

# CONDITIONAL & UNCONDITIONAL CASH TRANSFERS



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# OUTLINE

- **What, Why, and When to Use Cash?**
- Types of cash transfer programs
- Design & Implementation

# WHAT ARE CASH TRANSFERS?

- **Cash transfer programs** provide cash assistance to the poor and certain vulnerable groups who could fall into poverty
- **Objectives:**
  - Increase the incomes of the poor
  - Help individuals and families cope with the consequences of shocks
  - Facilitate government reforms (e.g., consolidation of other social programs; compensatory measures for other reforms such as energy subsidies)

# WHY 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.





# 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:
  - Poor can access financial facilities (permanent or mobile)
  - Food is available

## When is Cash Inappropriate?

- When supply of essential goods disrupted (e.g., wars, natural disasters)
- When administrative targeting is not possible
- Shallow financial markets (hard to move cash)
- When safety net is funded with in-kind contributions (e.g., food aid)

# OUTLINE

- What, Why, and When to Use Cash?
- **Types of cash transfer programs**
- Design & Implementation

# TYPES OF CASH TRANSFER PROGRAMS



- **Poverty-Targeted Programs** (“Last Resort Programs”)
  - Unconditional Cash Transfers (UCTs)
  - Conditional Cash Transfers (CCTs)



- **Categorical Programs:**
  - Social Pensions (non-contributory pensions to the elderly)
  - Disability assistance
  - Family & child allowances
  - (Unemployment assistance)



- **“Near Cash” Benefits:**
  - Food stamps
  - Other vouchers

# TARGETED CASH TRANSFERS: GUARANTEED MINIMUM INCOME PROGRAMS (GMI)



- **Objectives:** Guarantee a minimum income for poor households below an income threshold
- **Benefit levels:** Generally equal to the difference between monthly household income and the threshold, but vary according to household size
- **Unconditional** (usually no co-responsibilities)
- **Coverage:** A safety net for the poorest. In practice, most cover less than 5%
- **Targeting:** Usually based on income and asset testing by social workers through social welfare offices
- **Complementary** to other social protection (pensions, unemployment benefits, family allowances)

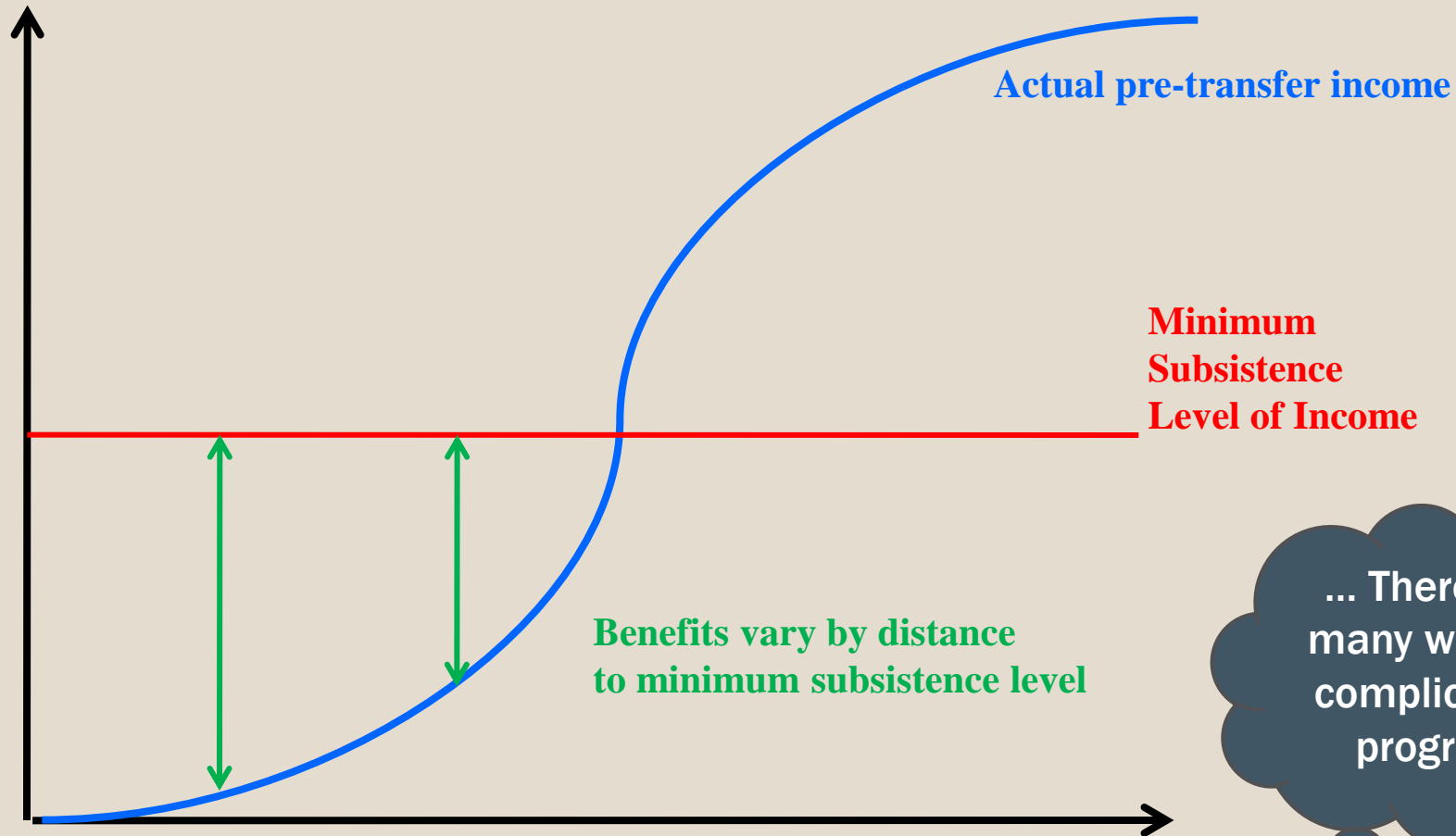
## EXAMPLES:

- *Most OECD countries*
- *Most ECA countries (EU new member states, Caucasus, Balkans)*
- *Some LICs: (e.g., Kyrgyz Republic, Moldova)*
- *China (Dibao program)*



