

CASH TRANSFERS: INTRODUCTION & OVERVIEW



Kathy Lindert,
World Bank

Social Safety
Nets
Core Course
December
2014



CLICKER QUESTION



- **“We have poverty-targeted cash transfer programs in my home country.”**

- **Your Answers:**
 - A. “I agree”
 - B. “I disagree”
 - C. “I don’t know”

CLICKER QUESTION



- **“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.



CLICKER QUESTION



- **“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”

HOW DO BENEFICIARIES SPEND THEIR CASH?

Example
from
Philippines
CCT

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.**



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

OUTLINE

- 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)

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

Categorical Benefits
(may also be
“poverty targeted”)

TARGETING THE POOR: DESIGNING ELIGIBILITY CRITERIA



■ 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



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

TARGETING CHILDREN: CHILD-RELATED BENEFITS

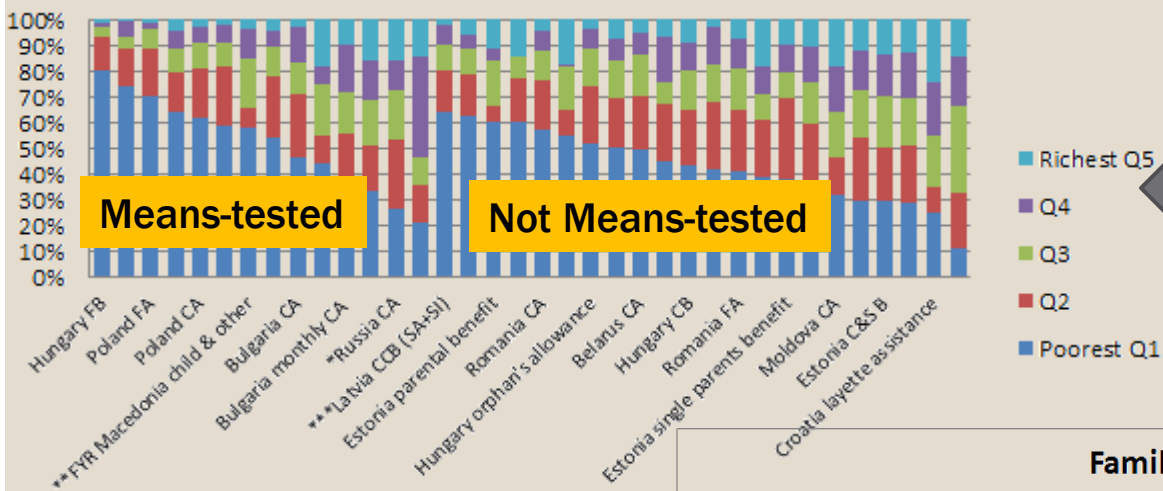


- **Many programs target children:**
 - Family and Child Allowances (universal or poverty-targeted)
 - Benefits for Orphans & Caregivers
 - Conditional Cash Transfers (CCTs)
- **Targeting Criteria:**
 - **AGE:** (varies)
 - Newborns (0-2) – birth allowances (ECA: to promote fertility)
 - 0-5 (very young 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



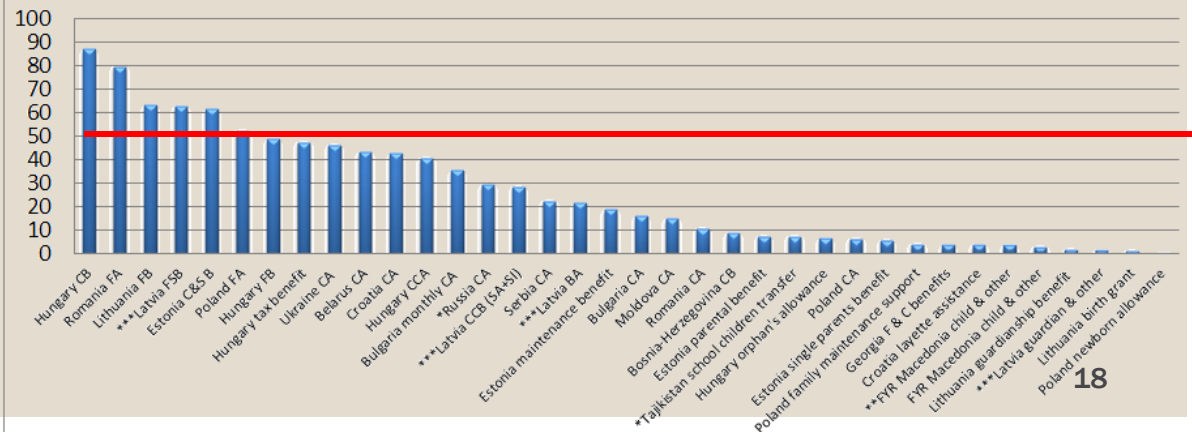
**Distributional Incidence -
Family & Child Allowances**



**Europe &
Central Asia**

**Mixed redistributive
performance**

**Family and Child Benefits
Coverage of the Poorest Quintile (%)**



**But with high coverage
of the poor
in some countries**

BENEFITS FOR THE ELDERLY: SOCIAL PENSIONS



- **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.

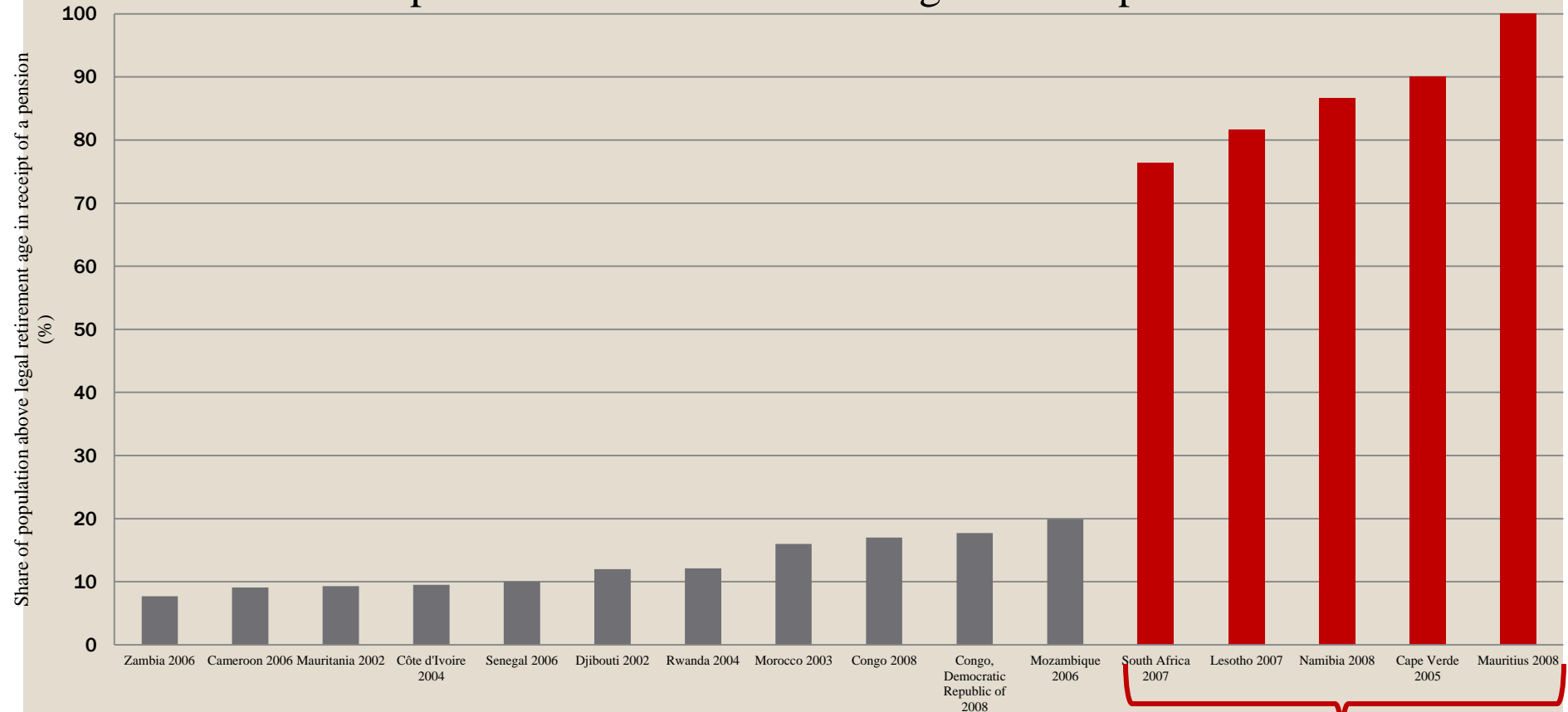
SOCIAL PENSIONS CAN HELP INCREASE COVERAGE OF ELDERLY



