

The Unintended Consequences of Cash Transfers

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What this talk is about.

- Targeted cash transfers are a popular antipoverty instrument.
- Have lots of benefits but sometimes also unintended consequences.
- This talk: \uparrow food prices \rightsquigarrow \uparrow malnutrition among non-beneficiaries in remote, high saturation areas.
 - ① Literature and why cash transfers may affect prices.
 - ② New findings, primarily from Filmer et al. (2019).
 - ③ Implications for targeting, measurement, and future research.

What is a cash transfer?

- Social protection programs intend to provide something of value.
 - Food, vouchers, and **cash**.
- **Targeted cash transfers** as antipoverty policy
 - Direct transfer to **poor** households.
 - Unconditional or conditioned on certain behaviors.
 - Even workfare or public works programs and state pensions.

WHAT WE KNOW ABOUT CASH TRANSFERS

Targeted cash transfers are— and should be— here to stay.

- *Progresa*— a bold idea that became very influential in part due to rigorous evidence.
- Cash is now the **benchmark**.
 - **Nutrition and sanitation versus cash** (McIntosh and Zeitlin, 2018)
 - **Public services versus cash** (Khemani, Habyarimana, and Nooruddin, 2018)
 - **Microfranchising versus cash** (Brudevold-Newman, Honorati, Jakiela, and Ozier, 2017)
- Berk Ozler's 2015 PRT asked, “should we just give people cash?”

Cash transfers...

- 1 Reduce **poverty**, including in long run.

Gertler, Martinez, and Rubio-Codina (2012); Parker and Vogl (2018); Stampini and Tornarolli (2012)

- 2 Increase **school enrollment, attendance** if there is room; impacts persist.

Molina Millan et al. (2019); Molina Millan et al. (2020)

- 3 Improve **child nutrition**.

de Walque et al. (2019; in progress)

- 4 Increase **dietary diversity** compared to in-kind transfers.

Cunha (2014); Hidrobo (2014); Schwab (2019)

Cash can also generate market-level spillovers

- 1 Higher local wages

Muralidharan, Niehaus, and Sukhtankar (2017)

- 2 Informal insurance

Angelucci and De Giorgi (2009)

- 3 Increased investment

Gertler, Martinez, and Rubio-Codina (2012)

- 4 Massive multipliers

Egger et al. (2019) on Give Directly in Kenya.

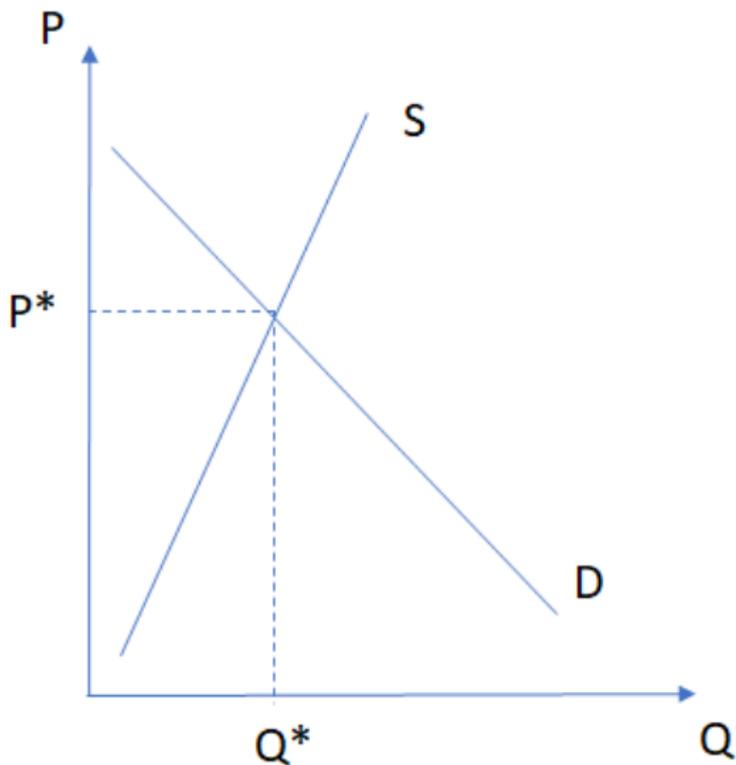
What about price effects?

- **No local commodity price effects** in aggregate.

