



CASH TRANSFERS AS A SHOCK-RESPONSE TO COVID-19: SOME POLICY DILEMMAS

Sudhanshu Handa, Richard de Groot, Marwa Ibrahim, Paul Sirma, Tayllor Spadafora



INTRODUCTION AND OVERVIEW

- Forecasts of GDP reductions due to COVID-19 range from -1.0 to -14.0 percent, with average of 5-8 percent depending on source
- This may be severe underestimate as Europe and North America hit second wave of infections, possible foreshadowing similar spikes in SSA
- Cash transfers (CTs) are high on the policy agenda as a response to COVID-19, most countries in the region are discussing CTs, some have implemented short-term CT responses
- This study uses data from 18 SSA countries to estimate, via microsimulations, the poverty effects of a CT response to COVID-19
- Collaboration between UNICEF Eastern and Southern Africa Regional Office and University of North Carolina

OBJECTIVE

- Primary objective is to generate simulation scenarios to feed into policy discussions on utilizing cash transfer programmes to mitigate the economic shock of COVID
- Use most recent national household budget surveys
- Eventual results will be uploaded to a public, interactive online dashboard where users can adjust parameters of the model to enable context specific simulations:
 - Scale of shock
 - Direction of shock (i.e. across the board or hitting specific sectors and regions)
 - Cash transfer programme expansion (vertical and/or horizontal) of existing national programme, or other programme (e.g. households with children, or with elderly)

MICROSIMULATIONS OF POVERTY EFFECTS

- Assume different sizes of economic shocks (e.g 5%, 10%, 15%, 20%)
 - across the board (everyone affected)
 - sector specific shocks (apply focus of shock on retail trade, services, and manufacturing/construction)
 - allow for regional, urban and entire country separately
- Assume shock affects consumption in all households equally in the relevant sectors and regions
- Calculate poverty and related indicators using national poverty and ultra-poverty lines and three international poverty lines (\$1.90, \$3.20, \$5.50)
 - Identify the new poor and their demographic characteristics

SIMULATING CASH TRANSFER RESPONSES

- After applying the shock, we implement a cash transfer response to assess mitigating potential
- Where possible, the main national cash transfer programme is provided as an option with the same transfer value/structure and target population. Here are some examples:
 - Lesotho: Child Grant Program
 - Zambia: Harmonized Social Cash Transfer Program
 - Kenya: Cash Transfer for Orphans & Vulnerable Children
 - Mozambique: Programa Seguro Social Basico
- We also simulate a CT to other target groups such as the new poor only or households with elderly only, etc
- Recalculate poverty indices, total transfer costs, number of households reached and other statistics

COUNTRIES AND DATA SOURCES

Country	Data Set	Country	Data Set
Botswana	BHTMS 2015-16	Rwanda	EICV5 2016-17
Burundi	ECVMB_2013_2014	Somalia	High Frequency Survey 2016, 2017
Ethiopia	HICE 2015-16	South Sudan	High Frequency Survey 2016, 2017
Ghana	GLSS7 2017	South Africa	LCS2014-15
Kenya	KIHBS 2015-16	Tanzania	Household Budget Survey 2017-18
Lesotho	LMHS 2017-18	Uganda	HBS 2015-16
Madagascar	ENSOMD2012-13	Zambia	LCMS 2015-16
Malawi	IHS4 2016-17	Zimbabwe	PICES 2017
Mozambique	IOF 2014-15	Eswatini	HIES 2016-17
Namibia	NHIES 2015-16	Egypt	HIECS 2015



