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Savings-Linked Conditional Cash Transfers

Lessons, Challenges & Directions

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The authors of this report wish to express our gratitude to a number of individuals and institutions who also contributed to the success of the Global Expert Colloquium on Savings-Linked CCTs. These individuals include the Ford Foundation's Phillip Cardillo, Stephen Gheerow, Fiona Guthrie, Robert Kreizel, Scott Riehs, and Joseph Voeller; UNDP's Austine Gasnier; and the New America Foundation's Stephanie Gunter, Phil Maxson, Payal Pathak, and Eric Tyler.

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I. Foreward

There is an increasing, and arguably inevitable, overlap between the financial inclusion and social protection fields. The success of conditional cash transfers (CCTs)—anti-poverty social policy programs that direct funds toward qualified households or individuals based on a conditional behavior, such as children's school attendance—has resulted in substantial investment and experimentation. As these programs have expanded around the world, so too has interest in an intriguing new idea: linking these programs to savings accounts, thus offering a new pathway to both financial inclusion and asset building, and ultimately to poverty reduction.

Because of their cash-based structure, account-based social protection programs could be leveraged to accelerate financial inclusion for the poorest. Due to their behavioral impacts, account-based CCTs to the poor may achieve even greater welfare benefits and poverty reduction than unconditional transfers if they can influence savings behavior and asset building. Meanwhile, experts suggest that within the decade, technological breakthroughs will make financial access to the majority of the world's currently unbanked population possible.

For two days in November 2010, the Global Assets Project at the New America Foundation, the Ford Foundation, the United Nations Development Programme, the Citi Foundation, and Proyecto Capital convened 100 leading practitioners, researchers, policymakers, and funders from the financial-inclusion and social-protection fields at a Global Colloquium on Savings-Linked CCTs. The purpose of this first-of-its-kind colloquium was to inform strategies to creatively and constructively deepen and strengthen dialogue, analysis, experimentation, and, ultimately, innovation at the intersection of savings products, behaviors, and social-protection payments.

At the colloquium and throughout this document, we used the term "savings-linked CCTs" to discuss a wide range of programs and policies where the potential for savings and CCTs overlap. By narrow definition, a saving-linked CCT is any conditional cash transfer program that has the potential to enable formal savings, whether by basic account or by providing some linkage between the recipient and the financial system. However, more "intentional" savings-linked CCT models go beyond a basic *enabling* of savings to explicitly *encouraging* formal savings behavior, such as by providing full-service accounts, matches, bonuses, or other savings incentives.

The colloquium was organized around three goals. First, we sought to harness the experience and knowledge of a diverse group of the top experts from the financial inclusion and social protection fields to bring cohesion and distill initial best practices in this emerging body of work. Second, we aimed to build bridges between the leaders in the two fields so that they could more effectively achieve their mutual goals together. Third, we hoped colloquium discussions and results would inform future directions in participants' overlapping fields on how best to create and study linkages between cash transfer programs and bank accounts, particularly savings accounts, around the world.

This report provides a glimpse into the wealth of information—trends and insights, lessons and challenges, new ideas and next steps—provided so candidly and generously by participants at the colloquium in New York.

Frank DeGiovanni, Ford Foundation
Henry Jackelen, United Nations Development Programme
Brandee McHale, Citi
Yves Moury, Fundación Capital & Proyecto Capital
Jamie Zimmerman, New America Foundation

II. Introduction[1]

The increasing use of new delivery mechanisms for social transfers reveals the potential for more efficient and effective social-protection policies for the world's poor, altering the traditional relationship between social-protection and financial-inclusion goals. Emerging are new, co-dependent, and mutually reinforcing opportunities in which leveraging social transfers and expanding financial access for the poor—including, critically, the ability to save—go hand in hand.

Cash transfer programs have begun to move increasingly toward electronic delivery in order to lower costs and reduce leakage, while biometric identification technology promises to address some "know your customer" regulatory hurdles to financial inclusion. Additionally, mobile banking, retail banking, and debit and smart cards are allowing electronic payments to reach even the most remote populations. Still, in most countries less than 25 percent of existing cash transfer programs are linked to financially inclusive bank accounts.[2]

The global proliferation of CCT[3] programs, in particular, presents a unique opportunity to explore new policy pathways to achieve large-scale financial and economic inclusion. CCTs make delivery of cash dependent upon requirements such as school attendance or health clinic visits, encouraging recipients to alter their habits and significantly improving the effectiveness of the programs. By harnessing the power of incentives, CCTs have already shown great promise when linked with such education and health conditions.[4]

This has spurred governments, researchers, and practitioners to ask very important questions: If CCT policies are effective in influencing positive behavioral changes among the poor with respect to health and education, could adjusted models have similar effects on economic and financial behavior? That is, if they can be successfully structured to promote investments in health and education, could they also be structured to create opportunities for the poor to enhance their financial and physical assets and invest in their own economic development? Could CCTs provide greater socioeconomic dividends

Luis A. Ubiñas, President of Ford Foundation, welcomes colloquium participants.

if they helped recipients enter the formal financial system and facilitated personal financial intermediation?

More broadly, could incorporating an "assets perspective" — which posits that wealth and capital production, not just income, are critical to poverty reduction — help take the impact of cash transfer programs to the next level? If so, how do we design, make, and study such linkages in a way that provides the greatest opportunity for both short-term poverty alleviation and medium- to long-term asset building and poverty reduction? What are the opportunities, and how do we capitalize on them? What are the biggest obstacles, and how do we overcome them? How do we get the social-protection and financial-inclusion fields to communicate and work together in the most productive and mutually beneficial way?

Arguably, the full potential of CCTs as a social investment strategy has yet to be fully realized. Yet, while CCT programs that explicitly incentivize saving, wealth building, or investing in productive assets are extremely rare, there is increasing global interest in developing new policies and programs that link financial protection and social inclusion goals. To that end, the Global Colloquium on Savings-Linked Conditional Cash Transfers, held in November 2010, aimed to distill lessons, challenges, and direction for increased interest and activity at the intersection of social protection and financial inclusion.

Informed largely by the insights and contributions of colloquium participants, this report will begin by examining the trends in social protection and financial inclusion, as well as by laying out a summary of the vision of savings-linked CCTs. The savings-linked CCT concept will then be explored in greater detail, followed by an in-depth look at specific savings-linked CCT programs recently tested or currently in place, and lessons learned to date. The obstacles, opportunities, and challenges will be detailed, specifically those in the technology, policy, infrastructure, regulatory, and financial-capability realms. Finally, lingering questions and the path forward will be examined.

III. Emerging Trends in Social Protection & Financial Inclusion

A. Assets, Savings, and Poverty Reduction

As Margaret Grosh of the World Bank emphasized at the colloquium, the essential business of social assistance is to transfer resources to members of society who are excluded. "The fundamental core goal of a social-assistance program," as Grosh put it, "is transferring resources to people that have been somehow unattended by the economy or the government." Certainly, one of the long-term goals of social assistance is to help families escape from poverty permanently. Grosh pointed out that "the basic goal is to increase households' autonomous income" and remove the need for social protection and assistance in the first place.

For many years, income level has been the standard measure of poverty. As a result, social policies aimed at the poor and the extremely poor have focused on supplementing income to provide subsistence in the short term. But poverty and one's ability to escape it have to do with other factors as well, including the capacity of individuals to invest in themselves and their futures. Therefore, income level alone is not useful as the sole criterion for defining poverty and wellbeing. Poor families need more than a stable income to achieve sustainable economic independence. They need the means to achieve social and economic *growth*. In the last several years, this insight has led to a shift in emphasis in the global- development community from an income-centric development agenda to a more holistic development agenda that includes wealth and capital accumulation.

Over the last decade, meanwhile, Amartya Sen's capabilities approach has developed into one of the leading alternatives to standard economic frameworks for thinking about poverty. Whereas traditional welfare economics looked at wealth or utility as the primary indicators of wellbeing, more vital is the ability to transform wealth into maximized utility. Different cultures and people value different capacities in this regard, but most important is to encourage what an individual is able to be or do. One economist who has linked the capabilities approach with the ability to save is Michael Sherraden, who has written that "assets are a key to family and community development based on capacity rather than maintenance. Welfare policy for the poor has focused on income-for-consumption, which is essential but not enough. In order to develop capacity, families and communities must accumulate assets and invest for long-term goals."[5]

As Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir have pointed out, "social scientists regard the behaviors of the economically disadvantaged either as calculated adaptations to prevailing circumstances, or as emanat-

David Porteous, Founder and Managing Director of Bankable Frontier Associates, asks panelists a question.

ing from a unique 'culture of poverty' rife with deviant values."[6] Their research has shown that neither of these is true and that the poor, like everyone else, do not possess perfectly rational capacities for choice, nor are they "especially deviant." Instead, the conditions of poverty create much narrower margins for error. Findings from the field of behavioral economics show that reducing poverty depends on being able to adapt products and processes to meet the specific needs of the poor. Providing the poor with access to the relevant financial products thus widens those margins of error and brings them into markets that give them the possibility of moving out of poverty.

Savings, one of the major forms of wealth accumulation, allow poor people to build their own assets and protect themselves against risks and shocks. Monetary savings permit the accumulation of financial assets and their subsequent transformation into other productive assets that in turn foster self-development. This is true in all societies, from Uganda to Uruguay to the United States. Thus, a poverty trap could also be viewed as an "asset shortage" trap, and reducing poverty a function of the ability to access, accumulate, and protect productive assets, including savings.

In short, the shift in emphasis to an asset-building approach to development, fortified by an understanding of the role of savings in poverty reduction, has recently pushed savings and financial inclusion to the top of the international development agenda.

B. Electronic Delivery of CCTs

Accelerating the recent emphasis on financial inclusion are new technologies that enable agent and mobile banking, reducing certain traditionally prohibitive "last mile" costs in the delivery of financial services, such as those associated with bricks-and mortar-branch overhead costs as well as costs associated with handling in-person, small-balance transactions. These advances hold the potential to enable massive, if not universal, provisions of cost-effective and highly accessible bank accounts to even some of the most remote, economically excluded populations.

At the colloquium, Henry Jackelen of the United Nations Development Programme emphasized the key role that technological advances have played in altering the traditional playing field of financial inclusion. Jackelen said that "15 years ago, I don't think we could have had the conversation that we're having today, largely because the revolution that we're having in technology [and banking] ... allows us to envision a different concept in terms of servicing the poor*est* [emphasis his]." The pace of technological innovation has led to individuals, households, and indeed developing nations leapfrogging certain traditional steppingstones on the path to development.

Over the last decade, across the developing world, cash transfers to the poor have met with increasing success. Unconditional and conditional cash transfers and cash grants are an important departure from previous strat-

egies that typically involved in-kind aid to the poor. Not all of the social transfer programs that deliver cash are as efficient or effective as they could be, however. For one, the actual means of distributing the transfers — ranging from armored cars with ATMs to post offices to state lottery offices — can incur high operational costs. In addition to the costs of inefficiency, cash approaches may incur risks of insecurity and corruption as well as government absorptive capacity constraints.

The reality of the inefficiency of cash delivery of government-to-person (G2P) payments, along with technological breakthroughs, is resulting in a shift from cash delivery to electronic delivery. Some governments have moved toward modernized payment systems, predominantly through the use of prepaid smart and/or debit cards, and in a few cases through accounts at formal financial institutions. Moreover, governments are increasingly pursuing financial-inclusion policies and programs, including strategies to expand the reach of microfinance. Modernized payment systems make the management of cash transfer policies more efficient, particularly as these programs grow in scale and scope.

The shift toward electronic payments has already shown numerous benefits. Electronic payments have been shown to radically reduce administration costs as a percentage of the payment, as well as reduce corruption. In Brazil, the cost of administering Bolsa Família grants was cut from 14.7 percent to 2.5 percent of the value of the grant dispersed. In South Africa, the costs of delivering social security fell 62 percent after the government partnered with private banks. And in Argentina, the number of participants in Jefes who reported paying bribes to receive benefits dropped from 3.6 percent to 0.3 percent, meaning an additional $10.7 million made its way to the intended recipients.