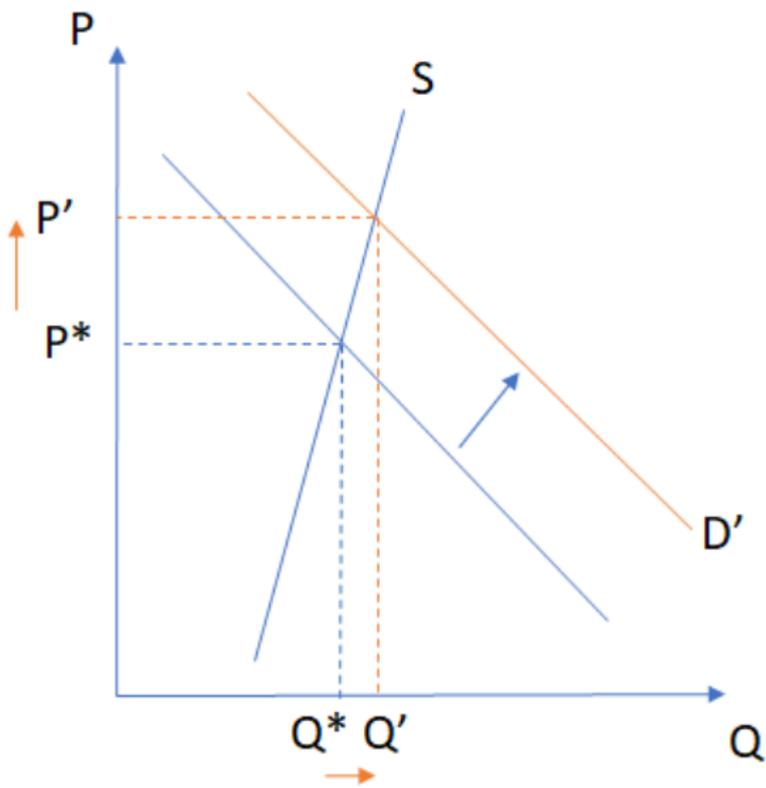
Cunha de Giorgi and Jayachandran (2017); Egger et al. (2019); Beegle, Galasso, and Goldberg (2016)

- But **higher food insecurity** among non-beneficiaries of a PWP.
Beegle, Galasso, and Goldberg (2016).
- Increased fees for **health services**.
Triyana (2014)

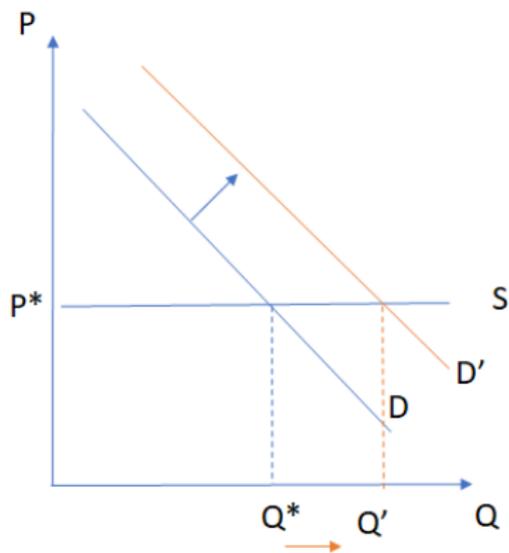
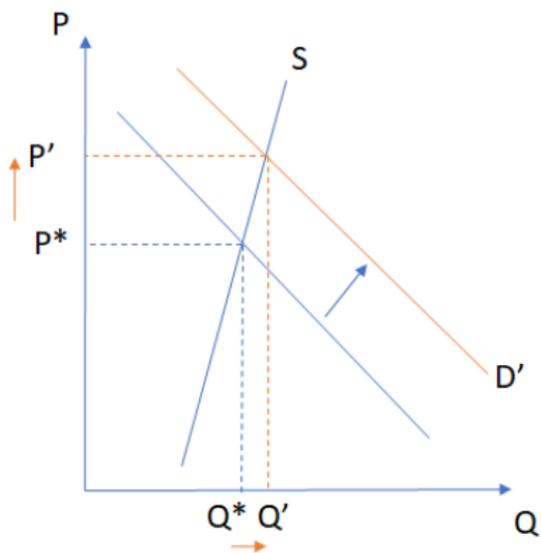
Why would a cash transfer increase prices?



