

# **Basics of Non-Contributory Social Protection programme (transfer) design**

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**“Non contributory transfer”** means that the beneficiaries are not required to support the transfer with their own monetary contributions to become eligible.

Targeted in some manner to the poor and those vulnerable to shocks.

# Common Interventions and Approaches

## **Cash transfers**

Cash transfers are programmes that transfer cash to eligible people or households.

## **Conditional cash transfers**

Conditional cash transfers provide money to poor families contingent on them making investments in human capital, such as keeping their children in school or taking them to health centres on a regular basis.

## **Public works programmes**

Public works programmes provide unskilled workers with jobs on labour intensive projects during critical times

## **In kind transfers**

In kind transfers include school feeding programmes and take-home rations for students, pregnant or nursing mothers and vulnerable groups and, other needs for living.

## **General subsidies**

General subsidies are measures aimed at controlling the prices of food and other essential commodities or services.

## **Fee waivers**

Fee waivers reduce the cost for the use of public services such as education and health facilities. These systems are targeted to a pre-determined group of people that would not have access to these services otherwise.

# ***Features:***

## **Appropriate**

Responds to the particular needs of the country, and complements other elements of public policy.

## **Adequate**

Covers the various groups in need of assistance e.g. chronic and transitory poor, vulnerable groups.

## **Equitable**

Treats beneficiaries in a fair and equitable way i.e. same benefits to beneficiaries, **(horizontal equity)**, more generous benefits to the poorest beneficiaries **(vertical equity)**.

## **Cost Effective**

Channels most programme resources to their intended target group and economizes on the administrative resources required to implement the programme.

## **Incentive compatible**

Promotes positive behavioural outcomes amongst beneficiaries.

## **Dynamic**

Evolves over time as the economy grows and changes, as other elements of policy develop or when shocks occur.

## **Sustainable**

Are financially and politically sustainable to ensure the continuation of program cycles.

## ***Why?***

### **Help to reduce poverty and inequality**

Safety nets redistribute income to the poorest and most vulnerable, with an immediate impact on poverty and inequality.

Conditional Cash Transfer (CCT) programmes have demonstrated positive effects on consumption and poverty. It is estimated, in Brazil, Bolsa Familia reduced the poverty gap by 15%, which suggests a strong link between CCTs and reduced income inequality.

### **Help household invest in their Future**

Safety nets enable households to make productive investments in their future that they may otherwise miss e.g. education, health, income generating opportunities.

In Cambodia, the average child receiving a cash transfer was 10% less likely to work for pay. In Mexico, after 2 years of programme exposure, children in Oportunidades treatment areas were 40% less likely to be ill, in comparison to other areas

### **Help household managing risks**

Safety nets help households manage risk, at minimum by offsetting harmful coping strategies and at best by providing an insurance function which improves livelihood options.

In Ethiopia, 3 in 5 beneficiaries from the Productive Safety Nets Programme say they avoided having to sell assets to buy food.

# Target Groups

**The Chronic poor** : even in good times these households are poor and require assistance to meet their minimum needs

**The transient poor**: who live near the poverty line and may fall into poverty when the world or the national economy faces hard times (i.e. natural disasters, commodity trade shocks, financial crises, political upheaval etc)

**Those with special circumstances**: including disability, discrimination due to ethnicity and displacement due to conflict. These groups may need special programmes targeted to their specific needs

# Cash Transfer Program

## Needs-based assistance programmes

Needs-based assistance programmes are mostly means-tested benefits which may either be a regular or an occasional transfer, and may either be flat or can vary depending on the beneficiary's resources and size. They can be found in eastern Europe, in Mozambique and Zambia in sub-Saharan Africa, and in Pakistan in South Asia.

## Family allowance programmes

Family allowance programmes are common in OECD European countries, eastern Europe, and the former Soviet Union. Benefits are often small although in some middle-income transition states, including the Czech Republic and Hungary, they provide a more substantial contribution to the cost of raising a child.

