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

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

Your Answers:

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!
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”
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
CASH IN EMERGENCIES
(USUALLY AS PART OF BROADER RELIEF PACKAGE)

Philippines Typhoon Yolanda 2013
- 7 million people affected, 4 million people displaced
- Pantawid CCT transfers were distributed as part of a broader response (also food, shelter, reconstruction, etc.)
- Conditionalities for education & health waived during disaster (as a matter of policy)

Pakistan 2010 Floods
- 52% suffered the total collapse of all housing structures; 72% were displaced from their homes
- **Phase-1** cash disbursed to 1.7 million families in first 6 months (geographic targeting)
- **Phase-2** cash disbursed to 1.2 million households (using housing damage as a proxy)
- Majority spent transfer on food, medicine, housing repairs, & debt repayment
What, Why, and When?
Design Choices for Cash Transfers
Implementation Matters!
Beyond Cash: Enhanced Design Options
SO SIMPLE, RIGHT?
(DESIGN PARAMETERS)

Who to Support?
(Target Group)

How much should they receive?
(Size of Benefit)

Who to Pay?
(Designated Recipients)

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)
WHO TO SUPPORT?
CHOOSING A TARGET GROUP

- The Poor
- People with Disabilities
- Children
- The Elderly

Categorical Benefits
(may also be “poverty targeted”)

Who to Support? (Target Group)
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]

There is no “perfect” targeting:

- Poor typically receive 40-80%
- Not efficient to narrowly target beyond 70-80% (costs, incentives, errors of exclusion)
- Political support for narrowly targeted programs?
# Targeting the Disabled: Functional vs Medical Criteria for Determining Disability

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

- Family and Child Allowances (universal or poverty-targeted)
- Benefits for Orphans & Caregivers
- Conditional Cash Transfers (CCTs)

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)
  - Need strong social registry
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
COMMON CHALLENGE: FRAGMENTED SAFETY NET SYSTEMS

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
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.”
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
ANOTHER CONSIDERATION:
BENEFIT LEVELS S & 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty-targeted social assistance (%)</th>
<th>Disability assistance benefits (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2001</td>
<td>1.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2002</td>
<td>1.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2003</td>
<td>1.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>2004</td>
<td>1.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2005</td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2006</td>
<td>1.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2007</td>
<td>1.3%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2008</td>
<td>1.2%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Poverty-targeted social assistance (Ndimhe Ekonomike)
“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”
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.

![Graph showing incentives to work](image)

Source: Tesliuc, E.
“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”
BENEFITS MENUS
SIMPLE OR COMPLEX

Example 1:
“Simplicity is good.”

FLAT BENEFIT

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

Easy to administer
More Transparent
Less “divisive”

Example 2:

Extreme Poor
Receive
Both

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

Simple “benefits Menu”

Common for poverty-targeted benefits – conditional or unconditional
SIMPLE OR COMPLEX?
GUARANTEED MINIMUM INCOME PROGRAMS

Example 3:

- Actual pre-transfer income
- Minimum Subsistence Level of Income
- Benefits vary by distance to minimum subsistence level

... There are many ways to complicate a program
GMI PROGRAMS: OFTEN WELL TARGETED BUT WITH LOW COVERAGE OF POOR

Distributional Incidence - Last Resort Social Assistance Programs (LRSA)

- Targeting accuracy very high...
- But coverage of poor is very low (often with low political support)

Source: ECA SPEED: Performance Module
**BENEFITS WITH CONDITIONALITIES**

- MANY OPTIONS FOR STRUCTURING BENEFITS

**Option 1:**
Equal payments within and across years

**Education Example**

**Option 2:**
Higher payments at beginning & end of school year

**Option 3:**
Higher payments across years (grades/classes)

**Option 4:**
Bonus upon graduation

**Other options:**
- Vary benefits by household size and composition
- Vary benefits by poverty level
- Adaptations for health conditionalities

More on this topic in CCT session
Frequency of benefits:
- Depends on goals & implementation capacity
- Once?
- Monthly?
- Bi-Monthly?
- Quarterly?

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”
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.”
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
What, Why, and When?
Basic Design Choices for Cash Transfers
Beyond Cash: Enhanced Design Options
Implementation Matters!
EXAMPLES OF “CASH PLUS” APPROACHES IN LATIN AMERICA

Conditional Cash Transfers (CCTs)
Ex: Brasil Bolsa Familia Mexico Oportunidades

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

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.

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

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
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
OUTLINE

- What, Why, and When?
- Basic Design Choices for Cash Transfers
- Beyond Cash: Enhanced Design Options
- Implementation Matters!
IMPLEMENTATION MATTERS!

Design Parameters Are just the TIP Of the iceberg

Implementation Matters (More)
COMMON ELEMENTS FOR CASH TRANSFERS
BUT NEED TO TAILOR & ADAPT
TO “LOCAL REALITIES”

**Country Context:**
* Political economy
* Social compact
* Cultural norms
* Etc.

**Institutional Aspects:**
* Governance Structures (e.g., decentralization, sector organization)
* Implementation capacities

**Common Elements Of Design & Implementation**

**“Target Population”:**
* Poverty profile
* Urban or rural? Special populations?
* Level of education, health indicators
“Implementing cash transfer programs requires:”

Your Answers:
- 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.
IMPLEMENTATION: COMMON ELEMENTS WITH TWO KEY PILLARS

Managing Information & Registries

- Application Processes
- Eligibility Determination
- With CCTs: Verification of Co-Responsibilities

Managing Payments

- Payments Methods & Frequency
- Audits, Oversight & Controls
- Grievances, Appeals, Communication

Monitoring & Evaluation
**IMPLEMENTATION:**
**NEED TO TAILOR TO INSTITUTIONAL ARRANGEMENTS & CAPACITY**

- No single “blueprint”
  - Depends on country context
  - Many models
- Two Aspects:
  - Flows of Information
  - Flows of Funds $$
- Challenges:
  - Administrative Capacity (Central, Local)
  - Many actors (especially in decentralized context)
  - Mandates and jurisdictions
  - “Third-party implementation” – and need for performance monitoring & incentives

**Example:**

Social Welfare Ministry

Payment agent

OR

Municipalities (Block Grants)

Family

Family

Family
IMPLEMENTATION:
PROGRAMS & SYSTEMS EVOLVE OVER TIME

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

Start Simple.
Expand Basic Functions; Improve Coordination With other Programs & Services
Expand Linkages; Improve quality; Integrate SP System

“zero” (or starting point)

Process not linear...
There are many ways to complicate a program. Keep it simple. At least at the outset.
THANK YOU