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NEW FINDINGS ON PRICES AND SATURATION

An example from the Philippines*

- \uparrow demand from cash transfers \rightarrow \uparrow local food prices.
- Not all food prices \uparrow , only perishable foods.
 - Transportation costs, market integration/tradability are important.
- Price effects \uparrow in saturation.
- These foods happen to be protein rich and matter for nutrition.
- \downarrow in non-beneficiary children's height-for-age (long-run nutritional status, range of long run consequences).

*“Cash Transfers, Food Prices, and Nutrition Impacts on Nonbeneficiary Children”
(Deon Filmer, Jed Friedman, Eeshani Kandpal, and Junko Onishi, 2019. WPS 8377)

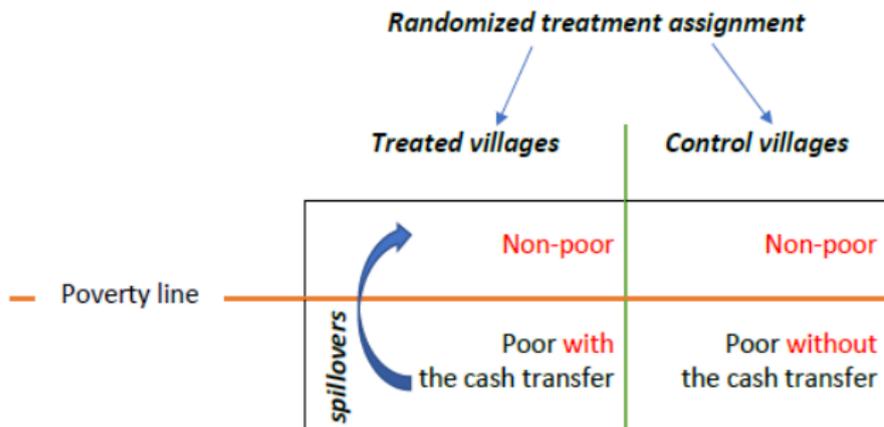
The Philippine CCT

- A Bank team evaluated the pilot of the flagship safety net, Pantawid.
- Started in 2009; now reaches 4.4 million households.
- 23% of household income.
- 130 villages randomly assigned to treatment or control.
- Data are largely from 2011 household survey– 31 month follow up.

How the Philippine CCT is targeted

- Household offered program if **poor** and had young children.
 - Poor \rightarrow predicted income \leq \$2.15 per day per capita
- Predicted income based on proxy-means test in 2008.
- **Proportion of households eligible for the transfer** as a share of village population.
- In **treated** villages: ex-ante program saturation.
- In **control** villages: counterfactual program saturation.

Identification of effects



- For effects on non-beneficiaries, compare households **just above the poverty line** in **treated and control** villages.

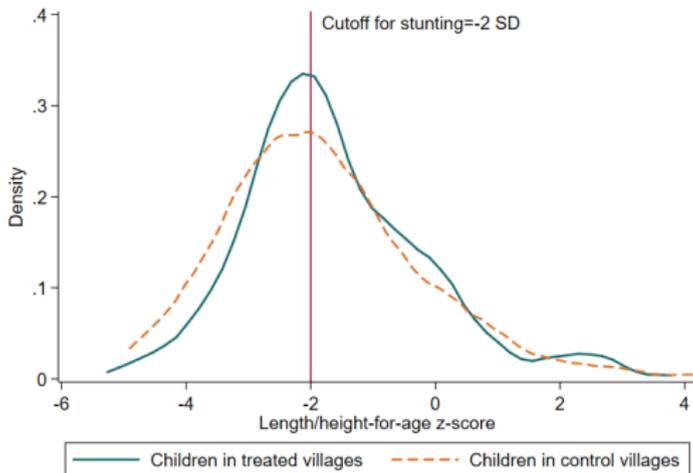
High program saturation → a significant cash influx into local economy

- On average 65% of households in treated villages are eligible for the CCT (13% shock to village income).
- In some villages, 95% of households are eligible.
- Intentionally poor sample chosen for the program pilot.