# GMI PROGRAMS:

## SIMPLIFIED ILLUSTRATION OF BENEFITS CALCULATIONS



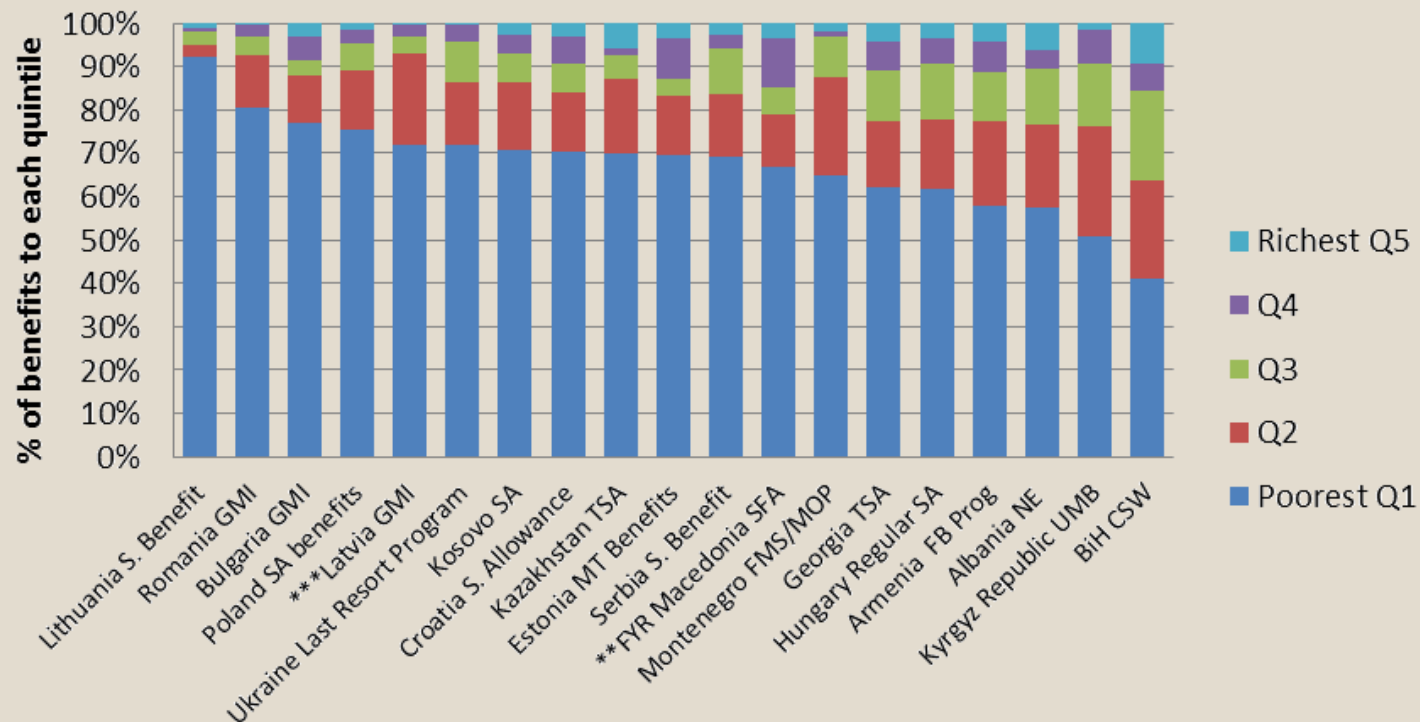
... There are many ways to complicate a program

# TARGETING ACCURACY OF GMI PROGRAMS IN ECA (LRSA)



Usually very well targeted (but also with very low coverage)

**Distributional Incidence - Last Resort Social Assistance Programs (LRSA)**



# TARGETED PROGRAMS: CONDITIONAL CASH TRANSFERS



## ■ Twin objectives:

- **Immediate poverty relief** through provision of cash transfers
- **Long-term poverty reduction** by linking transfers to incentives for investments in human capital (co-responsibilities)

## ■ Principle of Shared Responsibility

- Give cash stipend to the poor
- Poor need to ensure they carry out co-responsibilities



## ■ Targeting:

- Usually means-tested or proxy means-tested
- Often in combination with geographic targeting

## ■ Benefit levels and coverage vary

## EXAMPLES:

- *Most countries in LAC*
- *Several countries in East Asia & South Asia*
- *Several countries in Africa*
- *Several countries in ECA*
- *Several OECD countries*

# CCTs: MENU OF CO-RESPONSIBILITIES

(SOME EXAMPLES – PROGRAMS VERY DIVERSE)



## Education

(Enrollment, School attendance)



\*All LAC countries with CCTs

\*Macedonia, Romania, Turkey

\*Cambodia, Pakistan, The Philippines

\*Kenya

## Health Visits

(prenatal, vaccines, child growth)



\*E.g., Brazil, Chile, Colombia, Ecuador, Honduras, Jamaica, Mexico, Panama, Peru

\* Kazakhstan, Turkey

\* The Philippines

## Participate in Workshops / Sessions with Promotores



\*Chile Solidario (tailored family contract; meetings with social workers)

\*Colombia, Mexico, Panama (workshops)

\*The Philippines (Family Development Sessions)

## Productive Activities / Other



Often as complementary services (not conditions)