Africa

Examples from Africa:

Share of Population above Retirement Age in Receipt of a Pension



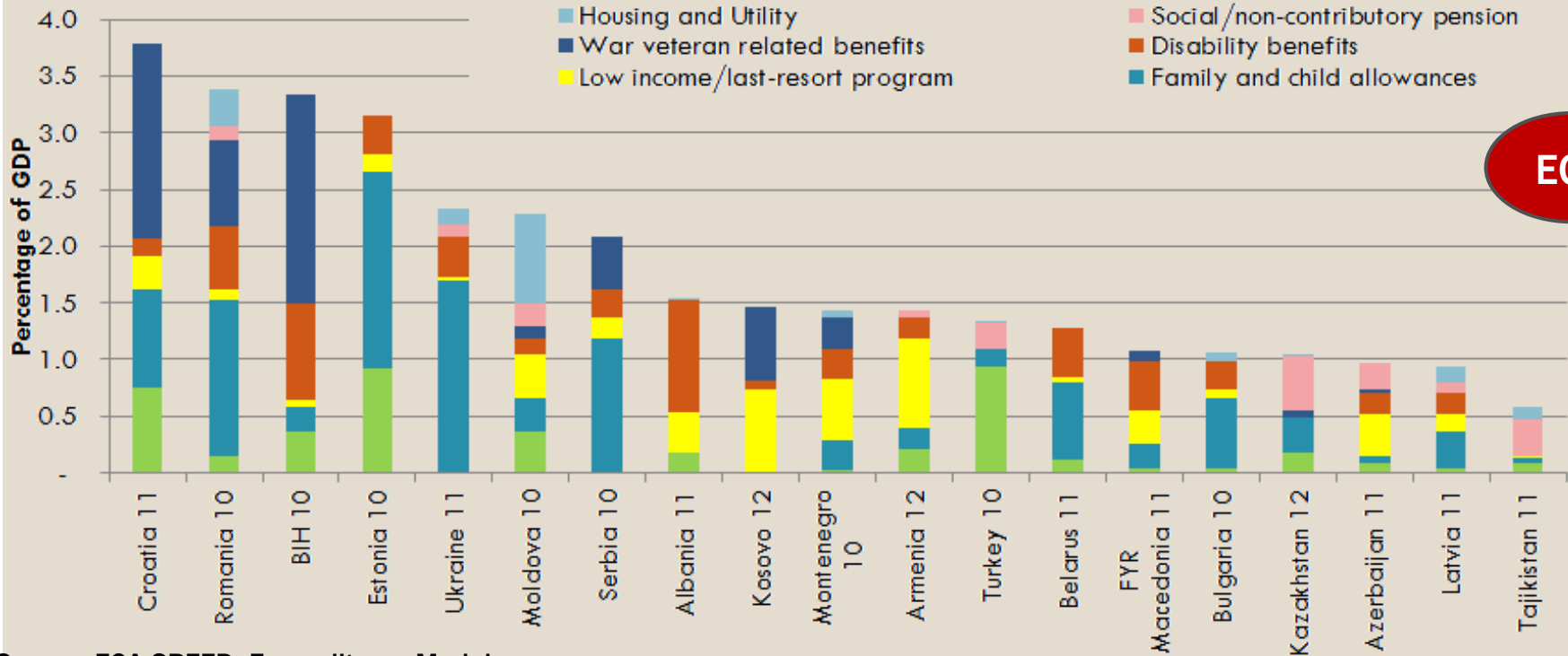
Source: ILO 2014

AFR Countries with Social Pensions

COMMON CHALLENGE: FRAGMENTED SAFETY NET SYSTEMS



Social Assistance Spending as share of GDP, by main benefit types



ECA

Source: ECA SPEED: Expenditures Module

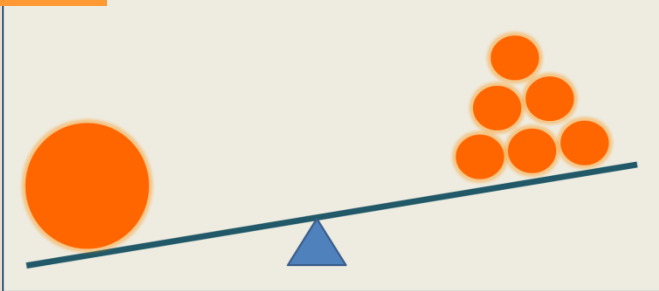
With 20-40+ Separate Benefits Programs in Many Countries

SETTING CASH TRANSFER BENEFITS KEY TRADE-OFFS

How much
should they
receive?
(Size of Benefit)

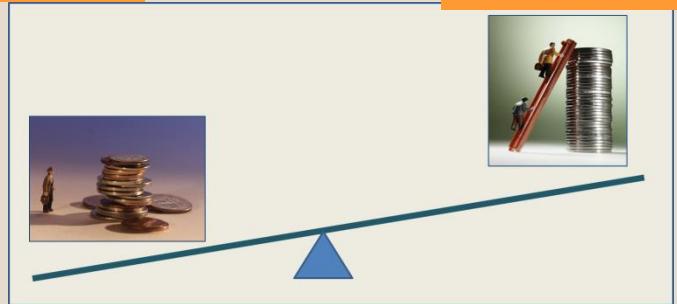
Size of
Benefit

Higher
Coverage



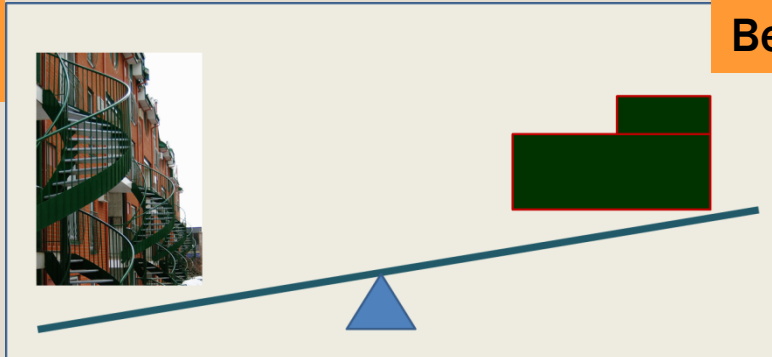
Size of
Benefit

Incentives
To Work



Complex
Benefits
Menus

Simple
Benefits



CLICKER QUESTION



- **“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?

