



**Institute of Strategic and
International Studies (ISIS) Malaysia**

*National Affairs Forum (NAF): A Better BSH
27 August 2019*

Bantuan Sara Hidup (BSH)

**Design Considerations for Cash
Transfer Programming**

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National Affairs Forum (NAF): A Better BSH
27 August 2019

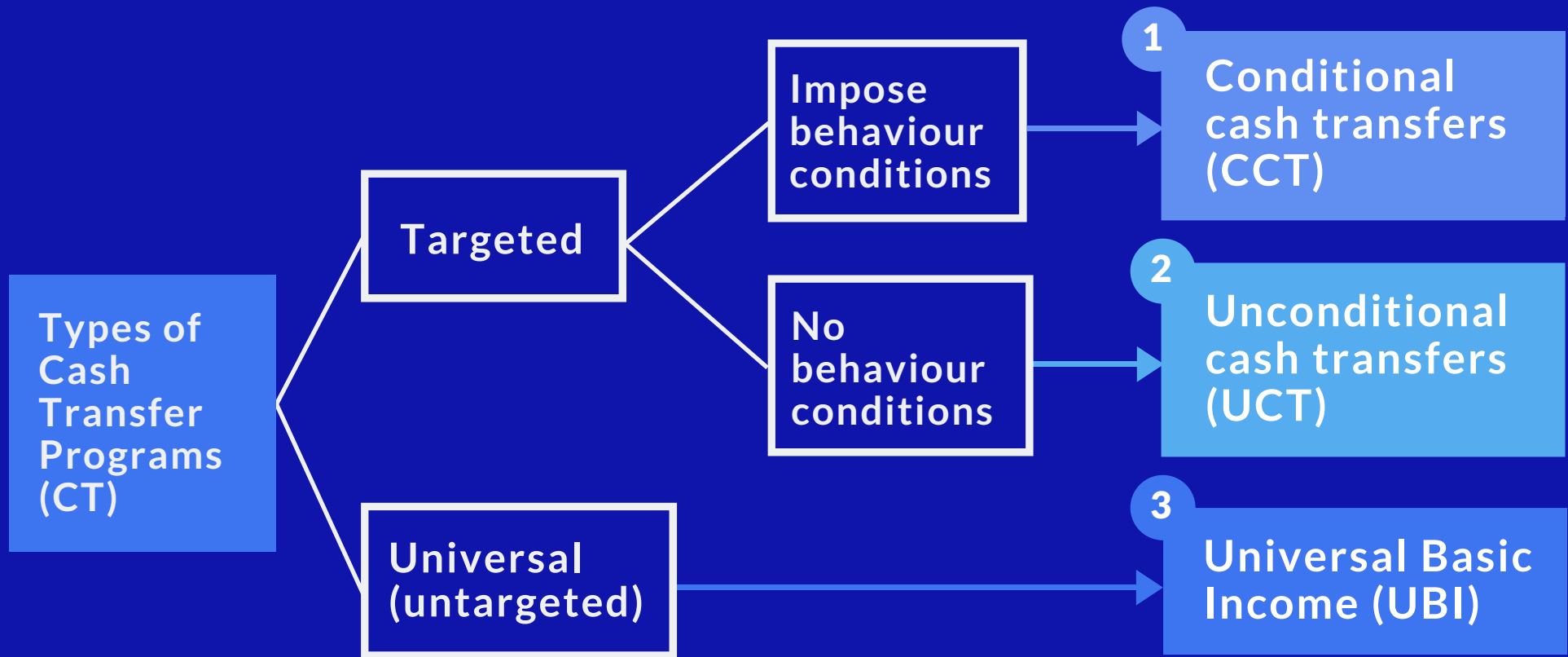
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01 Background on Cash Transfers

Brief overview of cash transfer programs

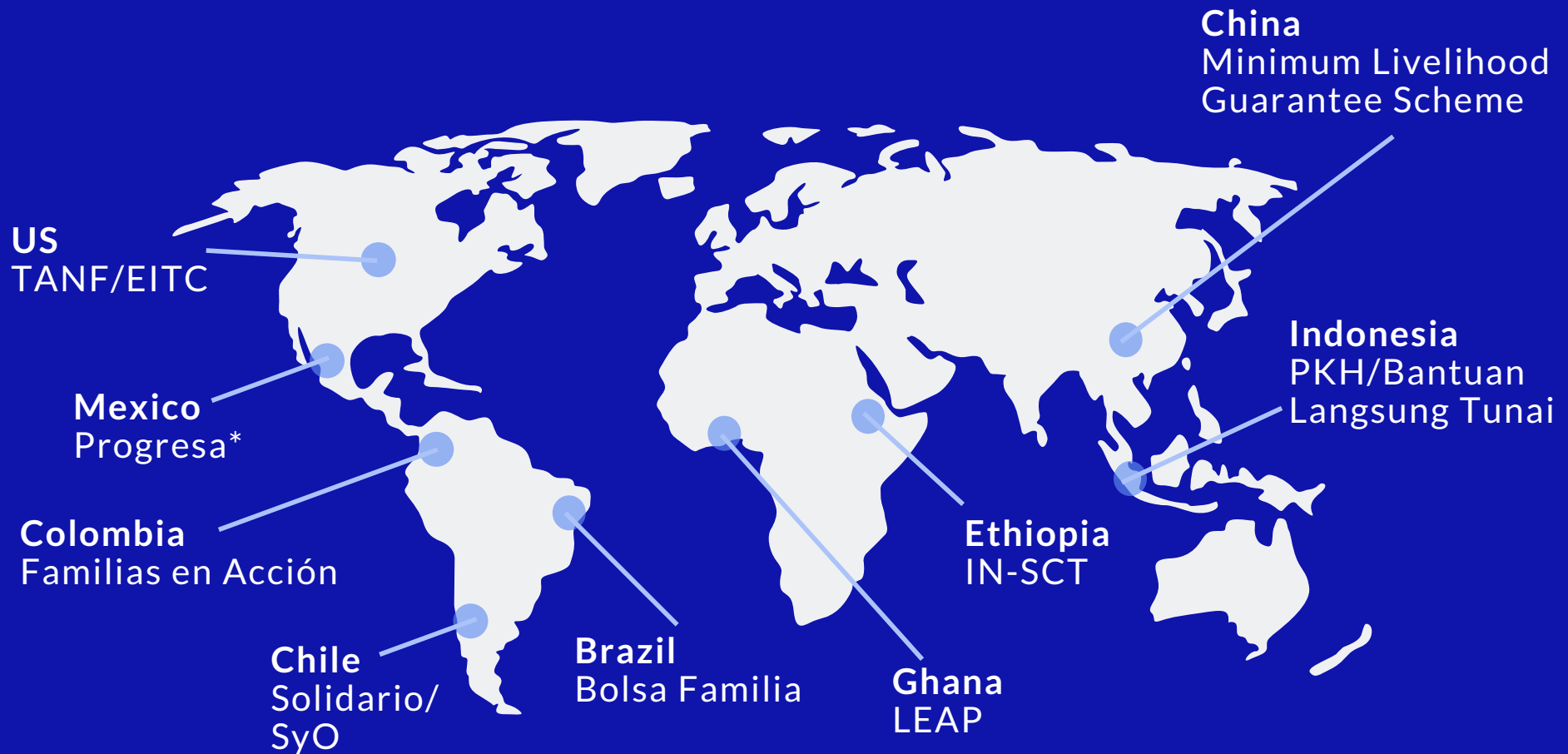
Cash Transfer (CT) programs are a type of social assistance that directly transfers money to recipients. BSH is considered a kind of Unconditional CT program



