POLICY BRIEF

# Key Decisions for COVID-19 Social Protection in Low- and Middle-Income Countries

*Who Benefits and How?*


PHOTO: WILL BOASE

## The Four Key Decisions for COVID-19 Social Protection Design in LMICs

### Which individuals should be offered social protection benefits?

- People in urban areas are disproportionately affected by the pandemic and often don't have access to other social safety nets, so they may need new programs.
- Governments should consider whether these new programs can be integrated with the administrative and technical systems used for existing social protection schemes, so that the programs can be used for sustained poverty reduction efforts after the pandemic ends.

### How can these individuals be identified and enrolled in a social protection program?

- There are a range of options for targeting eligible individuals, including the use of existing social registries; geographic targeting; community-led targeting; or individual registration.
- The choice of method to use depends on the quality of a government's existing data about the population, as well as the time and resources the government has available to collect new data.

### Should benefits be provided as cash transfers, or in-kind transfers such as food aid?

- Cash transfers offer a flexible, dignified, evidence-based response to the crisis.
- If local markets are functioning quite poorly or are not secure, however, in-kind transfers may be more effective.

### If cash transfers are selected, should they be provided as physical cash, or via digital payments?

- Digital payments are quick, secure, and easy to monitor.
- However, many of the most vulnerable populations may lack access to digital payment infrastructure, so physical cash may still have a role to play.
- Whichever payment method is chosen, it's important to ensure that payment beneficiaries can access banks or cash-out points in a manner compliant with social distancing regulations.

# Introduction

The lockdowns implemented to slow the spread of COVID-19 have reversed decades' worth of progress towards poverty reduction in low- and middle-income countries (LMICs).

The IMF predicts that the global economy will shrink by over 3% in 2020,[1] which could throw up to 85 million people in LMICs into extreme poverty. If the contraction reaches 10%, up to 180 million additional people could drop below the $1.90 poverty line.[2] It's vital to ensure that vulnerable people are provided with the economic relief that they need.

The expansion of social protection programs has an important role to play in pandemic response. Cash transfers are an especially promising avenue, as they are effective at improving a number of development outcomes. These include raising individuals' incomes[3] and asset ownership,[4] improving their nutritional status[5] and mental health,[6] and lowering their risk of experiencing illness[7] or intimate partner violence (IPV).[8] Digital payments can offer the opportunity to distribute cash transfers in a manner compliant with social distancing.

A number of LMIC governments initially turned to food aid distribution during the pandemic.[9] However, this may not be a sustainable decision for a crisis of long duration. While food aid can be important for supporting the nutritional status of vulnerable people, it requires complex logistics to provide it, and offers beneficiaries less flexibility and autonomy compared to cash transfers. If sufficient food supplies are still available on the domestic market, cash transfers are often a more efficient means of supporting the vulnerable.[10]

How should policymakers decide what type of support to provide to vulnerable citizens during the pandemic, and which individuals should benefit? **This policy brief outlines four key decisions in social protection program design.** These choices relate to topics like determining funding requirements, selecting beneficiaries, and deciding whether beneficiaries should receive cash payments, digital payments, or in-kind transfers of food or other goods.

Evidence can help to guide these decisions. This brief shares the latest evidence on these topics, as well as ongoing studies which are examining social protection in the time of COVID-19 at IPA's Research for Effective COVID-19 Responses (RECOVR) hub. It also identifies important areas for future research on this topic.

# Background

### *The pre-pandemic state of social safety nets in LMICs*

When the pandemic began in early 2020, countries at different levels of national income faced very different sets of policy options for responding to it. High- and upper-middle-income countries tend to have strong social safety nets, and have been able to rapidly add new beneficiaries or increase the scale of the benefits in these existing programs. Programs such as unemployment insurance serve as automatic stabilizers, as they are designed to operate at scale during periods of economic crisis. However, lower-middle and lower-income countries tended to have weaker social safety nets which only reached a fraction of the poor population even before the pandemic (see Table 1).

The relatively weak state of pre-pandemic social safety nets in LMICs means that these countries must make active policy choices about how they will respond to the pandemic, rather than simply relying on existing programs.