The recent trends in the social-protection and financial-inclusion fields highlighted above have provided clues for how these seemingly distinct fields could best leverage each other to be mutually reinforcing. These trends point to a convergent solution: to enable and potentially incentivize savings and financial inclusion through CCT programs. The following section explores how savings-linked CCTs could provide recipients with the incentives, convenience, and stability of a recurring cash flow, which are needed to accumulate assets, generate income, and escape poverty permanently.

IV. Concept: The Case for Savings-Linked CCTs

A savings-linked CCT is any CCT that enables beneficiaries to save by connecting them somehow to the financial system or providing them with a basic bank account or other means to store funds electronically. Other savings-linked CCT models may explicitly encourage savings behavior and reward it, essentially making savings a conditionality of the transfer. Savings-linked CCTs can come in a variety of types, depending on the goals and targets of the program, resources, and infrastructure, etc.

> "It's a very timely intervention....Savings programs can strengthen CCTs," Adato said. "But CCTs can also strengthen savings initiatives."

Regardless of the model, we posit that savings-linked CCTs can have a variety of positive effects, acting as both a social-protection enhancer and a financial-inclusion gateway. Savings-linked CCTs can leverage existing cash transfer programs by providing tools and incentives for behavioral change — for instance, to create a savings habit. In addition, we anticipate that there will be positive effects through feedback loops in education and health as well (thus increasing the development impact). In other words, account-linked CCTs may have the potential to improve the efficiency and impact of transfer programs, and provide a dynamic financial platform that can help the poor use their resources to escape poverty more effectively. Financial inclusion, in a very important sense, also represents social inclusion and can have strong community effects.

Michelle Adato of the Millennium Challenge Corporation, at the colloquium, explained the specifics of how linking savings to CCTs could address the basic criticisms of current CCT programs and potentially improve them. First, she pointed out, there has been some skepticism, even among top experts, of whether CCTs by themselves have the capacity to break intergenerational cycles of poverty. Encouraging savings could address this criticism by providing a path to graduation. Second, savings-linked CCTs might do more to help the adults in the family, whereas current programs often focus primarily on human capital investment in children and consumption. Third, savings-linked CCTs could

have larger community effects than CCTs conditioned on other behaviors. "It's a very timely intervention. ... Savings programs can strengthen CCTs," Adato said. "But CCTs can also strengthen savings initiatives."

What Bankable Frontier Associates' David Porteous referred to during the colloquium as an electronic "store of value" is at the heart of savings-linked CCTs. Whether defined as a basic transactional account or a store-of-value account, these simple accounts are low-to-no-fee and low-to-no-interest bank accounts into which social transfers can flow and the recipient can transact as well as store value. The "basic" nature of these accounts reduces costs for the involved financial institution, enhancing its prospect for being both scalable and sustainable over the long term.

Finally, by linking CCTs to financial-inclusion initiatives, governments could better leverage social-protection programs and enable better outcomes for the poor. The effects could be widespread, providing participants with greater social empowerment, positive psychological impacts, increased investment in human capital, future-oriented outlooks, and the ability to weather shocks.

A. Savings-Linked CCTs as a Social-Protection Enhancer

While some argue that encouraging savings through a consumption-focused policy leads to the promotion of contradictory goals, others believe that providing access to savings programs and encouraging savings behavior could increase consumption through improved financial intermediation.

As Armando Barrientos of the Brooks World Poverty Institute pointed out, on the question of whether CCTs and savings are compatible, in surveys that asked CCT beneficiaries whether they saved any of their transfer, most report some savings. He offered the example of Mexico's PROGRESA program, where a survey of the first two years found that 12 percent of the transfers were saved. In the context of linking savings to CCTs, he said, that's a very encouraging sign. With CCT programs in dozens of countries and with millions of beneficiaries, he pointed out, it makes sense to broaden the scope to expand the number of transfers enabling or encouraging savings.

In the colloquium's keynote address, Michael Samson of the Economic Policy Research Institution explored how linking financial access and savings to CCTs could enhance the effectiveness of social-protection schemes. As Samson emphasized, CCTs, despite their global success, are not always easy to implement. In places like Honduras where they have not worked, he said, the reason is often that the government did not do enough to invest in the pro-

Michelle Adato of the Millennium Challenge Corporation moderates a panel on savings-linked CCTs as a social protection enhancer with Carolina Trivelli of Instituto de Estudios Peruanos & Proyecto Capital, Sendhil Mullainthan of Harvard University, and Armando Barrientos of the Brooks World Poverty Institute.

grams, such as educational and health programs, that the transfers are conditioned upon. Linking CCTs to savings, he said, can provide "a critical complementary intervention that can support developmental investments." Linking savings to CCTs could not only bring resources to families and communities and protect against shocks, but also bring resilience and hope.

Improving the efficiency and effectiveness of social transfers by directing CCT funds toward savings-linked cash transfer programs, or account-based transfer programs that encourage savings, would enable the creation of bank accounts for beneficiaries around the world and then leverage those accounts for other uses, creating additional opportunities to enhance human capital and asset building. This would fulfill a critical need of the poor: tools that provide a safe and secure place to save, manage resources, and build wealth.

As Barrientos has written, "Well designed and implemented social-transfer programs can have positive effects on the ability of poor households to invest in their productive capacity, and can therefore support growth strategies."[7] Barrientos has identified three ways in which transfers can contribute to investment, asset building, and growth at a household level: reducing liquidity constraints, lifting credit constraints, and improving household security and certainty. These three attributes enable the poor to mitigate external shocks, thus affecting assets and facilitating household resource-allocation and dynamics. Again, basic accounts where beneficiaries can store money safely provide a means to enhance each of these outcomes.

Savings-linked CCTs can help empower women in particular, who are often the targeted recipients of CCTs. Societies that discriminate on the basis of gender are associated with having greater poverty, slower economic growth, weaker governance, and a lower standard of living. Investing in women and female entrepreneurs is a critical step to lifting the 70 percent of the world's poor who are women out of poverty. Evidence also suggests that giving women access to finance has resulted in an increase in their decision-making roles in family planning, children's marriage, buying and selling property, and sending their daughters to school. There have also been positive impacts reported on self-confidence, along with improved involvement and status within the community.

As Carolina Triveli of the Instituto de Estudios Peruanos and Proyecto Capital noted at the colloquium, in the Peruvian context, women can smooth their consumption better through basic savings. Saving stabilizes income flow, but it also encourages long-term goals by reducing stress, protecting against shocks, and encouraging financial planning. Savings can also, Trivelli emphasized, change the power structure inside homes, since woman are the primary beneficiaries of CCTs. Thus, ensuring that women are the target recipients of transfers seems to promise multiplier effects on development and social protection outcomes beyond ordinary financial inclusion.

B. Savings-Linked CCTs as a Financial-Inclusion Gateway

Savings-linked CCTs are not only a powerful tool for reducing — and not merely alleviating — poverty, they are also a gateway to financial inclusion. CCT programs could provide greater socioeconomic dividends if they were structured to help individuals or families develop productive assets. To do so, social protection programs and investments in the poor through CCTs should focus on:

- Inclusion of the poor in the formal financial system, and hence the formal economy
- Accumulation of financial capital by the poor
- Fostering the productive use and productive investment of accumulated assets by the poor to meet economic goals
- Moving the poor out of social protection networks
- Providing access to other tools that will protect the assets of the poor and reduce their vulnerability to economic shocks

In most countries, financial institutions continue to struggle to provide commercially viable yet appropriate and accessible savings services to the poor and very poor. Linking cash transfer delivery — which in many cases reaches millions of very poor beneficiaries — to accounts may hold efficiencies of scope and scale, and hence a business case for financial institutions to massively bank the poorest of the poor.

Regardless of an explicit social mission, market forces should clearly operate to incentivize the sustainable provision of effective financial services. However, commercial banks and others have found that the costs of mobiliz-

ing small-balance deposits and servicing pure transaction accounts to be prohibitive. Indeed, evidence shows that even after deposit account openings, many of these accounts lie dormant — indicating that achieving the right balance among proximity, convenience, return on investment, liquidity or illiquidity, and trust remains a challenge for many institutions attempting to serve the poor.

However, as Henri Dommel of the United Nations Development Fund detailed at the colloquium, CCTs are becoming more and more attractive as technology makes their delivery more affordable. He noted one striking example offered earlier at the colloquium of a case in the United States where financial intermediaries were bidding on delivering government benefits electronically, and the winning bid was actually negative, as the bundle of funds together was large enough to make it profitable to the bank. CCTs, he said, can enable savings by making this group of beneficiaries attractive to financial institutions. Dommel remarked that financial providers are also increasingly interested in bidding for the delivery of CCTs in the developing world. Over the last 10 years, almost half of new CCT initiatives have been linked to some form of electronic payment system, and in one case, he said, it was 60 times less expensive to delivery funds electronically.

The methods for electronic delivery of CCTs that could encourage or enable savings are varied and quickly evolving. They include banking correspondents and retail banking models, mobile banking, and reloadable smart cards and biometric ATMs.

Banking correspondents and retail banking models are increasingly used to reach remote populations without incurring the expense of traditional bricks-and-mortar branches. Typical agents include lottery outlets, grocery stores, pharmacies, supermarkets, mobile operators, and "mobile" agents. In some cases the post office may also act as an agent for banks. Agents typically are trained to facilitate money transfers, answer balance inquiries, accept payments, and generally facilitate transactions. More advanced agent networks perform cash-in, cash-out functions, make small loans, and in rare cases, enroll new clients, thus performing know-your-customer authentication and fulfilling anti-money laundering regulations. Cell phone or mobile banking also holds tremendous promise in facilitating the delivery of CCTs to individuals and households and providing a means to financial inclusion.

Savings and CCTs: The Behavioral Perspective

Sendhil Mullainathan, professor of economics at Harvard University and founder of ideas42, presented a new and unique perspective on the psychology of habit change and savings that is particularly relevant to savings-linked CCTs. Mullainathan discussed CCTs in the context of trying to

Gabriela Zapata of the Bill and Melinda Gates Foundation moderates a panel on savings-linked CCTs as a financial inclusion gateway with David Porteous of Bankable Frontier Associates, Fermin Vivanco of the Inter-American Development Bank, and Henri Dommel of the United Nations Capital Development Fund.

achieve the behavioral change of establishing saving habits. He argued, based on recent breakthroughs and results from a number of his yet-unpublished experiments conducted with Princeton professor Eldar Shafir, that having a savings account can help create the mental space required for behavioral change. Habit change is hard for everyone, but the constant worry that comes with poverty may make it especially difficult, he implied.

Mullainathan described two experiments he conducted that illustrated this point. The first was a word-puzzle task in which dieters and non-dieters were asked to find certain words in a letter scramble. In one variation of the experiment, the words "cake" and "doughnut" were inserted in the place of words unrelated to food. For the non-dieters, this change did not make any difference in how long it took them to find the words after "cake" and "doughnut." Dieters, however, were significantly slower in finding subsequent words. The reason? The words "cake" and "doughnut" occupy mental space for dieters, whose feelings are conflicted as they try to resist temptation. Choices that arouse conflicting desires are distracting, Mullainathan suggested, and take up valuable mental space.

In the second experiment, participants of both low and high socioeconomic status were given an IQ test. Before the test, some were given a simple question: What would you do if you had to raise $2,000? For the rich, this question didn't affect their IQ scores. For the poor, it had a significant effect. "The doughnut for the dieter," Mullainathan explained, "is money for the poor." He suggested that since constant worry might make behavioral change harder, it might make sense to make initial cash transfers unconditional, and only introduce conditions after these transfers have freed the mental space that makes habit change easier. By creating the right buffer-stock savings account, he said, beneficiaries will have the "freedom of mind" to act, because much of the stress faced by the poor is related to financial worries, leading at times to inappropriate short-term decisions.

