changing important HK outcomes
- Means the health and education services have to improve
THANK YOU!