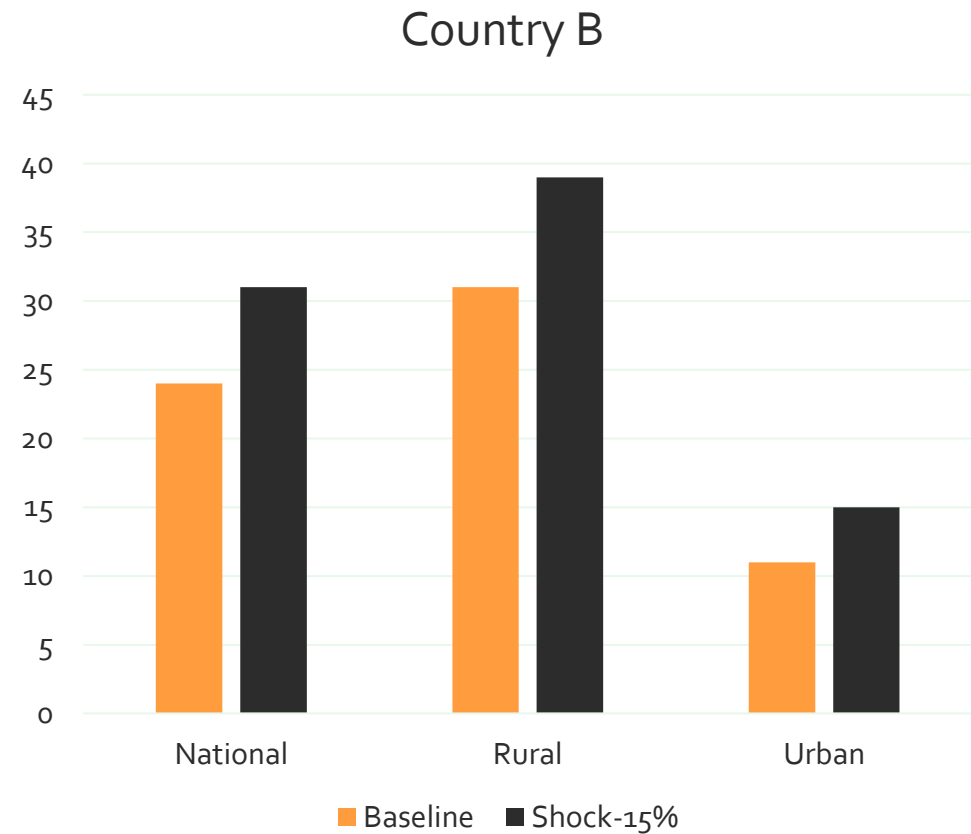
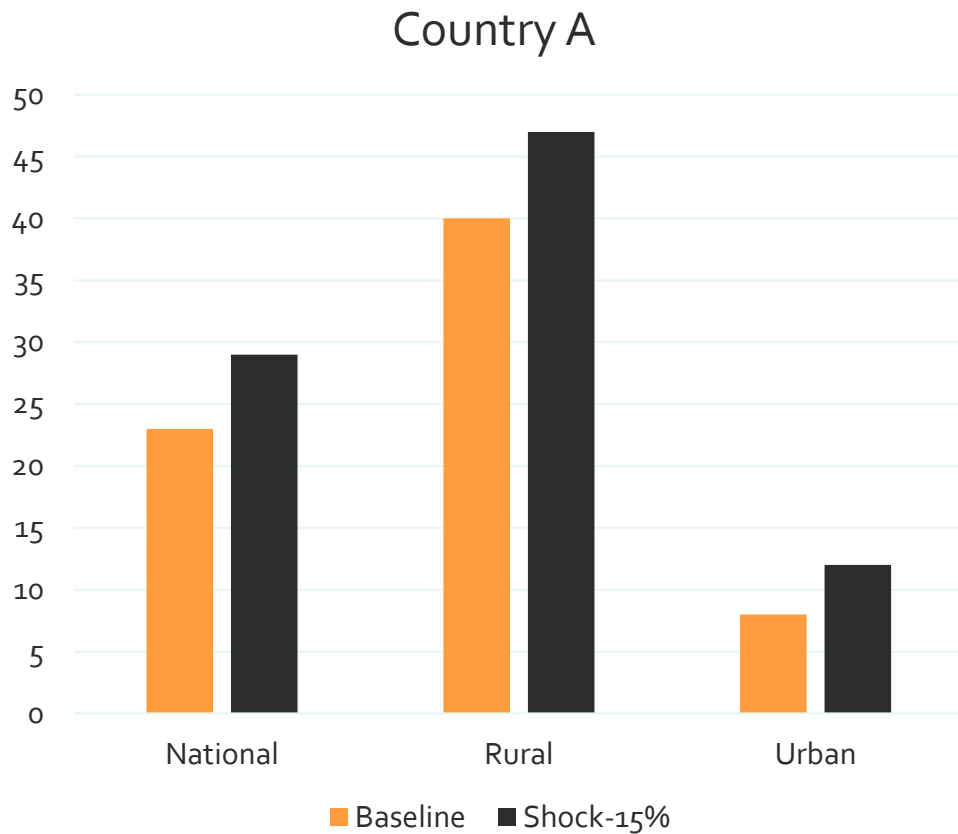
ADDITIONAL TECHNICAL ASPECTS

- We only use data sets with monetary welfare measures in order to simulate monetary poverty and the cash transfers
- All welfare measures (and associated national poverty lines) will be those used by national governments in their own poverty measurements
- When there is no national program, we will simulate a 'dummy' program where transfer value is set at 20% of the consumption of the extreme-poor
- Sample weights are used to obtain population estimates. As some data sets are quite old, all results reflect the population at the time of the survey. Current cash transfer values are deflated to the survey year