Impacts on beneficiaries

- Limited direct evidence of poverty reduction
Chaudhury, Friedman, Onishi (2014).
- Increases in primary enrollment; primary and secondary attendance.
de Hoop et al. (2019)

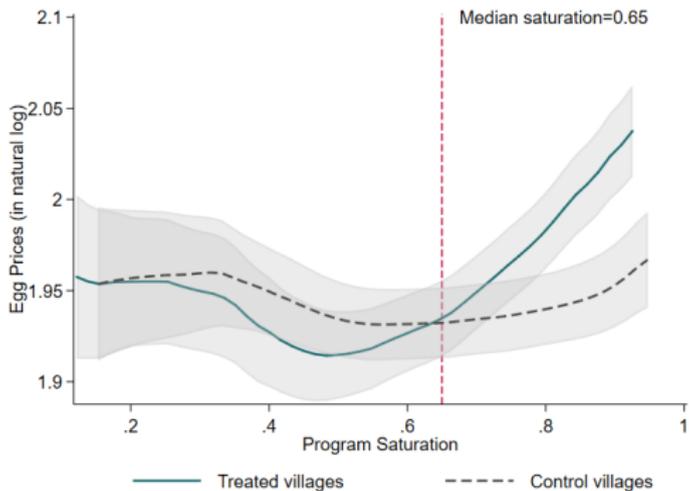
Gains to beneficiary children's health



Kandpal et al., 2017

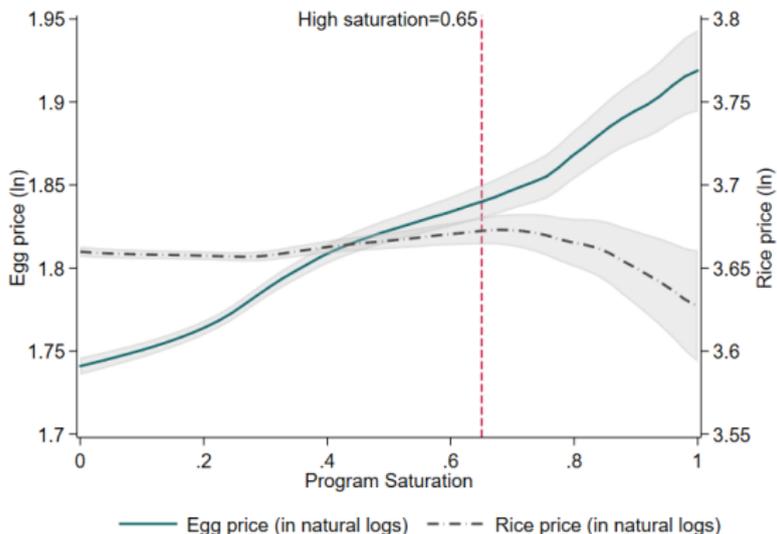
- 0.26 SD \uparrow in height-for-age z scores of beneficiary children
- 40 percent \downarrow in prevalence of severe stunting

Prices of perishables increase in saturation.



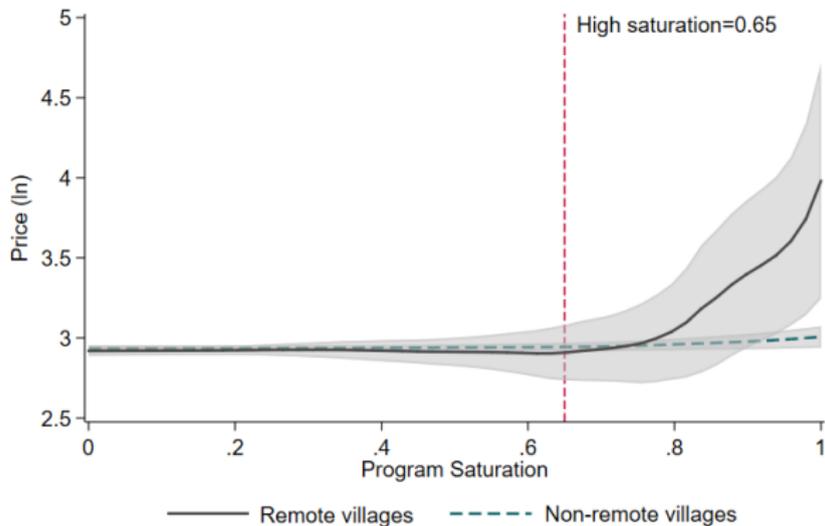
- The price of eggs, a signal perishable good, \uparrow in saturation, in treated areas.
- 5-8% price increases for perishables on average. Around 25% in saturated areas.

Nationally, prices of perishables increase in saturation; no impacts on non-perishables.