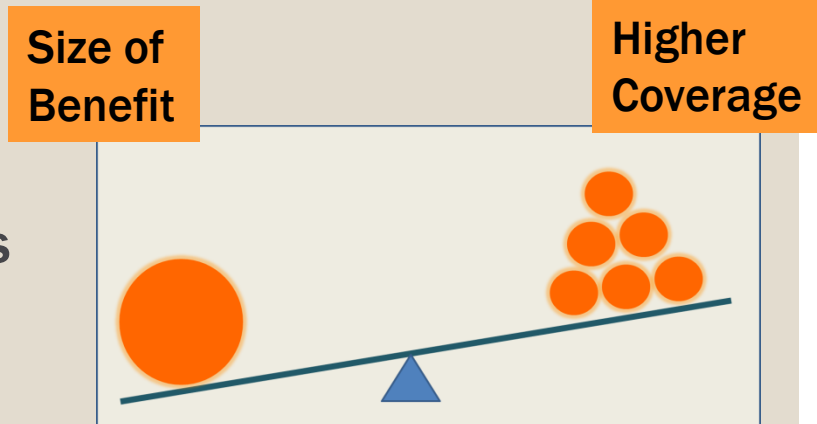
FISCAL SPACE

How many to support?
(Coverage & Budget)

- **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



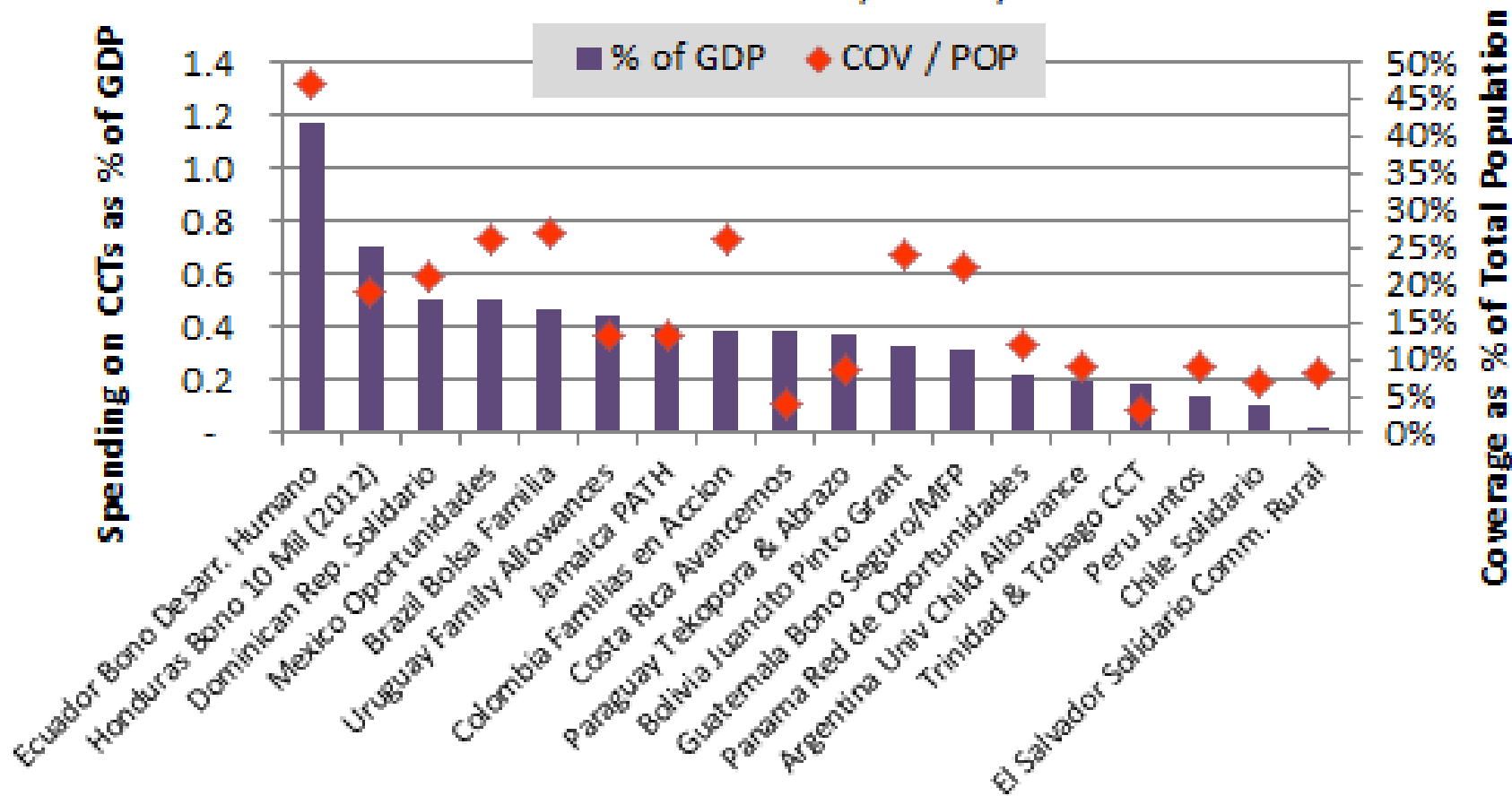
HOW MUCH COVERAGE?

