1 NO POVERTY

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17 ROOMS GLOBAL FLAGSHIP
2023 ROOM DOCUMENTS
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17 ROOMS

A purpose-driven global fund for scaling digital cash transfers to accelerate progress on ending extreme poverty by 2030

17 Rooms: Room 1 Concept Note[1]

This concept note was prepared by the leadership of Room 1, a working group for Sustainable Development Goal 1 on no poverty that convened as part of the 2023 17 Rooms flagship. The 17 Rooms initiative is co-hosted by the Center for Sustainable Development at The Brookings Institution and The Rockefeller Foundation. Each Room, one per SDG, was asked to identify actionable priorities that can be advanced by the end of 2024 to improve some component of 2030 outcomes for its respective Goal.

Challenge

The world is off track to end extreme poverty by 2030

Extreme poverty is shameful and unacceptable as rightly captured by Sustainable Development Goal (SGD) 1, whose ambition is to steer global efforts toward eradicating extreme poverty in all its forms for all people everywhere by 2030.[2] Yet, with the 2030 deadline fast approaching, the stark reality is that we are way off track for the target, made worse in recent years by the COVID-19 pandemic alongside the global economic downturn linked to the Ukraine crisis, other conflicts and extreme weather. As a result, it is estimated that 575 million people might still be living in extreme poverty by the end of the decade.[3]

While leading international development institutions such as the World Bank remain firmly committed to fighting extreme poverty, it is concerning to note that there appears to have been a loss in momentum globally in recent years, with a shift to other thematic areas. This is reflected, for example, in substantial budget reductions for poverty alleviation efforts by national governments and institutions that have traditionally led the charge on global poverty alleviation efforts. This loss of momentum is particularly troubling because the climate crisis is worsening extreme events that disproportionately affect those living in extreme poverty. The challenge must be to accelerate efforts to address extreme poverty in ways that help increase resilience to shocks.

Approach—Accelerating the digital cash revolution

While progress has slowed, we have for the first-time rigorous evidence, widely applicable technology, and the fiscal space to eradicate extreme poverty.

Advances in technology coupled with significant increases in global GDP, and a growing body of evidence have collectively paved the way for tackling extreme poverty in a way that was not previously possible. Multiple

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[1] The Room was co-led by Cina Lawson and Rory Stewart with support from Kô Goma, Yolande Wright, and Feri Gwata. Room Members were Wadi Ben-Hirki, Kamya Chandra, Anir Chowdhury, Jamie Drummond, Tina George Karippacheril, Dean Karlan, Homi Kharas, CV Madhukar, Tracy Palandjian, and Zouera Youssoufou. This document was prepared by Room co-leads and their perspective teams and draws from the insights generated through the course of Room discussions. All Room Members participated in their personal capacities.

[2] https://www.globalgoals.org/goals/1-no-poverty/

[3] https://worldpoverty.io/

randomized controlled trials and other evaluations have demonstrated sustained impact across multiple sectors can be attributed to **direct cash transfers** (one of the best-studied anti-poverty measures)—from long-term social protection programs in Brazil and Mexico to short-term interventions in response to COVID-19 across the world.[4] Most recently, in a groundbreaking study by Abhijit Banerjee et al., researchers explored the transformative potential of digital cash transfers as a means of reducing extreme poverty – showing remarkable economic expansions resulted from both lump sum and flow payments.[5]

Furthermore, advances in digital public infrastructure (including digital identity verification and payments systems) and new applications of artificial intelligence (AI) mean that targeting and delivery of cash directly to people living in extreme poverty (and vulnerable to climate risks for example) is more affordable and effective than ever, even in traditionally hard-to-reach contexts. Digital Public Infrastructure (DPI)[6], a combination of networked open technology standards built for public interest, has, for the first time, proffered sustainable solutions to the longstanding challenges and criticisms of cash transfers: That individuals are not financially addressable and directly reachable, or that such funds suffer from high leakages via double dipping and intermediaries. For example—Togo's experience with the NOVISSI digital platform that was launched to disburse emergency cash transfers rapidly during the COVID pandemic is an instructive case study. The NOVISSI program[7] was created to assist individuals in the informal sector affected by containment measures.