\*Brazil, Mexico, Ecuador

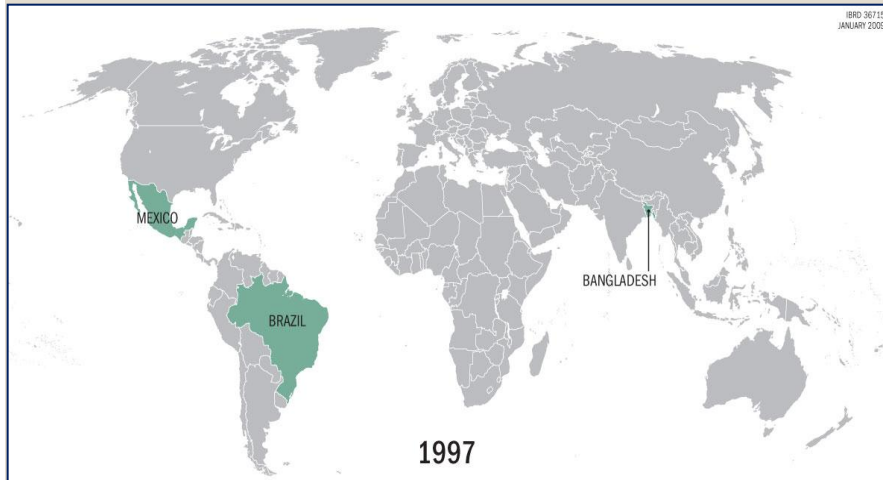
\*Kazakhstan

\*India, China<sup>2</sup>



# CCTs HAVE SPREAD TO OVER 40 COUNTRIES AROUND THE WORLD – WHY?

## Countries with Conditional Cash Transfer Programs



**1997**

**2010**

**Why So Popular?**



# PROVEN RESULTS: CCTS HAVE BEEN EXTENSIVELY EVALUATED

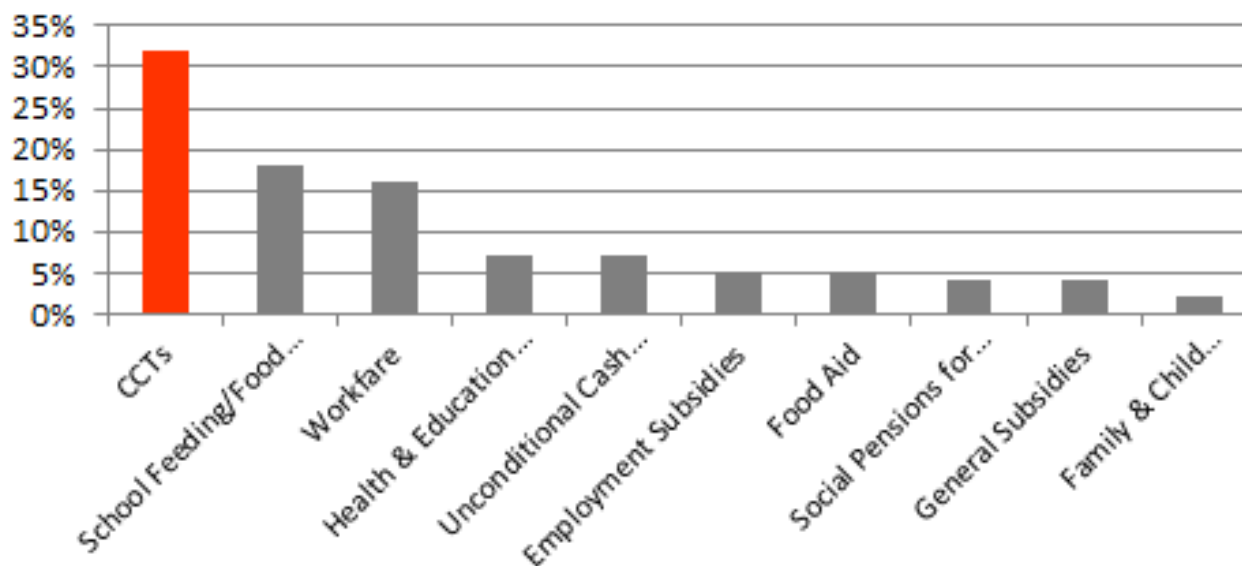


- Among the most studied of all social programs
- Hundreds of studies, including academic
- Widespread media scrutiny



## CCTs Under the Microscope:

% of Social Programs with Completed Impact Evaluations  
(World Bank/IEG, Baez (2011))



# PROVEN RESULTS OF CCTS:

## SUMMARY OF IMPACTS



### Social Inclusion

- Extensive coverage in many cases
- Bringing poor to formal economy, “identity” & use of services
- Good targeting accuracy (high share of benefits to poor)

### Poverty & Inequality Impacts

- Strong in many countries
- Redistributive impacts depend on size of transfer, coverage of poor

### Labor + Positive Economic Incentives

- Substantial reduction in **child work**
- Modest or no impacts on **adult work** effort (may ↑ LFP)
- Households **invest** part of the transfer (income-generating)

### Education Impacts

- ↑ enrollment, attendance (bring the kids to school)
- ↓ drop-out (keep them in school longer)
- But less evidence of impacts on learning & test scores (supply-side issue; quality of education system)

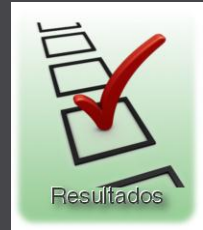
### Food, Nutrition, Health Impacts

- Some evidence of impacts on malnutrition & food cons.
- More use of health services, especially among poorest
- Some evidence of lower morbidity & reduced child mortality
- Some evidence of higher detection of breast cancer & diabetes

### Encouraging effects on Early childhood Development

- Improvements in receptive language (Nicaragua)
- Memory gains (Ecuador)
- Socio-Emotional (Ecuador)
- Fine Motor Skills (Ecuador)

# PROVEN RESULTS OF CCTs: FOR A RELATIVELY LOW COST



## ■ 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 higher-income people)

## ■ Administrative costs:

- Around 10-12% for most mature, large CCT programs
- Start-up costs can be much higher:
  - For example, in Mexico, administrative costs of beneficiary selection fell from 61% in first year (1997) to 3% in 2001.





# POLITICAL APPEAL OF “SHARED RESPONSIBILITY”

- **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:
  - CCTs introduced & supported across political parties & changes in administration in Brazil, Mexico and elsewhere

# ANOTHER ATTRACTION OF CCTs: CONSOLIDATING & COORDINATING SOCIAL POLICY...



## ■ “Window of opportunity” for other reforms – with important role for fiscal consolidation:

- Consolidating social programs (BR Bolsa Familia, Romania)
- Replacing less efficient in-kind transfers (Mexico)
- Facilitating reduction or consolidation of energy subsidies (Brazil, Indonesia, Moldova, etc.)

## ■ CCTs can help integrate & coordinate social policy:

- Boosting demand for health & education
- Enhancing focus on need for improving service quality (supply-side)
- Linking to other complementary services



# CATEGORICAL BENEFITS: SOCIAL PENSIONS



- **Objectives:** To ensure basic old-age security for those not covered by the contributory pension system
- **Eligibility:** Varies. Universal for all elderly or targeted to poor elderly
- **Financing:** mostly financed by general tax revenues
- **Benefit level & Incentive Compatibility:**
  - Setting appropriate benefit level is important:
    - If high relative to minimum contributory pensions undermines incentives to contribute (Uruguay case)
    - If too low, won't contribute to poverty alleviation, admin costs become large share of total (Argentina, Turkey)