FISCAL SPACE & SUSTAINABILITY

Variation in Size & Scope of CCTs

Sources: World Bank, CEPAL, IDB

LAC



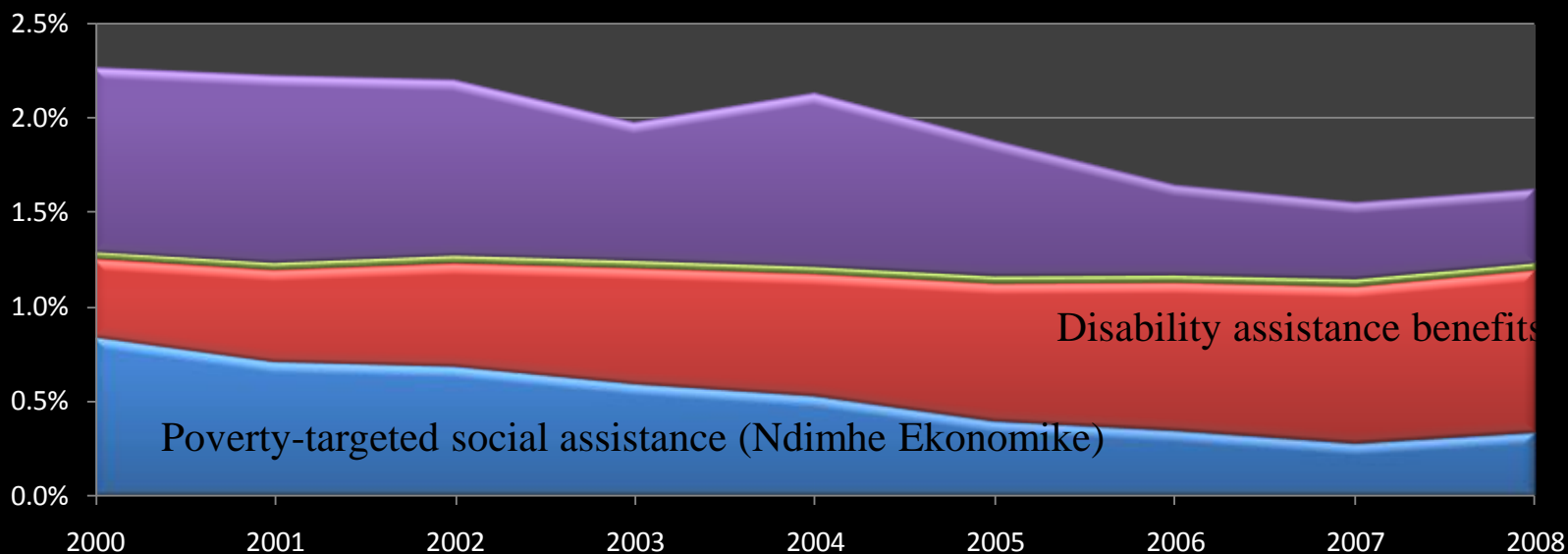
ANOTHER CONSIDERATION:

BENEFIT LEVELS & INCENTIVE COMPATIBILITY IN SP SYSTEMS (ACROSS PROGRAMS)

Albania Example

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

Albania Social Assistance Spending (%GDP)



3.1 Ndimhe Ekonomike

3.2 Disability Allowance

3.3 Care Allowances

3.4 Other

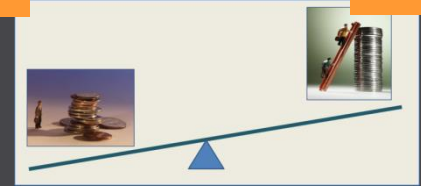
CLICKER QUESTION



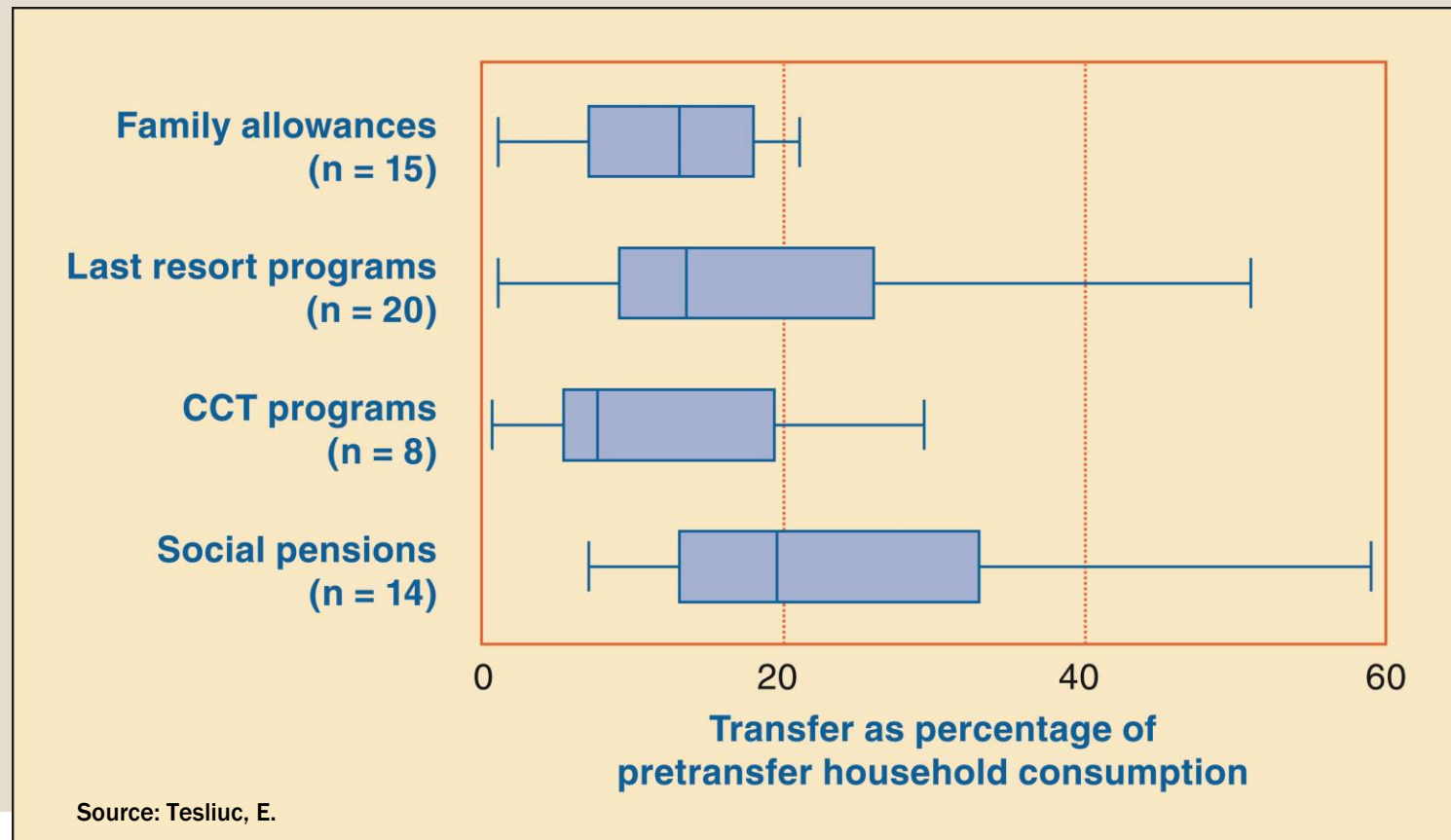
- **“I think that giving cash transfers to the poor makes them lazy and reduce their work efforts”**

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

DISINCENTIVES TO WORK?



- **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



CLICKER QUESTION

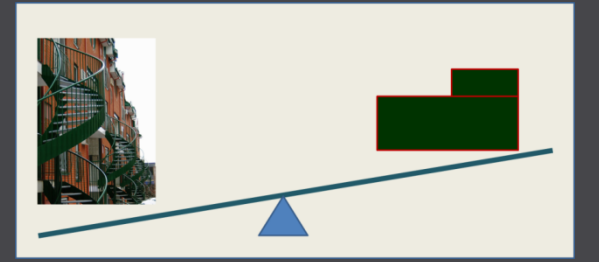


- **“I think it’s better to have:”**

- **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.”