Within a remarkably short timeframe, NOVISSI, meaning "solidarity" in the Ewe language, was developed as a 100% digital mass payment platform that ensures beneficiaries receive their full relief aid without intermediaries or the need for an internet connection. To ensure unique identification, beneficiaries registered through their basic mobile phones using a short USSD number that does not require Internet connectivity and provided information from their biometric Voter ID cards in the absence of a social registry. The $34 million program was subsequently extended to include rural poor in the 200 poorest cantons, reaching over 920,000 beneficiaries working in the informal sector, approximately 25% of the Togo adult population, including 63% of women. The platform further leverages AI and big data to refine targeting methods. Satellite imagery is used to identify the poorest districts in Togo and telecommunications operators' Call Detail Records (CDR) determine the poorest individuals within those districts. Approximately 138,531 individuals received a total of $10 million through this new targeting approach.[8] Now, three years later, the new NOVISSI Program is being expanded to provide cash transfers to all identified extreme poor households with a focus on women to boost their resilience and to break the intergenerational cycle of poverty.

Additionally, there is compelling evidence from India where over 1.2 billion people, 92% of the population, were enrolled onto a digital ID system.[9] Electronic Know Your Customer (KYC) using the digital ID drove banking penetration up from 30% to 80% of adults in just nine years—a transformation that made people financially addressable and would have otherwise taken 47 years as per a study by the Bank for International Settlements.[10] Moreover, using novel G2P payments routing infrastructure (known as the Aadhaar Payment Bridge), 860 million of these individuals are able to receive direct benefits digitally without intermediaries, only by providing their identity numbers, across at least 314 schemes from 54 ministries.[11] As of late 2023, the official Direct Benefit Transfer

[4] For example: Bastalgi, F. et al. (2016). "Cash transfers: what does the evidence say? A rigorous review of program impact and of the role of design and implementation features," Overseas Development Institute.
[5] https://conference.nber.org/conf_papers/f192616.pdf
[6] https://www.undp.org/digital/digital-public-infrastructure
[7] https://openknowledge.worldbank.org/entities/publication/f84e1162-5129-4a1a-a104-83d5fe04668
[8] https://documents1.worldbank.org/curated/en/099751009222330502/pdf/IDU0e83f857301ff1047bf082710a8d21ddf42c3.pdf
[9] https://sciencespo.hal.science/hal-03389153/document
[10] https://www.bis.org/publ/bppdf/bispap106.pdf
[11] https://dbtbharat.gov.in/central-scheme/list

dashboard estimates total payment flows to be more than 3.5 trillion rupees in FY23-24.[12] India's experience shows that carefully designed digital public infrastructure can enable rapid growth in digital payments (for private and public payments), save the exchequer around $27 Billion in averted leakages[13] and drive huge transformation at scale.

The design of digital public infrastructure to drive direct benefits can and should be diverse across countries, as long as it successfully drives exponential impact. For instance, countries such as Brazil and Thailand have leveraged a broader P2P and P2M payments transformation (via Pix and PromptPay respectively) to make individuals financially addressable to receive government benefits.

A purpose-driven global fund dedicated exclusively to scaling digital cash transfers has tremendous potential to lift millions out of extreme poverty

In Room 1 of the 17 Rooms 2023 flagship, a working group comprising subject matter experts from various backgrounds was convened to advance a call for the creation of a new global fund dedicated exclusively to scaling digital cash transfers across low-income countries to accelerate progress on ending extreme poverty by 2030—a structure that would be very similar to GAVI. The working group is building on ideas put forward by economists John McArthur and Homi Kharas from The Brookings Institution, a leading think-tank.