From a behavioral economic as well as an assets perspective, encouraging the poor to save by means of CCTs has the potential to influence their long-term attitudes and behavior regarding finance, social and economic opportunity, and the future. Behavioral economic theory suggests that there is a role for public policy programs that "nudge" the poor to make "healthier" decisions. Given the limited resources of the poor and their often even more limited access to or experience with formal financial services, facilitating their ability to save and their financial inclusion makes as much sense as encouraging increased investments in education and health.

V. Savings-linked CCTs in Practice: The State of the Field

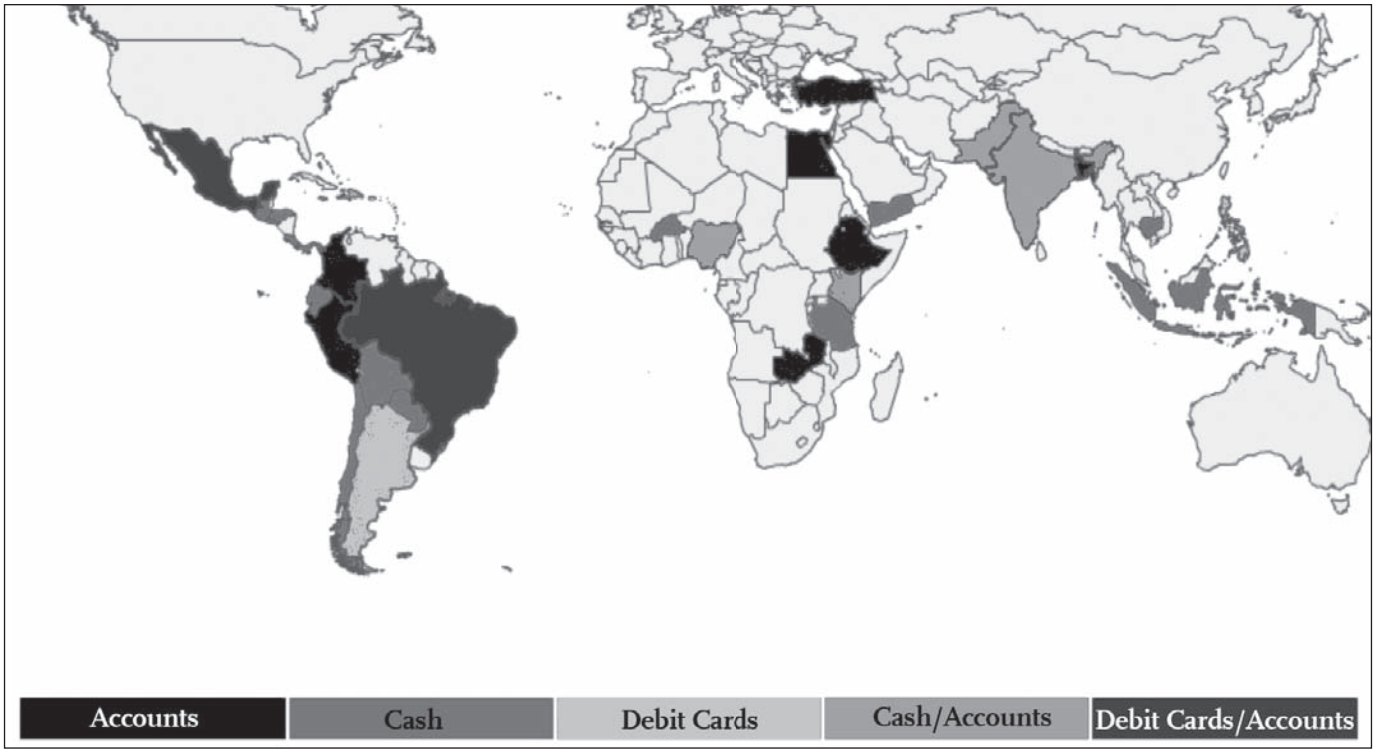
The initial data on savings-linked CCT programs, many of which are in their infancy or pilot stages, reveal great potential. Mexico's Oportunidades program, for example, by recent estimates, has produced over 1 million savings-enabled accounts for program participants. Personal Capitalization Account (PCA) pilots in Peru also show great promise, providing matching grants for saving deposits. One PCA pilot showed that 10,000 women had saved $2 million in less than three years. Brazil's Bolsa Família is also transitioning to delivering transfers through an account held at Caixa Economica, with over 2 million accounts already enrolled.

At the colloquium, UNDP's Suba Sivakumaran offered a summary of preliminary results of an ongoing review of 45 current account-linked CCT programs with 42 million total recipients. Examining programs by size, dispersal methods, and payment systems, Sivakumaran found that most programs involved some kind of hybrid payments system involving multiple delivery methods. Thirty-five percent of programs surveyed were serviced by institutional accounts; about 45 percent through debit cards or smart cards, with the option of an institutional account; and the rest through cash, or cash and accounts in some hybrid form. Sivakumaran also discussed four programs that explicitly encouraged savings, including the Kalomo pilot in Zambia, where beneficiaries were required to open a savings account, and PCAs in Peru. She also discussed Bangladesh's IGVGD program, where beneficiaries were asked to save via a Bangladesh Rural Advancement Committee passbook. In the map opposite, we detail the ways in which reviewed CCTs are currently linked to savings opportunities.

Programs and Recipients

CCT programs are now operating in more than 30 countries in various stages of maturity, with a diverse range of social-protection objectives. Most of these programs — nearly 75 percent — disburse cash through non-account-linked transfer methods, which require a considerable administrative and distributional infrastructure. Physical delivery of cash places limitations not only on the frequency of disburse-

Map: Savings & CCTs Around the World



Note: This map includes CCT programs active in 2010 in the developing world only.

ment, but also on the reach and coverage of the poor and on coordination among different ministries. There are, however, several emerging examples of policies and pilot programs enabling savings-linked CCTs. This section provides an overview of the variety of ways in which CCT programs have the potential to enable and/or encourage savings behaviors, ranging from the utilization of electronic delivery channels to providing explicit incentives to save and invest in productive assets. This review is intended to form the beginning of a discussion, and is by no means exhaustive.

Conditional cash transfer programs are both social-protection and social-investment tools, as they aim to provide immediate economic assistance to the poor and vulnerable in the short term while encouraging — by means of incentives and conditions — attitude and behavior changes that will theoretically have long-term effects.

No other social investment policy innovation has gained as much attention recently. Since the advent of Mexico's CCT program (originally PROGRESA but now known as Oportunidades) in 2002, social policymakers from Nicaragua to Nigeria have adopted similar or adapted models of this highly popular mechanism for alleviating poverty. While most CCT programs are clustered in Latin America and the Caribbean, they can also be found in Africa, Asia, Central Europe, and even the United States.

The reach of CCT programs has likewise dramatically expanded within countries. Oportunidades, which covered 300,000 households in 1997, now reaches 5 million households; Brazil's Bolsa Família program, which started as an experiment in two municipalities in the mid-1990s, now covers over 12 million households.

CCT programs have a proven record in alleviating poverty. Evaluations of existing programs have shown real positive improvements in participants' economic and social outcomes, such as significant improvements in current and future income as a result of greater investments in education and health. CCTs have been shown to help households manage risk and reduce the impact of economic shocks, allowing them to maintain their productive household assets, as well as to nourish and educate their children.

However, despite the momentum generated by the success of CCTs focused on health and education, the full potential of CCTs as a social investment strategy is far from being

fully explored. Governments considering new CCT policies should be thinking about how to innovate and expand on existing models or create new ones. There is an urgent need for models that enable socioeconomic inclusion of the poor through policies aimed at asset accumulation, asset protection, and subsequent capacity building. Myriad savings-linked CCT models are possible, from simple accounts that enable savings opportunities to highly structured programs that encourage savings for specific asset-building goals.

Enabling Savings

The shift from cash-in-hand delivery to electronic delivery of CCTs has begun to accelerate along with the pace of technological breakthroughs. In some cases, electronic delivery enables savings behavior by providing a new opportunity for recipients to store their funds. The range of electronic delivery methods for CCTs with the potential to enable savings behavior includes:

- Accounts in a commercial bank or government post bank such as a proportion of families in Bolsa Familia in Brazil, Oportunidades in Mexico, Familias en Acción in Colombia, and the Social Risk Mitigation Project in Turkey.

- Retail agents that act as banking agents in rural areas such as those used by Oportunidades, which deposits cash in the beneficiary's account in BANSEFI, the government savings and development bank. Diconsa, a retail store, acts as an agent network for both BANSEFI and Oportunidades.

- Prepaid debit cards or smart cards, such as the Benazir Income Support program in Pakistan that partners with UBL and Visa; a number of recipients of Bolsa Familia in, PATH in Jamaica, Juntos in Peru, and Programa Famílias in Argentina, where cards are linked to deposit accounts at the national bank.

- Mobile phones, used for instance in NREGA in India, where electronic delivery is facilitated through phones that authenticate users and act as transaction devices. Familias en Acción in Colombia announced a mobile money pilot in April 2010.

Interestingly, as Sivakumaran pointed out, a number of programs combine different methods of electronic delivery. There are few CCT programs that are truly account-linked in their design — in the sense of a basic transaction account — let alone that are savings-linked. However, with the advent of more cost-efficient technology, there is considerable promise in profitably mobilizing and servicing small-balance accounts for the poor that allow them to save, grow, and build assets and move out of poverty.

Encouraging Savings

Another notable category of savings-linked CCTs are pilot programs where transfers are not only account-based but directly encourage savings behavior. Whereas many CCT programs simply enable potential savings as a biproduct of electronic delivery of social transfers, other programs provide incentives to save. Still other programs, such as Child Development Accounts, encourage savings more robustly and restrict the ways those savings can be applied. CCT programs that directly encourage savings include:

- The Kalomo Pilot Social Cash Transfer Scheme in Zambia, a pilot completed with more than 5,000 households. Beneficiaries within 15 kilometers of the town of Kalomo were required to open savings accounts.

- Personal capitalization account pilots in Peru, where savings behavior was encouraged through matching grants and financial training to rural beneficiaries of the national CCT program, Juntos.

- CDAs or such as those being piloted in Nigeria and Uganda and are being employed by the Ministry of Social Development in South Korea, with matching grants rewarding savings and other positive social behaviors among vulnerable low-income children.

- The IGVGD program in Bangladesh, where the government and the U.N. World Food program partnered to give destitute rural women in-kind donations in food aid on the condition that they save via a Bangladesh Rural Advancement Committee passbook.

Again, these examples are meant only to illustrate the range of programs. Finally, it is important to note that biometric identification systems are an emerging technol-

ogy that holds real potential for both social protection and financial inclusion. Two such efforts with special relevance to savings-linked CCTs that are worth highlighting are:

- The Unique ID project in India, which promises to automate delivery through its iris-recognition facility.

- The Hunger Safety Net Project in Kenya, which offers accounts with Equity Bank and biometrically enabled smart cards.

Critically, attempting to link cash transfer programs with financial inclusion (and importantly, saving possibilities for the poor) on a large scale remains untried and untested. There thus remains an enormous opportunity to provide recipients with the ability to save, invest productively, and mitigate emergencies. Of course, there are various options for linking CCT policies with savings, from simple linkages between traditional CCTs and saving accounts to more targeted, structured policies in which saving itself is a condition and savings outcomes a primary policy goal. Below, we detail a number of country case studies discussed at the colloquium to examine the breadth of these variations.

VI. Case Studies

Globally, policies and experiments aimed at connecting CCTs with savings objectives are rare and, in most cases, still in their infancy. However, where experimentation exists, encouraging results indicate that programs that aim to promote savings through CCTs have been successful. Below are a few examples of current experiments with savings-linked CCT programs, as well as of CCT programs that employ electronic delivery.

The current, diverse experience integrating transactional accounts into social transfer programs in a variety of countries provides a window into best practices, and, in addition, into how SLCCTs must be contextually driven to be as effective and efficient as possible. In the colloquium's Global Showcase panel, speakers drew on their personal reflections on scalability and replicability, as well as policy movement, momentum, and challenges confronting current efforts, with an eye toward distilling the lessons of quantitative and qualitative findings.