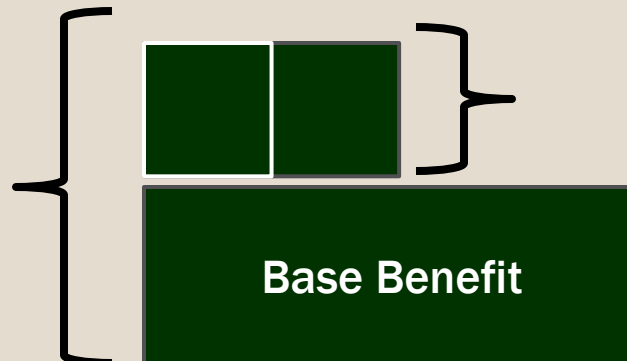
FLAT BENEFIT

Easy to administer
More Transparent
Less “divisive”

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

Example 2:

Extreme Poor
Receive
Both



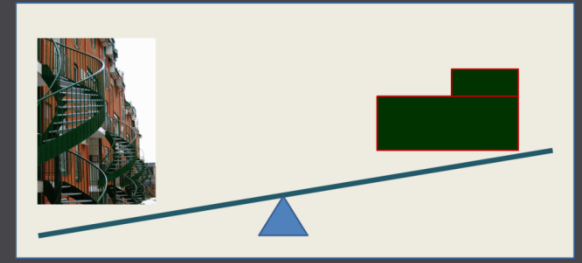
Moderately Poor Receive
Only Variable Benefits
(e.g., per school-aged child)

Simple “benefits Menu”

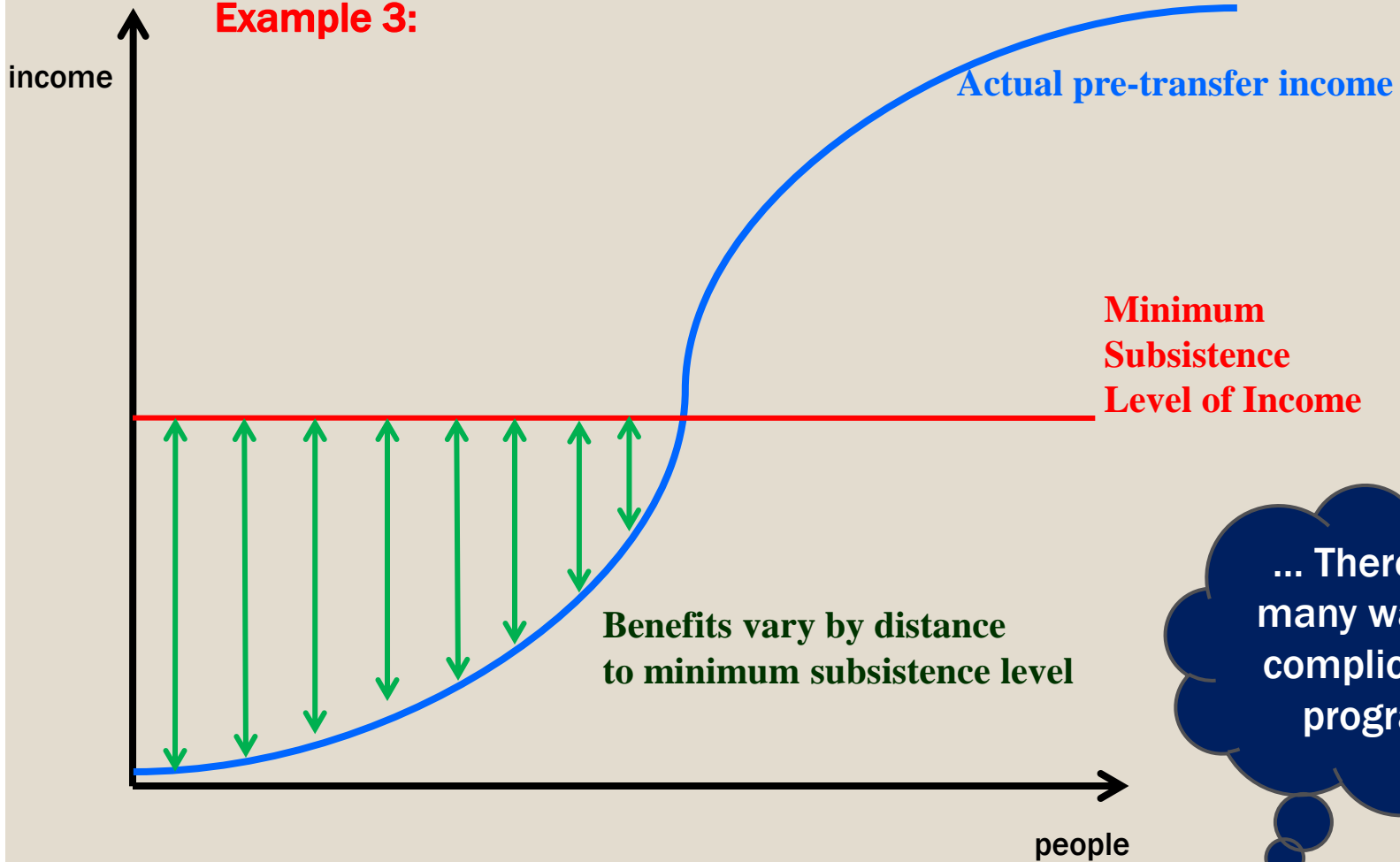
Common for poverty-targeted benefits – conditional or unconditional

SIMPLE OR COMPLEX?

GUARANTEED MINIMUM INCOME PROGRAMS



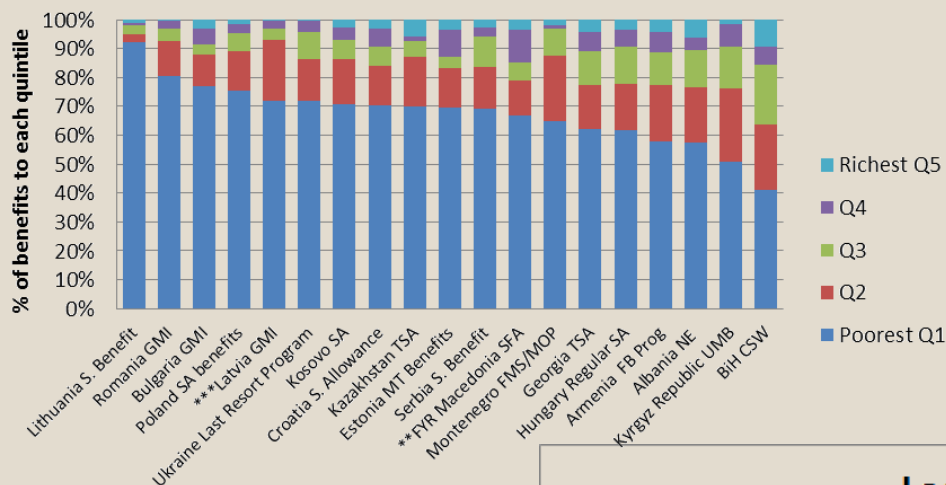
Example 3:



... 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)



Europe & Central Asia

Targeting accuracy very high...