## Noncontributory pensions

Noncontributory pensions are paid for some or all of those who do not fall under the country's contributory pension scheme. These schemes are almost always financed from general tax revenues.

## Food stamps, vouchers and coupons

Food stamps, vouchers and coupons are near cash instruments targeted to poor households typically facing transitory poverty.

## Emergency Cash Transfers

Even in difficult situations, cash transfers may be delivered safely and may even provide a quick and effective means of support for vulnerable populations recovering from disaster. However, the appropriateness of cash transfers will depend largely on the functioning of local markets and availability of commodities.

# Condition or not to condition?

If one of the main objectives of a programme **is to increase the use of available education and health facilities**, then a CCT should have a greater impact than an unconditional programme.

Most of available evidence shows that conditions do increase service use significantly more than an equivalent unconditional transfer

If a programme is to be conditional, the following administrative functions are implied:

- providing households with the information about the programme's requirements;
- monitoring compliance at schools and/or health facilities;
- contacting noncompliant households to warn them about the consequences of noncompliance and to help resolve any reasons for the lack of use of services that are not related to income (optional); and
- designing a system of penalties for noncompliance ranging from a temporary reduction in benefits to permanent exclusion from the programme.

*CCT programmes have typically been designed as contracts between an individual household and a national program. In Indonesia's PNPM Generasi, the community rather than a household is responsible for reaching a target level of school enrollment and preventive health utilization.*



# Public work programme

Public work programme provide temporary employment at a low-wage rate mostly to unskilled manual workders on labour-intensive projects such as road construction and maintenance, irrigation infrastructure, reforestation and soil conservation

The objective of a program may vary by country for example:

- Mitigation of different shocks (i.e. drought, temporary job loses)
- Poverty relief (employment guarantee programme) – NREG-India

Considered appropriate when

- unemployment is high after the collapse of a labour market during crisis/disasters
- seasonal unemployment is high
- unemployment insurance is absence

## Female Participation ?

Design feature of a public work programme can be adapted in a number of ways to encourage female participation e.g. child care may be provided on site by workers on the schemes, separate and adequate latrines can be provided, working hours and amounts may be made flexible through piece-rate payment schemes

## **In kind transfer**

Ex: Food based programmes provide additional resources to household by making food available when they need it the most, in the form of food rations, supplementary and school feeding programmes or emergency food distribution

### **When in kind transfer (food) appropriate**

- food aid is available and cash is not
- government needs to rotate strategic food grain stocks
- prices are too high or food unavailable because of inefficient or displaced market
- nutrition interventions are needed to protect food insecure people

## Cash vs In kind transfer

**Functioning of markets:** If markets are well integrated across regions, cash transfers have an advantage because of the private sector's superior ability to move food more efficiently than the public sector. However, if markets are thin and not well-integrated, the provision of cash has the potential to increase price rises, which reduces the value and impact of the transfers.

**The level of transaction costs:** In relative terms, distributing food is more costly than delivering cash payments. Food or commodity distribution takes time to organize, requires storage and transport and is subject to losses. Beneficiary transaction costs also need to be taken into account. These costs include the time and expense of going to local markets to purchase food, which might increase if places are far or unsafe.

**The impact on consumption:** Some cash transfer-critics claim that men might use cash to purchase cigarettes or alcohol. They also argue that poor households are more likely to consume food and to eat good food if they receive food transfers or small cash transfers even.

**The preferences of the beneficiaries:** Beneficiary preferences may vary depending on circumstances. Even though beneficiaries may prefer cash simply because it is more flexible, they still want to maximize the level of the transfer. This is why women in certain circumstance might prefer food to cash.

## Fee waivers

The main objectives of the fee waivers, exemptions and scholarships is to reduce the financial barriers that prevent poor people using public services such as education and health facilities. These instruments are targeted to a pre-determined group of people that would not have access to these services otherwise.