Brazil

The Bolsa Família program, launched in 2003, covers all municipalities in Brazil and reaches 12.7 million families. Families receive an average of about $56 each month, and the program has an annual budget about $8.2 billion, equivalent to 0.5 percent of GDP and just 5 percent of the federal budget. Since 2009, the Ministry of Social Development, within its Fight Against Hunger program,

Frank DeGiovanni, Director of Financial Assets for the Ford Foundation, receives a gift from Juntos Program beneficiary Marina Laura Alvarez.

Mauro Henrique Macedo Pessoa of Caixa Economica discusses the role of technology in Brazil's CCT program. Also in photo, from right to left: Emily Stern Arias of Citi, Sarah Rotman of the Consultative Group to Assist the Poor, and Caroline Pulver of Bankable Frontier Associates.

has been studying how a financial-inclusion agenda can complement and augment the Bolsa Família program. The ministry's agenda includes a banking-inclusion project, promotion of micro-insurance regulation, financial-education research and the production of a course book for pilot programs, and consideration of a financial-inclusion project based on a partnership between banks and mobile companies.

Brazil's far-reaching CCT policy, it should be noted, once incorporated a savings component for school children in its Brasilia operations. From 1995 to 2001, the Bolsa Escola (School Stipend) program in the Federal District piloted a complementary school savings scheme (Escola Poupança), in which a bonus equivalent to one minimum wage was paid into a savings account in the child's name each year. The child was only allowed to withdraw the money once he/she completed eighth grade. While the program was well conceived, it suffered from implementation difficulties, including separation from Bolsa Escola, lack of awareness of the savings bonus due to the long gestation period before bonuses were paid, and a range of operational challenges. The scheme was discontinued when Bolsa Escola was incorporated into Bolsa Família. However, incorporated in a more unified national program, a savings dimension, either for children or adults, may have a much better chance of succeeding.

Eight years ago, Brazil's Central Bank began instituting simplified accounts to increase financial inclusion. In the three years since Bolsa Família recipients began to sign up for these accounts to receive their benefits, more than 1.7 million families have enrolled. Banking correspondents can open the accounts, where 85 percent of withdrawals occur. Beneficiaries with a capped balance of a little less than $1,200 are not charged for four withdrawals and four bank statements each month. As Bolsa Familia's Anderson Lopes Brandão emphasized, most families withdraw the full amount of the transfer, but the government is looking for ways to encourage a change in behavior to incentivize families to save. The next step, Brandão said, is to create more partnerships among the government, banks, and telecoms to support mobile transfers to the recipients.

There are a few fascinating and very relevant additional features/products that Brazil is considering piloting. One is in micro-insurance. If there are two basic savings uses for the poor, as Michael Samson of the Economic Policy Research Instutite pointed out the colloquium — saving for emergencies and for long-term investments — then micro-insurance might make a valuable complement to savings-linked CCTs to encourage investment savings. In 2011, Brazil hopes to pilot three types of micro-insurance — life, funeral, and accident —for a cost of about $2 a month and a maximum payout of a little less than $3,000. Second, in a debate on a financial inclusion project that would involve a partnership between banks and telecoms, Brazil is considering allowing cross-selling of products such as micro-insurance and micro-credit. (The government is consider-

ing a maximum of seven pilots in 14 cities). In addition, the joint venture would require the telecoms to provide communication services via mobile phone between the government and citizens, which would spread information such as the national immunization calendar, public health or sanitary notes, and financial education tips.

Mexico

Alberto Chaia, of McKinsey consulting, discussed the Mexican case. While Mexico's program began as a simple CCT program more than 10 years ago, it has since introduced an optional savings account component. In addition to the cash payment, some of the transfer can be held in the beneficiary savings account with the Mexican Bank of National Savings and Financial Services (BANSEFI). As Miguel Székely, Mexico's undersecretary for social development, noted in 2004:

> People started to receive payments in their BANSEFI accounts, and after the second or third time we started to notice that some women were keeping some of the money in their accounts. Later, other family members began to save in the same account. This was a surprising result because all the studies on savings in Mexico held that poor people did not save because they were poor, and not because they had no access to the financial system. Here we're seeing that it's not because they're poor, because even if it's in modest amounts, they're saving.[8]

In November 2008, a pilot program was launched to test and evaluate a partnership between Mexico's CCT policy, Oportunidades, and Diconsa, the biggest retail store chain in Mexico. Diconsa boasts a network of 22,700 stores selling basic food products at cost in underserved areas, with approximately 13,000 of these stores less than four kilometers away from about 1 million unbanked Oportunidades beneficiaries. In the pilots, some 230 Diconsa stores were supplied with a point-of-sale device and training on how to use it to disburse Oportunidades payments. The pilots have shown that electronic payment technology can be implemented in rural localities. Diconsa clerks have adequately learned how to use the device.

Importantly, very few have lost the card, the large majority kept the card in good shape, and there have been few incidents of problems with the technology or with Diconsa clerks. It was found that the new payment method decreased transaction costs and opportunity costs of beneficiaries from 30.1 pesos to 0.49 pesos, and from 16.9 to 2.22 pesos, respectively. Besides the reduction in cost, sales at participating Diconsa stores have increased between 20 percent and 30 percent compared with control Diconsa stores. The purchase of goods has also shifted towards different kinds of goods. Milk, for example, has seen a 40 percent increase in participating Diconsa stores vs. non-participating stores. Furthermore, in a small survey of 260 beneficiaries participating in the pilot, 99 percent said they preferred this electronic payment method to the previous cash and signature method.

Chaia emphasized, however, that two problems in the Oportunidades program stand out. The first is that the infrastructure for mobile delivery currently only reaches about 70 percent of the population. The second is cash management. Chaia said that, overall and in Mexico, the success of branchless banking models provides a framework for considering what other social-protection services might be delivered through the same channels. He spoke of how linking savings to cash transfer programs can benefit local economies as a whole as well as individuals. Oportunidades is adding 15,000 stores over the next year, as well as biometric identity verification capabilities, he said. Piloting new techniques, biometric cards, and point-of-sale agents are key elements in making the program even more successful, Chaia said.

India

In March 2010, Santosh Mehrotra of India's Planning Commission wrote an article titled "Introducing Conditional Cash Transfers in India: A Proposal for Five CCTs." In it, he warned that "there are prerequisites for introducing CCTs that are not yet present in the Indian governance system; hence, a hurried introduction of cash transfers, conditional or unconditional, would be fraught with risks, and vulnerable to implementation problems as serious as those that beset the prevailing delivery system for redistributive programmes. [The paper] also argues that finding finance for the CCTs is not difficult, and it shows clearly where the finance can be found — by converting existing subsidies or programme funding into CCTs."

Although there is still a vital need to be prudent and cautious, India can overcome these hurdles in the near future by harnessing new technologies, Mehrota contended. One of the main justifications he offered, in arguing that sub-

sidy programs be diverted to CCTs, was that India's current poverty alleviation programs are inefficient, in contrast to the success of CCTs elsewhere in the world in alleviating poverty. Mehrotra said that the time may be right for India to consider CCTs as an anti-poverty tool and that one of the basic things that CCTs can guarantee is a base minimum income. In India, he pointed out, the workforce is predominantly rural. Many farmers are indebted for consumption purposes, let alone for investment purposes, and it may be that before encouraging savings, minimum consumption needs have to be guaranteed by the government.

Defining CCTs as cash transfers aiming to create a behavioral change, Mehotra said that there are three necessary preconditions for a CCT to be successful. First, he said, recipients need a bank account. Second, the target group must be identified correctly and exclusion and inclusion errors prevented. For this, he said, one needs a biometric method of identification, as in India's plan for the Universal ID through fingerprint and iris identification. He argued that the proper staging for a savings-linked CCT is not one where a beneficiary saves and is given a CCT, but rather that the beneficiary saves part of the CCT.

Mehrotra also reviewed the social protection programs in India, including social insurance, social assistance, and cash-for-work programs, and argued that cash for work does not qualify as a CCT program because it requires collective action, which, he said, is not associated with behavioral change. He pointed to two areas where practitioners are now trying to change behavior in India through CCTs: prenatal care and institutional delivery of babies. Savings-linked CCTs would be a great idea for India, he said, because they could help provide an income base for beneficiary families.

Ethiopia and Kenya

Caroline Pulver of Bankable Frontier Associates detailed two social transfer schemes: the Productive Safety Net Program in Ethiopia; and the Hunger Safety Net Program in Kenya.

A recent U.N. paper done in conjunction with the Ethiopian government reported that in 2011 close to 3 million Ethiopians will be in need of food aid. Another million will reportedly need additional nutritional support, and more than 100,000 children will need treatment for acute malnutrition. In the context of savings-linked CCTs, Ethiopia's case raises an important point, one echoed by Mehotra in his discussion of India: Where consumption needs are not being met, it may not always make sense to try to incentivize savings. In other words, savings-linked CCTs may not be immediately appropriate for the ultra poor, who do not have enough income to fulfill their minimum consumption needs. CCTs, however, if delivered electronically, can lay the groundwork for basic accounts to be available to families and individuals who may find themselves in an improved condition should initial transfers achieve their goals.

CCTs such as those in Ethiopia, certainly, offer protection against asset depletion by helping families meet minimum consumption needs. The Productive Safety Net Program, which has 1.5 million beneficiaries, conditions payments on work. Households that are unable to supply labor and have no other means of autonomous income are candidates for direct support. Each household member is a candidate for a transfer either in food or in cash, with the default payment method being cash. (The choice often hinges on the availability of grain in the market). One problem with the program, Pulver said, was that payments are frequently late, exposing recipients to high-interest informal loans — suggesting the need for an established on-time delivery system when piloting savings-linked CCTs. Pulver mentioned that, along with the Gates Foundation, Bankable Frontier Associates is piloting a financially inclusive payment mechanism in Ethiopia.

Kenya's Hunger Safety Net Program is an unconditional cash transfer program for citizens unable to meet basic consumption needs. By delivering cash transfers to the most vulnerable 10 percent of families, the government hopes to decrease the incidences of extreme poverty. As Pulver detailed, in Kenya, about 60,000 recipients get about $28 every two months, but the infrastructure in northern Kenya is very poor, so delivering payments is often quite difficult. To deal with the problem, Equity Bank set up 150 agents with point-of-sale devices that had biometric fingerprint readers. Interestingly, Pulver said, because the transfer amount is 2,150 shillings, people often felt encouraged to save a small amount on the card by not withdrawing all of the funds. Unfortunately, this savings option is not well known among beneficiaries, she said, which is a problem that program officers are trying to remedy through financial education.

Pulver also discussed a competition held by the Hunger Safety Net Program to get the private sector interested, breaking down costs to three parts: transaction fees, infrastructure fees, and fixed overhead fees. In the end, she said, the program had multiple financial intermediaries

bid on the delivery of the transfers. Pulver also discussed the tradeoff between the cost to funders and the cost to recipients. For instance, it's cheaper to require recipients to travel 100 kilometers, she said, but it's not convenient.

New York, U.S.A.

Rebecca Ross of ideas42 discussed her work with the New York City CCT program, Opportunity NYC. Opportunity NYC is a privately funded anti-poverty program built on the lessons from the successes of international CCTs. While the program does not encourage savings, it does provide incentives for financial inclusion. The program consists of three programs: Family Rewards, which offers financial incentives for job training, health, workforce participation, and education conditions; Work Rewards, which offers financial incentives for participation in job training and workforce participation; and Spark, which provides financial incentives to public school students based on achievements.

In terms of financial inclusion, the program provides a $50 cash incentive for beneficiaries to open a bank account. As Ross mentioned, adapting this program to encourage savings would be fairly easy from a design perspective. Discussing the findings from the program, Ross pointed out the differences between program beneficiary outcomes and outcomes of families in the control group. For instance, 21.5 percent more program recipients had a bank account than did the control group. Families in the control group used check cashers over 7 percent more than those in the program, and nearly 10 percent more of those in the program group had savings than those in the control group.