Kharas and McArthur argue that there is a need to shift the conversation away from outdated debates on vertical and horizontal funding and focus instead on purpose-driven funding.[14] Their preliminary research indicates that a purpose-driven fund—and specifically, one focused on accelerating digital cash transfers to those living in resource-poor contexts—has huge potential in reducing extreme poverty. The dramatic increase in social protection payments delivered in response to the Covid-19 pandemic demonstrated that dramatic scale up is possible.[15] And the growing evidence base shows the positive benefits for cash transfers in terms of addressing not just monetary poverty, but also health, education, shelter and other outcomes.[16] There is also growing evidence that with the right design, a significant boost to gender equality is also possible, as well as increased resilience to climate and economic shocks.[17] Kharas and McArthur estimate that the global extreme poverty gap is currently about $100 billion—equivalent to about 0.1% of global GDP. This is its lowest relative size ever—and something that with sufficient international commitment could be raised in the coming years.

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[12] https://dbtbharat.gov.in/

[13] https://www.business-standard.com/article/economy-policy/centre-saved-27-bn-in-schemes-using-dbt-method-economic-affairs-secy-123030500400_1.html

[14] https://www.brookings.edu/articles/institutional-technologies-purpose-driven-fund-extreme-poverty/

[15] https://blogs.worldbank.org/developmenttalk/ten-lessons-largest-scale-cash-transfers-history

[16] For example, this recent study which demonstrated impacts on both child and maternal mortality of cash transfers - https://www.nature.com/articles/s41586-023-06116-2

[17] Cash Transfers and Shocks: Long-term Effects During a Pandemic in Uganda" - FIala et al, 2021: "based on the 4- and 9-year findings in BFM (2014, 2020), we hypothesize that higher human capital coupled with more durable assets induced by the CT intervention makes individuals more resilient and could ease the recovery process after the strict lockdown."

Building support for the Fund

For this Fund to receive wide support—from donor organizations and potentially wider contributors, it is important to point out that:

1. The Fund, focused cash transfers, is a **radical idea, insofar as the vast majority of the funding will end up directly in the hands of people living in extreme poverty.** Power and decision over resources will be given to individuals experiencing extreme poverty.
2. The Fund will be governed predominantly **by countries using or interested in using these approaches—** avoiding risk of this being seen as a Global North solution being imposed on the Global South. Much of the recent evidence and innovation has come from countries like Togo, India, Bangladesh, Brazil, Thailand, and Kenya—and the next phase of fund development will closely involve countries most likely to be eligible for the funding.
3. The Fund, certainly initially, could focus on larger lump sum cash transfers in countries with existing DPI—demonstrating impact quickly, and supporting **transformative investments by households—** helping avoid concerns of building long-term dependencies and/or affordability concerns.
4. The Fund will, however, recognize the importance of a **far wider set of interventions—**not least the need to move toward more comprehensive and universal social protection systems over time. There is scope for a second window for the Fund to support long-term DPI development and social protection systems.
5. The Fund will be highly compatible with efforts to tackle the climate crisis and ensure **climate justice** for families living in more vulnerable and high-risk areas (flood plains, areas affected by increasingly extreme weather events such as hurricanes/typhoons, drought prone areas). More advanced cash transfers systems are already being used for **anticipatory action** and **effective disaster responses and** could be used to build resilience and support local-level efforts to enhance and restore critical ecosystem services (particularly with effective plus elements described below).

Country eligibility criteria

The following have been proposed as a provisional set of criteria for determining countries which might be eligible for this Fund.

Eligibility criteria—country demand and enabling technologies (initial thoughts)	
	1. Digital infrastructure and beneficiary data
Verifiable ID	Countries with a well-documented, unique, and digitally verifiable identification system (e.g., via biometrics) to ensure accurate beneficiary authentication and targeting. Alternatively, given that identity infrastructure takes time to develop (it may take 3-4 years to mature in a typical developing country context) it may be quicker to set up other verifiable identities and payment routing infrastructure (e.g., a financial address mapper) which can typically take 2-3 months to put in place. These are high leverage infrastructure, which many developing countries are not yet building.
Social registry	Countries with functional and digitally verifiable social registries covering various target populations, and ideally (but not compulsory) comprehensive statistical data on households for precise beneficiary identification.