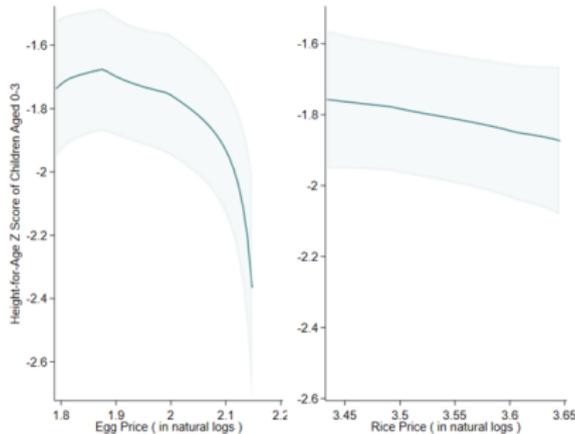
- 2009, 2012, 2015 national household budget survey and admin data on scaleup
- Same pattern for all 93 foods in data → transportation costs, tradability matter.

Remoteness matters for the price of perishables.



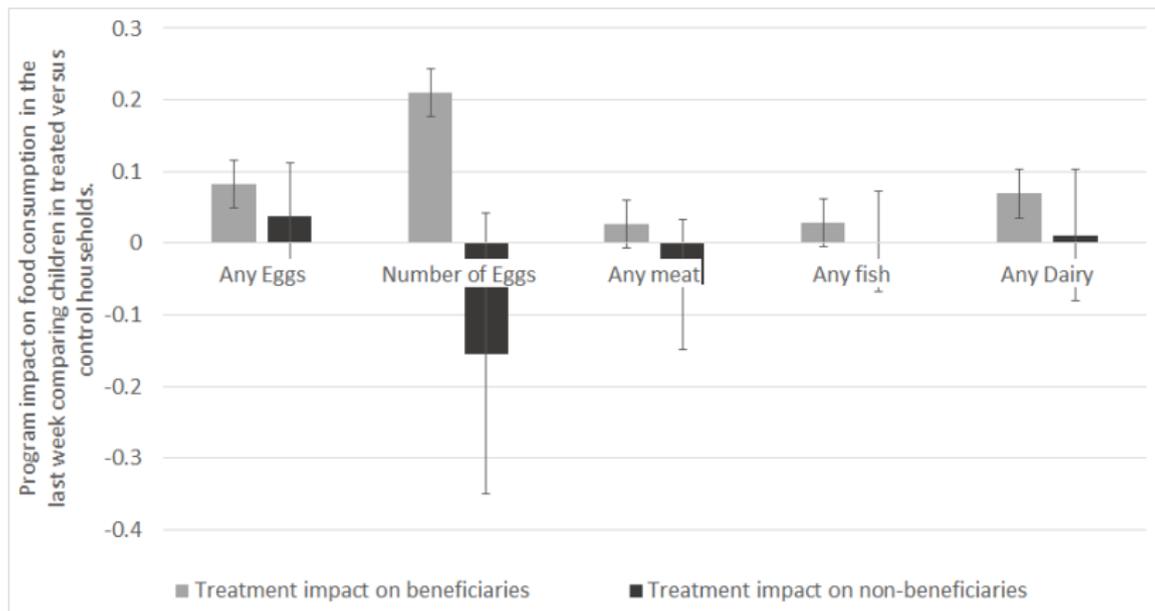
Filmer, Friedman, and Kandpal; in progress.

Nutritional status varies (cross-sectionally)
in price of proteins but not in the price of
staples.

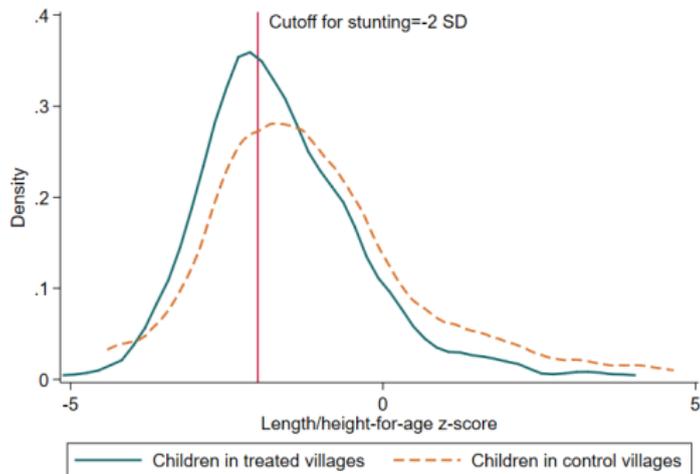


- Animal-sourced proteins are important (Iannotti et al. 2017; Heady, Hirvonen and Hoddinott 2018; Puentes et al. 2016).