One of the key takeaways, Ross said, was that some of the smallest elements in program design had the largest effects. She noted that in some ways, in designing the program, she was intuitively drawing on behavioral insights — for example, by providing recipients with earnings statements that contrasted what they could have earned with what they did earn. These statements not only indicated potential earnings but also indicated how to claim those funds.

In addition to the $50 financial incentive to open a bank account, Ross explained, the program had bank representatives on site to help families sign up for accounts, easing their discomfort with the process. This is a key insight relevant to financial capabilities — trust is not the only relevant emotional variable; comfort level is also important. In psychology, the term "stereotype threat" is used to refer to circumstances in which people may be treated according to a stereotype, as, for instance, a low-income individual may fear when entering a bank. For obvious reasons, people avoid stereotype threats even when it is not in their best interests. Ross also stressed the importance of trying to understand when and why attempts to induce habit change fails, and, like Mullainathan, emphasized the importance of bearing in mind the effects of financial stress on "cognitive load," or what being busy and stressed does to people's capacity to achieve the behavioral changes they seek.

Peru

In 2003, Edge Finance S.A. began experimenting in Peru with a new approach to facilitating saving and asset building among the rural poor through personal capitalization accounts. One of the program's pilots, the Personal Capitalization Account (PCA) pilot, was designed to improve individual access of poor people, especially women, to deposit services in formal institutions. The pilot encouraged and financially rewarded low-income rural women who: opened personal savings accounts; developed discipline in regular savings; became familiar with formal financial institutions; and ultimately had the ability to invest in personal assets and short- or long-term productive assets. In each of these cases, the matching grants were deposited directly into the accounts by bank transfers.

The PCA concept, which facilitates broad-based financial inclusion, was promoted in small financial education workshops in which the participating women receive intensive training in the management of their personal financial resources and money management in general, and instruction in the possibilities for personal investment projects made possible by savings. The matching grants and other subsidies (the incentives for opening an account and learning to use it) offered were viewed as a public investment in education.

Results from Peru's pilot projects are encouraging. One pilot mentioned earlier revealed that 10,000 very poor rural women have accumulated more than $2 million in just two to three years of saving. At that savings rate, individual participants would accumulate as much as $500 each over the course of five years. To put these numbers into perspective, if this pilot program were enlarged to include a million poor and very poor savers, it could potentially inject as much as $500 million into the formal financial system, strengthening the national financial sector. External evaluations of the

pilot programs indicate that the PCA approach is a highly effective and efficient (low cost/benefit ratio) strategy for mobilizing savings by poor families and drawing them into the banking system. It also promotes capital building and encourages productive investment while creating conditions conducive to civic inclusion, greater self-esteem, and a stronger role for women in the family and the community.

Colombia

After the economic shocks at the end of the last millennium, Colombia instituted the Familias en Acción program to achieve three main goals for families in need: to help complement scarce income, to improve school attendance rates, and to improve children's health.

By 2007, Colombia's expansive nationwide CCT program, Familias en Acción, had reached more than 1.5 million households. Beginning in March 2009, payments were distributed through affiliated banks (Bancafé, Banco Popular, and Banagrario) in 700 municipalities. Although nearly 350 other municipalities have no formal banking presence, this new linkage between Familias payments and the formal banking system was a first step toward broader financial inclusion of the poor in Colombia. Program administrators could formally link debit cards to bank accounts, as well as incorporate a savings option into their new CCT distribution model.

Critical to the success of the program, as ACCIÓN Social's Diego Molano said at the colloquium, was the strength of the public and private partnerships. He argued that to help the poor pull themselves out of poverty, conditional subsidies aren't enough; one needs to help create a habitual savings behavior. There are 5 million families in the Colombia program, but 85 percent don't save, Molano said. To encourage savings, governments could match or double the amount that families save on their own. For instance, in Colombia's Oportunidades savings program, 90 percent of beneficiaries met their savings goals. The creation of savings can both diminish risk for the beneficiary families and create financial assets for long-term investments. By committing to reduce extreme poverty and build human capital through savings, governments can reduce risk and help build up their economies.

In another relevant program in Colombia, researchers in Bogotá have experimented with an interesting approach to distributing savings-linked CCTs. In a pilot program that expanded on Bogotá's Conditional Subsidies for School Attendance program, one-third of the total cash transfer to a beneficiary family is held in a restricted savings account and made available only when the family's children are to be enrolled in school the following year. While this approach does not necessarily encourage long-term savings, it does promote continued education. The program was designed to address findings that indicated that families face a number of challenges in saving money for their children's education. Researchers evaluating the program hypothesized that "if families' long-term savings constraints are more significant for children's academic participation than the more short-term liquidity constraints, the savings treatment could generate as high attendance rates and higher re-enrollment rates than the basic treatment, as families receive all the accrued funds at the time they need money to start a new school year."[9]

The researchers found that "simply postponing some of the cash transfers to a large lump sum, paid at the time when the re-enrollment decision is made ... increases enrollment in both secondary and tertiary institutions without reducing daily attendance. This is particularly true for the poorest students and those most at risk of dropping out. This suggests that there is much to gain in designing CCTs that better take into account the financial challenges many families may face, such as difficulties saving money, in addition to the more common focus on short-term liquidity constraints."

VII. Opportunities and Challenges: Effective Design and Efficient Delivery

The practical lessons for implementing savings-linked CCT models revealed by the case studies discussed above raise a variety of operational questions that should be considered by the field, or by those interested in developing similar programs. As these case studies show, the design of effective and appropriate models will depend on beneficiary targets, infrastructure, goals, and contexts. For instance, if CCTs are used to explicitly encourage savings rather than simply enable it, governments, practitioners, and researchers will need to determine at what point encouraging savings behavior inhibits consumption and investment, as well as to what extent a trade-off exists between increasing consumption and encouraging savings.

Across and within countries and programs, there are many ways to deliver CCTs electronically, and there are different

degrees to which savings behavior can be enabled, encouraged, or required. A robust understanding of context based on local policy, operational, and institutional challenges will be vital to designing the most effective and efficient savings-linked CCT programs.

Additional challenges include:

- authenticating users who may not have the required documentation; determining the investment and coordination requirements for both banks and telecommunication providers to ensure a seamless interoperable platform
- developing low-cost payment systems that are secure and capable of managing high volumes
- instituting a robust and dispersed agent network and enrollment system
- ensuring that both financial and technology literacy issues on the part of the client are resolved

Below, we consider the opportunities and challenges in effective design and delivery of savings-linked CCTs in the areas of technology, infrastructure, and the government case, financial intermediaries and regulatory issues, and financial capability.

Technology and Infrastructure

As Sarah Rotman of the Consultative Group to Assist the Poor emphasized at the colloquium, the pairing of electronic delivery mechanisms with breakthroughs in branchless banking has the opportunity to cut costs, reduce leakage, create accessibility, and lay the foundations for a financially inclusive account. Mobile banking, retail banking and point-of-sale devices, smart and/or debit cards, and biometric IDs are all among recent breakthroughs in financial services delivery.

Critics worry that mobile banking may leave users more vulnerable to identity and credit theft, and that text messages — the electronic receipt for transactions that are typically saved on users' phones — are not an ideal platform for transactions. Mobile payments also may be less ideal in nations where the telecom infrastructure is weaker. Many challenges lie in instituting robust correspondent models as well, as the costs involved in setting up these networks are considerable. Savings-linked CCTs, however, are in a strong position to aid the development of agent networks due to robust beneficiary lists and the regularity of payments.

Account-connected reloadable smart cards, or limited-function prepaid debit cards and biometric ATMs, can also distribute social transfers directly to individuals. The cards, often sponsored in partnerships between state banks and other organizations, are compatible with ATM machines, and can be used as cashless payment for point-of-sale transactions and for electronic bill-pay and cash transfers at participating sites, like general stores. While cards do often incur either monthly service or transactional fees, they also provide additional options to diversify payments and savings mechanisms. Brazil, South Africa, and Argentina have all employed card-based models successfully.

While most of these programs are designed for the poor, they do require proper ID and proof of residency, which can be difficult for many living on the fringes of society. Additionally, while ATMs are a less expensive alternative than bricks-and-mortar banks, they are still underprovided, especially in rural communities. Some also raise security concerns with PIN-required transactions, procedures regarding loss of cards, and theft, making biometric authentication all the more necessary. In terms of fully leveraging appropriate technology to deal with limited access to accounts, one colloquium breakout session suggested simplified accounts linked to mobile wallets, and operator-sponsored, cheap mobile phones.

Certainly, the costs of investing in electronic delivery systems are considerable. Beyond the necessary telecom infrastructure, they may include the costs of investing in biometric IDs and readers, ID enrollment, and establishing a robust agent network and overcoming substantial liquidity and security obstacles. These obstacles help explain, in part, why many programs continue to deliver social transfers in cash.

Overall, the biggest obstacle in expanding the electronic delivery of CCTs is often the infrastructure problem, which David Porteous described at the colloquium as the "toughest nut to crack" in instituting savings-linked CCTs. Finding the funds to invest in the telecommunications and infrastructural expansion necessary to expand branchless banking opportunities will often mean explicitly demonstrating the statewide benefits of financial inclusion.

Given the potential payoff for the state—in short-term efficiencies in the delivery of social payments and a strengthened financial sector, as well as the long-term gains associ-

Henry Jackelen of UNDP presents alongside Jamie Zimmerman of the New America Foundation, Yves Moury of Fundación Capital & Proyecto Capital, David Porteous of Bankable Frontier Associates, and Michael Samson of the Economic Policy Research Institute.

ated with a financially included, increasingly stable, and economically empowered society — investments in the necessary infrastructure may be well worth it. Indeed, as the poor use their savings to smooth consumption and invest in productive assets, they will improve their capacity for basic personal financial intermediation, slowly achieve self-sufficiency as they move out of poverty, and, ultimately, reduce the need for long-term or even permanent government payouts throughout an individual's lifetime and across generations.

Financial Intermediaries and Regulatory Issues

In most countries, financial inclusion is now an explicit mandate of the central bank. Modernized payment systems make the management of cash transfer policies more efficient, particularly as these programs grow in scale and scope. However, many financial institutions remain skeptical of the business case for small-balance savings. A relationship with governments that provide savings incentives and/or subsidies may provide an additional impetus for financial institutions to provide services to bottom-of-pyramid markets in a serious way.

In addition, as David Porteous emphasized at the colloquium and as Henri Dommel implied in his comments, for a business case to be viable, the accounts themselves don't necessarily need to be profitable. Porteous elaborated four distinct levels at which to consider the business case for banks to involve themselves in the distribution of CCTs. First, is the account itself profitable? Second, is the account relationship profitable in its entirety? Third, is the entire portfolio profitable? Fourth, does managing the portfolio make strategic sense — for instance, will banks get preferential treatment for other business with the government, as they have in some cases? For savings-linked CCTs to provide a gateway to financial inclusion, he pointed out, it does not necessarily mean that the accounts themselves have to be profitable for the financial intermediaries.

While the regulatory challenges to delegating transactions to telecommunication firms or agent networks are significant, they are also manageable. As Claire Alexandre, Ignacio Mas, and Dan Radcliffe recently wrote, existing "banking regulations need to be adapted to these new possibilities of banking beyond bank branches."[10] They pointed to key areas where regulations will need to adapt, including distinguishing between branches that offer full financial services and those that are merely transactional, regulations that protect both banks and their retail partners from risk, and tiered know-your-customer regulations that don't institute unfair barriers for the poor. In terms of identity protection, especially in light of biometric IDs, a potent regulatory infrastructure will need to be implemented to protect sensitive information.

The logistical challenges of resolving the ID problem and the account problem may be, in the end, less vexing than other problems. In Pakistan, after the 2010 floods, CGAP's Chris Bold mentioned, the government set up two tables next to each other — one for getting an official ID and one for getting a basic account.