This brief focuses on those program design choices. However, it is worth noting that the amount of funding available for a given social protection program will shape many other aspects of its design, including the number of beneficiaries it can reach and the size of the payments it provides. Because LMICs are being hit by the pandemic's economic contraction, they may find it difficult to mobilize domestic funding through tax revenues.[13] **International financial institutions like the World Bank[14] and the International Monetary Fund[15] will play a key role in funding social protection expansion during the pandemic.**

**Table 1: Spending and Coverage of Social Protection Programs, 2018[11]**

| Countries by Income Level | Spending (% of GDP) | Coverage (% of citizens) | Poverty rate (% of individuals under US$1.90 per day)[12] |
|---|---|---|---|
| Low income | 1.4% | 8% | 45.2% |
| Lower middle income | 1.0% | 7% | 14.2% |
| Upper middle income | 2.2% | 31% | 1.8% |
| High income | 2.5% | 17% | 0.7% |

# Key Decisions

## *1. Which individuals should be targeted for social protection benefits?*

Because the COVID-19 lockdowns have directly or indirectly affected almost everyone around the world, some experts have called for countries to respond by making social protection benefits universally available to all adult residents.[16] While this is an evidence-informed recommendation, in practice few if any LMICs will be able to mobilize the financial resources needed for programs on this scale. They must thus decide which individuals should benefit from pandemic relief.

These are inherently difficult decisions, made more so by the uncertainty about the pandemic's progress. For example, the immediate impacts of the lockdowns were felt most heavily in urban areas.[17] However, as lockdowns have continued, rural incomes have also begun to drop.[18] This is particularly concerning since 85% of people who live in multidimensional poverty in LMICs are based in rural areas,[19] so they may be particularly vulnerable to reduced incomes. Should policymakers focus on the people who were affected first, or those who may be affected most severely if the pandemic continues for many months?

These targeting decisions have important implications for social protection program design. **For example, a program narrowly targeted at people first impacted by the pandemic might be implemented in urban areas and cut off benefits once lockdowns are lifted, while a program designed to be sustained throughout and even beyond the pandemic period might target poor people regardless of where they live, and offer longer-term benefits to them.** Indeed, even if the benefits offered to newly poor individuals do not persist after the pandemic, governments may still benefit from having expanded their social registries in case they are able to access new sources of funding for social protection in the future. Governments should also consider whether they might wish to target specific vulnerable groups, such as informal workers[20] or women.[21]

## *2. How can eligible individuals be identified and enrolled in the program?*

Once policymakers have decided which categories of vulnerable people they would like to support, they must decide how to identify them. Identifying potential beneficiaries involves setting criteria for inclusion in the social protection program, and then locating the individuals who meet those criteria. There is no hard and fast rule about who should be eligible for social protection programs. In general, most existing programs in LMICs target people on a combination of low income and other characteristics which exclude them from the labor market, such as age (very young or old), disability status, or childcare responsibilities. **However, since data shows that the pandemic is preventing many people from working even if they are capable of doing so, this suggests that the social protection response should be extended to poor individuals regardless of their capacity to work.**

In most LMICs, it is not always possible to rely on existing administrative data sources in order to determine eligibility. For example, informal employment is quite common, occupying 85% of workers in Africa, 68% in Asia, and 40% in the Americas.[22] Roughly 31% of adults in LMICs do not have bank accounts,[23] and 37% of adults in low-income countries don't have formal IDs.[24] Poorer people are most affected by these shortfalls, meaning that there is the least data about the people most likely to need social protection.

To the extent that it is possible for governments to build on existing social registry databases, this is preferable for sustainability purposes. However, governments should also be prepared to collect new data about the population in order to assess individuals' eligibility for social protection. **There is no single method for targeting new beneficiaries which is clearly superior to all others. The choice of method depends on the availability of existing data, and the amount of time and money which can be allocated to targeting.**

Table 2 (page 4-5) summarizes the options for identifying potential social protection beneficiaries. It also discusses their speed, accuracy, and other characteristics, as well as highlighting existing research relevant to these decisions. Useful discussions of how these targeting methods can be implemented in practice are available from the Centre for Social Protection[25] and SPACE.[26] [27]

A final consideration in targeting relates to the use of unique identifiers, which are necessary to monitor the distribution of benefits, and reduce leakage or fraud. **National ID numbers are an obvious choice, but it is important not to exclude individuals who lack this document, as these are often among the most vulnerable people.** Other options for unique identifiers include phone numbers, addresses, utility bills, biometrics, or GPS coordinates.[28] If possible, enrollment of new beneficiaries could be bundled with access to a national ID for individuals who do not currently possess one.

