CASH TRANSFERS: INTRODUCTION & OVERVIEW
“We have poverty-targeted cash transfer programs in my home country.”

- A. “I agree”
- B. “I disagree”
- C. “I don’t know”
“My job involves working with cash transfer a program (in any country).”

- A. “Yes – and the program is already operating”
- B. “Yes – but the program hasn’t started yet”
- C. “No – but we are considering it”
- D. “No”
OUTLINE

- What, Why, and When?
- Basic Design Choices for Cash Transfers
- “Cash Plus:” Enhanced Design Options
- Implementation Matters!
- Impacts
WHAT ARE CASH TRANSFERS?

Cash transfer programs provide (predictable and regular) income support to the poor and certain vulnerable groups.
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)
WHY GIVE CASH?

1. Cost Effective (supply-side factors). Can be cheaper vehicle to deliver benefits than in-kind benefits (e.g., food).

2. Consumer choice (demand-side factors). Because cash doesn’t distort consumer preferences or presume to know what the individual families need.
“If we give poor people cash, they will just spend it on stuff like alcohol, tobacco, or luxury items.”

Your Answers:

A. “I agree”
B. “I disagree”
C. “I sort of agree.... And I sort of disagree”
“If we give poor people cash, they will just spend it on stuff like alcohol, tobacco, or luxury items.”

- A. “I agree”
- B. “I disagree”
- C. “I sort of agree…. And I sort of disagree”
HOW DO BENEFICIARIES SPEND THEIR CASH?

Most of Pantawid cash grants finance basic needs:

• Food (almost half of grants)

• Spending in Human Capital (25% education, 7% health)

• Virtually none of them finances recreation or alcohol.

Data source: FIES 2012
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
OUTLINE

- What, Why, and When?
- Design Choices for Cash Transfers
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SO SIMPLE, RIGHT?

(DESIGN PARAMETERS)

- 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)
WHO TO SUPPORT?
CHOOSING A TARGET GROUP

Who to Support? (Target Group)

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

Categorical Benefits (may also be “poverty targeted”)
Targeting mechanisms (often in combination):

- Geographic targeting
- Household Eligibility Criteria: Means-tests & proxy means tests (PMT)
- Community-based targeting

[To be covered in detail in another session]

Different parts of social assistance may be more or less narrowly targeted, either by design choice/social contract, or due to imperfections in mechanisms.
## TARGETING THE DISABLED: FUNCTIONAL VS MEDICAL CRITERIA FOR DETERMINING DISABILITY

<table>
<thead>
<tr>
<th>Definition</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| **Functional:** Degree of “Inability to work” | • Conceptually appropriate  
• Consider full set of medical and other circumstances  
• Sensitive to context (accessibility of transportation, buildings, types of jobs, etc.) | • More complex to implement  
• Possible “discretionary” decisions  
• Moral hazard |
| **Medical:** Based on official list of impairments or diagnoses | • Simpler to guarantee equal treatment of people with same conditions  
• Easier to verify | • Does not recognize differences in severity  
• Does not recognize interactions among multiple conditions  
• Lists can be politically difficult to agree on |
Many programs target children:
- Family and Child Allowances (universal or poverty-targeted)
- Conditional Cash Transfers (CCTs)
- Benefits for Orphans & Caregivers

Targeting Criteria:
- AGE: (varies)
  - Newborns (0-2) – birth allowances (ECA: to promote fertility)
  - 0-5 (very young children)
  - School Age: 6-15, or extend to 18
  - Youths Only
- SOCIO-ECONOMIC STATUS:
  - Orphans
  - Poverty-targeted vs Universal
- OTHER CONSIDERATIONS:
  - Child linked to which adult? Or which household?
  - What happens with divorced parents (or missing parents)?
  - Payment to whom? (Designated recipient)
FAMILY & CHILD ALLOWANCES
NOT ALWAYS TARGETED TO POOR