Waivers, exemptions and scholarships may be appropriate when

- social services are provided for a fee and may exclude the poor
- health and education service are available
- there is enough administrative capacity
- providers have access to alternative source of revenue

# Targeting

Targeting is the process of defining, identifying and reaching the intended beneficiaries of a given programme. In theory, the aim of targeting is to deliver more resources to the poorest groups of the population and to ensure that all those who are eligible to receive benefits are included in the programme. Targeting system should allow new or newly poor households to access the programme and periodically move out the ones that are no longer eligible

*Cost and benefits should be weighted when deciding whether or not to target*

## Targeting implies different types of costs

- **Administrative cost:** costs to the programme of gathering information to help make the decision about who should be admitted to the programme
- **Private cost:** costs of an applicant of applying for a programme, including the time and /or cost of travelling and queueing for registration, complying with any pre-conditions and so on
- **Incentive costs:** arise when eligibility criteria induce households to change their behaviour in an attempt to become beneficiaries
- **Social cost:** may arise when participation in a programme carries with it some sort of stigma. Stigmatization may affect household's decision about participating

*The implementation of an optimal targeting occurs when errors of exclusion and inclusion are significantly avoided and costs substantially reduced.*

Error of exclusion: The exclusion of a person who meets eligibility criteria from a programme.

Error of inclusion: The inclusion of an ineligible person in a programme.

# Targeting methods

## Means test

This method collects (nearly) complete information on households' income and/or wealth and verifies the information collected against independent sources.

## Proxy means test

This method generates a score for applicant households based on observable characteristics of the household such as the location and quality of its dwelling, its ownership of durable goods, and so on. Eligibility is determined by comparing the household's score against a predetermined cutoff.

## Community based targeting

This method makes use of a group of community members, whose principal functions in the community are not related to the programme, to decide who in the community should benefit.

## Geographic targeting

With geographic targeting, eligibility for benefits is determined by location. People who live in the areas designated are eligible, those who live elsewhere are not.

## Demographic targeting

The common and simple forms of demographic targeting are based on age - child allowances and social pensions being by the most common.

## Self targeting

Self-targeted programmes are technically open to all, but designed in such a way that take-up for them is expected to be much higher among the poor than the non-poor. One of the most common applications of self-targeting is the use of low wages in public works programmes to induce participation only among the poor. The assumption is that the less poor will be able to command higher wages elsewhere.

# Determining benefit level

## How much to pay?

Ultimately the benefit level is influenced by many factors including programme objectives and budget availability as well as political constraints

- **Program objectives** : based on the desired improvement in the outcomes (consumption, income, nutrition, school enrollment, use of health services)

- **Budget and Cost:**

  - Budget constrains make for hard trade-offs between coverage and benefit size

  - Benefits that are too small will have little impact on beneficiaries (child grant)

  - High benefits – high fiscal burden

- **Differentiated Benefit Level:** benefits may be differentiated by household characteristics such as poverty level, size and composition or specific need

- **Political Economy Concerns:** should link with other transfer programmes to increase the impact; how will benefits be adjusted in times of crisis or inflation?



## Key programme implementation process

### Beneficiary outreach:

Beneficiary outreach is the first step in programme implementation. Outreach aims to communicate information about a programme to all its potential beneficiaries and stakeholders and ensure that beneficiaries know the rights they are entitled to and obligations they need to comply with.

Outreach provides detailed information on the following topics:

- Program overview
- Targeting and enrollment
- Payment Process
- Monitoring and grievances

## Key programme implementation process

### Enrollment:

Once beneficiaries have been selected, they must be enrolled in the programme so they can begin to participate in the programme activities

### Enrollemnt approach

- **Census-style survey approach** : Programme staff and/or trained interviewers go to interview and register all households that are eligible for the programme in a particular area
- **On-demand approach**: Requires that potential beneficiaries visit a designated site to apply for programme benefits directly

**Mixed method**: Combine both used at different stages in program

## **Key programme implementation process**

**Identification:** Once beneficiaries are enrolled in the programme, a process of Identification (ID) is required to distinguish them from non-beneficiaries