Food consumption patterns diverge between beneficiaries and non-beneficiaries

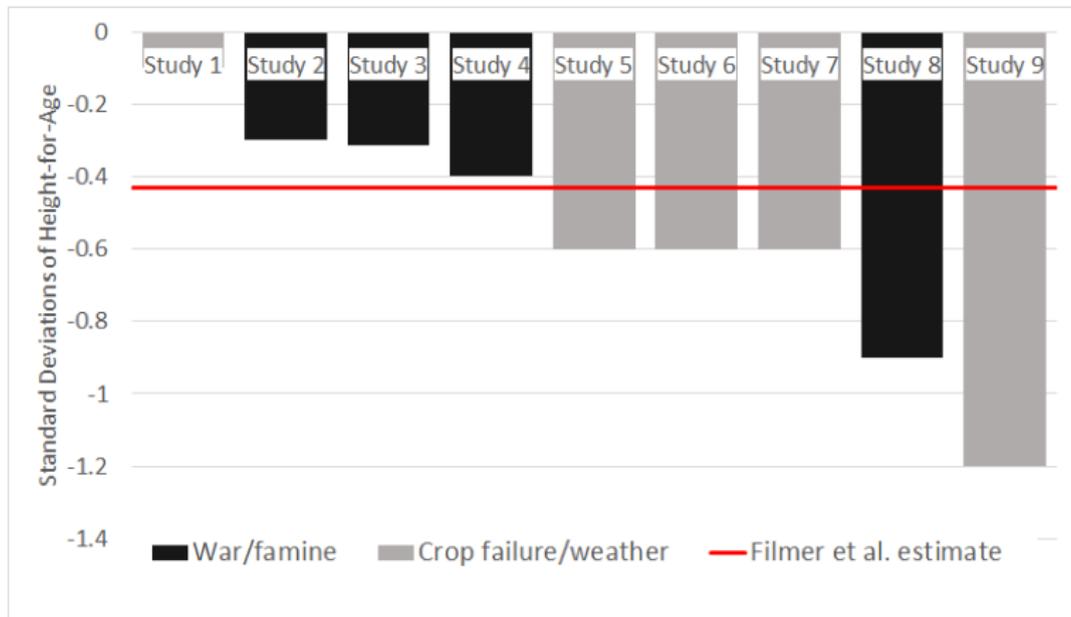


Increases in malnutrition among non-beneficiaries

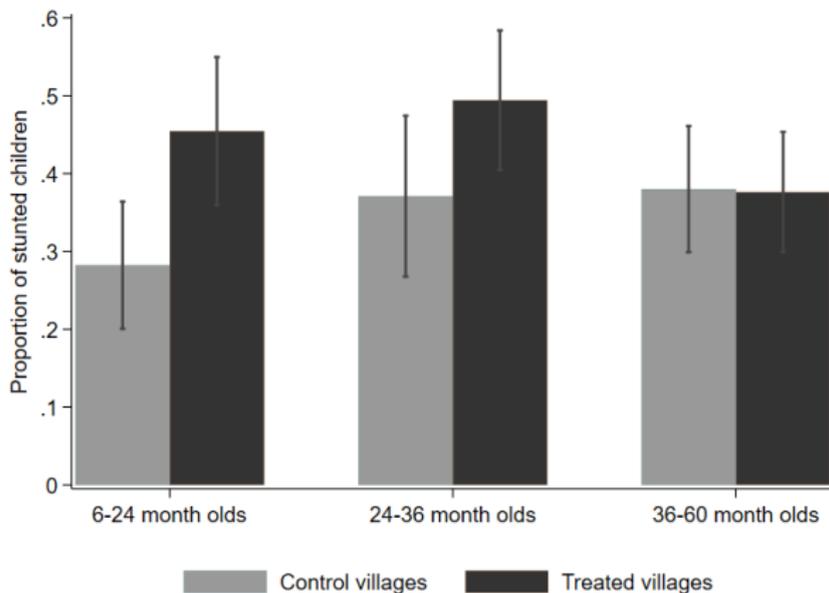


- 0.4 SD ↓ in the height-for-age z-scores; 34 percent ↑ in child stunting rates.
- Largest where the proportion of beneficiaries is largest.