Last-Resort Social Assistance - Coverage of the Poorest Quintile (%)



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

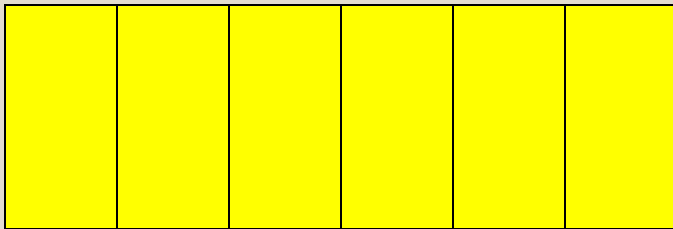
BENEFITS WITH CONDITIONALITIES

- MANY OPTIONS FOR STRUCTURING BENEFITS

How to Structure Benefits with Conditions? (CCTs)

Option 1:

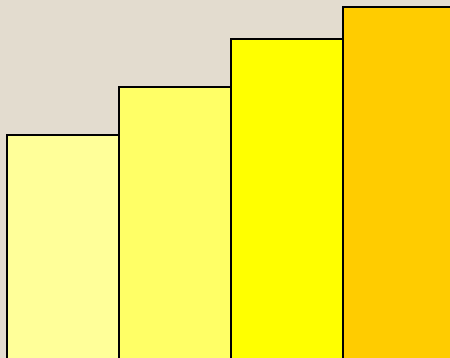
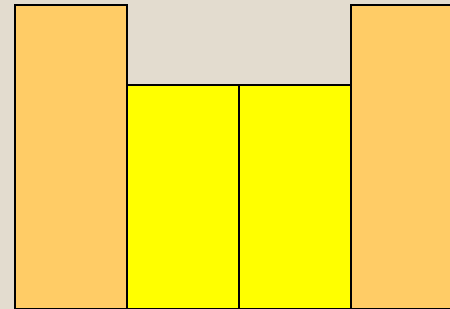
Equal payments within and across years



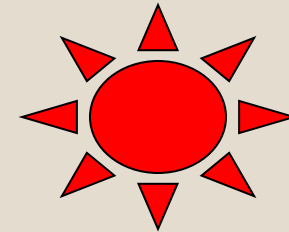
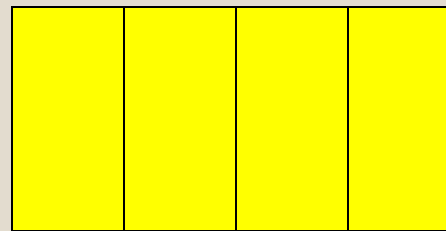
Education Example

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

How often to pay benefits?
(Frequency of Payments)

■ Frequency of benefits:

- Depends on goals & implementation capacity
- Once?
- Monthly?
- Bi-Monthly?
- Quarterly?



Predictability Matters!

■ 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)

CLICKER QUESTION



- **“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, RECERTIFICATION, EXIT

How long
Should they
receive
benefits?

■ 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)

CLICKER QUESTION



- **“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.”

WHO TO PAY?

DESIGNATED RECIPIENT

Who to Pay?
(Designated
Recipients)

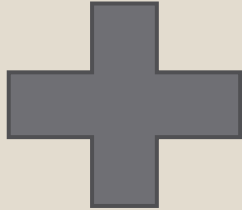
- **Designated recipient** ≠ target group
- **Who will receive the payment on behalf of:**
 - The family (head of household? Mother? Father?)
 - Children (parent? Which?)
 - Youths (themselves or parent)?
 - Severely Disabled (care giver, designee, institution)
- **Gender considerations:**
 - Many programs 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

OUTLINE

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

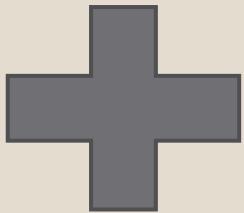
EXAMPLES OF “CASH PLUS” APPROACHES IN LATIN AMERICA

LAC



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

Incentives for Education & Health



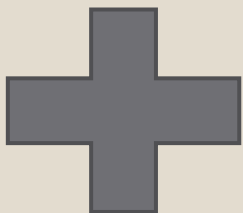
Social Service Links



Productive Inclusion (Urban & Rural)



CCTs in broader Strategic Framework
Example:
Brasil Sem Miséria



Social Contracts for each Family

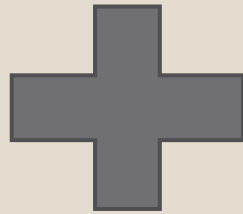


Psycho-Social Supports
At CENTER of the model

Integrated Service Models:
Example:
Chile Solidario / Programa Puente

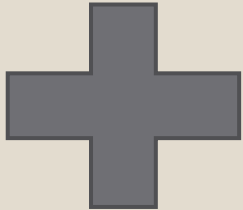
EXAMPLES OF “CASH PLUS” APPROACHES IN AFRICA

AFR



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

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



Participation in awareness seminars
On productive practices, or public works

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



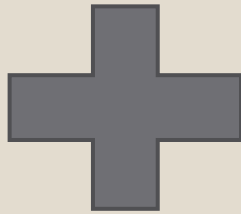
Incentives for Education & Health

CCTs with conditions
on school attendance
or health care use
Examples: Tanzania,
Rep. Congo, Togo

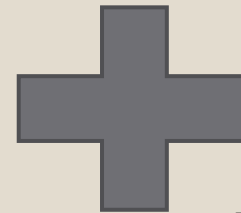
Or with “Soft Conditions”
Examples: Kenya, Malawi,
Ghana Leap, Lesotho GGP

EXAMPLES OF “CASH PLUS” APPROACHES IN MANY OECD COUNTRIES

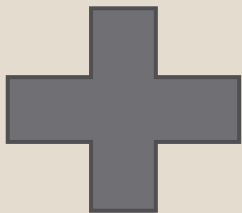
OECD



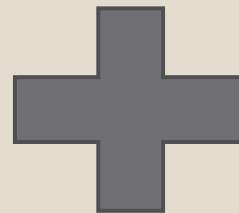
**Social Contracts
With Mutual Responsibilities**