Mobile penetration rate	High rates of mobile phone ownership, widespread mobile network coverage, and a receptive population for mobile-based solutions.
Payments	Countries with high coverage interoperable payment systems and/or mobile money/wallet networks, and cooperative Mobile Network Operators (MNOs) to ensure seamless implementation.
	2. Government commitment and financial readiness
SDG1 commitment	Countries with a strong government commitment to ending extreme poverty, as evidenced by policies and actions aligned with SDG 1.
Budgetary allocation	National governments willing to allocate funds and resources for the implementation of digital cash transfer programs.
PPP funding and support	Willingness to collaborate with private sector partners, development partners, and international organizations for funding and technical support.
	3. Demand for financial inclusion and poverty alleviation
Extreme poverty	Consider countries with high levels of extreme poverty or a significant proportion of their population facing dire economic conditions.
Unbanked	Prioritize countries with substantial unbanked or underbanked populations, highlighting the pressing need for accessible digital financial solutions.
Regulatory support	Emphasize countries with regulatory frameworks that promote digital financial services, uphold data privacy, and ensure secure transactions.

What will the Fund support?

We recognize the multi-dimensional and complex nature of extreme poverty—which cannot be solved with one simple intervention alone. However, during design discussions, a consensus has emerged that:

1. Some level of support may be needed to **enable digital payments** and enhance digital public infrastructure (e.g., adding authentication capacity to an existing ID, or introducing payments routing) - but this should be a relatively small proportion of the Fund, and not dominate allocations (no more than 10%).
2. That **cash transfers** should make up the majority of the Fund's resource transfers - which should be targeted at people living in extreme poverty. The exact design parameters should be the decision of the countries applying to the Fund for support but might include:
    a. Large **lump sum cash transfers** (one or more payments over a few months vs years with the purpose of a significant 'uplift' or 'graduation' out of extreme poverty).
    b. **Flow payments/social protection payment** but with a definite purpose/remit focus on the extreme poor (to qualify for Fund support vs longer term WB/IDA funding).
3. That **'plus elements'** could be included at limited scale (10% of funding), with a clear focus on **addressing extreme poverty immediately** or **reducing risks of returning to extreme poverty** (vs other wider outcomes).
4. That further **evidence generation and learning** be supported through the Fund - by encouraging ongoing high-quality monitoring and evaluation of funding.
5. An important element of any application will be how countries demonstrate **how the program proposed will be used to leverage/enable longer-term use of cash** transfers through either national social protection systems, funded domestically or with IDA.
6. We are not recommending the Fund as a "Social Protection Fund" initially, given the concern that this opens the Fund up to too wide a range of possible interventions. However, **we do believe that if the Fund can initially focus on 'quick wins' of larger lump sums, in countries with an enabling environment, it would be possible for a more inclusive approach to develop which supports other countries to develop DPI and provides funding to contribute to longer-term social protection programming**.

Financing the Fund

Financing of the Fund has yet to be developed but will depend somewhat on whether the Fund plans to have two windows (for lump sums and long-term social protection payments).

Potential funding requirements vary depending on what will be funded but some estimates are provided below:

Target population

According to the World Poverty Clock, the number of people currently living in extreme poverty is roughly 630 million. By 2030, if current trends continue, approximately **575 million people** will still be in extreme poverty. Of these about **250-300million will be adults.**

The Fund could potentially have windows for both:

1. Lump sum transfers (higher 'up front' costs, but enable more immediate investments by recipients).
2. Ongoing social assistance to the extreme poor (a more substantial recurrent spend).

Estimating the costs

For the first option (lump sum transfers), based on the simulations produced by staff at GiveDirectly, which draw from the economics literature, a one-shot transfer of $550 per adult in extreme poverty would in a large share of cases be enough to end extreme poverty within 10 years, except perhaps for the very poorest households in extreme poverty.