01 Background on Cash Transfers

A few examples of CT programs around the world

In 2016, some 130 countries have some kind of UCT program, and about 63 countries have at least one CCT program



**Note: Discontinued and replaced in early 2019*
Bastagli (2010). "Understanding the impact of cash transfers: the evidence"

02 Evidence Review

Leveraging evidence from hundreds of studies and evaluations

Main studies used in the evidence review section

2017

Review of Long-Term Impacts of Cash Transfer Programs EPAR TECHNICAL REPORT #359

Travis Reynolds, C. Leigh Anderson, Pierre Biscaye, David Coomes, Trygve Madsen, Elan Ebeling and Annie Rose Favreau

Meta-analysis of 54 literature reviews covering hundreds of individual studies

2016

Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features

Jessica Hagen-Zanker, Francesca Bastagli, Luke Harman, Valentina Barca, Georgina Sturge and Tanja Schmidt

Evidence review of 201 individual studies

+ many other individual studies across 2000 - 2018 including:

Evans & Popova (2015); Baird, McIntosh & Ozler (2011); Baird, Mackenzie, Ozler (2018); Davis & Handa (2011); Pega et al. (2014); Handa et al. (2013)...

For full list of references please email me!

02 Evidence Review

Leveraging evidence from hundreds of studies and evaluations

How do cash transfer programs impact...

Poverty and Consumption

- Strong evidence that CTs reduce monetary poverty
- Increases in food diversity and well-being

Savings & Investment

- Some evidence that CTs increase recipients' savings, asset investments, and productivity

Health

- Increases food diversity but mixed evidence that CTs lead to long-term improvements in health & nutrition*

Work and Labour Outcomes

- No decrease in general work intensity and work hours, some studies even show an increase
- But do reduce incidence of child labour and casual work
- Increase in wages received

Education

- Increase in school attendance but less evidence that CTs directly lead to better educational outcomes*

02 Evidence Review

Leveraging evidence from hundreds of studies and evaluations

...and what about evidence on the program design features of CTs?

Benefit size and duration of benefits

Evidence that larger benefit sizes (some estimate a 20% consumption replacement threshold)* and longer exposure increases "transformative" impacts on recipients

Mode of benefit delivery

Benefit transfers via direct cash are simpler, more efficient and cheaper than other modes of benefit delivery. CTs spend \$0.10 per \$1 transferred versus \$2.13 per \$1 for in-kind benefit transfers.

Conditionality?

- Unconditional CTs can work just as well as Conditional CTs in certain cases, the conditionality choice is rife with trade-offs--monetary and otherwise
- Ultimately depends on program goals

02 Evidence Review

Leveraging evidence from hundreds of studies and evaluations

Busting CT-related myths via evidence...

Myth #1

CTs make recipients lazy and dependent

CT recipients do not decrease work intensity and work hours, some studies even show increases in general work intensity

Myth #2

CT recipients will increase spending on temptation goods

Research shows that CT recipients do not spend it on vice goods, with some studies showing spending on vice goods actually fell.*

Myth #3

CTs are expensive and encourages corruption/leakages

CTs more secure, transparent and less susceptible to program leakages and local corruption because of its simplicity and directness

Myth #4

We should move towards vouchers/in-kind benefits

Moving towards a voucher system limits the flexibility for recipients to save and invest--while increasing program costs

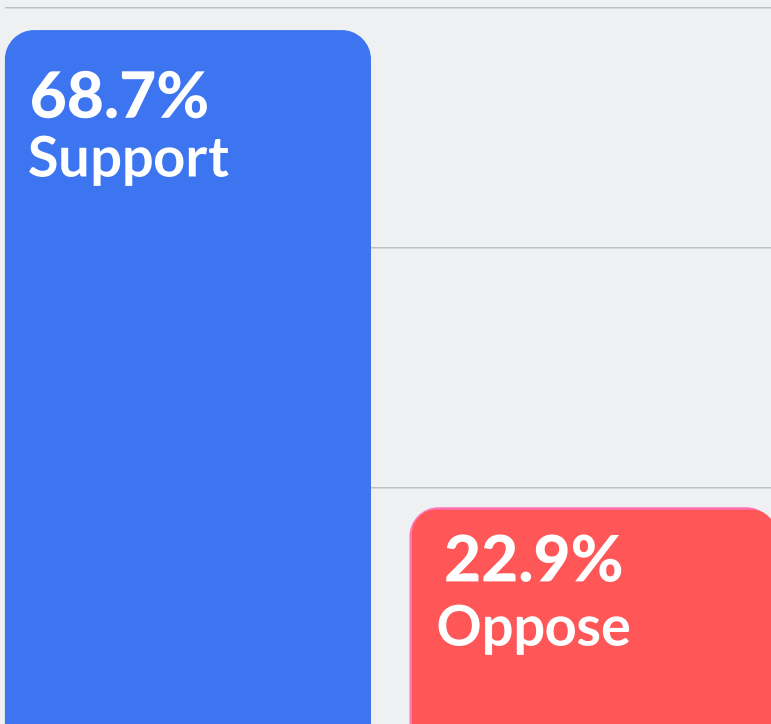
*Lorant et al. 2003; Lund et al. 2010; Jones & Sumnall 2016, Evans & Popova, 2016.
Handa et al. 2018