**EXAMPLES:**  
*OECD Countries  
(Australia,  
New Zealand,  
Canada)*

*Africa (SA,  
Namibia,  
Mauritius,  
Botswana)*

*South Asia (India,  
Bangladesh,  
Nepal)*

*LAC: many  
countries*

*ECA: most*

# SOCIAL PENSIONS: EXAMPLES



- **Universal social pensions** – **Bolivia** provides a *universal* social pensions (fixed cash transfer) to all citizens over 65. *Multiple objectives*: to return the equity in the privatized state enterprises to the people, to cover the large majority of elderly not covered by the pension program, and to help reduce poverty. The program costs about 1% of GDP and covers 0.7% of the population. **Georgia** is another example.
- **Targeted social pensions** – **South Africa** old-age pension covers all women above 60 and men above 65, subject to a means-test. The program covered about 4.2% of the population and is funded through general taxes. The total program expenditure is about 1.4% of GDP in 2000.
  - **Impact**: Incidence of poverty; Health status of children and older people; Enrollment rates of school age children



# CATEGORICAL BENEFITS: DISABILITY ASSISTANCE



- **Objectives:** To provide cash assistance to the disabled as a vulnerable group for those not covered by disability insurance
- **Eligibility:** Varies. Universal for all disabled or targeted to poor disabled. This raises two levels for screening:
  - **Disability certification.** Classification of disability, institutional set-up / roles, time limits for recertification, etc.
  - **Means-testing** / Screening based on (poverty) need
  - (Also sometimes focused on disabled children – categorically)
- **Financing:** mostly financed by general tax revenues
- **Benefit level & Incentive Compatibility:**  
Setting appropriate benefit level is important
  - If high relative to disability insurance undermines incentives to contribute
  - If high relative to other social assistance benefits, incentives to “get certified” for disability benefits

## EXAMPLES:

*Most OECD Countries*

*ECA: most countries*

*LAC: (e.g., Brazil, Chile, Uruguay, Barbados, Bermuda, Trinidad and Tobago)*

*Hong Kong (China)*

*Africa: Liberia, South Africa*

# OPERATIONAL DEFINITIONS OF DISABILITY

## FUNCTIONAL VS MEDICAL CRITERIA



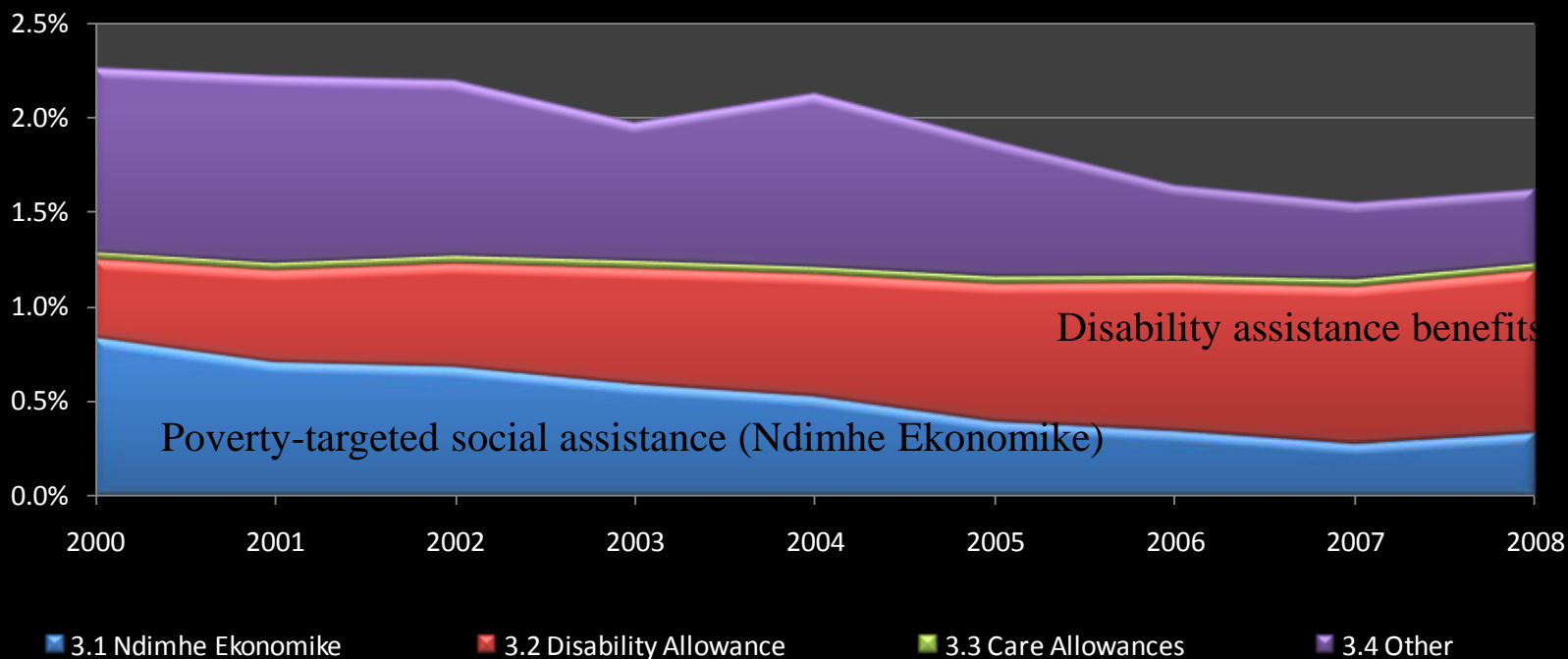
Definition	Advantages	Disadvantages
<b><u>Functional:</u></b> Degree of “Inability to work”	<ul style="list-style-type: none"><li>•Conceptually appropriate</li><li>•Consider full set of medical and other circumstances</li><li>•Sensitive to context (accessibility of transportation, buildings, types of jobs, etc.)</li></ul>	<ul style="list-style-type: none"><li>•More complex to implement</li><li>•Possible “discretionary” decisions</li><li>•Moral hazard</li></ul>
<b><u>Medical:</u></b> Based on official list of impairments or diagnoses	<ul style="list-style-type: none"><li>•Simpler to guarantee equal treatment of people with same conditions</li><li>•Easier to verify</li></ul>	<ul style="list-style-type: none"><li>•Does not recognize differences in severity</li><li>•Does not recognize interactions among multiple conditions</li><li>•Lists can be politically difficult to agree on</li></ul>

# INTERPLAY BETWEEN DISABILITY BENEFITS AND TARGETED SOCIAL ASSISTANCE: **ALBANIA EXAMPLE**



- Coverage: increasing for DB, decreasing for SA (NE)
- Benefit levels: DB 3 times > SA (NE)
- Expenditures on DB crowding out SA
- Moral hazard?

