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Paying attention to detail: how to transfer cash in cash transfers

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Overview



- Expansion of cash transfer programmes from Latin America to new contexts
- Payment systems affect both programme performance and impact on recipients...but can be overlooked
- New contexts present new challenges and opportunities for payment systems

HSNP



- Hunger Safety Nets Programme (HSNP)
 - 3 year pilot programme funded by DFID, implemented by NGOs and a private bank
 - Distributes cash through Smartcards to 60,000 food insecure households in remote northern Kenya
 - Limited infrastructure, drought, conflict

CT-OVC



- Orphans and Vulnerable Children (OVC) Cash Transfer
 - 5 year pilot programme funded by UNICEF/DFID, implemented by the Government of Kenya
 - Distributes cash through post offices to 30,000+ households containing OVC in four rural and urban provinces

PEVR



- Post-Election Violence Recovery (PEVR) Programme
 - 4 month emergency programme implemented by Concern Worldwide and local partners
 - Distributes cash through mobile phones to 6,500 food insecure households in rural and urban areas affected by violence

Programmes compared



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	HSNP	CT-OVC	PEVR
Value transferred	Ksh2,150	Ksh3,000	Dependent on HH size and local prices (between Ksh489 and Ksh864 per person)
Periodicity	2 months	2 months	1 month
Duration	3 years	No fixed end	4 months
Context	Remote, low infrastructure	Mix of urban and remote rural	Mainly urban with some rural
Implementing agencies	NGOs, private bank	Government	NGOs
Payment method	Smartcard	Post office	M-PESA

Framework for evaluating different payment systems



- Aim of payment system?
 - *“To distribute the correct amount of benefits to the right people at the right time and frequency whilst minimising costs to both the programme and the beneficiary”* (Grosh et al 2007)
- Evaluate this by analysing
 - Programme considerations that affect implementers’ choices between payment systems
 - How payment systems affect recipients
 - Trade-offs between minimising programme and recipient costs

Programme considerations



- Objectives of the programme
- Available delivery options
- Cost
- Flexibility
- Risks (of e.g. fraud)

See CALP 2010 for further details.

Recipient considerations



- Physical barriers
 - Distance
 - Waiting
 - Security
 - Physical vulnerability
- Administrative barriers
 - ID card
 - Technological requirements
 - Link to programme staff
 - Predictability and flexibility
- Financial barriers
 - Societal cost
- Ownership
 - Dignity and control

Analysis 1a: Programme



- Programme objectives dictate nature of payment system:
 - HSNP required flexibility, PEVR speed, OVC stability and long-term
 - HSNP also aimed for financial development
 - OVC using government systems...but scale-up to remote areas?
- Context affected payment system initial possibilities
 - HSNP remote, OVC and PEVR largely better infrastructure
 - Emergency context of PEVR required flexibility, secrecy

Analysis 1b: Programme



- Available funds dictate possibility of investments
 - HSNP donor funding allowed infrastructural investment
- Risks offset in various ways
 - HSNP, PEVR technology
 - OVC MIS

Analysis 2a: Recipient

- Physical barriers affected by infrastructural context
- Trade off between accessibility and flexibility
- Example 1: attempts to reduce queues in CT-OVC and HSNP limit flexibility
 - If everyone comes at the same day to collect, queues are very large
 - Limiting people to specific days affects their livelihoods
- Example 2: physical vulnerability can lead to others controlling transfer collection

Analysis 2b: Recipient

- Administrative barriers high for marginalised groups
 - ID cards
 - Lower technology context
- Innovations around ownership and flexibility can raise barriers
- Example 1: ID cards required for savings using Smartcards and MPESA risk transferring control to representatives with ID cards
- Example 2: Electricity required to charge phones risk transferring control to wealthier agents

Analysis 2c: Recipient

- Flexibility confers benefits on recipients, but...
- It can be very hard to manage in practice
- Can cause problems for predictability, fraud and understanding unless strong communications

- Example 1: HSNP flexibility in payment met problems with liquidity
- Example 2: PEVR variation in amounts and secrecy meant recipients never knew what to expect, reducing probability that fraud detected

Conclusions (1)

- Operational constraints often restrict choice of available payment systems... but need not dictate it
- Recipient considerations should play a more prominent role in programme design stage
 - Payment system can have large effect on recipients' experience of programme and therefore overall impact
 - Innovative systems can have significant positive externalities
 - e.g. infrastructure investment, financial access, etc

Conclusions (2)

- But.. usually a tension between programme and recipient considerations
 - Paying more attention to recipient considerations is generally more costly and more complicated to implement
- Often trade-offs between different payment system design considerations
 - e.g. flexibility vs predictability, security vs communication, recipient cost vs programme cost, etc
- Programmers need more guidance and evidence on merits and shortcomings of available options