02 Evidence Review

Leveraging evidence from hundreds of studies and evaluations

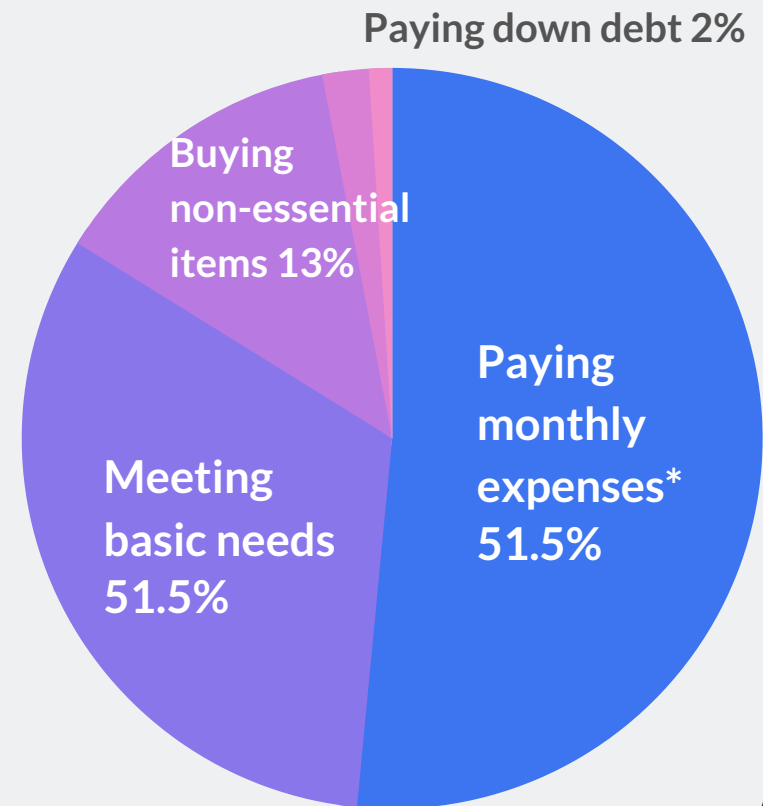
Locally...

Respondents' opinion of the BR1M/BSH cash transfer program



n = 1,031

How BR1M/BSH recipients used their benefits



n = 598

*Includes daily expenses, schooling fees and monthly bills

Adapted from Kajidata Research, "Kajian Tentang Persepsi Rakyat Terhadap Bantuan Rakyat 1 Malaysia (BR1M)"

Note: Author added emphasis and renamed categories for clarity

03 BSH Recap: Benefits

Bantuan Sara Hidup 2019 benefit structure

Monthly household income	Annual BSH Benefits		
	0 kids	2 kids	4 kids
RM3,001 - RM4,000	RM500/year	RM740/year	RM740/year
RM2,001 - RM3,000	RM750/year	RM990/year	RM1,230/year
RM2,000 and below	RM1,000/year	RM1,240/year	RM1,480/year

Data: BSH microsite

How much is that per month?

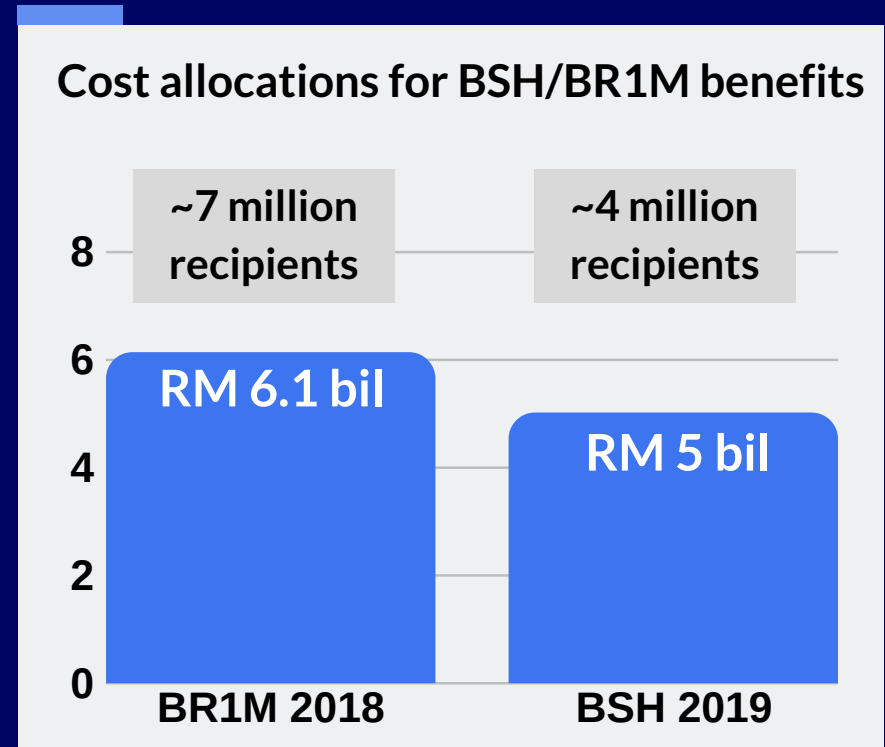
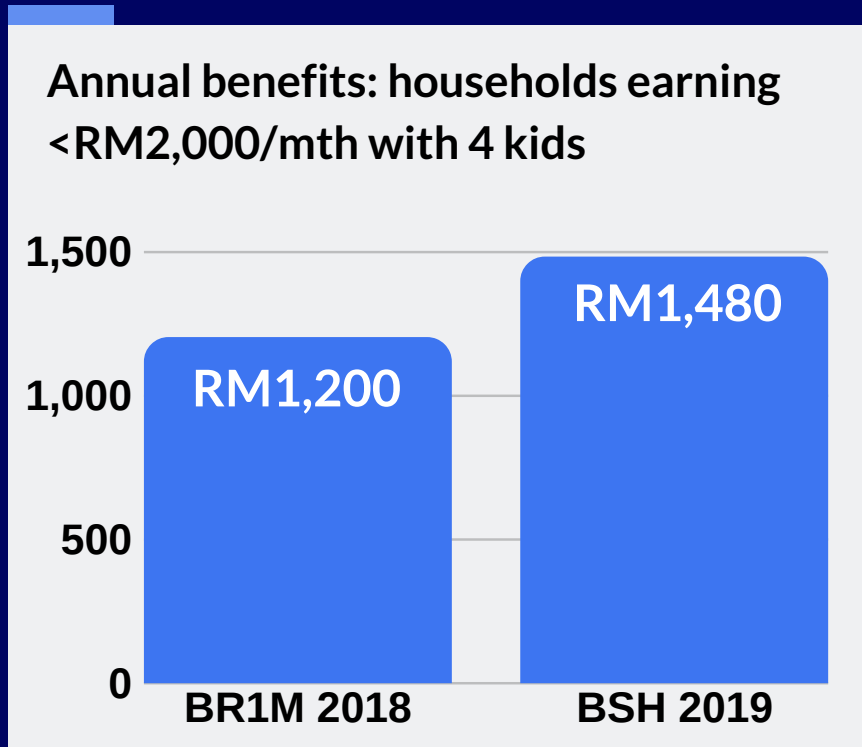
The household category receiving the highest benefits, **4-children** households earning **below** RM2,000 per month, will get an average **monthly** BSH benefit of **RM123.3**

