“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.

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.

• 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.