

## BRIEFING NOTE

# Using Cash Transfers to Mitigate the Impact of Public Health and Social Measures

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## PURPOSE

This briefing note outlines considerations for using cash transfers to alleviate the negative social and economic impacts of the COVID-19 pandemic and the public health and social measures deployed to respond to it. It aims to inform decision-making on the suitability, design and rollout of cash transfer programs.

## BACKGROUND

In the absence of effective treatments or vaccines, public health and social measures (PHSMs) such as physical distancing and improved personal and environmental hygiene can slow the spread of COVID-19 and save lives. But PHSMs can also cause profound social and economic disruption.

Workplace closures, market closures and movement restrictions, including curfews, lockdowns and stay-at-home orders, can threaten livelihoods and reduce access to supplies of food and other essential goods. Some businesses or social insurance systems may offer workers protections such as sick pay, but most workers, including hourly workers, have little recourse for lost wages. For the 2 billion workers in the informal economy worldwide—most of whom are in low- and middle-income countries<sup>1</sup> and rely on daily income for survival—the impact of such PHSMs will be felt almost immediately and could be devastating.

Experience shows that people and communities cannot be expected to adhere to PHSMs when no steps are taken to ensure that their basic needs are met, including through food assistance or social support. When asking citizens to make personal sacrifices for the benefit of the broader society, governments have a responsibility to try to offset the burden imposed, particularly on poor and vulnerable people. Many high-income countries have adopted massive fiscal and monetary packages to lessen hardship for people and limit damage to the economy. Governments in low- and middle-income countries may have less fiscal space, but are exploring locally adapted relief measures. One valuable measure that has gained traction across the world is the use of cash transfers. Cash transfers can quickly put money into people's hands and allow them to fulfill their basic needs, prevent hunger and stay out of extreme poverty.

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<sup>1</sup> [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_627189/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_627189/lang--en/index.htm)

## CASH TRANSFER: A CRITICAL TOOL IN CRISES

Over the past decade, many countries have used cash transfer programs either as part of their standard social safety net (e.g., Mexico's Prospera/Oportunidades, Brazil's Bolsa Familia, and China's Dibao<sup>2</sup> programs) or to respond to crises<sup>3</sup> (e.g., cash transfer programming to respond to the Ebola crisis in Sierra Leone and Liberia<sup>4</sup>). Cash is versatile and facilitates personal choice in how to use resources. In places where access to essential food and goods is not constrained by limited supplies, cash transfers can be the lifeline people need to weather the crisis. Years of rigorously designed studies<sup>5</sup> assessing the value of cash transfers in crisis situations have identified the following benefits of cash transfers for individuals and households.

### Effective cash transfers can:

- Allow people to put cash toward productive uses, and toward their **top priorities**
- Reduce **monetary poverty** and increase individuals' and households' total expenditures
- Increase expenditures on **food** and improve **dietary diversity**
- **Stimulate health service use**
- Have an impact on a range of outcomes **simultaneously** (including supporting demand by injecting cash during a liquidity-strapped period)

Source: Hagen-Zanker, J., Bastagli, F., Harman, L., Barca, V., Sturge, G., & Schmidt, T. (2016). Understanding the impact of cash transfers: the evidence. *ODI Briefing*. London: Overseas Development Institute. And Bastagli, F., Hagen-Zanker, J., Harman, L., Barca, V., Sturge, G., & Schmidt, T. (2019). The impact of cash transfers: A review of the evidence from low- and middle-income countries. *Journal of Social Policy*, 48(3), 569-594.

Despite theoretical concerns that cash transfers could have a negative effect on employment by reducing the incentive to work, most evaluations of cash transfer programs show either no effect or a positive effect on employment.<sup>6</sup> Concerns about potential negative incentives are also far less relevant during the COVID-19 crisis, when governments are specifically asking citizens to stay home.

## CASH TRANSFERS AND COVID 19: CURRENT PATTERNS

Cash transfers are already being widely used by governments to provide social protection during the COVID-19 crisis. As of May 15, 2020, 25 countries had adapted existing cash transfer programs and 104 countries had introduced new programs of various duration and generosity in response to COVID-19.<sup>7</sup> The duration of transfers ranged from one to six months, for an average of 3.1 months. The size of transfers varied, with current transfers accounting for an average 27% of monthly GDP per capita in respective countries. Countries with existing programs and greater preparedness (delivery mechanisms and protocols, beneficiary registries) were at an advantage for speed and efficiency.