The lowest, households earning **between** RM3,001-RM4,000 with **no children**, will get an average **monthly** BSH benefit of **RM41.67**

03 BSH Recap: BR1M vs. BSH

For households earning RM2,000/month and below, and with 2 or more kids, the revised BSH benefits are more generous than BR1M.

2019 BSH cost savings were achieved by reducing benefits paid to higher income groups, and removing* the BR1M "single" category



Data: BSH infosite, New Straits Times

*A one-off RM100 payment was later announced

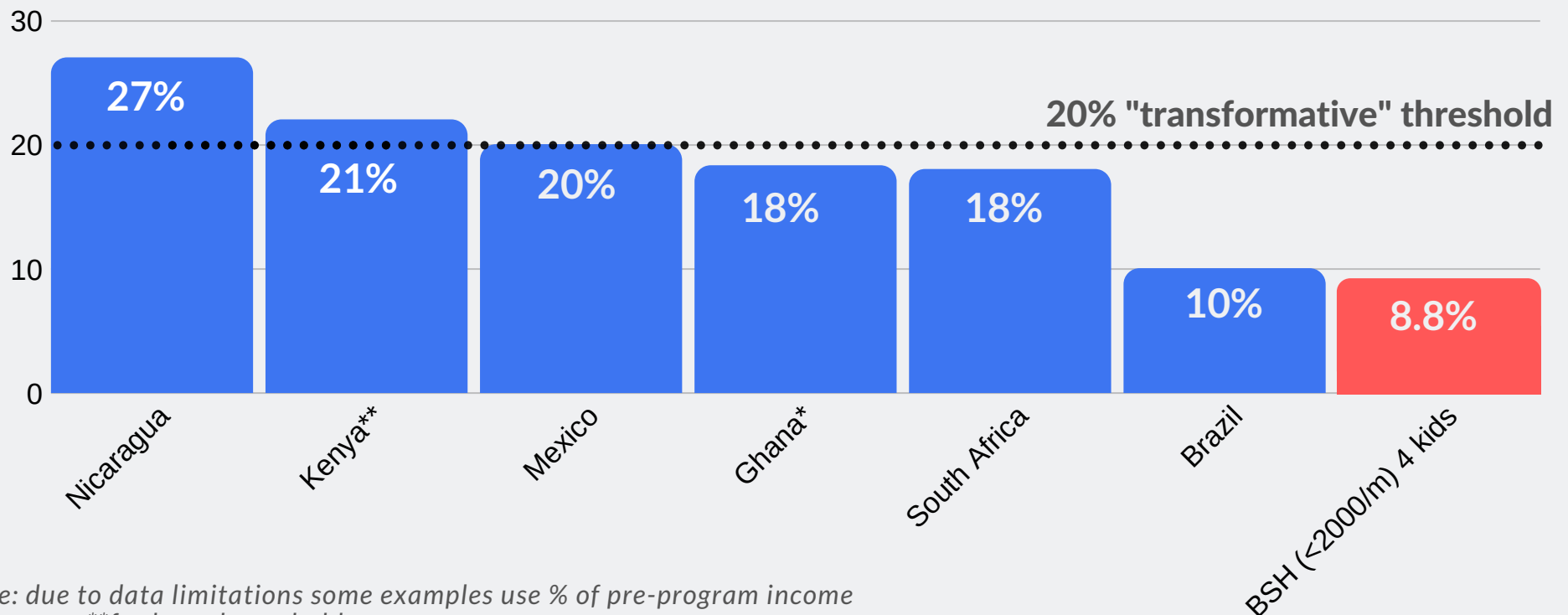
04 Towards a Better BSH

1. Increase BSH benefit size

There is room to increase BSH benefit size. Evidence suggests that higher benefit levels are associated with more positive impacts on poverty, health, investment & productive activity

Benefits as % of pre-program consumption

International comparisons



Note: due to data limitations some examples use % of pre-program income
*average **for large households

Author's (rough) estimates based on HIES data, and sources for different countries, including Handa et al. 2018., Handa et al. 2014., Armand et al. 2016., Kilburn et al. 2018.