But with high coverage of the poor in some countries

Source: ECA SPEED: Performance Module
Objectives: To ensure some base level of income support for the elderly (non-contributory)

Targeting Criteria:

- AGE:
  - Usually 65+ or 70+
  - Need strong social or civil registry
  - “Ghost beneficiaries” (death records)

- SOCIO-ECONOMIC STATUS: Targeted or universal?
  - Universal basic benefit for all elderly: e.g., Botswana, Mauritius, Namibia, Seychelles, Georgia, Bolivia, Japan, Korea, New Zealand, etc.
  - Targeted to poor elderly (usually means-tested): e.g., South Africa, Cape Verde, Peru, Colombia, Costa Rica, Ecuador, El Salvador, Paraguay, US, Germany, UK, etc.

- TARGETING BASED ON “PENSION STATUS”
  - Some countries use “social pensions” to reach populations not covered by contributory pensions – to reach “universality” of old-age coverage
  - Examples include: Lesotho, Swaziland, Panama, Mexico, Argentina, Chile, Uruguay, etc.
SOCIAL PENSIONS CAN HELP INCREASE COVERAGE OF ELDERLY

Examples from Africa:
Share of Population above Retirement Age in Receipt of a Pension

Source: ILO 2014

AFR Countries with Social Pensions
## CASH IN EMERGENCIES
(USUALLY AS PART OF BROADER RELIEF PACKAGE)

<table>
<thead>
<tr>
<th>Philippines Typhoon Yolanda 2013</th>
<th>Pakistan 2010 Floods</th>
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<tbody>
<tr>
<td>7 million people affected, 4 million people displaced</td>
<td>52% suffered the total collapse of all housing structures; 72% were displaced from their homes</td>
</tr>
<tr>
<td>Pantawid CCT transfers were distributed as part of a broader response (also food, shelter, reconstruction, etc.)</td>
<td>Phase-1 cash disbursed to 1.7 million families in first 6 months (geographic targeting)</td>
</tr>
<tr>
<td>Conditionalities for education &amp; health waived during disaster (as a matter of policy)</td>
<td>Phase-2 cash disbursed to 1.2 million households (using housing damage as a proxy)</td>
</tr>
<tr>
<td>Majority spent transfer on food, medicine, housing repairs, &amp; debt repayment</td>
<td></td>
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</tbody>
</table>
With 20-40+ Separate Benefits Programs in Many Countries

Source: ECA SPEED: Expenditures Module
SETTING CASH TRANSFER BENEFITS

KEY TRADE-OFFS

- Size of Benefit
- Higher Coverage
- Size of Benefit
- Incentives To Work

Complex Benefits Menus
Simple Benefits

How much should they receive? (Size of Benefit)
“I think it’s better for cash transfers to have:”

Your Answers:

A. “Bigger transfers for fewer people”
B. “Smaller transfers for more people”
C. “It depends.”
“I think it’s better for cash transfers to have:”

- A. “Bigger transfers for fewer people”
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HOW MUCH COVERAGE? FISCAL SPACE

- 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
  - => reduce impacts
“I think that giving cash transfers to the poor makes them lazy and reduce their work efforts”

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

- A. “I agree” 52%
- B. “I disagree” 44%
- C. “It depends” 5%
Generosity of benefits is lower in developing countries ... with median program adding 10% to 20% to pre-transfer consumption.

Little evidence that such transfers are reducing ADULT work effort.

Source: Tesliuc, E.
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)

Poverty-targeted social assistance (Ndimhe Ekonomike)

Disability assistance benefits
“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”
D. “I don’t know”
“I think it’s better to have:”

- **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”
- **D.** “I don’t know”
BENEFITS MENUS
SIMPLE OR COMPLEX

Example 1:
“Simplicity is good.”