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



# CATEGORICAL BENEFITS:

## FAMILY & CHILD ALLOWANCES



### ■ **Multiple Objectives:**

- Support families to reduce child-raising costs
- Child protection objectives (reduce abandonment potential)
- Support to orphans
- Pro-fertility policies (e.g., Birth allowances in ECA)

### ■ **Eligibility:** Varies significantly.

- Means-tested child benefit to the poor
- Universal benefit to all children under certain age (wide age range)

### ■ **Benefit Levels:** often flat rate

### ■ Common in OECD and East European and the Former Soviet Union

### *EXAMPLES:*

*Most OECD countries*

*ECA: virtually all*

*Africa: Malawi, South Africa*

*LAC: Argentina, Chile, Costa Rica*



# “NEAR CASH” BENEFITS: FOOD STAMPS AND VOUCHERS



## ■ What are they?

- Food stamps or coupons are cash-like instruments that can be used to purchase food at authorized retail locations
- Vouchers are cash-like instruments that can be used to purchase specific services

## ■ Alternative Currency. The value of the stamp or voucher is backed by government commitment to pay (reimburse retailers or service providers)

## ■ Benefit Levels:

- In theory, some link to minimum consumption basket or minimum cost of service. Some food stamps programs restrict households to only by specific foods.
- In practice, food stamps benefits often only represent a small share of the cost of the food basket

## ■ Eligibility and Administrative Requirements:

- Same as for cash but...
- With added requirement of printing and distributing alternative currency

## Examples:

### Food Stamps:

*United States*

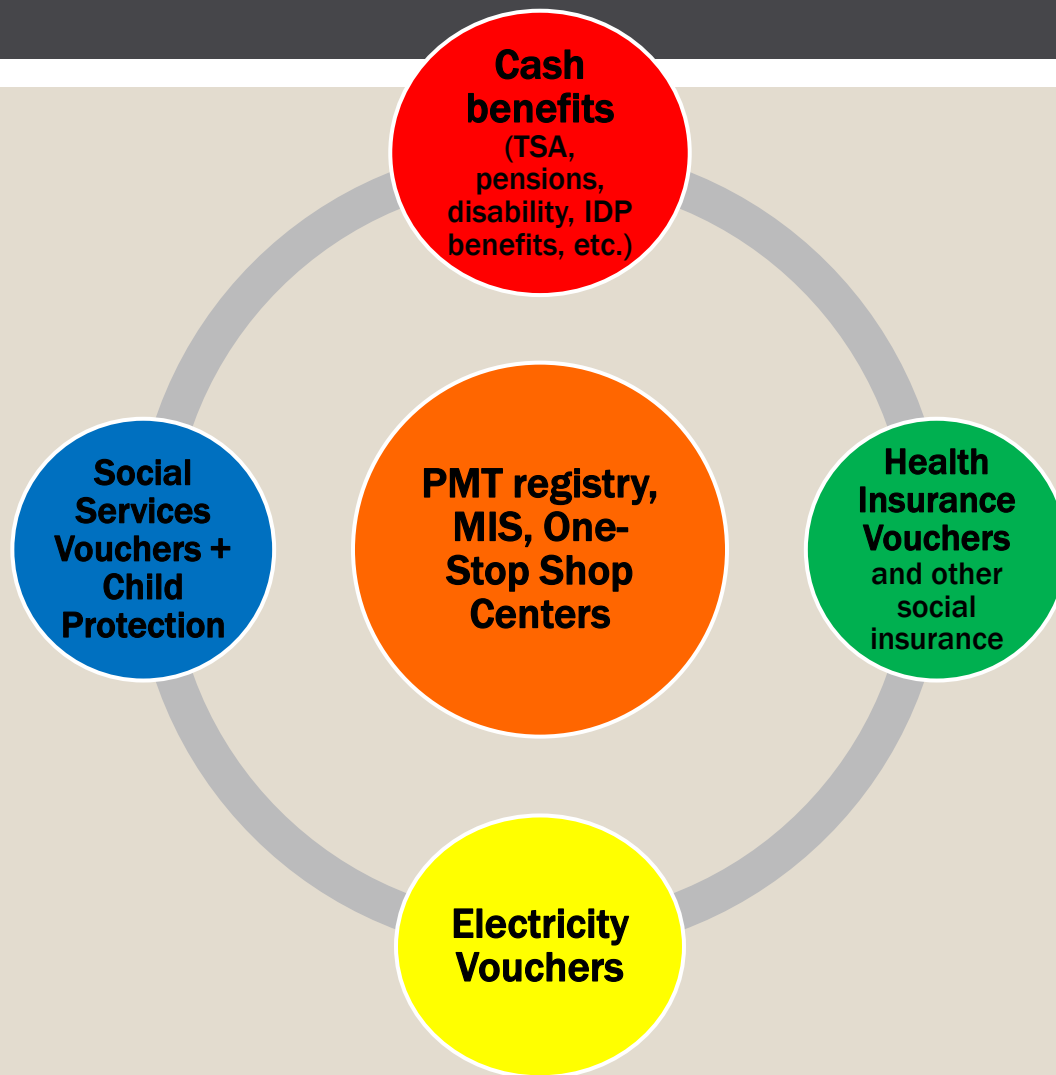
*Jamaica (until 2002)*

*Sri Lanka*

### Vouchers:

*Numerous examples,  
see Georgia  
example next slide*

# GEORGIA EXAMPLE: USING VOUCHERS TO COMPLEMENT TARGETED CASH ASSISTANCE



Outside SSA:  
Education  
vouchers using  
PMT registry

Outside SSA:  
Ministry of  
justice using  
PMT registry for  
provision of  
legal services

# OUTLINE

- What, Why, and When to Use Cash?
- Types of cash transfer programs
- **Design & Implementation**

# 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

# DESIGN: WHO RECEIVES THE BENEFITS?

## BENEFICIARY SELECTION

- Targeting mechanisms (usually a combination):
  - Geographic targeting
  - Means-test (income, asset); proxy means
  - Community-based targeting