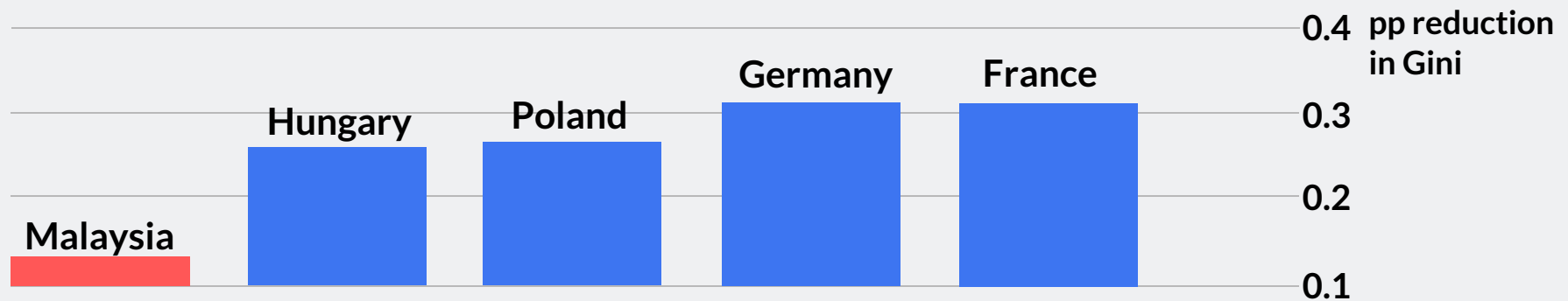
04 Towards a Better BSH

1. Increase BSH benefit size

Malaysia's government transfers are not progressive enough

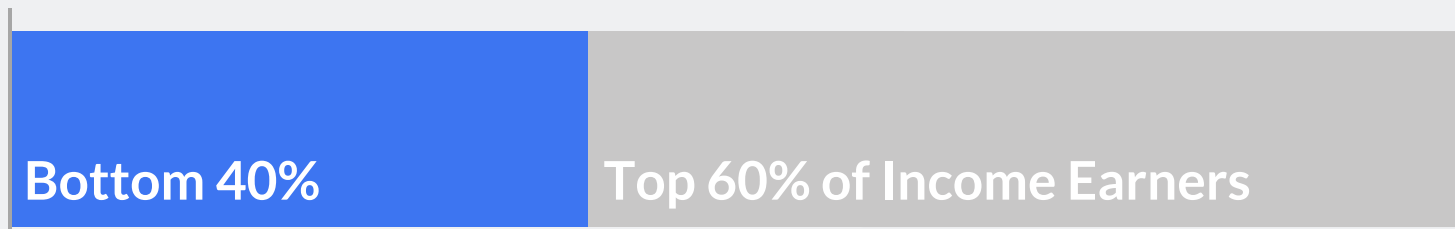
More needs to be spent on the poorest...

- ▶ Malaysia's tax-and-transfer system does not reduce inequality by much...



Source: Adapted from Nixon, Asada & Roen, 2017. "Fostering Inclusive Growth in Malaysia"

- ▶ Only 39% of all adults receiving gov't assistance was in the B40* income group



Author's estimates based on Global Findex 2017 data

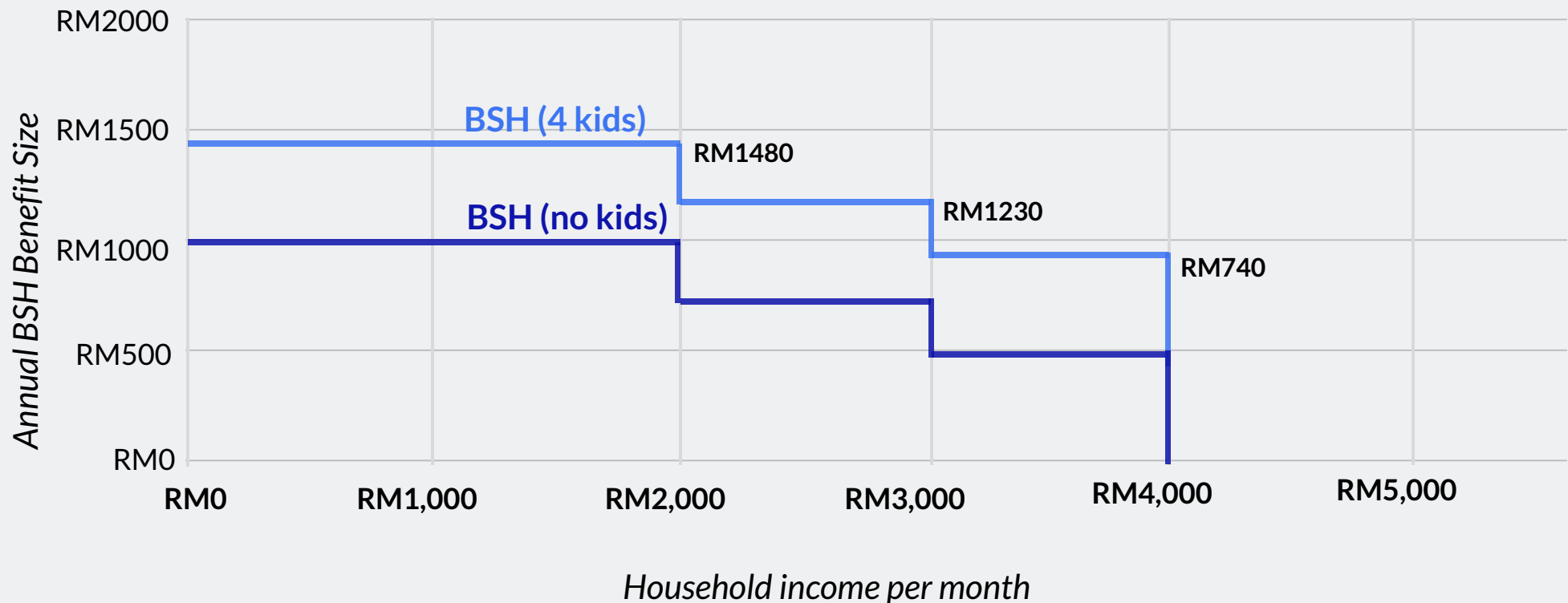
*Bottom 40% of the income distribution

04 Towards a Better BSH

2. Changing 'cliffs' to 'slopes'

Current BSH benefit structure has benefit 'cliffs': this creates work disincentives for households earning near the cut-off income threshold and makes it harder to vary eligibility with household size