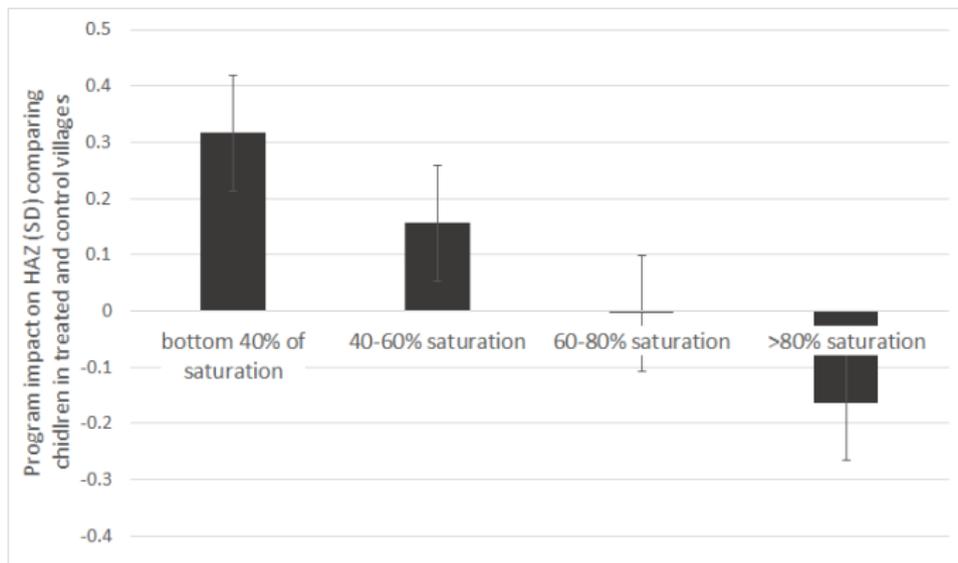
Benchmarking this height effect (-0.4 SD;
-0.42 cm): sizable but believable.



Only the non-beneficiary children exposed to the CT in first 1000 days are affected.

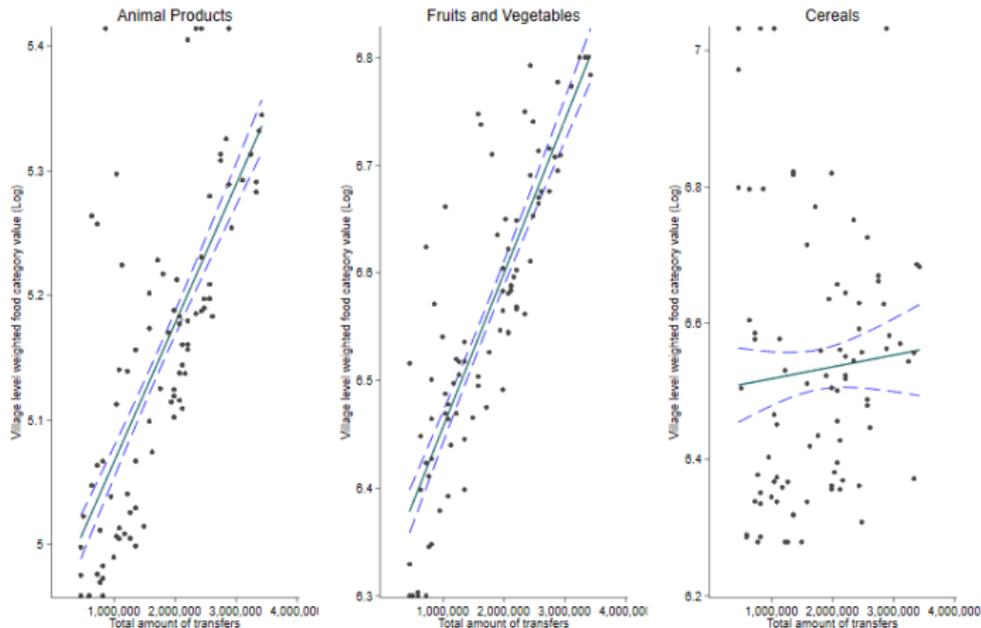


Program impact on beneficiary children's nutrition decreases in saturation



Another example from another context: prices go up in village-level cash inflow.

Weighted village level food category unit values and total amount of transfers



Are these price findings different from the literature?

