

The Power of Small, Temporary Cash Transfers

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Common Perceptions

“Big push” interventions are commonly proposed to generate significant, sustained increases in household, community, and national income (Banerjee, Duflo, and Sharma 2020; Kraay and McKenzie 2014). At the household level, two approaches to increasing intervention size may, in theory, enable households to escape poverty traps and persistently reduce poverty (Ghatak 2015):

1. When households are in a “scarcity poverty trap,” increasing the *intensity* (cash transfer size) of interventions can push households over a poverty threshold.
2. Alternatively, when households face “frictional poverty traps” (facing many obstacles), increasing the *scope* (adding complementary interventions to create multifaceted programs) of interventions can enable households to overcome multiple constraints.

Questions We Should Be Asking

Evaluating increasing intervention intensity and scope requires measures of the impact of the above two approaches on cost-effectiveness (Banerjee et al. 2015). However, evidence on the longer-term persistence of cost-effectiveness is limited for both approaches.

In our recent working paper, we compile 38 estimates of the impacts of temporary cash transfers on household consumption from 14 countries. These estimates were from 17 randomized controlled trials (RCTs) of either temporary unconditional cash transfers, or multifaceted graduation programs with complementary interventions that included temporary unconditional transfers, targeting the

ultra poor. On average, the transfers were administered over eight months for unconditional cash transfers, and over sixteen months for multifaceted graduation programs. We included these classes of programs to evaluate two approaches to increasing the size of cash transfers—increasing their intensity (small cash transfers or large cash transfers) and increasing their scope (cash transfers or multifaceted graduation programs).

The RCTs in our sample all collected information on annual household consumption, cash transfer size, and program cost (in US\$ purchasing power parity). To measure cost-effectiveness, we focus on the effects of cash transfers on consumption.

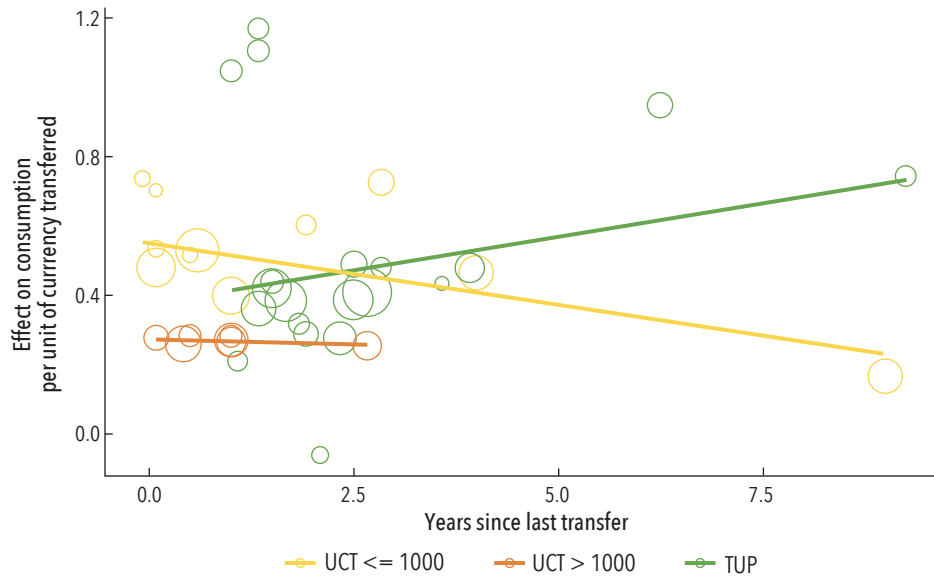
Challenging Perceptions

Impacts of Temporary Unconditional Cash Transfers

Surprisingly, our results suggest *more* persistent impacts of *smaller* unconditional cash transfers (see figure 2.1). This implies that smaller cash transfers persistently push more households out of poverty per transfer unit. Unconditional cash transfers increase annual household consumption by 0.35 per unit of transfer. Over three years, this implies that increases in household consumption are larger than the initial value of the transfers. Consistent with the uniform nature of the intervention, these estimates are remarkably consistent across contexts.