Governments are increasingly looking for solutions to regulatory hurdles such as exceptions for basic accounts. In South Africa, in the case of the Mzansi banking product, anti-money laundering and counter-terrorism policies required that financial institutions verify a customer's name, date of birth, national identity number, and address. But South Africa's official identity document does not include an address on it, and many South Africans do not have formal addresses. South Africa's minister of finance stepped in, allowing an exemption for low-value accounts. In certain cases, such carefully conceived and instituted exemptions assessed on the basis of risk will be necessary to achieve widespread financial inclusion.

Engineering a shift to electronic delivery in CCTs, of course, may also meet opposition from some affected parties, and instituting savings-linked CCTs also requires navigating bureaucratic sensitivities, ensuring accountability, and marketing the programs. Not only is technology changing the way CCTs can be delivered, but an enabling environment and appropriate polices and institutions can dramatically affect the ability to effectively design and efficiently deliver CCTs linked to bank accounts and/or savings behavior.

Finally, as Cas Coovadia of the South African Bankers Association emphasized, in the South African case, Mzanzi accounts were a political compromise, and too close to standard bank accounts, as opposed to basic accounts, for them to be attractive to financial intermediaries. To best meet the regulatory challenges, accounts should ideally be convenient, accessible, and simple, he offered. Coovadia suggested that the best working model may be a system where financial institutions partner with other institutions that can take deposits — and that point-of-sale devices, mobile phones, and mini ATMs should each be expanded in these branchless banking models. Coovadia suggested that a regulatory framework should be worked out nationally, contextually, but also that there should be an international regulatory framework developed to guide national efforts.

Financial Capability

Financial capabilities are perhaps best defined as a mix between internal capabilities and the necessary external conditions. Financial products alone, of course, cannot create capabilities without the necessary knowledge and motivation to use the accounts. It may well be that products

Colloquium participants discuss the obstacles to and potential of savings-linked CCTs.

drive capacity — that if the right convenient and accessible financial products are made available, financial capability will improve, rather than financial literacy producing financial capability directly.

Gina Chowa, of the University of North Carolina at Chapel Hill, in distinguishing between the components of financial capability, defined internal capabilities as being those that you learn naturally from your environment, as well as the economic factors of your household, and parenting. Those capabilities are often just as vital as the necessary external condition. This reality is revealed, Chowa said, by dormant accounts, as its clear that products alone can't create capabilities without the necessary knowledge about how to use the account.

Beth Porter of the United Nations Capital Development Fund, similarly, offered a path to wellbeing that included a combination of capabilities and competence. Capabilities depend, Porter pointed out, on people reflecting on their own financial well-being, their spending habits, and what they need versus what they may want. Reflecting on financial habits is necessary for the awareness of the possibility of savings and an improved future, she said, pointing out that this awareness is a vital component of financial education. Stacey Sechrest Carder spoke of Citi's commitment to financial education, and of developing capabilities as a path to establishing new patterns of behavior and savings habits.

Relative to financial capability in savings-linked CCT design, Henri Dommel stressed that the level of the grant amount relative to income is a key variable. He also put special emphasis on areas in which the nonprofit and NGO sector can lend support to help savings-linked CCTs get up and running efficiently, with one key area being client financial education. Financial intermediaries will be unwilling to do this, he suggested, and therefore NGOs and nonprofits can step in and fill that role.

The Bill and Melinda Gates Foundation's Carlos Cuevas said that linking savings to CCTs could potentially, at last, make savings stick. One of the key elements of developing financial capabilities, he suggested, is to make financial products easily assessable. Echoing David Porteous' comment that financial touch points should be less than 30 minutes away, Cuevas offered a similar benchmark for financial services to be accessible: one kilometer, or less than 30 minutes by foot. The purpose of CCTs, in the long run, is to put themselves out of business, Cuevas said, and accessibility is one of the best ways to ensure that financial capabilities have the best opportunity to develop. Cuevas also suggested that it is vital to keep the conditionality simple.

CGAP's Kate McKee also spoke to the issue of financial capabilities. She emphasized the importance of giving recipients options in order to learn what the best possible designs for savings-linked CCT programs are. One problem in designing appropriate delivery systems is that we know so little about customer perceptions. McKee argued that, as mentioned, perhaps appropriate financial products for the poor drive financial capability. The success of Kenya's M-Pesa product provides some evidence for this argument, McKee said. The accessibility and dependability of M-Pesa has changed the way people think about their financial rights and the risks involved in storing their funds in electronic form, McKee pointed out.

VIII. A Path Forward

CCT delivery is swiftly evolving. Significant yet surmountable barriers and challenges aside, the electronic delivery of CCTs as well as conditions that encourage savings is feasible and, in our view, highly desirable. The creation of appropriate basic accounts for social transfers cannot happen overnight, yet new technologies are increasingly driving momentum toward this new reality.

In the last 50 years, as Henry Jackelen put it at the colloquium, there have been various shifts in thinking about global development. Historically, he said, the poor were thought of as victims. With the advent of microcredit, there was a shift from a paternalistic paradigm to a client paradigm, and currently, Jackelen said, we may be in the advent of a new paradigm, a citizenship paradigm, where having a bank account is a basic human right. As Jackelen put it, "we may be on the verge of creating universal savings access — through storing value in a basic transactional account — as the 'bancarization' of the entire population is now very possible." And, Jackelen continues, "with the poorest populations in reach, governments have the option to provide support (cash) to guarantee minimum subsistence levels, thus eradicating extreme poverty. Put in another way, such BTAs should be seen as a global public good as the benefits to society are considerable and the costs are minimal."

Summarizing the consensus from day one of the colloquium, Jamie Zimmerman of the New America Foundation pointed out that of course, as aptly documented, the poor do save and plan for their futures, and need tools to weather shocks, save for investments, and smooth income. Certainly, different approaches are appropriate for varying contexts, she said, but in all contexts, savings-linked CCTs can be a form of social investment as well as social protection. In other words, the delivery of CCTs to the population can have a clear Keynesian effect on the economy, and savings-linked CCTs may become not only a social protection stalwart but also a sound economic policy.

Major questions remain, however, not only regarding the exact role of donor agencies across a variety of contexts, but also in terms of savings-linked CCT design and measurement. Below, we discuss the questions distilled from the colloquium in terms of a learning agenda, as well as global dialogue.

A Learning Agenda

The benefits of CCTs linked to conditions besides savings is now well documented. In Africa, CCTs have been shown to significantly reduce HIV/sexually transmitted infections. In Brazil, CCTs increased labor participation. CCTs have also resulted in higher consumption levels, as well as a significant increase in nutrition monitoring and immunization rates, and increased school enrollment rates for both boys and girls. For savings-linked CCTs, however, a number of questions remain—in particular, policy questions, coordination questions, design questions, and questions of the precise donor role.

Policy Questions: Making the high-level case for governments for savings-linked CCTs, as well as the case to financial intermediaries, will require careful impact evaluations. For the government-level case, how are the potential multiplier effects of savings-linked CCTs best determined? What demand side research can inform this question? For the business case, how are the costs of rolling out savings-linked CCTs best identified, and how can one best make their delivery attractive to the financial intermediaries?

Coordination Questions: In making a strong government-level case for investment in the infrastructure needed to make savings-linked CCTs a reality, how can the savings-linked CCT community best coordinate? Additionally, since there is a wide variance across CCT programs in terms of efficiency, scale, and context, what are the best ways to coordinate lessons learned across savings-linked CCT pilots in order to best leverage results toward future successes? How are regulatory issues best coordinated, nationally and regionally?

Design Questions: On questions of design, to what extent is it important, during the first phases, to actually encourage savings behaviors, rather than merely enable them? If savings-linked CCTs are encouraging savings, how large does the transfer need to be so that consumption is not discouraged? How can savings-linked CCTs be designed to meet both the illiquid and liquid needs of the poor? Finally, what is the mix of public and private partnerships that might change in terms of savings-linked CCT delivery as one extends into harder-to-reach areas?

Donor Roles: Should donors look to support savings-linked CCTs at scale in larger CCT programs, or should policymakers try to experiment with a variety of more experimental savings-linked designs in smaller programs, or both? Should donors focus on "building out the rails" or should funds be directed toward savings-linked CCT pilots where there are already "rails to ride"? Lastly, what role can donors play in financial literacy training, and where?

Each of these important questions was raised at the colloquium. But what are the most useful next steps to address these questions?

Some of the advocacy questions might be the easiest to address. For instance, as David Porteous suggested, one important contribution is a simple clarifying of terms. "Financial inclusion" has become something of a flavor of the year, he said, yet the term is not defined in a way that cuts across fields in an easily understandable way. He proposed that every adult should be allowed to have a basic account. Porteous stressed that making branchless banking work is not an easy task, and that savings-linked CCTs are perhaps best piloted where the necessary infrastructure is already in place. He also suggested that consideration of costs should be broken down into three parts: the cost to open a store-of-value account, which includes infrastructure costs; the cost to maintain that account; and the cost to transact. He argued that financial inclusion could be defined as having access to a basic transactional account, if that account allows users to deposit as well as withdraw funds.

In terms of design questions, the IADB's Fermin Vivanco made the point that the amount of CCTs relative to existing income for beneficiaries is often relatively little: a little over 20 percent in Mexico; 6 percent in Ecuador; 17 percent in Colombia. He noted that most users had income before the transfers and still did not save, suggesting that the behavioral shift has to come from the supply side. This suggests that perhaps savings-linked CCTs should be designed with contractual savings features — which might make them more attractive to financial intermediaries — and be relatively large as a proportion of income. Arguing in favor of branchless banking models, Vivanco also stressed the importance of cross selling and argued that no-fee deposits and no-minimum-savings requirements are critical, as fees can often wipe out any savings along with the desire to save.

Perhaps, too, as Porteous suggested, it is necessary to change the way governments contract with financial intermediaries. Rather than contracting with one intermediary, he proposed, governments could move toward a voucher-based subsidy system that offers a voucher to recipients, with banks getting subsidies for each beneficiary that signs up and stays with that intermediary. That could establish the kind of competition between intermediaries that could drive productive competition based on client needs.

Of course, these suggestions, as well as making the case for savings-linked CCTs, require more data and coordination between stakeholders. As to the precise donor role, it makes sense both to coordinate among savings-linked CCT advocates on a global level and to help coordinate among relevant parties on a national and regional level. The potential shape of those coordination efforts is explored in greater detail below.

Dialogue: Context Specific Engagement

As Henri Dommel pointed out, getting different government ministries to talk to each other —especially those in the financial ministries and social-protection sectors — is a key role that NGOs and nonprofits can fill. "Smart money" can help these people talk to each other, he said. The potential coordination role of NGOs and nonprofits, however, extends beyond national coordination to regional coordination among relevant actors, as well as global coordination among those interested in savings-linked CCTs.

What form should these partnerships take? Who should take the lead, and how should they be managed? How can coordination efforts be standardized in order to leverage lessons learned? Precisely, which conversations should be had at the global level, at the regional level, and at the national level?

Colloquium participants discuss savings-linked CCT policy and design issues.

On a national level, how many financial providers should be brought to the table, and at what point? Identifying which players are relevant on the country level will require a deep analysis of the political will, the infrastructural capacity and hurdles, available funds, regulatory obstacles, and the exact role of financial intermediaries. Matching the capacities of specific CCT programs with the proper savings accounts will be a challenge as well. If different savings products are appropriate for different contexts, what type of evaluation framework can be developed to isolate savings-linked CCT effects across contexts? On a regional level, is it possible to convene interested parties and develop an appropriate regulatory framework for deciding national regulatory policy and potential exemptions for savings-linked CCTs? In which regions and in which countries does it make sense to begin?

Is it imperative to establish global and regional alliances to drive national savings-linked CCT pilots? Where are the best immediate opportunities to gather data on the potential of savings-linked CCTs that can be used to inform other programs? And could a network of CCT program practitioners help inform regional and global committees?

Certainly, to best leverage pilot and program results, NGOs and nonprofits can play a role in answering these questions and driving the most appropriate coordination efforts. Multilateral and bilateral donors, financial institutions, telecom and mobile company executives and experts, regulators and behavioral economists, and other researchers from relevant fields should all be contributing to discerning the ideal coordination efforts at global, regional and country levels. In an initial roundtable meeting based on the results of the colloquium, these experts will be asked to engage in a thoughtful, intense debate on the best application of savings-linked CCTs and to determine specific goals to be achieved, reforms to be advocated, and challenges to overcome. The roundtable's output will constitute the first attempt at a consensus approach to begin the necessary and various coordination efforts.

