

“Just Give People Money: Why and How?”

Comments on Jonathan Morduch’s ECA Talk

Eeshani Kandpal
Senior Economist, DECRG

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*.