If this assumption holds true, then a single transfer approach could reach all 250-300 million adults with a sum of roughly $137-165 billion dollars. Making some allowance for second-round interventions for the very poorest people (e.g., 50 million people), the global total required to end extreme poverty can be very crudely estimated at $150-200 billion. If converted to an annualized and sequenced approach over 10 years, this would translate to roughly $15-20 billion per year.

Choices on country eligibility, domestic contributions, and time frames can be used to adjust this number. For example, if the sample is restricted to those countries where the poverty gap exceeds 1% of GDP, if governments commit an average of half the funds from their own resources (both big "ifs") then the Fund would need about $6-7 billion per year. This lies roughly in the middle of the scale of annual country allocations by the Global Fund to Fight AIDS, TB, and Malaria (on the lower end) and IDA (on the higher end).

Potential Funders

A range of potential funding options need to be explored including:

1. Ultra-high net worth individuals
2. Individual contributors
3. Private foundations
4. Donor agencies
5. Sovereign wealth funds and other investors—potentially through innovative financing options (zero interest loans that could be forgiven on production of predetermined results)

Fund Governance

We recommend that Fund governance should build on best practices from other Global Funds, and ensure:

1. Strong representation from countries likely to benefit from the Fund.
2. Strong voices from people living in extreme poverty—to ensure program design meets needs and requirements articulated by people with lived experience.
3. Avoid excessive bureaucracy that might delay delivering resources quickly and efficiently.

Governance of the Fund	
	Decisionmaking structure
Board of directors	A group of maximum 15 - 20 people including representatives from: 1. Eligible countries (5 - 7), 2. Donor countries (3 - 5), 3. Academia with expertise on poverty, impact assessment etc. (2), 4. Multilateral financing institutions (1), 5. U.N. and civil society representation enabling representation of people living in extreme poverty (3), and 6. Representatives of industry involved in mobile money/digital cash (1).
Rotating chairmanship	The chairperson position rotates among country representatives annually, ensuring equal leadership.
Equal voting power	The "1 person, 1 vote" principle applies, offering each contributor an equal say in fund management.
Technical committees	Specific committees address technology, regulations, impact assessment, and more, with country representatives participating based on expertise.

Recommendations and next steps

Taking the idea forward:

- Further consultations/work with potential donors and eligible countries to describe the core Fund parameters to inform overall financing needs.
- Establish and fund a secretariat to take forward design efforts.
- Clarify whether any first-order gating issues (but not marginal refinement issues) still require further evidence before proceeding to scale up of national cash transfer programs
- Present ramp-up model over the first three (3) years. e.g., how much could be deployed immediately in Year 1, Year 2, and Year 3, if financing were the only constraint?
- Identify champions on both eligible country side and on official donor side.
- Identify champions, private donor champions and potential support from leading foundations.
- Insert ideas into global discussions—e.g., U.K. White Paper, DAC, U.N. 2023 SDG Summit, U.N. 2024 Summit of the Future, among other public venues.

To take forward the above, we recommend establishing a **small working group** to:

a. Take forward planning and stakeholder engagement. This will entail inter-alia, finalizing the concept note, and discussing with potential eligible countries and potential funders.

b. If sufficient donor and eligible country interest exist—move forward to a design phase, with a funded secretariat (minimum three full-time staff) to Convene a series of consultative workshops with government officials (from relevant line ministries such as Social Protection, Finance, and ICT) across Africa, Latin America and Asia, consolidate findings and develop a knowledge product to be reviewed across the regions by a designated committee.

    i. Establish the required governance structures, legal entity, etc.

    ii. Convene a series of consultative workshops with government officials (from relevant line ministries such as Social Protection, Finance, and ICT) across Africa, Latin America and Asia, consolidate findings and develop a knowledge product to be reviewed across the regions by a designated committee.

    iii. Establish the required governance structures, legal entity, etc.