2 <https://openknowledge.worldbank.org/handle/10986/29226>

3 <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9828.pdf>

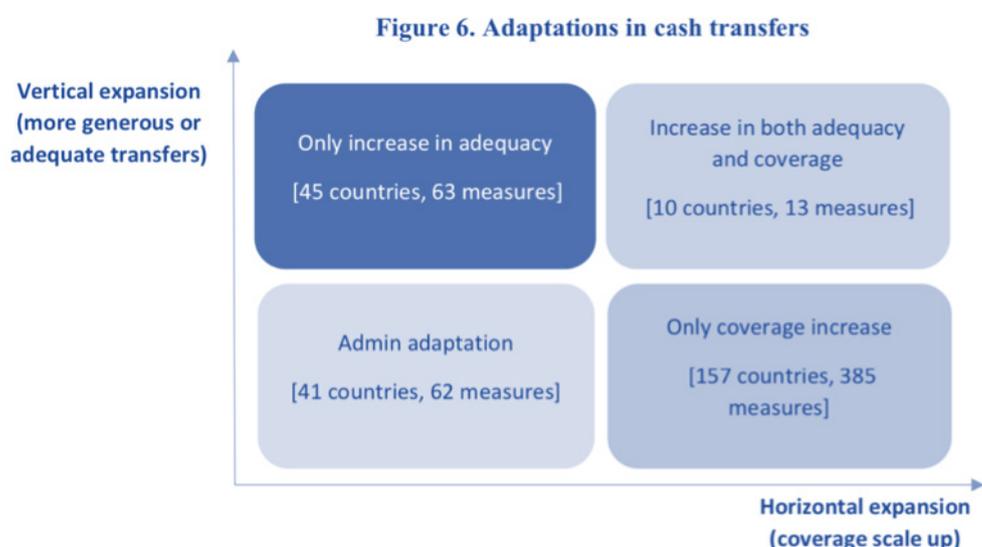
4 <https://reliefweb.int/sites/reliefweb.int/files/resources/calp-ebola-outcome-analysis-web.pdf>

5 <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11465.pdf>

6 <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11316.pdf>

7 [https://www.uggentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses\\_May15.pdf](https://www.uggentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses_May15.pdf)

Upper-middle-income and high-income countries were making greater use of cash transfers, but by mid-May, 8 low-income countries and 12 middle-income countries had established cash transfer programs to mitigate the impact of PHSMs. These included Kenya, which allocated an additional 10 billion shillings (US\$100 million) to its existing cash transfer programs to support vulnerable groups, including elderly people and orphans, during the pandemic.<sup>8</sup> In Burkina Faso, a new US\$10 million cash transfer program for fruit and vegetable sellers was announced.<sup>9</sup> The Nigerian government provided cash support to 3.6 million households.<sup>10</sup> Togo set up an unconditional cash transfer scheme designed to support Togolese informal workers whose incomes are disrupted by the COVID-19 response.<sup>11</sup> Ten days after going into lockdown, India transferred 500 rupees (US\$6.50) to 204 million women enrolled in an existing financial inclusion program.<sup>12</sup> Despite significant action by sub-Saharan African countries, the region has the lowest coverage of cash-based transfers for COVID-19.



## DESIGN CONSIDERATIONS FOR CASH TRANSFER PROGRAMS

As countries resort to implementing community-wide public health and social measures that can have a direct and rapid impact on people’s ability to earn a living, and where people are likely to rapidly run out of food or cash while restrictive measures are in place,<sup>13</sup> governments should consider cash transfers to cover immediate needs while such measures are in effect. Once the most restrictive PHSMs are lifted, governments should continue monitoring the medium-term impact of PHSMs on households and consider continuing cash grants to for certain marginalized or at-risk groups to help with early recovery efforts.

8 <https://kenyanwallstreet.com/cash-transfers-to-vulnerable-kenyans/>

9 <https://www.devex.com/news/cash-transfers-lead-the-social-assistance-response-to-covid-19-96949>

10 <https://nairametrics.com/2020/04/01/fg-begins-n20000-relief-fund-disbursement-per-household-in-abuja/>

11 <https://www.ft.com/content/adc604f6-7999-11ea-bd25-7fd923850377>

12 <https://www.devex.com/news/cash-transfers-lead-the-social-assistance-response-to-covid-19-96949>

13 [https://preventepidemics.org/wp-content/uploads/2020/05/PERC\\_Regional\\_5-6-2020.pdf](https://preventepidemics.org/wp-content/uploads/2020/05/PERC_Regional_5-6-2020.pdf), p12

