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December 2021

Online at <https://mpra.ub.uni-muenchen.de/116058/>  
MPRA Paper No. 116058, posted 21 Jan 2023 14:21 UTC

## A Transparent and Effective Cash Assistance Program: Dream or Reality?

Leila Dagher

Lebanon has been subjected to an unrelenting torrent of crises since 2019. This ongoing financial and economic meltdown that the country is going through is the result of more than 30 years of social, economic, financial, and fiscal mismanagement, amplified by the COVID-19 pandemic, and further aggravated by the Port of Beirut explosion.

The Lebanese government has recently requested the resumption of negotiations with the IMF to address the deep economic crisis the country is facing. There is no doubt that a comprehensive national social protection program is critical, and will be a main component of the recovery plan. The national social protection program will comprise both the program known as ESSN (Lebanon Emergency Crisis and COVID-19 Response Social Safety Net Project, funded by the World Bank) and the quasi-universal, unconditional cash transfer program (QUCT), referred to as the “ration card,” as well as other schemes. This article aims to analyze the key components and discusses the critical features for a successful QUCT program.

The purchasing power of the Lebanese family has declined dramatically in the past few months, where inflation rose 137.75% in August 2021 on a year-to-year basis.<sup>[1]</sup> Among other factors, the removal of (foreign-exchange type) subsidies on critical goods and essential items has contributed to a rise in inflation. Skyrocketing unemployment rates, in the absence of any form of unemployment insurance, has further exacerbated households’ ability to meet their basic needs.

The Ministry of Economy and Trade, with technical help from the World Bank, had proposed a broad, unconditional cash transfer (UCT) program back in September 2020, to compensate heavily-impacted families for the steep rise in prices. This program has yet to be implemented, even as poverty rates have been increasing rapidly. ESCWA, for example, reports a rise in income poverty from 25% of the population in 2019 to 74% in 2021.<sup>[2]</sup> Based on these figures, a broad-based program becomes essential—in fact, the long-awaited “ration card” has been designed to complement the ESSN, and combined, they would cover around 75% of the Lebanese population.

Because of the broad nature of the program, the approach that the government plans to follow applies some form of “affluence testing.” In other words, any Lebanese resident can apply, but a set of criteria will be employed to identify the upper quartile and exclude them from the cash benefits. This approach presents an opportunity to build a unified national registry that could be useful for other social protection programs.

### **Concerns about fraud and manipulation**

Although there is general consensus on the urgent need for a cash assistance program, there are however many concerns regarding its implementation. One of the main worries is that the “ration card” could be used as a form of bribe by political parties in the upcoming parliamentary elections in 2022. Studies have identified corruption risks at four stages of the process,<sup>[3]</sup> but in Lebanon’s case, determining the pool of recipients, particularly in the weeks leading up to the elections, tops the list of dangers. It is therefore critical to establish clear and efficient targeting mechanisms, while ensuring transparency throughout the whole process, to prevent any attempt at political manipulation.

Parliament passed Law no. 230 in July 2021, consisting of eight articles addressing the main structure of the cash transfer program and its financing mechanism. It leaves eligibility criteria and other implementation details to be determined by a ministerial committee headed by the prime minister. The law specifies the goal of the program, which is to compensate families for the loss in purchasing power due to the removal of subsidies, setting the maximum amount per family at \$126 and the average amount at \$93.3 for a period of one year.

Article 5 of the law contains a very clear provision for the lifting of banking secrecy on applicant accounts, irrespective of age or any other considerations. Any attempts to waive this requirement for minors, or any other group or category, would open the door wide for fraud—especially given that one of the main criteria for eligibility is that the account balance be below a specific threshold. The concerned authorities can only verify eligibility if bank secrecy is lifted, after the applicant has given their consent in the online application.

A unique identifier is essential to detect fraud, such as duplicates and

ghosts, among those benefitting from social assistance. Moreover, a unique, common identifier can facilitate monitoring of social spending across multiple social protection programs. The one and only candidate in Lebanon is the national ID card (known colloquially as “*tazkara*”), as this is the only photo ID where the number does not change upon renewal, as opposed to passports, for example. For added security, the application should require the submission of a headshot selfie, which can be used for verification through facial recognition software—a process known as selfie biometrics. Other options, such as fingerprinting or iris scans, can be offered to applicants who do not want to upload their picture for any reason.