## *3. Cash vs. in-kind transfers?*

The modality of benefit delivery must also be selected. The major options here are providing paper cash transfers, digital cash transfers, or in-kind transfers of food or other items.

Table 3 (page 5) summarizes the infrastructure requirements and advantages and disadvantages of each of these delivery modalities. **In general, cash payments are cheaper and faster if markets are functioning well, and people can buy what they need. They can also have positive spillover effects on local economies.[29] However, if markets are not functioning well, or if people can't reach them for other reasons such as insecurity or pandemic travel restrictions, it may make sense for governments or NGOs to directly provide people with food or other useful items such as sanitation supplies.[30]**

The precise type of disruption to food markets matters a great deal for this decision. At present, the pandemic has led to interruptions in both domestic and international agricultural supply chains in LMICs.

These interruptions have raised food prices in many places,[31] but have not yet led to shortages of food in absolute terms in most countries.[32]

If domestic agricultural production and distribution can continue, perhaps with additional government support to ensure adequate supplies of agricultural inputs, then it's more efficient for governments to support vulnerable citizens with cash transfers rather than in-kind food aid. However, if the domestic market is severely disrupted, whether for pandemic-related reasons or other threats like climate change or conflict, then supplying food aid may be an appropriate policy response.

Once policymakers have identified the people they would like to include in a social protection program and selected a delivery module for the benefits, they must decide on the value of the benefits they will offer. **The value of the benefits may be pegged to specific economic goals, such as covering 100% of the cost of food for two weeks of quarantine, or (for example) 20% of the cost of food for an average household for a longer period;[33] or it may be determined by the amount of funding available for the program.** If a program has a fixed amount of funding available, then policymakers must decide between offering smaller benefits more frequently, or larger benefits less frequently. The duration of the benefits also influences this decision.


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## Table 2: Identifying New Social Protection Beneficiaries

| Targeting Method | Speed | Accuracy | Social Distancing Compliant? | Notes | Existing Research |
|---|---|---|---|---|---|
| Use existing social registry | Fast | Depends on previous targeting method | Yes | Limited to people affected by COVID-19 who were previously enrolled in a social protection program | Leite et al. (2017) summarize social registries. |
| Community-led targeting (by committee, such as village or religious leaders) | Slow | Medium | Usually done in group meetings; difficult to do with social distancing | Doesn't target the poorest perfectly, but can lead to more community satisfaction overall | Sabates-Wheeler et al. (2015) in Kenya, Alatas et al. (2016) in Indonesia |
| Self-targeting (encourage people to enroll on their own, and screen out the rich by keeping benefits low) | Medium | Medium | Yes, if done digitally. Can be safe for in-person enrollment if physical layout of gov't offices is changed. | May encourage poorer individuals to apply. Requires some other sort of screening mechanism, like a means test. | Most commonly used for public works programs (del Ninno & Bradford 2015) |
| Proxy means tests by gov't or NGO employees, which compare household assets to national poverty data to estimate how poor the household is | Medium | Medium | Usually requires in-person visits to potential beneficiaries. Can be done safely with distancing and masks. | Requires a poverty scorecard developed with existing national data | Karlan & Thuysbaert (2016) find that means tests and community targeting perform equally well in Peru and Honduras. |

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|---|---|---|---|---|---|
| Geographic targeting (specific regions only) | Fast | Medium | Yes, no new information is required for targeting. | May include richer people within poor regions, and exclude poor people in richer regions. Depends on having recent census data to identify poor regions. | Karlan & Thuysbaert (2016) describe how geographic targeting is combined with other targeting methods in Peru and Honduras. |
| Big data (mobile phone or satellite records) | Fast | Medium. Satellites are accurate; mobile phones still being tested. | Satellite data or phones can be used for initial screening, but in-person visits for enrollment may still be necessary. | Data privacy concerns must be addressed with phone data. Can exclude people without phones or fixed residences, including vulnerable populations. | Jean et al. (2016) on satellites, Blumenstock, Cadamuro & On (2015) on mobile data |