When designing new cash transfer programs or adapting existing ones to respond to COVID-19, government decision-makers must grapple with several key considerations:

- **Targeting:** Many countries are expanding the eligibility for cash transfer schemes to reach people who are close to the eligibility threshold or were not envisaged as beneficiaries by existing programs. There has been a focus on scaling up programs to reach workers in the informal sector who are especially affected by measures hampering their ability to work (e.g., in Thailand, India, Morocco). Countries introducing new programs will face tradeoffs between targeted and universal benefits. While universal benefits are more expensive, the relative benefits of targeting may be lower in low-income countries where a higher share of the population is in need of assistance.<sup>14</sup> To date, however, universal or near universal transfers have been used only in a subset of high-income countries (e.g., Japan, United States, Hong Kong, Singapore) while most low- and middle-income countries have focused on targeted measures.
- **Amount of benefits:** Many countries are increasing the size or frequency of transfers. The feasibility of expanding benefits will depend on the financial resources available and the level of flexibility they have to scale up social budgets using their own resources or donor assistance. One approach to setting the value of the transfer is to estimate the minimum expenditure basket,<sup>15</sup> which outlines the shock-affected population's basic needs based on estimated monthly expenditures (e.g., daily consumption, household items).<sup>16</sup> Considerations that need to be factored in include changing market prices and contingency plans in case of local inflation.
- **Length/periodicity of payments:** One-time payments of relatively low cash value can be suitable to meet immediate needs and allow for responses at scale. Installments are preferable for recurrent household needs such as food and non-food items, including fuel, over the period of a crisis and could be considered for the duration of the implementation of restrictive PHSMs.
- **Administrative requirements and conditions:** There are some trade-offs between responding quickly and reaching people that existing programs do not typically reach. To increase speed and reach, a number of countries have simplified design and delivery of transfers, reducing or simplifying administrative procedures or waving conditions (e.g., Philippines; Italy; Uttar Pradesh). Morocco used a preexisting registry for subsidized health insurance to quickly roll out a new cash transfer program to informal sector workers.<sup>17</sup> In general, the typical conditions attached to cash transfers (such as school attendance or visits to health centers) may be less relevant during the COVID-19 crisis, and most countries are opting for unconditional transfers.
- **Delivery models:** Adjustments are also being made to delivery models. Cash transfers often require beneficiaries to visit central locations to register, verify their eligibility, and collect payments. Even before COVID-19, a number of countries, such as India,

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<sup>14</sup> <https://blogs.worldbank.org/impactevaluations/what-can-low-income-countries-do-provide-relief-poor-and-vulnerable-during-covid>

<sup>15</sup> <https://www.calpnetwork.org/wp-content/uploads/2020/01/operational-guidance-and-toolkit-for-multipurpose-cash-grants-web.pdf>

<sup>16</sup> <http://rcmcash.org/toolkit/>

<sup>17</sup> <https://www.middleeasteye.net/opinion/how-coronavirus-threatens-north-africas-informal-economies>

were moving toward digitizing payment systems. The need to maintain physical distancing in the context of COVID-19 has spurred additional adaptation and innovation on this front, including linking benefits to unique national ID numbers, and providing digital payments via bank accounts or mobile transfers to avoid gatherings of people at cash distribution sites.<sup>18</sup> Digital transfers are fast and can be done remotely; these transfers can also be audited easily and can provide quick user feedback.

## DESIGN AND IMPLEMENTATION CHALLENGES AND MITIGATION APPROACHES

Risks/Challenges	Potential Adaptations and Strategies
<p>Transfers provide <b>insufficient funds</b> to cover basic needs, preventing the scheme from having the intended impact of supporting livelihoods and increasing adherence to PHSMs</p>	<ul style="list-style-type: none"> <li>• Advance future payments to make funds available sooner.</li> <li>• Consider temporary increases or “top-ups” on the value of transfers.</li> <li>• Provide cash transfers alongside other forms of assistance or relief (e.g., direct food aid, waiving payments for public services, deferments on loan repayments, etc.).</li> <li>• Some donors have pledged support for countries to scale up social assistance. In addition to donor support, some countries have established solidarity funds to engage private philanthropy and charitable contributions in the response effort.</li> </ul>
<p>Delivery mechanism lets some <b>people fall through the cracks</b>, for instance people who do not have an ID (1.1 billion people worldwide cannot officially prove their identity),<sup>19</sup> a bank account (in 2018, 66% of sub-Saharan Africans were listed as “unbanked”)<sup>20</sup> or a mobile phone.</p> <p>Where payments are made to the head of household (in many contexts, predominantly men) this limits women’s access to and use of funds.</p>	<ul style="list-style-type: none"> <li>• If using national IDs to target beneficiaries or digital payments to transfer funds, adopt distinct strategies to reach individuals without IDs or access to technology.</li> <li>• Consider geographical targeting to reach the most affected communities<sup>21</sup> and consider engaging with local governments or non-government organizations to register beneficiaries and distribute payments where digital payments are not feasible or inclusive.<sup>22</sup></li> <li>• Consider on-demand applications and simplified enrollment procedures to reduce barriers to applying for assistance.<sup>23</sup></li> <li>• Consider transferring funds directly to women-owned accounts rather than making all payments to heads of households in order to increase women’s agency and control over use of funds.<sup>24, 25</sup></li> </ul>