- FLAT BENEFIT
  - Easy to administer
  - More Transparent
  - Less “divisive”

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

Example 2:

- Moderate Poor Receive Only Variable Benefits (e.g., per school-aged child)

Simple “benefits Menu”

Common for poverty-targeted benefits – conditional or unconditional
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

Actual pre-transfer income

Minimum Subsistence Level of Income

SIMPLE OR COMPLEX?
GUARANTEED MINIMUM INCOME PROGRAMS
GMI PROGRAMS:  
OFTEN WELL TARGETED  
BUT WITH LOW COVERAGE OF POOR

But coverage of poor is very low  
(often with low political support)

Source: ECA SPEED: Performance Module

Targeting accuracy very high...
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.”

- A. “I agree”
- B. “I disagree”
- C. “It depends”
**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:”

- A. “The designated head of household”
- B. “The man in the household”
- C. “The woman in the household”
- D. “It depends.”
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 better use of transfers (evidence-based)
  - Empowering women can have impacts on women’s health, child malnutrition, etc.
  - Cultural norms also matter
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EXAMPLES OF “CASH PLUS” APPROACHES IN LATIN AMERICA

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

Incentives for Education & Health

Social Service Links

Productive Inclusion (Urban & Rural)

Social Contracts for each Family

Psycho-Social Supports
At CENTER of the model

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

Integrated Service Models:
Example: Chile Solidario / Programa Puente
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 MANY OECD COUNTRIES

- Social Contracts With Mutual Responsibilities
- Incentives For Work
- One-Stop Shops For Job Services + Benefits
- Social Supports & Links to other Social Services
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IMPLEMENTATION MATTERS!

Design Parameters Are just the TIP Of the iceberg

Implementation Matters (More)
“Implementing cash transfer programs requires:”

- A. A tool for managing information
- B. A payments mechanism (such as banking system, mobile transfers, hand-to-hand cash delivery, post)
- C. Clear institutional roles and functions
- D. E. All of the above.

3% 4% 1%

A. A tool for managing information
B. A payments mechanism...
C. Clear institutional role...
D. E. All of the above.
IMPLEMENTATION:
COMMON ELEMENTS WITH TWO KEY PILLARS

Managing information
(social registries, beneficiary registries, conditionalities monitoring)

Managing Payments

Application Processes

Eligibility Determination

With CCTs: Verification of Co-Responsibilities

Payments Methods & Frequency

Audits, Oversight & Controls

Grievances, Appeals, Communication

Monitoring & Evaluation
IMPLEMENTATION:
PROGRAMS & SYSTEMS EVOLVE OVER TIME

Complexity, Range of Functions
(as capacity Develops, Programs & Technology Evolve)

Start Simple.
Expand Linkages; Improve quality; Integrate SP System
Process not linear...

“zero” (or starting point)

Develop Capacity For basic Functions
Expand Basic Functions; Improve Coordination With other Programs & Services
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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, Africa catching up, smattering elsewhere.

Because a hard case to make politically

And because of varied domains of impact
IMPACTS: THE RESULTS AS SUMMARIZED IN BASTAGLII ET AL 2016*

- **In poverty:** 72% of studies show reduction in poverty; 76 show increase in food or total expenditure;
- **In education:** 53% of studies show increased attendance; 32% increased test scores
- **In health:** 67% show increased health use; 58% increased dietary diversity, 23% improved anthropometric outcomes
- **In production:** 69% show increase in agricultural assets, inputs or livestock; 47% improved savings and borrowing; 56% for business/enterprise indicators
- **In employment:** 74% show reduction in child labor, adult labor force participation increases in over half of cases
- **In empowerment:** 71% show effects on contraception or multiple sexual partners; 75% on female decision making, marriage, pregnancy; 85% on abuse

* Detailed systematic review, of English language literature; journals (42%) and grey literature; 58% RCTs; 60% of studies on Latin American programs; 33% African, rest elsewhere; 56 programs – 57% CCTS, most in LAC; 20% UCTs, mostly in Africa
THANK YOU