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

- Financial barriers
  - Societal cost

- Administrative barriers
  - ID card
  - Technological requirements
  - Link to programme staff
  - Predictability and flexibility

- 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