### **Currency, automation, and implementation**

The currency in which assistance should be disbursed—Lebanese liras or US dollars—has been a matter of controversy among politicians. However, most experts tend to agree it should be in US dollars (particularly if the source of funding is in dollars[4]), for several reasons. First, because it offers stability in purchasing power, thus preserving the value of the assistance provided over time. Even if the amount is to be paid in Lebanese lira at the market exchange rate, there will still be some loss of purchasing power due to the almost daily exchange-rate fluctuation.[5] Second, using the domestic currency will likely lead to further inflation by increasing the local money supply. Third, the COVID-related ESSN program mentioned above is set to provide support in US dollars, which could trigger a sense of unfairness among “ration card” beneficiaries if their assistance is in lira and create social tensions.

To prevent the cash assistance program from becoming a vehicle for clientelism and patronage, the selection of beneficiaries should be automated. Full automation is feasible if the program is well-designed. For example, checking the accounts of applicants to verify that the balance is below the set threshold should be done via Application Program Interfaces (APIs), which rules out any human error. Also, anyone not found eligible for the program should have the right to know on what basis they were excluded, as well as the right to appeal the decision through a well-functioning grievance redress mechanism. Most importantly, for better accountability, an independent third-party monitor should be an integral feature of the program. Finally, exclusion criteria should be clearly defined and made public once the selection phase is over.

Generally speaking, these kinds of programs are designed to be implemented at the household level. Including a top-up per household, as is currently being discussed, would incentivize individuals of the same household to split up and apply as multiple households—a type of abuse that is difficult to detect. In the absence of a reliable address system and verified data about household composition and living arrangements in Lebanon, it would be more efficient to implement the program at the individual level, by determining the amount per individual beneficiary and, if needed, a top-up[\[6\]](#) for any elderly or child dependents.

Welfare fraud should be taken seriously and is usually treated as a criminal offense. To protect public funds and combat fraud and abuse, the online application should state clearly the civil penalties (for example, the recovery of two or three times the unlawfully received benefits), as well as criminal prosecution. Specialized courts will then decide on appropriate criminal penalties to be imposed on those found to be abusing the system.

According to the current law, the program's duration is set to be for one year only. It is preferable that broad-based cash assistance programs be limited in duration, so as not to discourage work. In addition, such programs should have clear exit strategies, which will allow for phasing out those in need of temporary help, while merging others with existing social protection programs in the medium term. The exit plan should have a clear roadmap on how to move from wider coverage early on in a crisis to a smaller, more targeted group of beneficiaries as the economy begins to recover.

In summary, the proposed quasi-universal cash transfer program is essential and timely, particularly in light of the dire socio-economic situation in the country. However, the program should be very carefully designed and implemented in a transparent manner so as not to be used as a medium for vote-buying. Ensuring strong oversight mechanisms and anti-corruption safeguards also provides an opportunity to regain the trust of the Lebanese and other stakeholders, which is the cornerstone of any successful economic recovery plan.

[\[1\] Central Administration of Statistics August 2021 Report on the Consumer Price Index.](#)

[\[2\] ESCWA policy brief #21-00634. “Multidimensional poverty in Lebanon](#)

(2019-2021).”

[3] Amundsen, Inge. “Covid-19, cash transfers, and corruption.” U4 Brief 9 (2020).

[4] The only major obstacle that remains is the source of funding. Those being considered are the IMF’s Special Drawing Rights funds (Lebanon recently received the equivalent of \$1.135 billion) or the repurposing of existing unused loans in US dollars, among others.

[5] The Good Practice Review on Cash Assistance in Contexts of High Inflation and Depreciation recommends providing transfer assistance in US dollars to guarantee the purchasing power of beneficiaries in countries with high inflation.

[6] Amount given over and above the monthly cash transfer payable to any eligible individual.