## Table 3: Comparing Delivery Modalities

| Delivery modality | Advantages | Disadvantages | | Social Distancing Compliant? | Existing Research |
|---|---|---|---|---|---|
| Paper cash transfers (bank notes) | Cash allows people to meet their basic needs when markets are functioning well. Bank note distribution doesn't require phones or bank accounts. | Cash transfers aren't optimal if there are shortages at the markets. | Gov't or NGO employees to securely transport cash | Distribution must be planned in ways that encourage social distancing and hand washing after handling cash. | Many examples of physical cash transfers around the world (Bastagli et al. 2016). Beazley et al. (2020) compare physical vs. digital modalities. |
| Digital payments (via mobile money, bank accounts, or prepaid debit cards) | Allows people to meet their basic needs if markets are functioning. Fast, secure, and socially distanced. | Not optimal if there are shortages of goods or high inflation. Requires phones or bank accounts, which may exclude the most vulnerable. | Mobile network coverage, mobile money agents, bank branches or ATMs | Yes, if merchants accept digital payments. If people crowd around mobile money agents or banks to withdraw their cash, social distancing must be planned for these actors. | Gelb & Mukherjee (2020) on general principles, Aker et al. (2016) on transactions with newly banked customers in Niger, Field et al. (2019) on digital payments to women in India |
| In-kind transfers (food, sanitation supplies) | Lets people meet their basic needs even if markets aren't functioning, and also resists inflation | Expensive and labor-intensive. Beneficiaries may have other needs which are not met by in-kind aid. | Supply chain for items being provided, including transport and employees to handle distribution | Distribution sites must be planned with adequate social distancing. | World Food Programme (2020) for technical suggestions on socially distanced aid distribution, Hidrobo et al. (2014) on food vs. cash in Ecuador, Muralidharan et al. (2017) on beneficiary preferences for food vs. cash in India |

### *4. Physical cash vs. digital payments for cash transfers?*

The final set of decisions policymakers must approach is about the modality of delivering cash transfers. **Digital payments are a good choice for beneficiaries who already have access to formal financial institutions or mobile money. However, for beneficiaries who are unbanked, the choice between digital and physical cash payments becomes salient.**

Digital payments via bank accounts, mobile money, or prepaid debit cards offer a number of clear advantages. They increase the speed and predictability of transfer disbursement, reduce rates of fraud and leakage,[34] allow for dynamic monitoring of program implementation, and allow people to avoid standing around at crowded distribution points. IPA's Digital Payments Policy Brief and the newly launched G2P Network both provide more technical detail on the design of digital payment programs for pandemic relief.

The current reach of digital payments for social protection varies widely by region. In 2015, digital payments were used in 66% of social protection programs in Latin America and the Caribbean, 47% in the Middle East and North Africa, and only 34% in sub-Saharan Africa.[35] Some governments which currently use cash are working to switch to digital payments. For example, IPA is working with Glynn-Broderick (in progress) to monitor these efforts in Bangladesh, where only 8% of social protection beneficiaries currently receive digital payments.[36]

When governments introduce new social protection programs during the pandemic, it may make sense to focus on digital payments from the beginning, rather than establishing a cash payment system which must be digitized later. Digital payments can also provide an on-ramp to other forms of financial inclusion, which has lasting value beyond the period of pandemic relief.

However, the feasibility of digital payments also depends on factors such as mobile penetration rates, access to banks or mobile money agents, merchants' ability to accept digital payments[37] and the existence of electronic know your customer (e-KYC) policies which can be implemented remotely.[38] In African countries, for example, only about 33% of adults have a bank account,[39] and only 21% have access to mobile money.[40] Women and people living under the poverty line are less likely to have either. Rapidly expanding access to banking and mobile money during the pandemic may be a challenge.