When available, well established national ID systems should be used to support beneficiary identification

## Key programme implementation process

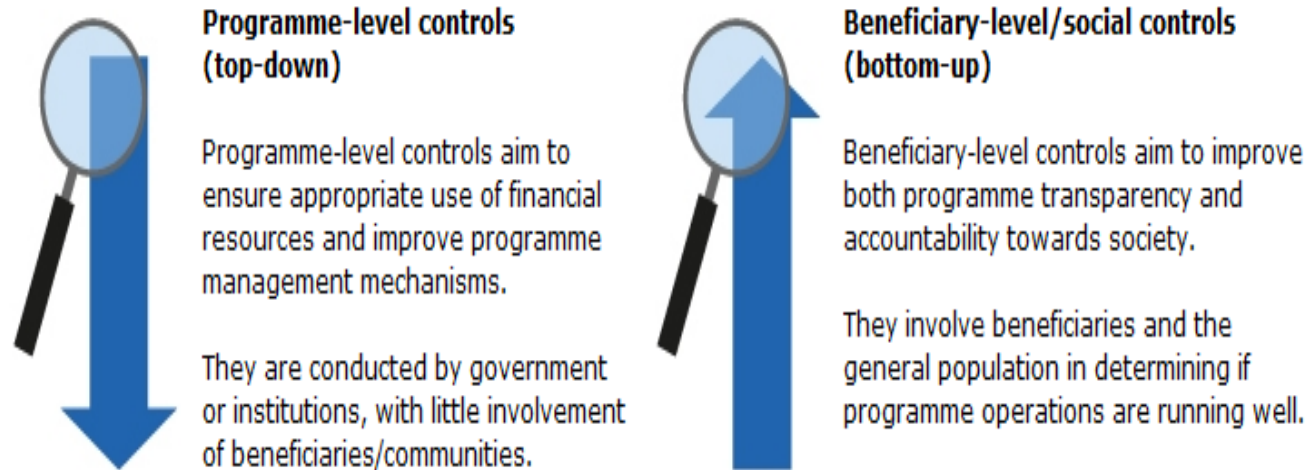
**Making payments:** One of the most important activities of safety net programmes is the delivery of programme benefits

- Review existing payment systems, and/or assess the feasibility of introducing a new technology and capacity of an agency to run it
- Designing payment flow
- Defining institutional arrangements
- Estimate the cost of payments
- Designing beneficiary outreach strategy

## Key programme implementation process

**Audit and Control:** Need to ensure that the programme operations run smoothly. Control mechanism are needed to review the complete operational cycle and to supervise the stakeholders involved in each of these processes. Effective control contributes to improving the efficiency of programme delivery as well as governance, transparency and accountability

Two complementary level of controls



## Audit and Controls:

### Program level controls (top –down)

**Financial or administrative audits:** Review of disbursement procedures, accounting records, programme expenditures etc

**Spot checks:** Random monitoring of programme procedures to check if the programme is being implemented as intended

**Database cross checks:** Comparison of beneficiary information in the programme database and other public databases

**Public disclosure of information:** Posting of beneficiary lists in public places and/or on the internet

### Beneficiary level/Social Controls (bottom-up)

**Social audit:** Review of official records and expenditure by beneficiaries/communities

**Citizen oversight committees:** Verification of programme functions by citizen teams

**Beneficiary survey and focus group discussion:** Opinion gathering on programme functioning

**Grievance mechanisms:** Processes of collecting complaints about programme functioning

# Other cross cutting aspects

Management information system – accurate and timely management of high volume data, evidence based decision making

Monitoring and evaluation – to know beneficiaries are complying with programme conditions and getting paid appropriately, to know the objectives of the programme are being achieved (targeting assessment, process evaluation, impact evaluation)

Communication – exchanging key programme informations with internal and external audiences (interpersonal, mass media, specialized communication)

Institutional aspect – need to define roles and responsibilities, accountability, ownerships, program linkages

**Thank you**