

Adjusting Conditional Cash Transfer Programs to Urban Areas

Lessons from the International Seminar CCTs
in Urban Areas,

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Presentation based on inputs from seminar

Outline of presentation

Intro: Why the concern?

1. Targeting
2. Take up
3. Adjust design?
4. Use Banks for transfers?
3. Using urban advantages?

Intro

Urban poverty and family dynamics

- ▶ Heterogeneous communities (many migrated from rural), living in mixed areas;
- ▶ Often absence of extended family, many single parents;
- ▶ Cash economy, prices and wages higher;
- ▶ Long distances to work, services, etc.
- ▶ Work long hours, have little time to spend on family, community etc.;
- ▶ Technology available (banking, cell phones)
- ▶ Unsafe, unhealthy environment;

Why the concern?

- ▶ **Successful rural CCTs expanded to urban areas without many changes, e.g. same benefit structure (Mexico)**
- ▶ **Results in urban areas not as good**
 1. Targeting is more challenging
 2. Take-up lower
 3. Competition with urban programs, need to coordinate and take advantage of urban strengths

1. Targeting is more difficult

- ▶ In many countries, the poor are mixed within and across neighborhoods, many live in illegal slums;
- ▶ Communities are less organized, many poor and extreme poor do not apply;
- ▶ Proxy Means Test (PMT) does not work as well in urban areas;

Possible measures to improve targeting

- ▶ Information and program promotion is key,
- ▶ close coordination with NGOs,
- ▶ use of private marketing techniques,
- ▶ need piloting of PMTs and alternative/ complementary targeting instruments.

2. Slow take up

Need to adjust cash transfer levels (price effect)

- Rural values worth less in urban areas
- Real value lower due to higher prices
- Transport & time costs higher due to transport
- Opportunity costs higher due to higher wages

Emphasis on optimal levels usually considers only price effect

- e.g. school enrollment, prenatal care, etc.
- But, income effect important:

Income (cash) effects: Mexico (rural and urban)

- ▶ Families invest 12% of transfers in income generating activities (micro-enterprises)
- ▶ More cash spent on
 - More and better food
 - Better housing: e.g. cement floors, toilets, water
 - House assets: refrig., gas stoves, etc
 - Productive investments raise incomes
- ▶ Associated w/ better early child development
 - Taller, language, behavior, exec function

3. Adjust design to improve impacts in urban areas?

- ▶ Eliminate primary school transfers?
 - Enrollment already very high
 - Evidence: beca has no effect
- ▶ Secondary
 - Raise levels of benefits to reflect higher opportunity costs in urban areas
 - put money in student's pocket?
- ▶ Prenatal/nutrition/health –
 - Which conditionalities really matter?
 - Match conditionalities to address gaps and ensure that supply is of good quality!

4. Use Banks to Pay Cash Transfers?

- ▶ Operational reasons
- ▶ Concern over impulse purchases
 - Reduce poor choices (e.g. junk food, quick buys)
- ▶ Increase savings/investment
 - Durables & housing improvement
 - Income generating activities (micro-enterp./farms)

Evidence from Mexico: Payments through Banks or Cash

- ▶ Mexico's Urban CCT program paid cash primarily through Banks
- ▶ Some forced off banks to cash over time
- ▶ Examine effect of changing from Bank to cash payment on expenditure patterns
- ▶ 3817 beneficiary households
 - 2889 always Bank
 - 771 switch from Bank to Cash
 - 257 switch from Cash to Bank

Evidence from Mexico:

- ▶ **Paying transfer through Banks**
 - Reduced impulse spending on junk foods, carbohydrates & some non-foods
 - Increased savings of transfers
 - Increased spending on durables such as improvement in housing and furniture
- ▶ **Using Banks to pay transfers helps families control impulse spending & save/invest more**

5. Use urban advantages: Access to other services

- ▶ Many more public & private programs for poor in urban areas e.g.
 - Job training, employment (NYC)
 - Child care
- ▶ CCT do not need to supply all services
- ▶ CCT could help access these programs,
- ▶ Case worker programs
 - e.g Colombia Juntos, Chile Solidario, NYC



Thank you!

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