Current BSH Benefit Structure vs. a sliding scale approach

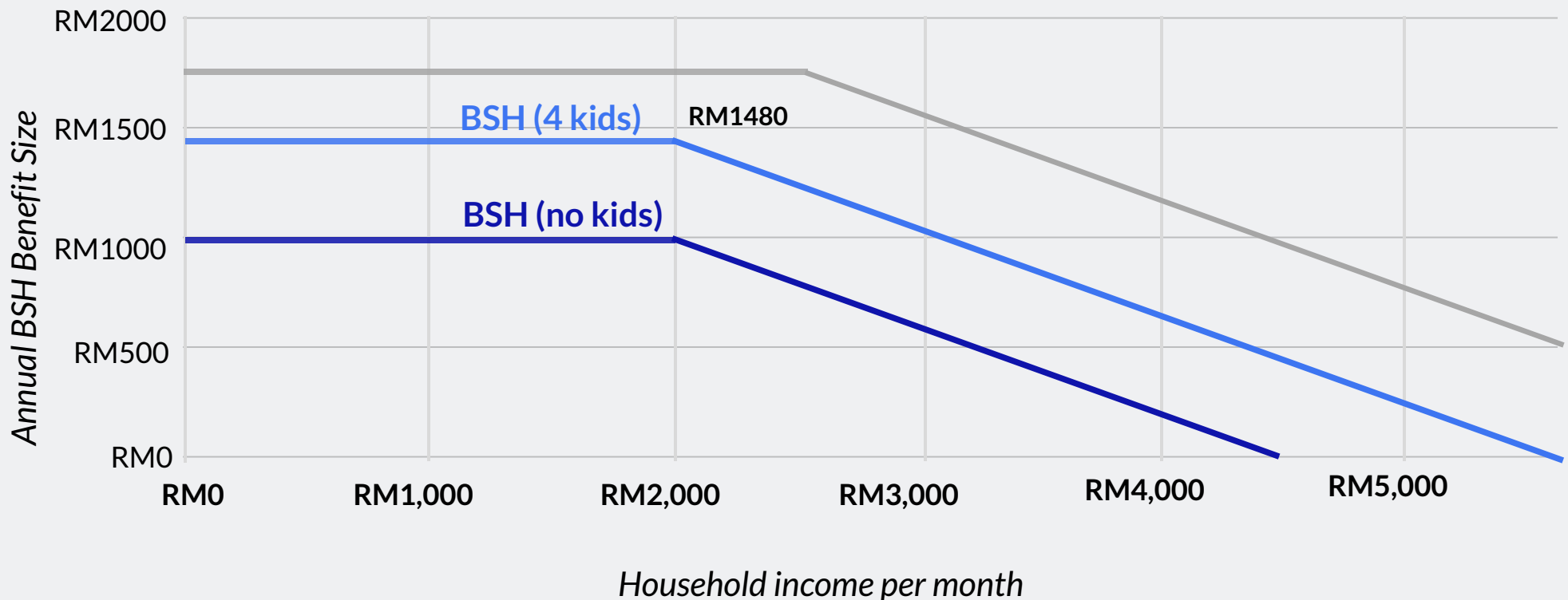


04 Towards a Better BSH

2. Changing 'cliffs' to 'slopes'

Instead, benefit 'slopes' allow BSH benefits to be reduced gradually as household income rises, reducing bad incentives and makes the entire benefit and eligibility structure more flexible

Current BSH Benefit Structure vs. a sliding scale approach



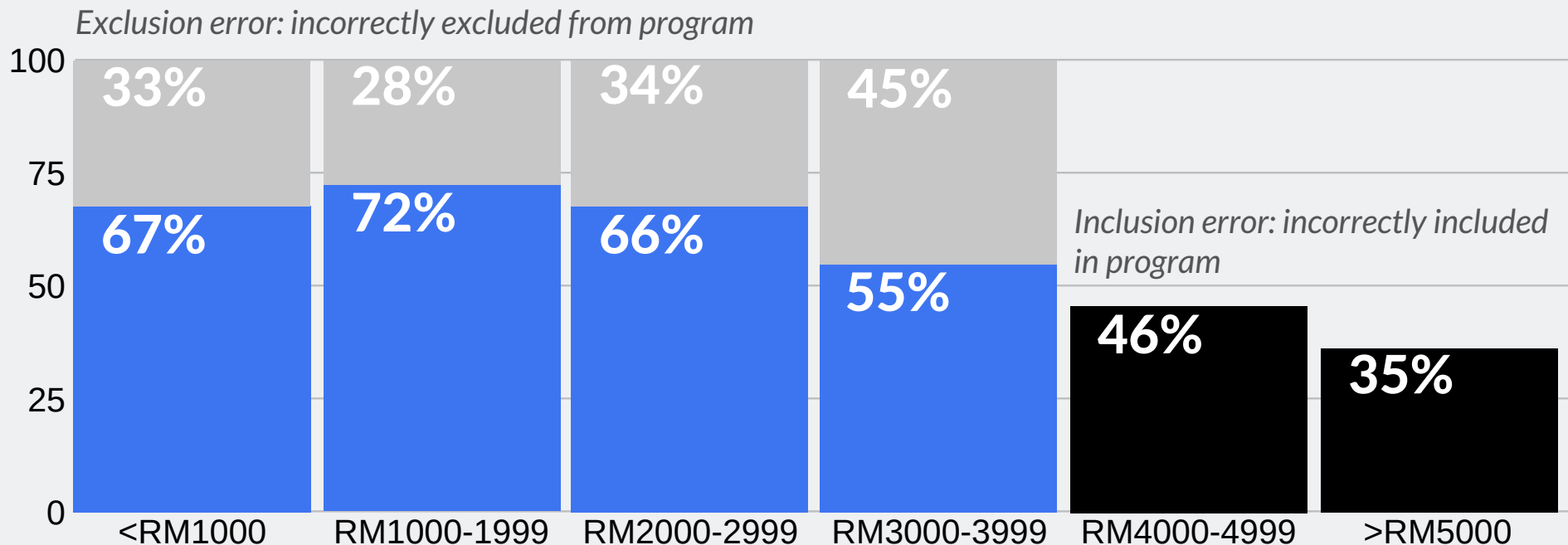
04 Towards a Better BSH

3. Focus on reducing program exclusion and inclusion errors

Exclusion errors and program undercoverage undermines the poverty impact of CTs and raises important socio-political/justice concerns. **Inclusion errors and leakages** waste limited program resources on non-intended recipients