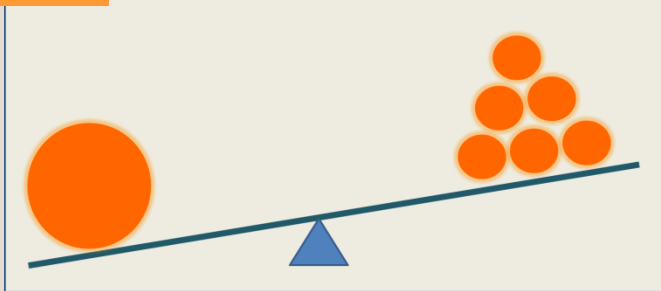
[To be covered in detail in another session]
- There is no “perfect” targeting:
  - Poor typically receive 40-80%
  - Not efficient to narrowly target beyond 70-80% (costs, incentives, errors of exclusion)
  - Political support for narrowly targeted programs?
- Entry and exit conditions:
  - Should be well known and enforced
  - Recertification
  - Political will to remove beneficiaries who do not qualify
  - Exit criteria? E.g., higher income thresholds, earned income “disregards”
  - Time limits? (But.... Chronic poverty)



# DESIGN: HOW MUCH DO THEY RECEIVE? KEY TRADE-OFFS IN SETTING BENEFITS

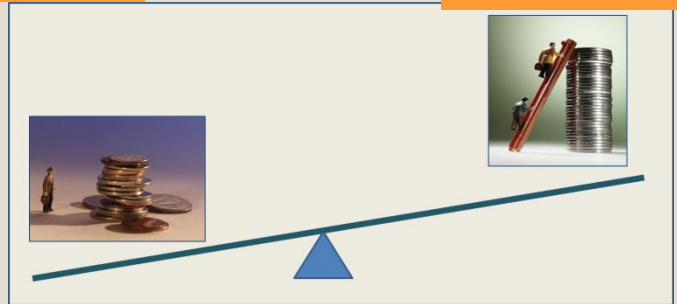
Size of  
Benefit

Higher  
Coverage



Size of  
Benefit

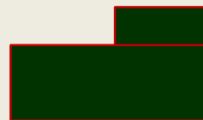
Incentives  
To Work



Complex  
Benefits  
Menus



Simple  
Benefits



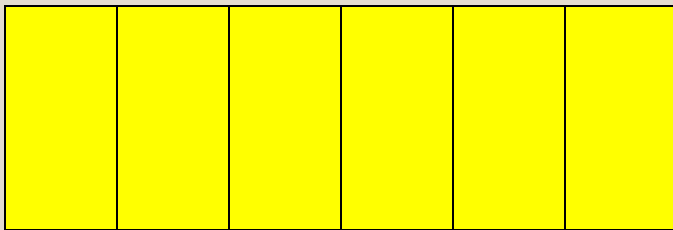
... There are  
many ways to  
complicate a  
program

# DESIGN OF CCTs: MANY WAYS TO STRUCTURE BENEFITS MENU + CONDITIONALITIES

## Example: CCT with Education Conditionalities

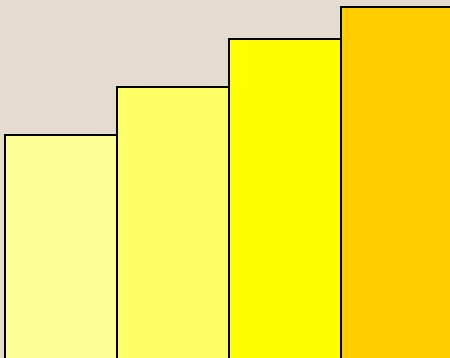
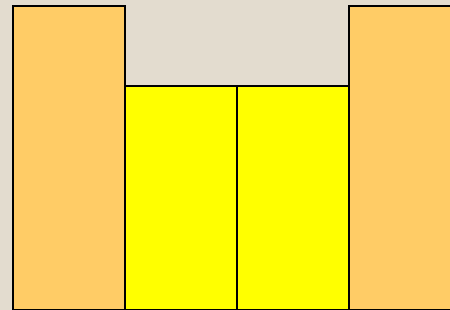
### Option 1:

Equal payments within and across years

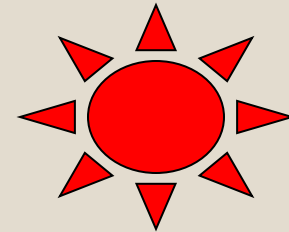
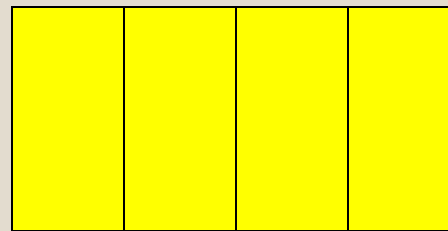


### Option 2:

Higher payments at beginning & end of school year



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



**Option 4:** Bonus upon graduation

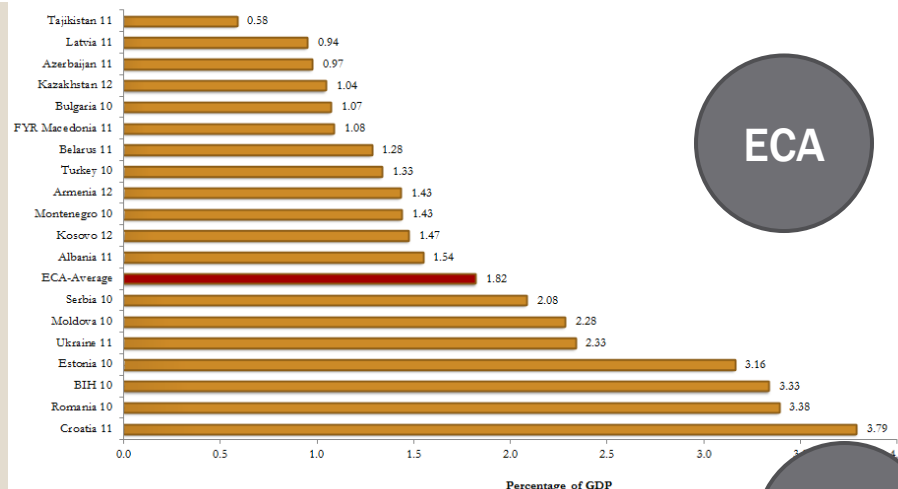
### Other options:

- Vary benefits by household size and composition
- Vary benefits by poverty level
- Adaptations for health conditionalities

# DESIGN: HOW MUCH COVERAGE? FISCAL SPACE & SUSTAINABILITY

- **Scope of coverage largely depends on budget**
- **Budget needs to cover:**
  - Annual total benefit outlays
  - *And* administrative costs (central and local, operating agents)
- **With insufficient budgets...**
  - Arrears
  - Discretionary, instead of rule-based allocation of benefits
  - Partial payments
  - Understaffing
  - Ad hoc adjustment to inflation, erosion of purchasing power
  - => reduce impacts