**Incentives
For Work**



**One-Stop Shops
For Job Services
+ Benefits**



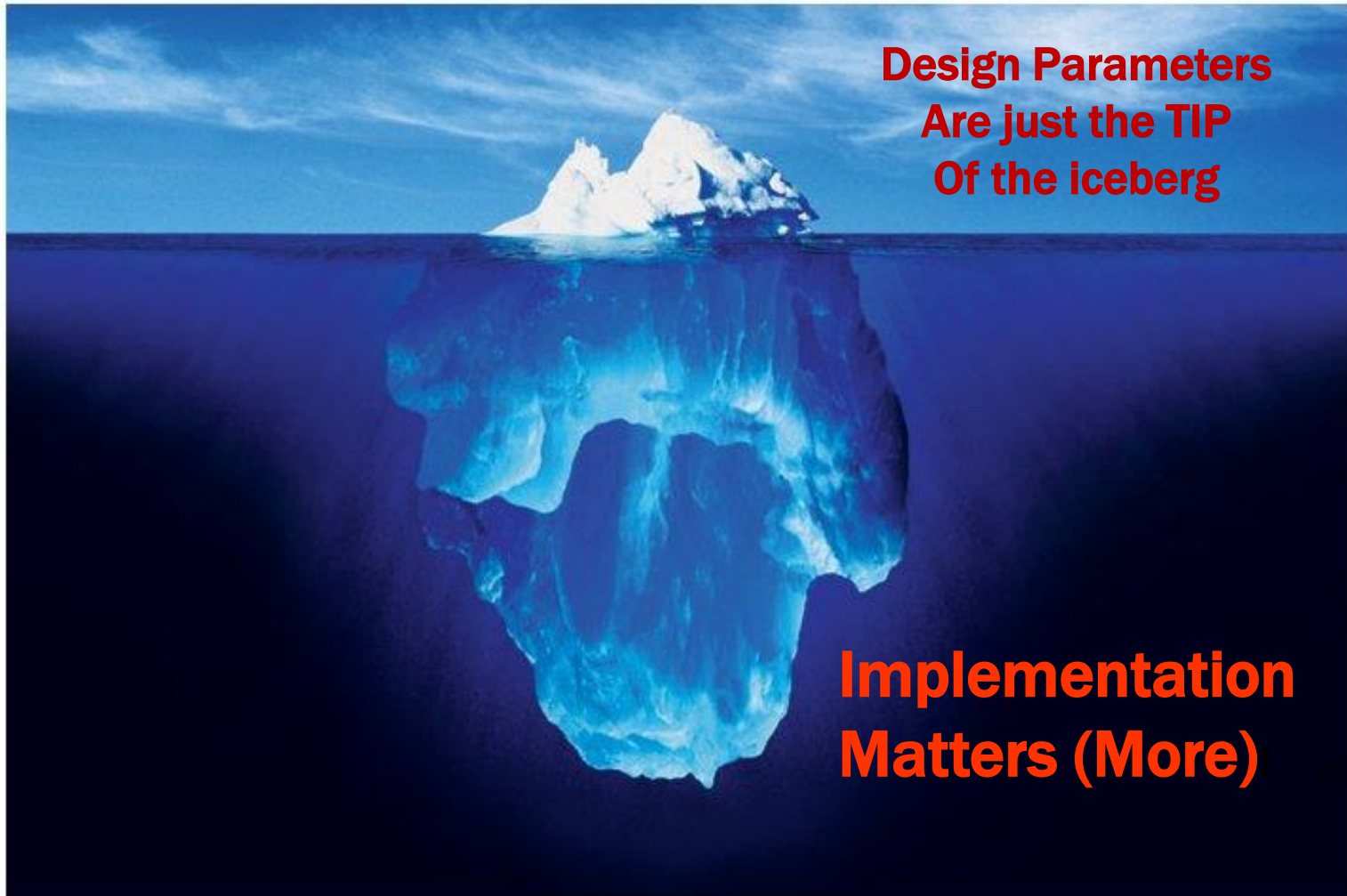
**Social
Supports &
Links to other
Social
Services**



OUTLINE

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

IMPLEMENTATION MATTERS!