% of households receiving BR1M
Inclusion and exclusion errors

Correctly included Exclusion errors Inclusion errors

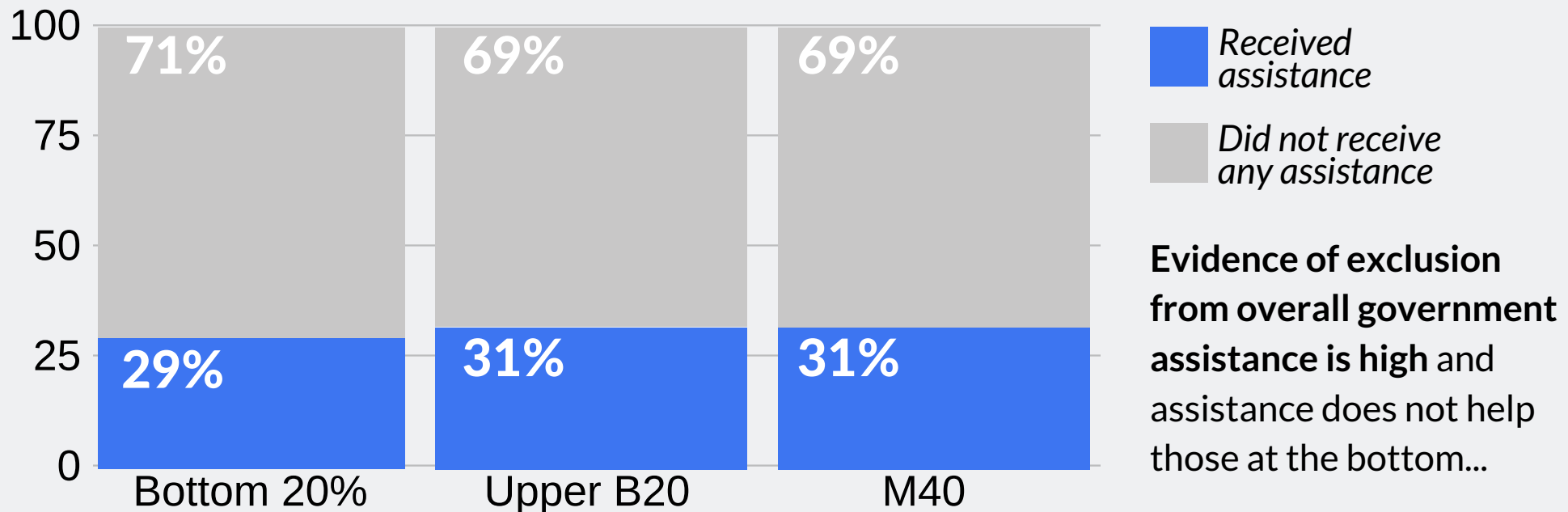


04 Towards a Better BSH

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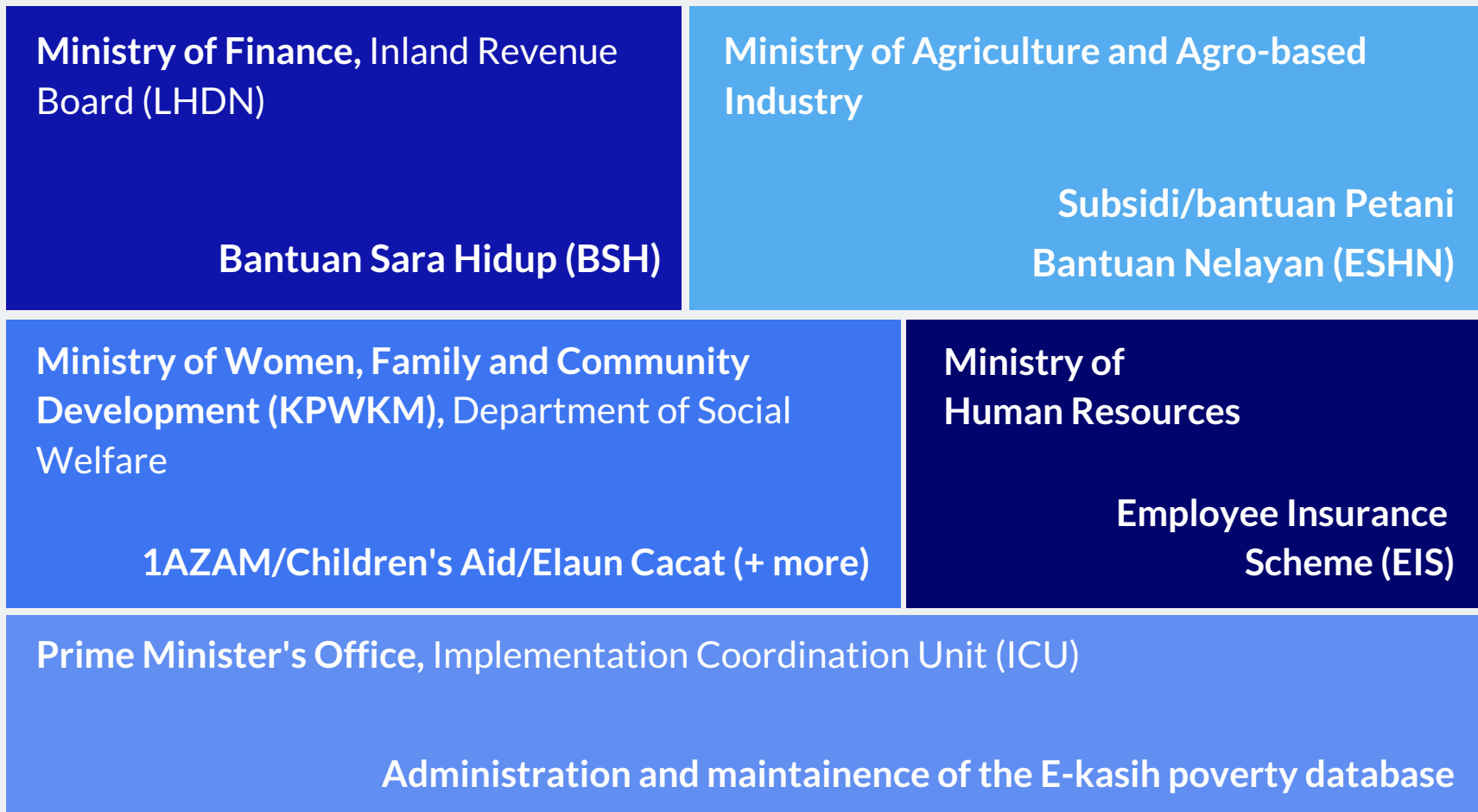
% of adults reported receiving government assistance in the past year, Malaysia
By income quintile



04 Towards a Better BSH

4. Consolidate and Streamline Social Assistance

Malaysia's social assistance initiatives are fragmented...