- We distinguish between **perishable and non-perishable foods**.
 - The overall food CPI only \uparrow 1.1% going from low to high saturation.
 - Comparable to Egger et al. estimate for Kenya.
- Median **saturation** in our sample is 65%.
 - Beegle, Galasso, and Goldberg; Egger et al. report levels less than half that.
- **Size** of transfer and **expectations**.
 - Pennings (2019) estimates significantly different multipliers in the US for temporary (stimulus) versus permanent (social security) changes.

Summary and key contributions of this work

- Specific issue but likely applicable to many settings:
 - In remote, saturated areas, cash transfers may ↑ prices of non-traded goods.
 - These include nutritionally important protein rich foods.
 - Targeting can have consequences for the excluded—non-beneficiaries in saturated areas
- May want to consider cash in the context of village income, saturation, how proteins are produced, and remoteness, not just household income.

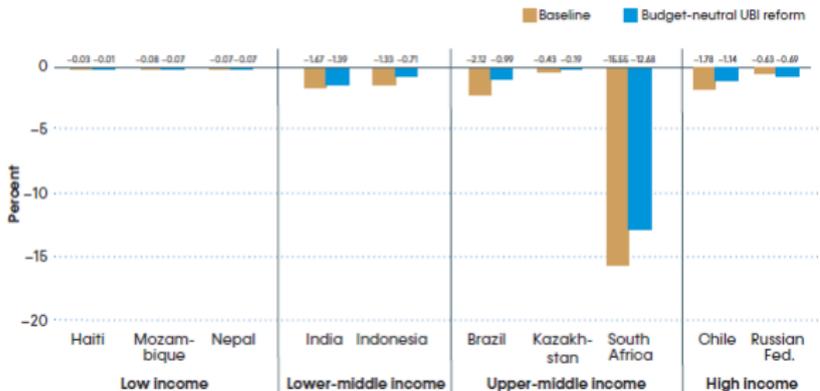
IMPLICATIONS FOR TARGETING AND FUTURE RESEARCH

Tradeoff between increased coverage and spillovers.

- Ideally like to maximize coverage of the poor.
- Poorest likely to be relatively concentrated in remote areas.
- But run the risk at high saturation of raising prices.
- Household targeting promotes the poverty impact but risks spillovers.

UBI and poverty reduction

FIGURE 0.3 Poverty Reduction Effects of a UBI and Baseline Cash-Based Programs



Gentilini, Grosh, Rigolini, and Yemtsov, 2019.

- On average, UBI worse than targeted cash at reducing poverty.

Universality, geographic targeting, or in-kind transfers?

- What about Universal **Ultra** Basic Income? A small transfer to the (broadly-defined) poor.

Banerjee and Duflo, 2019

- Or **geographically targeted** universal transfers?
 - Do you just raise prices across the board?
 - Pair with better infrastructure?
- Universality is far from the only option!
 - **In-kind transfers in remote areas** (à la PAL/Progresa)?
 - Remoteness matters for **within-village** effectiveness.
Galasso and Ravallion, 2005
 - But what is remote?

Concerns about spillovers and price effects
aren't new— even relate to in-kind
transfers.

Arguments for in-kind transfers include:

- General price stabilization

Massell (1969); Deaton (1989); Newberry (1989)

Arguments against in-kind transfers include:

- Concerns about effects on local productive markets

Barrett (2001); Jayne et al. (2001)

Three key factors to keep in mind when targeting.

- ① **Transfer size/permanence:** Larger, permanent transfers more likely to generate spillovers.
- ② **Saturation:** The more of the village or market that receives transfers, the greater the likelihood of price effects.
- ③ **Remoteness/scaleup pace:** If food markets not integrated with regional production base, might see spillovers.
 - If not integrated, can you work on supply chains during scaleup?

Implications for monitoring and evaluation

- Distinguish between perishables and non-perishables.
- Measure prices of perishable food items!
- Long enough follow up to pick up any spillovers on nutrition.
- Need better metrics of market access.
 - Costinot and Donaldson (2016): FAO GAEZ for market integration in the US.
 - Casaburi and Reed (2017): market size for cocoa production in Sierra Leone.
 - Theophile Bougna: work on reducing travel time to markets in Nepal.

Concluding thoughts

- No large aggregate price effects from cash transfers.
- But this could mask impacts in remote and poor areas:
 - Prices of perishable, nutritionally important foods may increase.
 - Household targeting may lead to spillovers.
 - How important is this channel?
 - What role do local infrastructure and market access play?

Key takeaway: If targeting generates a large income shock at the village level, you may see spillovers in remote areas.