

ECA RESEARCH NOTES

Office of the Chief Economist

EUROPE AND CENTRAL ASIA

CASH TRANSFERS
FEBRUARY 2022



Hi Everyone,

Spring is around the corner and the feature focus of our Spring Economic Update will be Social Protection for Recovery. Social protection systems play a critical role in mitigating the negative impacts of shocks like COVID-19, as well as promoting long-term economic recovery and economic growth. Faced with the pandemic, countries in ECA took unprecedented measures to shield individuals and households from catastrophic welfare losses. In parallel with job protection programs, income support programs were greatly expanded across the region. Cash transfers, which are our focus this month, have been an important part of these programs. Cash transfers can be very effective policy tools to smooth consumption and reduce poverty, but the design of these programs is important to maximize their impact.

Our ECA talk this month examined different approaches to cash transfers. Smaller, more frequent payments (flows) may make it easier for households to pay bills and put food on the table, but larger less frequent payments (lumps) could help households build assets and weather unexpected shocks. So, a hybrid model that brings together both flows and lumps may work better as it serves multiple needs. Such a design is becoming increasingly feasible as technological advances and digital delivery continue to reduce administrative costs. You can watch the video of the discussion, in which we also touched on implications for pandemic recovery, and additional research from around the Bank on this topic. Stay tuned for much more on social protection in our Spring Update.

Happy Reading!
Asli

FEATURE STORY



From upper left corner clockwise: Eeshani Kandpal, Michal Rutkowski, Asli Demirgüç-Kunt, and Jonathan Morduch

Just Give People Money. But How and When? Implications for the Pandemic Recovery

With sluggish wages and household savings eroded by the pandemic, many struggling households simply need cash. Giving cash has turned out to be a powerful policy tool. But not all money is the same. The amount matters, but the timing matters too. Having the right amount of money at the right time could be the difference between maintaining housing and experiencing homelessness. In a recent ECA Talk, Jonathan Morduch, Professor of Public Policy and Economics at the Wagner Graduate School of Public Service - New York University, shared

some lessons from household finance and policy on cash transfers.

[Video and event details](#)

Disclaimer: The views expressed by panelists are their own and do not represent the position of the World Bank.

RELATED RESEARCH

[The Targeting Benefit of Conditional Cash Transfers](#)

Katy Bergstrom and William Dodds, World Bank Policy Research Working Paper 9101 – January 2020

The authors argue that conditionalities on children's school enrollment offer an unexplored targeting benefit over unconditional cash transfers (UCTs): conditional cash transfers (CCTs) target money to households that forgo a discrete amount of child income. This paper shows that the size of this targeting benefit is directly related to the distribution of parental incomes, the size of forgone child incomes, and two elasticities already popular in the literature: the income effect of a UCT and the price effect of a CCT.

[Taxation, Accountability, and Cash Transfers: Breaking the Resource Curse](#)

Shantayanan Devarajan and Quy-Toan Do, World Bank Policy Research Working Paper 9880 – December 2021

Why is governance in resource-rich countries so poor? This paper argues that it is because governments in these countries do not rely on taxation, which is an important instrument for citizens to hold their governments accountable. Using a game-theoretic model, the authors show that the combination of low taxes and weak governance can be an equilibrium in an economy with sizeable mineral revenues.

[Distributional Impacts of Taxes and Benefits in Post-Soviet Countries](#)

Alan Fuchs, Mikhail Matytsin, Natsuko Kiso Nozaki, and Daria Popova, World Bank Policy Research Working Paper 9795 – October 2021

This study compares the distributional impacts of the main tax and social spending programs in eight countries of the former Soviet Union by applying a state-of-the-art fiscal incidence analysis based on the Commitment to Equity methodology. The region is highly interesting due to a unique combination of strong elements of path dependency (socialist legacies) with radical liberalization and welfare state retrenchment. The study examines the actual outcomes in terms of inequality and poverty and assesses the extent to which these outcomes can be attributed to various welfare state policies in these countries.

