

# “Just Give People Money: Why and How?”

*Comments on Jonathan Morduch’s ECA Talk*

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**Why?**

Because cash is king.

# In sum

- Great presentation that highlights the multiple roles played by cash in times of crisis
  - Focus on **HMICs**
  - Lessons are important also for LICs
  - Not just about pandemic recovery, but building resilience in general, including to **climate-related shocks**
- Lots of lessons about the role played by cash transfers (not UBI) in **LICs**
  - What the COVID shock represented in LICs
  - Markets, targeting
  - Timing versus need
  - Why invest in “social infrastructure”

# Cash is king but the “COVID shock” was different in LICs

- **Schools closed** for prolonged periods:
  - 2 years in India, Philippines, Uganda; 1.5 years in Bangladesh
  - Uwezo Uganda: 10 pp decline in basic number and letter recognition, down from already poor baseline
- Large disruptions in the provision of essential health services:
  - Shapira et al. (2021)\* : we look at 8 SSA countries
  - Largest disruptions were to **child vaccinations** and **outpatient care**.
  - Significant decreases in **maternity related care** in some countries.
- **Limits to what cash transfers** can accomplish in these settings.
  - Even so, school closures and health service disruption likely hit the **poor** the hardest.

Shapira et al., 2021. “Disruptions in maternal and child health service utilization during COVID-19: analysis from eight sub-Saharan African countries” *Health Policy and Planning*.

# How?

Some LIC-specific issues.

# Fragmented markets in LICs

- Especially for perishable goods that have high transportation costs.
- Household targeting can lead to price impacts in **remote and poor areas** of the Philippines (Filmer et al., 2021)
- Potential for large multipliers (Egger et al. 2021) expectations re permanence matter (Pennings 2021)
- **No broad-based evidence** of such effects (with Jed Friedman and Patrick Premand, ongoing)
  - **But the Philippines is not the only instance.**
- Different implications for the role of supplementary **in-kind aid** in remote and poor areas of LICs.

Filmer, Friedman, Kandpal, Onishi, 2021. "Cash Transfers, Food Price Impacts, and Nutrition Impacts on Ineligible Children" *Review of Economics and Statistics*.

Pennings, 2021. "Cross-region Transfer Multipliers in a Monetary Union: Evidence from Social Security and Stimulus Payments" *American Economic Review*.

# Targeting/horizontal expansion

- Most COVID-response CTs in LICs were means targeted.
- Targeting may be difficult in LICs because:
  - Often lack good **registration data**.
  - Large **informal sector**— of course, may have been hardest hit by income loss.
  - **Newly poor** during a crisis may look different from those we typically target.
  - Makes it difficult to expand registries during a crisis.
- Who to target within the household?
  - **Women** often most cash constrained, so targeting them may channel cash to its most productive use (Kandpal, Schnitzer, Dayé, 2022).
  - But women may also be most likely to be informally employed/most difficult to find, especially if registries need to be expanded in a pinch.

# Timing versus need

- Gentilini et al. (2021) estimate that average # days from announcement of cash aid to implementation was **26 days**.
  - This is amazing.
  - But... **when were the programs announced?**
  - In Jonathan's example in UZ, the transfers appear to have started in November 2020.
  - Actual receipts per Gentilini et al. peaked in 2021.
  - Income losses likely peaked in spring 2020.
- Likely still need income support in many places, but fading political will for sustained CTs.

# The value of pre-existing safety nets

- Need more than just financing, including:
  - Local implementation capacity
  - Universal registration data
  - Payment methods
- Many arguments in favor of robust safety net even in absence of crisis.
  - Pre-existing safety net can be leveraged for crisis response.
    - Christian et al. (2019): self-help groups are an effective conduit for disaster aid.
  - Cash transfers are an important component in the safety net– including in times of crisis
  - But investment in the underpinning infrastructure can be cost effective in itself.

Christian, Kandpal, Rao, Palaniswamy, 2019. “Rao (2019). “Safety Nets and Natural Disaster Mitigation: Evidence from Cyclone Phailin in Odisha.” *Climatic Change*.