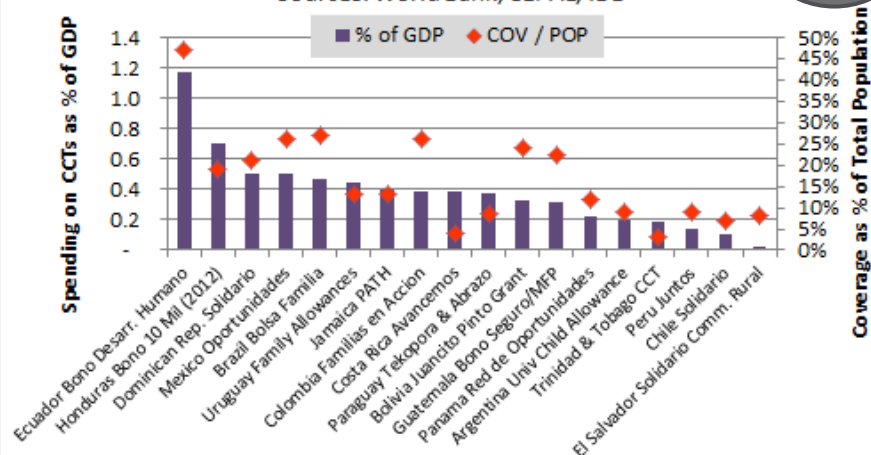
Social Assistance Spending, percentage of GDP, latest year available



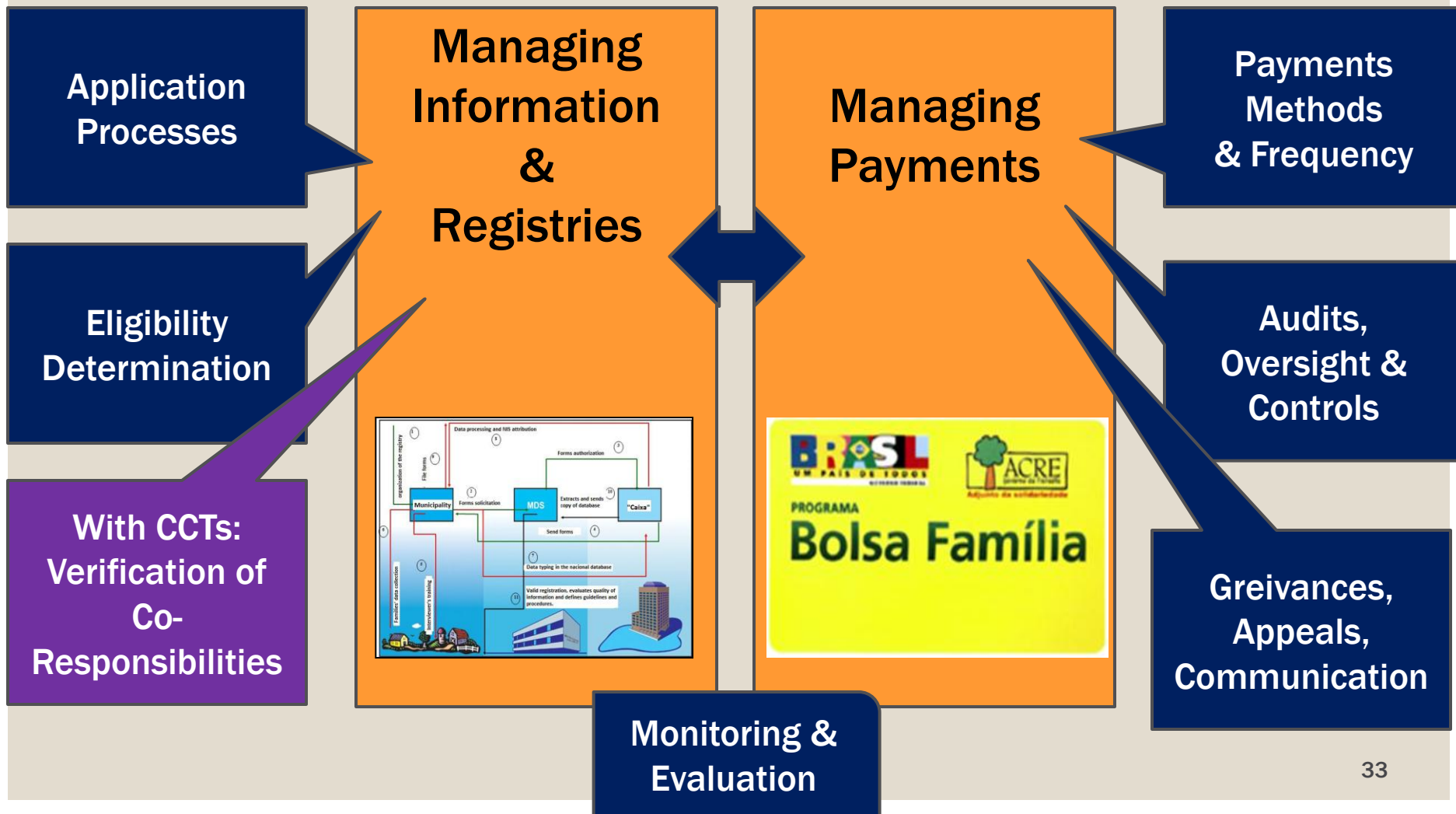
LAC

Variation in Size & Scope of CCTs

Sources: World Bank, CEPAL, IDB



# IMPLEMENTATION: COMMON ELEMENTS WITH TWO KEY PILLARS



# IMPLEMENTATION:

## NEED TO TAILOR TO INSTITUTIONAL ARRANGEMENTS & CAPACITY



- No single “blueprint”