As Michael Samson emphasized on day two of the colloquium, there is very powerful evidence of the demand for savings by the poor. "When we look at savings as competing with consumption and we act accordingly, we're actually doing the poor a disservice," he said. Considering the potential benefits of savings-linked CCTs for beneficiaries, governments, and financial institutions, it is critically important that coordination efforts at this early stage be maximized to help savings-linked CCTs meet that demand.

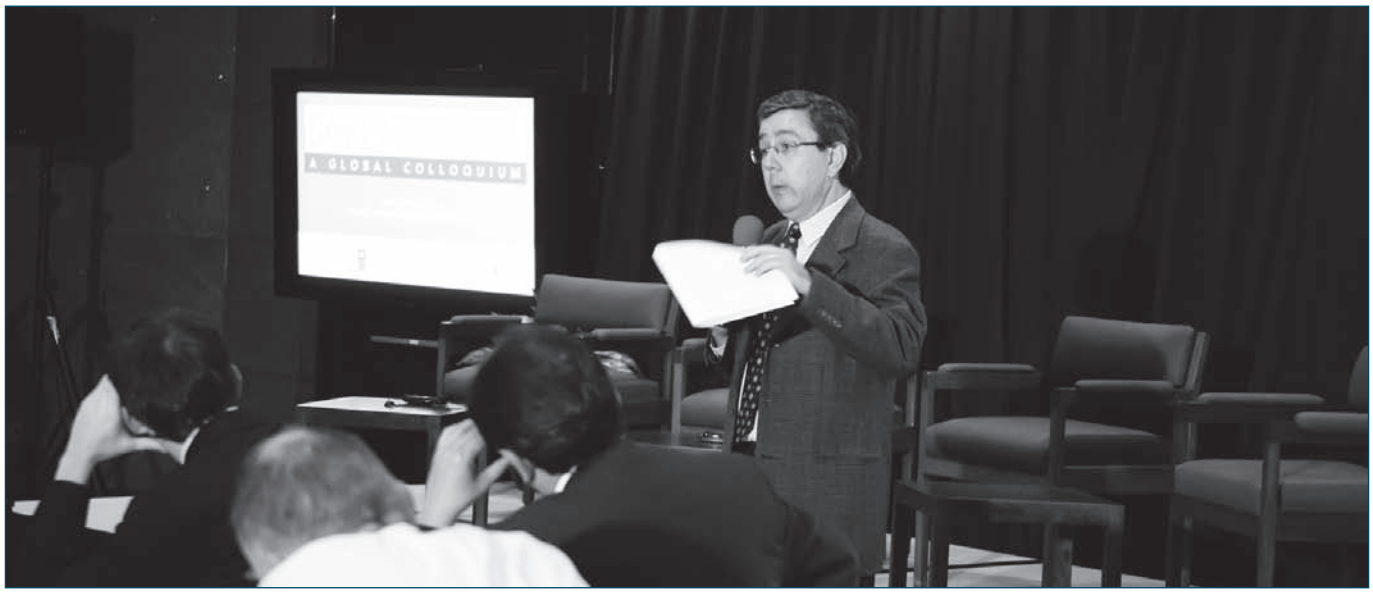
IX. Conclusion

Growing global momentum behind savings-centered financial-inclusion and cash-based social-protection policies suggests a rare and critical opportunity to innovate at the nexus of the two, with each leveraging the other to achieve important poverty-reduction goals. However, the seemingly natural relationship between the two fields is actually quite complicated and dependent upon a complex set of actors, institutions, opportunities, and challenges.

A global movement toward account-linked social-protection payments is gaining steam, with increased interest from the fields of financial inclusion, social policy, behavioral economics, and aid/development. While the field of work and study on the topic is only emerging, recent experience suggests an incredible potential to leverage strategies toward financial inclusion and social payments to more quickly and effectively provide financial and human capital asset-building opportunities for the world's poorest.

However, very little evidence or experimentation exists to guide the momentum toward savings-linked CCT strategies. Moreover, initial conversations have indicated that while there is a heightened and growing interest in such strategies, the various stakeholders involved often do not communicate, and when they do, they speak very different languages and, of course, have different priorities. The 2010 Global Colloquium on Savings-Linked CCTs was an effort to bring these many stakeholders together to more thoughtfully examine the concept, and better understand the challenges and opportunities it presents.

The Global Colloquium revealed a diverse set of opportunities and challenges and brought to the fore an initial indication of critical strategic next steps and needs in order to move the entire field and all its various parts forward. Indeed, from our initial assessment, based on feedback during and after the colloquium and related conversations, a wide variety of stakeholders — funders and donors, financial institutions and regulators, ministries of social development, researchers and practitioners, and even the popular media — are interested and, in many cases, enthusiastic about the relationship between savings and social payments. While momentum and activity are building,



Pablo Farias, Vice President of the Ford Foundation, offers the colloquium's closing remarks.

most of it is highly uncoordinated, and actors are still grappling with a number of difficult questions.

There is an obvious need to learn more about the potential for savings-linked CCTs as a financial-inclusion tool and savings enhancer, as an enabler of poverty reduction or as a mechanism for more efficient and effective social payments. This will require thoughtful research, experimentation, comparative and topical analyses, advisory services, and facilitated communication and collaboration. In addition, there is a huge demand for an ability to connect and learn from the variety of actors interested in or working to understand and advance this topic. At the same time — with the potential exception of the Latin America-Caribbean region, where advances in this field are arguably more numerous — bringing global leaders to regional and country-level gatherings is critically important for sharing ideas, experiences, and best practices.

Policymakers interested in developing a savings-linked CCT program (whether from scratch or by creating an adapted version of an existing program) have many factors to consider and actors to engage. They need to define the ultimate goal(s) of their intended social-investment program and determine the amount of resources to be devoted to it. These factors will undoubtedly play the most influential role in the design of a new CCT policy model. Furthermore, policymakers will need to consider the poor's current access (physical/social) to financial services. Before a successful savings-linked CCT program can be put in place, policymakers will need to remove regulatory barriers that impede financial institutions from accepting small-balance deposits or the poor's ability to open and use such accounts; and/or adopt new technologies and/or delivery mechanisms to enhance effective delivery of CCTs.

Only with a clear identification of strategic priorities and clear guidelines for monitoring and evaluation will stakeholders understand what variables are necessary for savings-linked CCT pilots to be successful. Identifying those variables will also clarify the necessary strategic investments in infrastructure for other CCT programs.

While this colloquium report aims to provide the conceptual and practical background for moving savings-linked CCTs forward, these proposed next steps do not cover the full range of technical or political considerations and options associated with such policies. Instead, we hope that the momentum, lessons, and directions generated by colloquium participants will encourage policymakers and researchers to think innovatively about financial inclusion, savings and economic empowerment, and to what degree and where saving-linked CCTs might be appropriately applied. In the long term, we hope that such insights encourage more experimentation, research, and policy innovation to make CCTs an even more effective means of reducing global poverty.

X. Global Colloquium on Savings & CCTs Agenda

MONDAY, NOVEMBER 8
DAY 1. The Concept: Why Savings-Linked CCTs?

Welcome
Luis A. Ubiñas, President, Ford Foundation
Sigrid Kaag, Assistant Secretary General, Director of the Partnerships Bureau, United Nations Development Programme

Opening Remarks
Frank DeGiovanni, Ford Foundation

Keynote Address — A Vision for Savings and CCTs
Michael Samson, Economic Policy Research Institute

Plenary 1: Savings-Linked CCTs as a Social Protection Enhancer?
What role, if any, should savings have in cash-transfer schemes? Some argue that encouraging savings through a consumption-focused policy leads to the promotion of contradictory goals. Others believe, however, that providing access to savings programs and encouraging savings behavior could increase consumption through improved financial intermediation. Could linking financial access and savings to CCTs enhance the effectiveness of social protection schemes by improving short-term living standards and helping build medium- and long-term assets? Is there evidence of this?

Speakers
Armando Barrientos, Brooks World Poverty Institute
Sendhil Mullainathan, Harvard University & ideas42
Carolina Trivelli, Instituto de Estudios Peruanos / Proyecto Capital

Moderator
Michelle Adato, Millennium Challenge Corporation

Plenary 2: Savings-Linked CCTs as a Financial Inclusion Gateway?
In most countries, financial institutions continue to struggle to provide commercially viable yet appropriate and accessible savings services to the poor and very poor. Linking cash-transfer delivery — which in many cases reaches millions of very poor beneficiaries — to accounts may hold efficiencies of scope and scale, and hence a business case, for financial institutions. However, a variety of supply-side issues exist: How do we design and deliver appropriate products that not only reach the poorest populations but also provide value to them, and under varying contexts? Will technology and regulation evolve enough to make this possible?

Speakers
Henri Dommel, United Nations Capital Development Fund
David Porteous, Bankable Frontier Associates
Fermin Vivanco, Inter-American Development Bank

Moderator
Gabriela Zapata, Bill and Melinda Gates Foundation

Lunch Spotlight: Savings-Linked CCTs in Peru: The Juntos Experiment
Speakers
Marina Laura Alvarez, Juntos Program Beneficiaries and Savers
Flora Quispe Coriymanya, Juntos Program Beneficiaries and Savers
Roberto Haudry, International Fund for Agriculture Development
Ivan Hidalgo, Juntos Program

Plenary 3: The State of the Field
Presenter
Suba Sivakumaran, United Nations Development Programme

A Global Showcase
The savings-linked CCT field, while quite nascent, is already providing rich learning from recent innovations and experience. What can we learn from the current, diverse experience integrating savings and other transactional accounts into cash-transfer programs in a variety of countries and contexts? What are the lessons of existing quantitative and qualitative research? Panelists will share their personal reflections on scalability and replicability, as well as policy movement, momentum and challenges confronting current efforts.

Speakers
Anderson Lopes Brandao, Bolsa Familia, Government of Brazil
Alberto Chaia, McKinsey & Company (Mexico)

Santosh Mehrotra, Planning Commission, Government of India
Diego Molano, ACCIÓN Social (Colombia)
Caroline Pulver, Bankable Frontier Associates (Kenya, Ethiopia)
Rebecca Ross, ideas42 (NYC)

Moderator
David Hulme, Brooks World Poverty Institute, School of Environment and Development, University of Manchester

Day 1 Wrap Up: Reflections and Questions
Facilitator
Jamie Zimmerman, New America Foundation

Cocktail Reception
United Nations Headquarters

Introductions
Henry Jackelen, United Nations Development Programme

Keynote
Olav Kjørven, Assistant Secretary General, Director of the Bureau for Development Policy, United Nations Development Programme

TUESDAY, NOVEMBER 9
Day 2. The Path Forward: Making Savings-Linked CCTs a Reality

Plenary 1: Designing Savings-Linked CCTs: Targets and Types
Before we are to realize the full potential of savings-linked CCTs, there is a need to explore a full spectrum of potential model variations, from simple electronic delivery to a basic account to more intentional designed programs, such as matched savings. As policy goals vary, so do the targets and types of programs that link accounts and cash transfers. This session examines how to design effective policies and programs based on varying views of "optimal impact," including an interactive open dialogue session aimed at exploring new ideas and models.

Speakers
Henry Jackelen, United National Development Programme
Yves Moury, Fundación Capital & Proyecto Capital
David Porteous, Bankable Frontier Associates
Michael Samson, Economic Policy Research Institute

Moderator
Jamie Zimmerman, New America Foundation

Plenary 2: Effective Design and Efficient Delivery — Opportunities and Challenges
An enabling environment and appropriate polices and institutions can dramatically affect the ability to effectively design and efficiently deliver CCTs linked to bank accounts and/or savings behavior. What are the biggest practical and policy opportunity areas for linking cash-transfer programs to accounts and/or savings behavior? How should the barriers to savings-linked CCTs affect appropriate design and scalable provision?