Larger unconditional cash transfers have smaller impacts on consumption per unit of transfer over both the short- and longer-term. The impacts of unconditional cash transfers are more persistent in developing countries than wealthier countries.

Figure 2.1 Impacts of UCTs and TUP Programs with Respect to Transfer Size and Years Since Last Transfer



Note: Unconditional Cash Transfers (UCTs) of less than 1,000 USD (in yellow) have the largest effect on household consumption per unit of currency transferred for the first 3 to 4 years, compared to UCTs of more than 1,000 USD (in orange) and Targeting the Ultra Poor interventions (in green).

Finally, the cumulative impacts of unconditional cash transfers on consumption over the first three years are larger than the size of transfers, providing strong evidence that unconditional cash transfers are cost-effective.

Impacts of Complementary Interventions that Target the Ultra Poor

Only four of our sample’s twenty complementary intervention estimates were measured more than three years after the last transfer, highlighting the need for more long-run estimates. However, we find that complementary interventions increase impacts on consumption.

Complementary interventions are relatively expensive in our sample. Therefore, the average complementary intervention is 5–43 percent less cost-effective at increasing consumption than the average unconditional cash transfer at the average evaluated time horizon (1.5 years for UCT and 2.6 years for TUP).

However, we also find evidence that the average impacts of TUP complementary interventions masks important variation across contexts. Specifically, we find evidence of variation in the cost-effectiveness of complementary interventions on increasing household consumption.

Finally, the relative cost-effectiveness of complementary interventions grows over time: the impacts surpass those of unconditional cash transfers after 3.4–7.7 years.

Policy Implications

While cash transfers are fairly uniformly cost-effective in raising consumption at all time horizons across a range of contexts, the emphasis for future work should be on the importance of context-specific estimates of the long-term impacts of complementary interventions that target the ultra poor, in order to inform policy.

It is worth noting that beyond cost-effectiveness, there are justifications for increasing intervention size to consider. For example, increasing transfer size or providing complementary programs to the poorest households can be powerful tools for poverty reduction (despite the variance in cost-effectiveness).

One aspect of cash benchmarking that our study does not explicitly address is that the assets transferred under many graduation programs are done in-kind. In these cases, we consider the cash-equivalent value of the asset transfer to benchmark the cost-effectiveness of the program against unconditional cash transfers, implying that these transfers are equivalent in value, and we focus on measuring returns to complementary interventions. Yet cash and in-kind transfers may have different properties: for a given transfer amount, cash opens more investment choices. Even though assets can be sold, this may be done at cost. In some contexts, program participants may face constraints in accessing full markets that make in-kind transfers more cost-effective than cash.

Our results question the necessity of “big push” interventions to reduce poverty. Small, temporary cash transfers—with a total transfer value under US\$1000 purchasing power parity (PPP) per household—provide a strong benchmark for scalable, cost-effective poverty reduction across diverse contexts.

The presence of poverty traps alone does not justify increasing intervention size. Instead, the distribution of poverty thresholds conditional on targeting is crucial. In concrete terms, if poverty traps are uniformly distributed, then small cash transfers will be at least as effective at pushing households out of poverty per transfer dollar as larger cash transfers. On the other hand, if poverty traps are denser in the higher ranges

of the distribution, larger cash transfers will be more cost-effective at getting households out of poverty.



This case study is based on a meta-analysis completed during the preparation stages of the World Food Programme's Cash-Based Transfers and Gender Impact Evaluation Window and the Climate and Resilience Window. It is based on data compiled to complete the Cash-Based Transfers and Gender Impact Evaluation Window pre-analysis plan. See: Kondylis, Florence, and John Loeser.* 2021. “Intervention Size and Persistence.” Policy Research Working Paper 9769, World Bank, Washington, DC.*

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**Development Impact Evaluation (DIME), World Bank.*