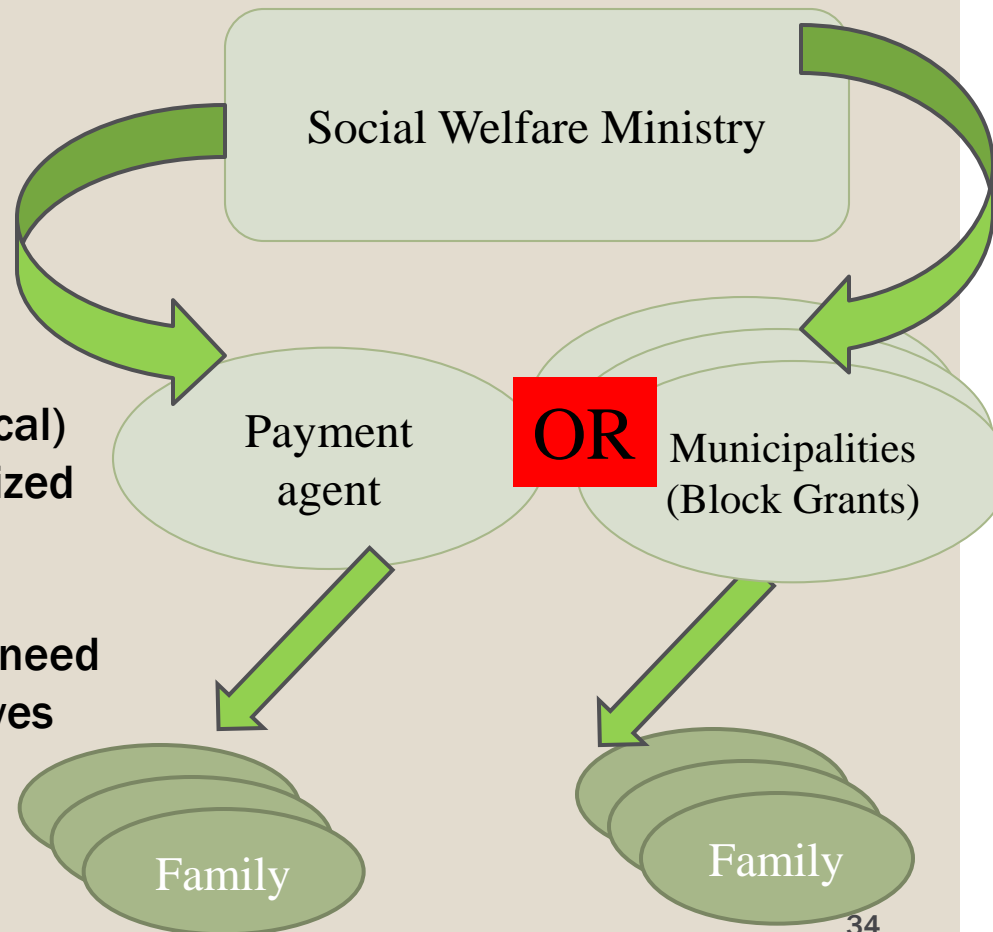
- Depends on country context
- Many models

- Two Aspects:

- Flows of Information
- Flows of Funds \$\$

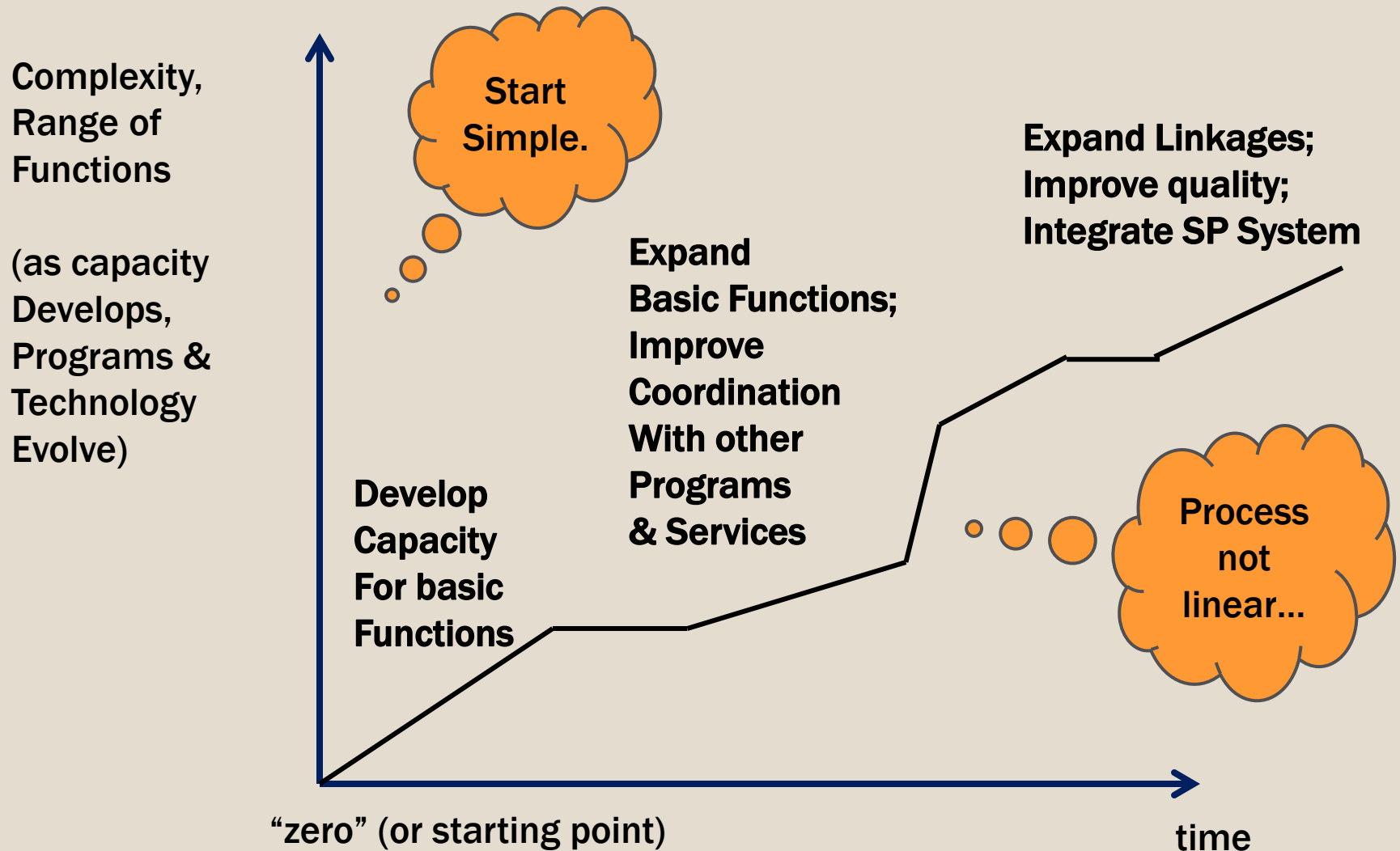
- Challenges:

- Administrative Capacity (Central, Local)
- Many actors (especially in decentralized context)
- Mandates and jurisdictions
- “Third-party implementation” – and need for performance monitoring & incentives





# IMPLEMENTATION: PROGRAMS EVOLVE OVER TIME



# THANK YOU