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

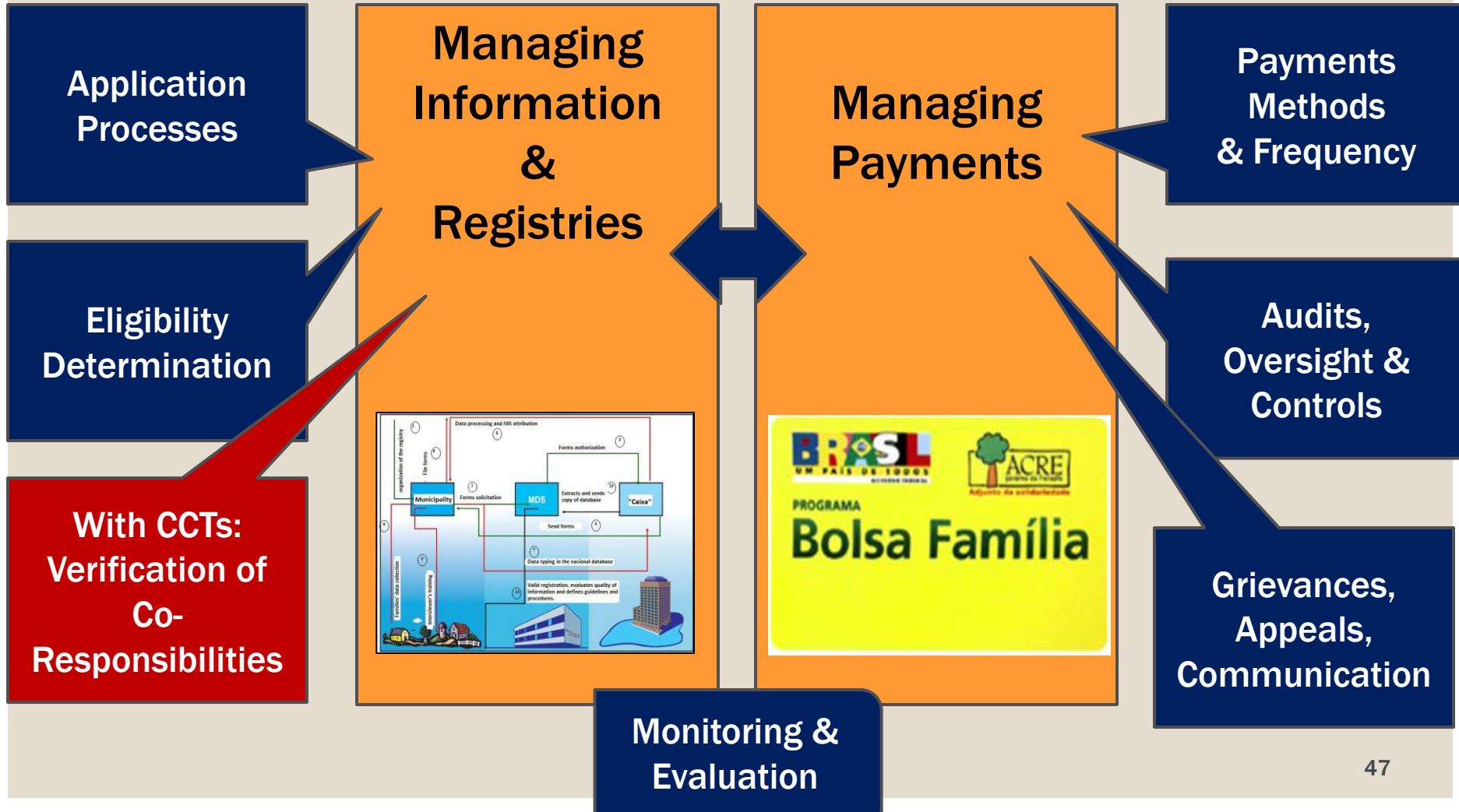
CLICKER QUESTION



- **“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



IMPLEMENTATION: NEED TO TAILOR TO INSTITUTIONAL ARRANGEMENTS & CAPACITY



- **No single “blueprint”**

- Depends on country context
- Many models

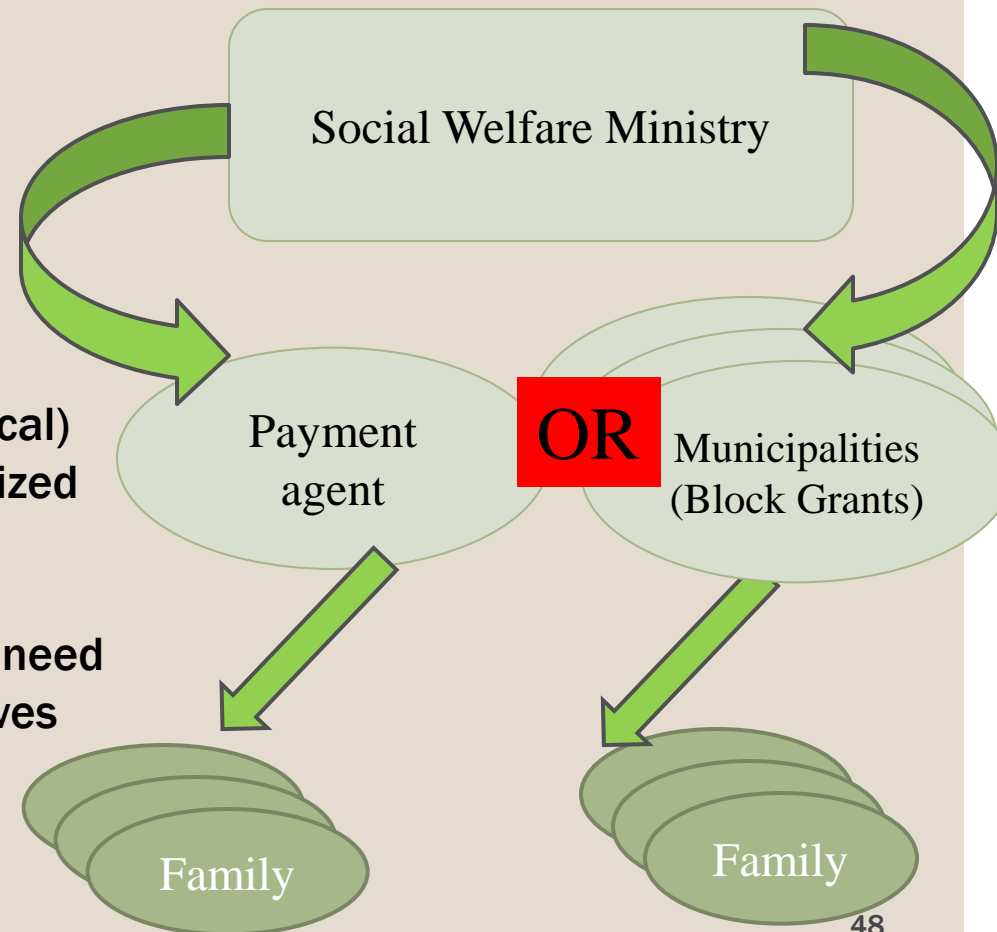
- **Two Aspects:**

- 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:

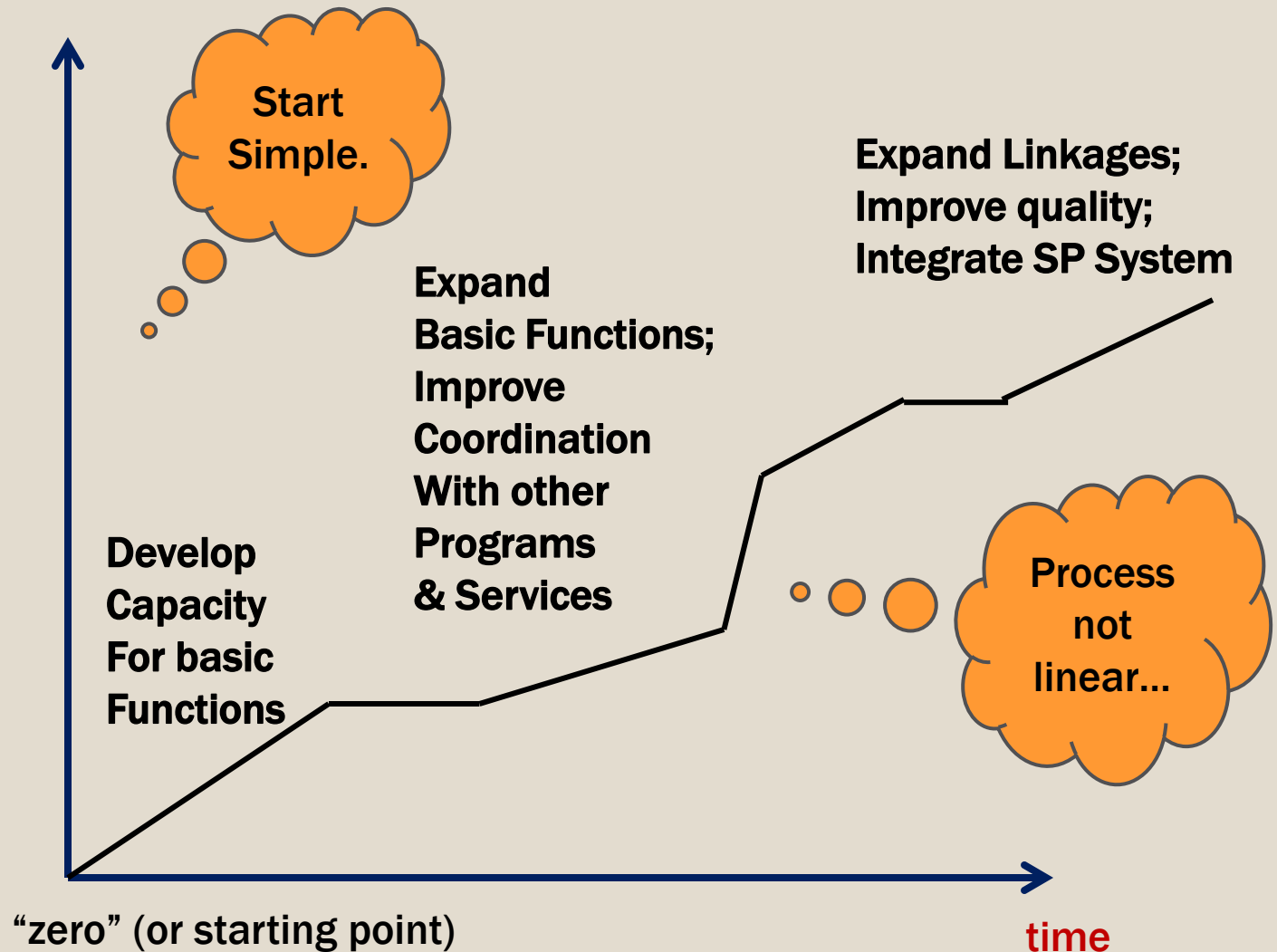


IMPLEMENTATION:

PROGRAMS & SYSTEMS EVOLVE OVER TIME

**Complexity,
Range of
Functions**

(as capacity
Develops,
Programs &
Technology
Evolve)



There are many ways to complicate a program.
Keep it simple.
At least at the outset.

THANK YOU