18 <https://www.cgdev.org/blog/covid-19-how-countries-can-use-digital-payments-better-quicker-cash-transfers>

19 <https://www.equaltimes.org/africa-s-invisible-millions?lang=en#.XrRQ8i-ZPu0>

20 <https://www.itnewsafrika.com/2018/12/66-percent-of-sub-saharan-africans-are-listed-as-unbanked-world-bank/>

21 <https://www.project-syndicate.org/commentary/covid19-protecting-poor-developing-countries-by-remahanna-and-benjamin-a-olken-2020-04>

22 <https://blogs.worldbank.org/impactevaluations/what-can-low-income-countries-do-provide-relief-poor-and-vulnerable-during-covid>

23 <https://economics.mit.edu/files/9979>

24 <https://blogs.worldbank.org/voices/responding-crisis-digital-payments-social-protection-short-term-measures-long-term-benefits>

25 <https://www.nber.org/papers/w26294>

<p>Where digital payments are not feasible, distribution of payments could <b>contribute to disease transmission</b>. PHSMs may also limit people’s access to bank accounts and funds.</p>	<ul style="list-style-type: none"> <li>• Consider alternatives to central collection of payments, such as digital distribution.</li> <li>• If proceeding with central distribution, consider assigning staggered pickup times.</li> <li>• Regardless of distribution mechanism, make sure that funds are delivered in a way that provide households with immediate access to funds (for example, where banks are closed, transferring money to bank accounts will be problematic).</li> </ul>
<p>Cash transfer schemes are <b>not necessarily impartial</b>, and may be prone to discriminatory implementation, and or corruption/leakages. These could reflect existing ethnic, social and political divisions and exacerbate social tensions.</p>	<ul style="list-style-type: none"> <li>• Use digital payments where possible, which are less prone to leakages.</li> <li>• Develop transparent and simple eligibility requirements, and communicate these clearly so that people understand their entitlements.</li> <li>• Build in systems for audit. If not using digital payments which can more easily be audited, consider systems that rely on mobile phone surveys of beneficiaries or engage local community groups.</li> <li>• Build in grievance/complaint mechanisms.</li> </ul>
<p>Cash transfer schemes may create data privacy risks where platforms <b>gather information</b> that has the potential to be used for other purposes <b>that put applicants or recipients at risk</b> (for example by revealing their legal status or personal data).</p>	<ul style="list-style-type: none"> <li>• Adopt simplified screening and verification procedures, collecting the minimum data required.</li> <li>• Ensure a strong legal and institutional approach to data privacy and protection.<sup>26</sup></li> </ul>

## CONCLUSION

Cash transfers are a critical tool for responding to COVID-19. Not only can they provide immediate resources to help people cope with the consequences of the pandemic and related PHSMs, but they can also set the stage for a stronger recovery by protecting assets and enhancing financial inclusion. However, cash transfers are not a silver bullet. In many contexts people will have immediate needs that cannot be met through transfers, for example, where food supply or access to markets is disrupted. Assistance measures should be considered and adapted based on data and evidence about specific needs. Cash transfers also cannot be expected to fully offset the economic effect of COVID-19, particularly for those people who lose their livelihoods. Long-term strategies to support livelihood recovery and poverty reduction will be needed to ensure a sustainable and inclusive recovery.

26 [https://responsiblefinanceforum.org/wp-content/uploads/2017/06/RFFVIII-Opportunities\\_and\\_Risks\\_in\\_Digital\\_Financial\\_Services-Protecting\\_Consumer\\_Data\\_and\\_Privacy.pdf](https://responsiblefinanceforum.org/wp-content/uploads/2017/06/RFFVIII-Opportunities_and_Risks_in_Digital_Financial_Services-Protecting_Consumer_Data_and_Privacy.pdf)