In these circumstances, governments may wish to implement cash payments in order to ensure that people affected by the pandemic can rapidly access social protection. Digitizing payments will require corresponding regulatory and financial support for the expansion of electricity grids, mobile coverage, bank branches, and mobile money agents.

## How Can Policymakers Navigate These Decisions?

IPA supports policymakers in the design of social protection programs in three ways. These include advising social protection programs based on existing evidence, sharing real-time results from ongoing studies of COVID-19 response efforts, and identifying critical remaining questions for future study.

Our Social Protection Program shares data from dozens of completed evaluations of social protection programs in countries around the world. Other useful evidence portals for social protection research include those at the International Initiative for Impact Evaluation (3ie), the World Bank, and socialprotection.org.

IPA has recently launched the Research for Effective COVID-19 Responses (RECOVR) hub, which is a central repository for research and data on the economic and social impacts of the pandemic. We are sharing results from an ongoing panel survey in Colombia, Côte d'Ivoire, Ghana, Burkina Faso, Sierra Leone, and Zambia. While not specifically focused on social protection, this survey will provide useful data on the pandemic's impacts on vulnerable people.

In addition, RECOVR features a number of ongoing studies which are focused on social protection.

For example, Aggarwal et al. have added questions focused on the impacts of COVID-19 to an existing evaluation of a large-scale cash transfer project in Liberia and Malawi.[41] Friscancho, Bird & Lavano are evaluating the impact of short-term cash transfers for pandemic relief in Peru,[42] and Weinstein et al. have a similar evaluation in Colombia.[43] Osei et al. are examining whether people who receive cash transfers in Ghana are more likely to comply with social distancing.[44]

Finally, IPA is also prioritizing a few core areas for future research. Some of the current gaps in the evidence base include the following:

### *Targeting*

1. Are new targeting methods, such as the use of satellite data and mobile phone data, more accurate than established ones at identifying vulnerable individuals?[45]
2. How can these new targeting methods strike a balance between rapid targeting and protecting potential beneficiaries' data privacy?
3. Can the self-targeting methods which have typically been used for public works programs be adapted to cash transfer programs? For example, media campaigns could be used to encourage people to opt in to safety net programs via SMS, and encourage people who don't need support not to use the program.

4. How should proxy means tests be adjusted to account for the fact that many of the individuals who have lost their incomes due to the pandemic may be cash-poor but still retain ownership of previously purchased assets?[46]

5. What percentage of people who lost some percentage of their incomes during the crisis were able to access social protection payments?

## *Gender*

6. Periods of economic crisis are associated with increases in rates of intimate partner violence. Can cash transfers help to mitigate this risk during the pandemic? And if so, through what mechanisms does this happen?[47]

7. Women are taking on more unpaid care work during the pandemic because schools are closed to comply with social distancing.[48] Does targeting cash transfers towards women increase their household bargaining power and allow them to shift some care work to men, or make them more likely to take on other paid work outside the home?

## *Children*

8. Do cash transfers incentivize families to keep their children participating in remote learning programs rather than sending them to work?[49]

9. Can cash transfers be used to encourage re-enrollment of children in school after the lockdown period is over?

## *Financial Services*

10. How can banks and mobile money operators relax barriers to account uptake during the pandemic while still complying with know-your-customer regulations?

11. How can mobile operators and banks ensure that agents have enough liquidity for digital deposit withdrawals following the scale-up of social protection?[50]

12. Many countries have temporarily reduced fees on various financial transactions during the pandemic. Has this affected uptake of digital payments?

## *Cash Transfers in Humanitarian Settings*

13. Refugees and internally displaced people face particular risks from COVID-19 because they often live in areas with inadequate sanitation and healthcare.[51] Which targeting and delivery modalities work best for this population?

14. How can digital payments providers work with humanitarian organizations or governments to accommodate the unique identification challenges posed by refugee contexts, and adapt e-KYC practices accordingly?

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*The production of this brief was supported through a grant from the Bill & Melinda Gates Foundation.*

*Acknowledgements: Many thanks to Josh Blumenstock, Seth Garz, Ana Georgina Marin Espinoza, and Amber Peterman for their helpful comments.*

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SEPTEMBER 2020



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