[Cash Transfers, Food Prices, and Nutrition Impacts on Ineligible Children](#)

Deon Filmer, Jed Friedman, Eeshani Kandpal, and Junko Onishi, The Review of Economics and Statistics - May 2021

Can cash aid harm non-recipients by raising local prices? The authors argue that a household targeted cash transfer in the Philippines increases the prices of perishable foods in some markets and raises stunting among non-beneficiary children by 34 percent. Impacts increase in the size of the village income shock and remoteness - and are sustained 2.5 years after program introduction.

[Children on the Move: Progressive Redistribution of Humanitarian Cash Transfers among Refugees](#)

Berk Özler, Çiğdem Çelik, Scott Cunningham, P. Facundo Cuevas, and Luca Parisotto, World Bank Policy Research Working Paper 9471 – November 2020

This paper evaluates the impact of the Emergency Social Safety Net (ESSN) in Turkey, the largest cash transfer program for international refugees in the world. The study provides the evidence that the program quickly caused substantial changes in household size and composition, with a net movement of primarily school-age children from larger ineligible households to smaller eligible ones. ESSN caused a moderate increase in the diversity and frequency of food consumption among eligible households and there were meaningful gains among the most vulnerable beneficiary households.

[Assessing the Impact and Cost of Economic Inclusion Programs: A Synthesis of Evidence](#)

Boban Varghese Paul, Puja Vasudeva Dutta, and Sarang Chaudhary, World Bank Policy Research Working Paper 9536 – February 2021

The authors analyze global evidence on the impact and costs of economic inclusion programs to transform the economic lives of households and communities living in extreme poverty. The findings indicate that a broad range of economic inclusion programs shows promising and potentially sustained impact on a wide range of outcomes, with a bundled set of interventions showing a larger impact on income, assets, and savings relative to stand-alone interventions. The paper explores drivers of impact and cost optimization strategies, preparing a preliminary understanding of cost-effectiveness of economic inclusion programs.

BLOGS



[A game changer for social protection? Six reflections on COVID-19 and the future of cash transfers](#)

Ugo Gentilini, January 11, 2021

There is little doubt that the magnitude of the social protection response to COVID-19 is of historical proportions. According to the [recent research](#) on measures taken by 215 countries and territories, at least \$800 billion have been invested in social protection in nine months in 2020, a level 22% higher than during the great recession of 2008–09. But could the pandemic offer an opportunity to move the needle in scaling-up social protection more permanently?



[Maybe money can buy happiness](#)

Markus Goldstein, June 16, 2021

How do cash transfers stack up against a psychotherapy program in terms of not only economic outcomes, but mental health? That's the subject tackled by a [recent paper](#) by Johannes Haushofer, Robert Mudida, and Jeremy Shapiro. And there is some methodological coolness to boot. Headline result: cash wins, for all outcomes.



[Distortionary effects of conditions attached to cash transfers](#)

Berk Özler, April 26, 2021

There is an opinion that in the absence of market failures or externalities, giving people cash with no strings attached is better than giving them cash conditional on certain behaviors. From a welfare perspective, if the households were already operating with no failures other than credit constraints, unconditional cash transfers (UCTs) would be sufficient to solve the problem and conditional cash transfers (CCTs) would inefficiently distort behavior. A [recent paper](#) provides a new example of such a distortion.

CALENDAR OF EVENTS & OTHER ACTIVITIES



March 17, 2022, 11 AM EST - ECA Talk "Digital Currencies and the Challenges for Central Banks" featuring **Hyun Song Shin**, Economic Adviser and Head of Research, Monetary and Economic Department, at the Bank for International Settlements

May 19, 2022, 10 AM EST - ECA Talk featuring **Esther Duflo**, Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics, Department of Economics, at the MIT, recipient of the 2019 Nobel Prize in Economic Sciences

Check [ECA Talks](#) to learn more about our past and future events.

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