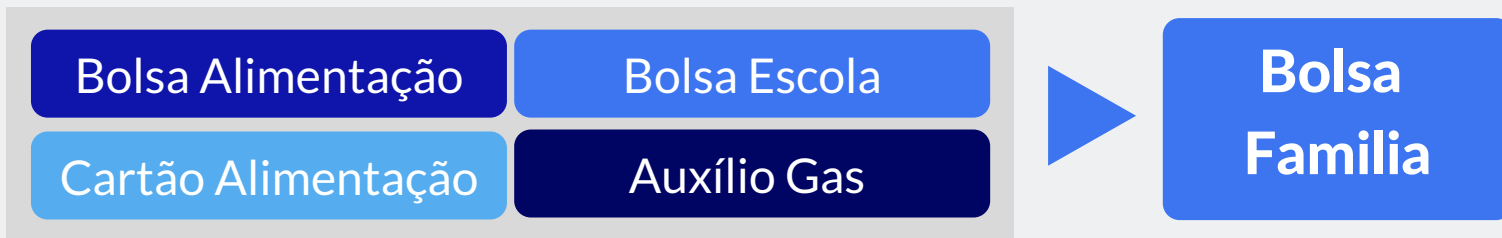
04 Towards a Better BSH

4. Consolidate and Streamline Social Assistance

4.1 Consolidate overlapping assistance initiatives into BSH

Increases the efficiency and effectiveness of social assistance while reducing administrative costs and bureaucratic complexity

Example: Brazil's social assistance consolidation (4 in 1)



4.2 Establish one-stop shop/single window for social assistance

- Reduces exclusion errors and limits undercoverage
 - Makes it easier for beneficiaries to access the assistance they need
 - Reduces compliance/regulatory costs for low-income households
- Improves linkages between social assistance and welfare programs

04 Towards a Better BSH

4.3 Establish central coordinating and implementation body for social assistance/poverty-reduction initiatives

- Improves inter-agency cooperation and coordination
- Enables resource-sharing, reduction of duplication, administration costs
- Makes it easier to integrate database in a more holistic manner (unlike the current e-Kasih database, which is also complicated by undercounting of poverty)
- Makes it easier for monitoring and evaluation, research

Example: 'National Team for the Acceleration of Poverty Reduction (TNP2K)' Indonesia



Established to promote coordination across ministries/agencies to improve the implementation of poverty reduction programs.

2 mandates:

- Create a truly integrated database on vulnerable households
- Continually improve the efficiency and effectiveness of various poverty alleviation programs through research, monitoring & evaluation.

04 Towards a Better BSH

5. Establish rigorous and publicly-accessible monitoring & evaluation

- CT programs around the world usually accompanied by rigorous M&E by a 3rd party
- Increasing program credibility improves program survivability across regime change
- M&E allows continual improvement of the program--what works, and what doesn't?
- Eliminates external validity concerns

Example: 'National Team for the Acceleration of Poverty Reduction (TNP2K)' Indonesia

Rigorous, publicly-accessible, independent Monitoring & Evaluation (M&E) generates useful evidence for policymakers

CUMULATIVE IMPACTS OF CONDITIONAL CASH TRANSFER PROGRAMS: EXPERIMENTAL EVIDENCE FROM INDONESIA

Nur Cahyadi (TNP2K)
Rema Hanna (Harvard Kennedy School, NBER, BREAD)
Benjamin A. Olken (MIT, NBER, BREAD)
Rizal Adi Prima (RMIT University Melbourne)
Elan Satriawan (TNP2K & Universitas Gadjah Mada)
Ekki Syamsulhakim (TNP2K & Universitas Padjadjaran)

THE ROLE OF COMPETITION IN EFFECTIVE OUTSOURCING: SUBSIDIZED FOOD DISTRIBUTION IN INDONESIA

Abhijit Banerjee (MIT)
Rema Hanna (Harvard University)
Jordan Kyle (IFPRI)
Benjamin A. Olken (MIT)
Sudarno Sumarto (TNP2K and SMERU)

TNP2K Indonesia

04 Towards a Better BSH

6. Keep it unconditional (mostly)

- UCTs can work just as well CCTs in many measures of poverty and well-being
- Imposing strict program conditionality imposes huge compliance costs on the poorest households and contributes to higher exclusion errors and undercoverage
- Enforcement of conditions also drastically increases the total cost and complexity of the program--and creates opportunities for political influence and corruption

But adding a conditional element on top of a base unconditional CT can be a good idea...

UCTs and CCTs can complement each other: policymakers could provide a basic unconditional cash transfer topped up by CCTs for human capital accumulation and desired behaviours. This would provide both an incentive to invest in education and health while still guaranteeing a basic level of protection to those who are unable to comply with the conditions

- One country that does this: Chile's Solidario/SyO program

04 Towards a Better BSH

6. Leverage 'cash-plus' efforts

There has been increasing recognition that term complementing cash with additional assistance efforts ('*cash-plus*') creates outsize, longer-term benefits for recipients

Cash-plus efforts = Cash transfers, PLUS....



Supply-side
investment
in infrastructure



Facilitate
access to services



Increasing linkages
between
services/programs



Information
Sensitisation/BCC

Example: Chile's Solidario/SyO - integrating 'cash plus' components



The Solidario/SyO CT program actively facilitated linkages to other social services while simultaneously focusing on supply-side investments to improve the quality and quantity of education and health services in addition to offering psychosocial support (BCC) to poor households

05 Conclusion

Summary

- Robust body of evidence that CTs can have highly positive socio-economic impacts on poverty and beyond
- BSH should be maintained, formalised and improved
- Improvements to the benefit size, targeting/eligibility mechanisms, and implementation would increase poverty impacts
- Serious efforts should be made to minimise exclusion errors and program undercoverage
- Overlapping social assistance efforts should be consolidated and coordinated by a single agency
- Supporting 'cash-plus' initiatives are crucial to improve the sustainability of poverty impacts

05 Conclusion

Concluding Remarks

- Malaysia's government social spending is low compared to its level of development, and government transfers have been regressive
- CTs probably one of the best, cheapest, most efficient ways to redistribute gains to the bottom
- Of course, cash cannot be the only bullet in the gun: tackling multidimensional poverty and inequality requires more than just cash transfers
- Still, program design considerations and implementation matters a lot for maximising poverty impacts

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Thank you!

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