Speakers
Cas Coovadia, South African Bankers Association
Carlos Cuevas, Bill and Melinda Gates Foundation
Margaret Grosh, World Bank
Kate McKee, Consultative Group to Assist the Poor

Moderator
Ray Boshara, New America Foundation

Breakout Sessions: Addressing the Opportunities and Challenges
BREAK OUT 1: THE ROLE OF TECHNOLOGY
Modernizing transfer payments can facilitate savings-linked CCTs. What are the current best practices in delivery methods? What are new ideas for efficient delivery? Yet, financial institution capacity to serve the poorest remains weak: What key infrastructure or supply side challenges remain?

Speakers
Mauro Henrique Macedo Pessoa, Caixa Economica, Brazil
Sarah Rotman, Consultative Group to Assist the Poor
Emily Stern Arias, Citi

Moderator
Caroline Pulver, Bankable Frontier Associates

BREAKOUT 2: POLICY AND REGULATORY ENVIRONMENT
Weak regulatory environments have often prevented access to finance, particularly savings accounts, of the

poor. How have policy and regulatory challenges affected attempts to link CCT provisions to bank accounts? What kinds of changes could create more enabling regulation? What is the role of political will, particularly in the face of resource constraints?

Speakers
Chris Bold, Consultative Group to Assist the Poor
Jaime Gonzalez Aguade, BANSEFI, Mexico
Selwyn Jehoma, Department of Social Development, South Africa
Luis Tejerina, Inter-American Development Bank

Moderator
Beatriz Marulanda
Consultant

BREAKOUT 3: FINANCIAL CAPABILITY
Can savings-linked CCTs be a capability enhancer? What are the most effective, efficient and appropriate ways to incorporate financial education into savings-linked CCT models? For instance, which has more impact: financial education, social marketing or financial "sensitization," or all or none of the above?

Speakers
Gina Chowa, University of North Carolina at Chapel Hill
Beth Porter, United Nations Capital Development Fund
Stacey Sechrest Carder, Citi

Moderator
Anne-Françoise Lefèvre
World Savings Banks Institute

Facilitated Closing Discussion: The Path Forward
This final session will draw upon the lessons, insights and ideas emerging over the course of the colloquium to spur an interactive discussion of the potential path forward for the savings-linked CCTs.

Facilitators
Frank DeGiovanni, Ford Foundation
Jamie Zimmerman, New America Foundation

Closing Remarks
Pablo Farias, Ford Foundation

Colloquium Participant List

Michelle Adato
Director for Social and Gender Assessment
Millennium Challenge Corporation

Diana Alarcón
Senior Economic Affairs Officer, Department of Economic and Social Affairs
United Nations

Mireya Almazán
Associate Program Officer, Financial Services for the Poor
Bill and Melinda Gates Foundation

David Alomía
Director
National Social Protection Program, Ecuador

Marina Álvarez
Beneficiary and saver from the Juntos Program, Peru

Nancy Argueta
Policy Specialist
UNDP

Francisco Ayala
President
Ayala Consulting, Ecuador

Armando Barrientos
Research Director
Brooks World Poverty Institute

Chris Bold
Microfinance Specialist Technology Program
CGAP/ DFID

Ray Boshara
Vice President, Senior Fellow
New America Foundation

Alberto Chaia
Partner
McKinsey & Company, Mexico

Claudio Chamorro
Advisor
Cabinet Ministry of Planning, Chile

Gina Chowa
Assistant Professor
UNC at Chapel Hill

Nils Clotteau
Partnership and Resource Mobilization Expert
Universal Postal Union, Switzerland

Rita Combariza
National Director, Familias en Acción
Acción Social, Colombia

Ryan Cooper
Executive Director, JPAL Latin America
Jameel Poverty Action Lab

Cas Coovadia
Managing Director
Banking Association of South Africa

Carlos Cuevas
Deputy Director, Global Development, Social Services to the Poor
Bill and Melinda Gates Foundation

Caroline Decker
Research Assistant
Center for Global Development

Frank DeGiovanni
Director, Financial Assets
Ford Foundation

Paulino Delgado Valle
General Manager
Social Investment Fund for Local Development, Bolivia

Henri Dommel
Director, Inclusive Finance
United Nations Capital Development Fund

Van Elder Espinal
Director General, Administration of Social Grants
Social Policy Cabinet, Dominican Republic

Federico Escobar
Senior Economist, Financial Sector and
Retirement Payments
Policy Analysis Unit of Social and
Economic Statistics, Bolivia

Jessica Faieta
Senior Country Director, Haiti
UNDP

Pablo Farias
Vice President
Ford Foundation

Dugan Fraser
Project Facilitator
Economic Policy Research Institute

Susana Gámez
Executive Director, Social Policy Cabinet
Dominican Republic

Austine Gasnier
Programme / Research Associate
UNDP

Franz Gomez
Senior Consultant
Fundación Capital, Panama

Jaime González Aguadé
Director General
Bansefi, Mexico

Margaret Grosh
Lead Specialist, Social Safety Nets
World Bank

Roberto Haudry
Country Program Manager, Peru
International Fund for Agricultural Development

María Luisa Hayem Breve
Consultant, Multilateral Investment Fund, Access
to Finance Unit, Inter-American Development Bank

Ivan Hidalgo
President
Juntos, Peru

Jamie Holmes
Policy Analyst, Global Assets Project
New America Foundation

David Hulme
Director
Brooks World Poverty Institute

Henry Jackelen
Director, Private Sector Division
UNDP

Selwyn Jehoma
Deputy Director General,
Comprehensive Social Security
Department of Social Development,
South Africa

Sigrid Kaag
Assistant Secretary General / Director,
Partnerships Bureau
UNDP

Dmitri Von Kemedi
Chairman
Due Process and E-Governance
Bureau, Bayelsa State, Kenya

Taimur Khilji
Regional Policy Specialist
UNDP

Olav Kjørven
Assistant Secretary General, Director of the
Bureau for Development Policy
UNDP

Jean Paul Lacoste
Coordinator of Social Protection and Rural Development
Ford Foundation

Anne-Françoise Lefèvre
Director of Institutional Relations
World Savings Bank Institute

Mauricio León
Vice-Minister
Coordinating Ministry of Social
Development, Ecuador

Anderson Lopes Brandão
Coordinator of Benefits
Bolsa Familia, Government of Brazil

Mauro Henrique Macedo Pessoa
Manager, Family Grant Department
Caixa Económica Federal, Brazil

Vusi Madonsela
Director General
Department of Social Development,
South Africa

Beatriz Marulanda
Consultant
Marulanda Consultores, Colombia

Phil Maxson
Global Assets Project
New America Foundation

Brandee McHale
Chief Operating Officer
Citi Foundation

Kate McKee
Senior Advisor
CGAP

Santosh Mehrotra
Director General / Permanent Secretary
Institute of Applied Manpower Research/
Planning Commission Government of India

Jared Miller
Global Product Manager for Mobile Solutions
Citi

Diego Molano
Senior Advisor
Acción Social, Colombia

Yves Moury
President and CEO,
Fundación Capital / Proyecto Capital, Panama

Carlos Moya
President
Banca de las Oportunidades Colombia

Sendhil Mullainathan
Professor of Economics / Director
Harvard University / ideas42

Paula Nimpuno-Parente
Program Officer
Ford Foundation, South Africa

Oscar Pajuelo
Director of Cash and Securities,
Department of Operations
Banco de la Nación, Peru

Prajna Paramita Saha
Assistant Director
Bangladesh Bank

Payal Pathak
Program Associate, Global Assets Project
New America Foundation

Fernando Peña
President
Banrural, Guatemala

David Porteous
Director
Bankable Frontier Associates

Beth Porter
Policy Advisor, Financial Inclusion
United Nations Capital Development Fund

Mohammed Pournik
Regional Policy Advisor, Regional Bureau for Arab States
UNDP

Caroline Pulver
Associate
Bankable Frontier Associates

Flora Quispe Ccorimanya
Beneficiary and saver from the Juntos Program, Peru

Rebecca Ross
Research Associate
ideas42

Sarah Rotman
Microfinance Analyst, Technology Program
CGAP

Georgina Salinas Uribe
Area Director
Oportunidades, Mexico

Michael Samson
Director of Research
Economic Policy Research Institute

Stacey Sechrest Carder
Director, Office of Financial Capability
Citi

Suba Sivakumaran
Research Associate, Growing Inclusive Markets Initiative
UNDP

Sahba Sobhani
Program Manager
UNDP

César Sotomayor Calderón
Director of Rural Markets
Agrorural, Peru

Emily Stern Arias
Assistant Vice-President, Global Transaction Services
Citi

Claudio Storm
Executive Director
FOSIS, Chile

Luis Tejerina
Economist, Social Protection and Health Division
Inter-American Development Bank

Carolina Trivelli
Senior Researcher / Co-Manager
Economic Division of the Instituto de Estudios Peruanos /
Proyecto Capital

Eric Tyler
Program Associate, Global Assets Project
New America Foundation

Luis Ubiñas
President
Ford Foundation

Jacqueline Urquizo
Manager, Financial Products
Acción Social, Colombia

Claudia Vinay
Policy Specialist, Inclusive Development
UNDP

Fermin Vivanco
Investment Officer
Inter-American Development Bank

Gabriela Zapata
Senior Program Officer
Bill and Melinda Gates Foundation

Jamie Zimmerman
Director, Global Assets Project
New America Foundation

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Endnotes

1 This report was drawn from presentations and insights from the colloquium, as well as from three papers previously published by this report's authors, including the primer prepared for the colloquium; Zimmerman, Jamie and Yves Moury. *Savings and Conditional Cash Transfers: A New Policy Approach to Global Poverty Reduction*. A Global Assets Project Policy Brief. Washington, D.C.: New America Foundation, 2009; and Jackelen, Henry, and Jamie Zimmerman, et al. *A Third Way for Official Development Assistance*. Washington, DC: New America Foundation and UNDP, 2011.

2 See Pickens, Mark, David Porteous, and Sarah Rotman. *Banking the Poor via G2P Payments*. Focus Note, No. 58. Washington, D.C.: Consultative Group to Assist the Poor, 2009.

3 A conditional cash transfer program is an anti-poverty social policy tool that targets qualified households or individuals based on conditional behavior. In general, these programs seek to provide economic assistance to poor, marginalized minorities, excluded families, and other disadvantaged populations, with special emphasis on women, children, and persons with disabilities. The conditions generally refer to investment in human capital (education, health, nutrition) but may also address other aspects of behavior.

4 Cash transfers or other G2P cash transfers which may not be conditional, although not the topic of this paper, can also enable savings through electronic delivery of funds.

5 See Sherraden, Michael. *Assets and the Poor: A New American Welfare Policy*. Arm N.Y.: M.E. Sharpe, 1991.

6 See Bertrand, Marianne, Sendhil Mullainathan, and Eldar Shafir. "A Behavioral-Economics View of Poverty." *American Economic Review*, vol. 94, No. 2 (May 2004).

7 See Barrientos, Armando, and James Scott. *Social Transfers and Growth: A Review*. BWPI Working Paper, No. 52. Manchester, England: The Brooks World Poverty Institute, University of Manchester, 2008.

8 See IDBAmérica. Mexico's Oportunidades: An interview with Miguel Székely, Undersecretary for Social Development, December 2004.

9 See Barrera-Osorio, Felipe, Marianne Bertrand, Leigh L.Linden, and Francisco Perez-Calle. "Improving the Design of Conditional Transfer Programs: Evidence from a Randomized Education Experiment in Colombia." *American Economic Journal: Applied Economics*, vol. 3, No. 2 (April 2011).

10 See Alexandre, Claire, Ignacio Mas, and Dan Radcliffe. "Regulating new banking models that can bring financial services." *Challenge Magazine*, vol. 54, No. 2 (March/April 2011).

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Report Contributors

Jamie M. Zimmerman and Jamie Holmes
New America Foundation
Lead contributors and editors

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