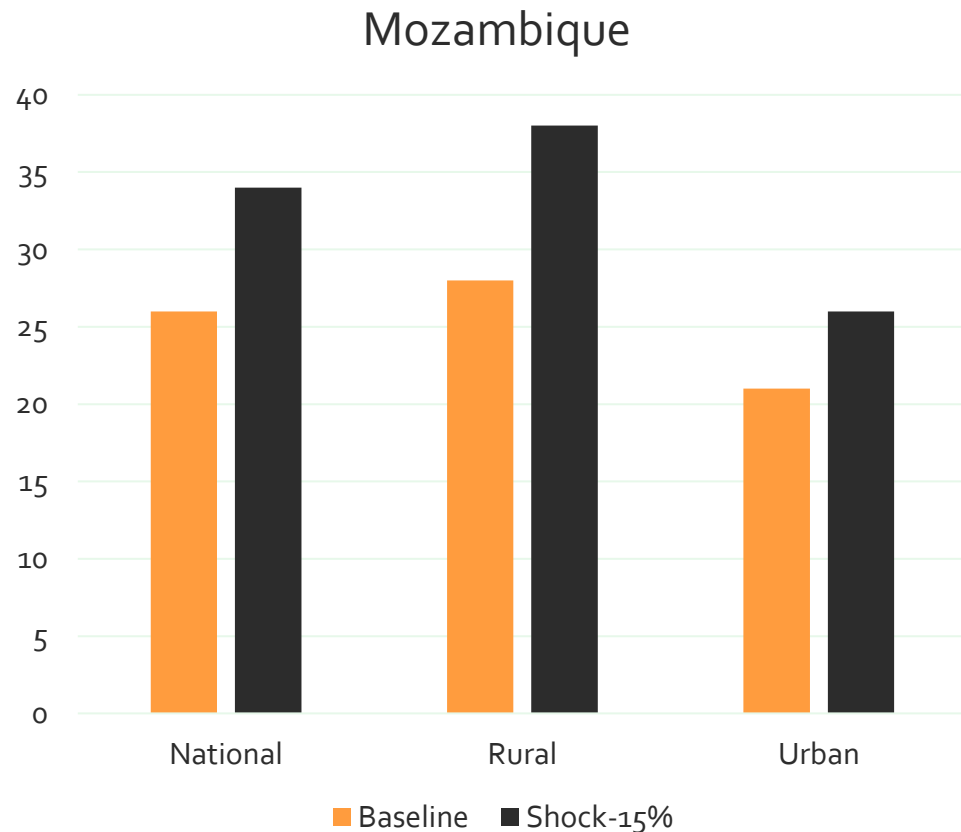
PRELIMINARY RESULTS TO ILLUSTRATE THE POLICY DILEMMA EMERGING FROM THE ANALYSIS: USE TWO COUNTRIES 'A' AND 'B' AND MOZAMBIQUE

COUNTRY A	COUNTRY B	Mozambique
LMIC	LIC	LIC
Moderate poverty (23%)	High poverty (52%)	43%
Show results using national poverty line	Show results using extreme or 'ultra' poverty line	Show results using extreme or 'ultra' poverty line
Has a national cash transfer program currently reaching ~8% of population	Has a national cash transfer program currently reaching ~7% of population	PSSB

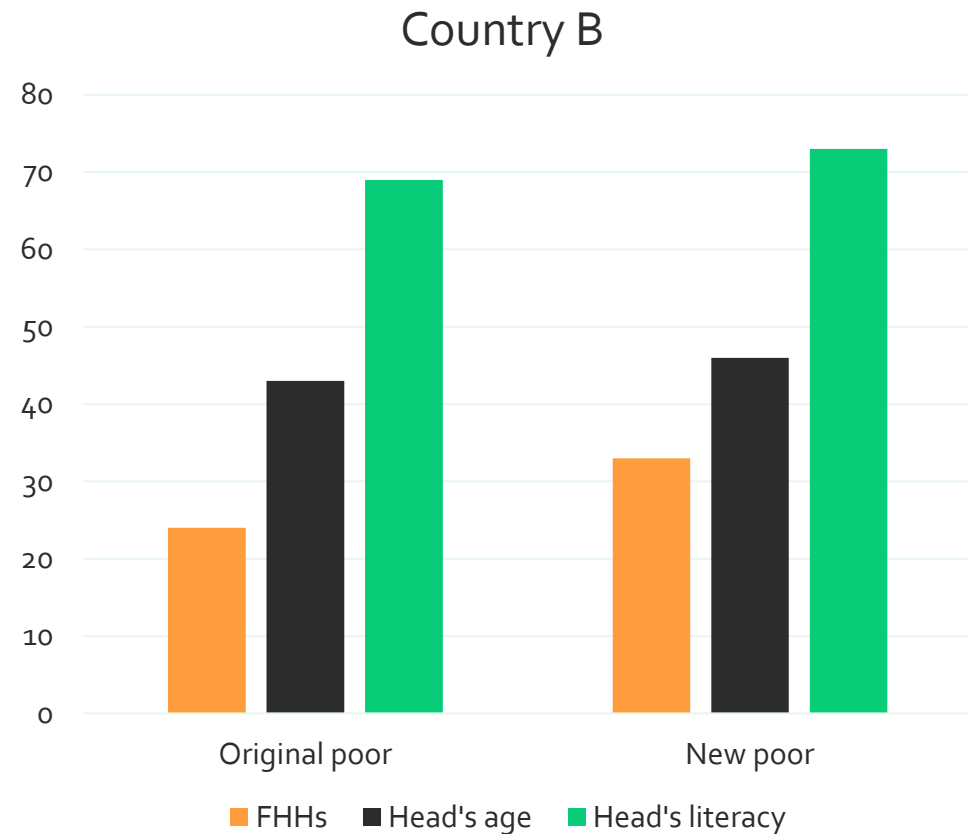
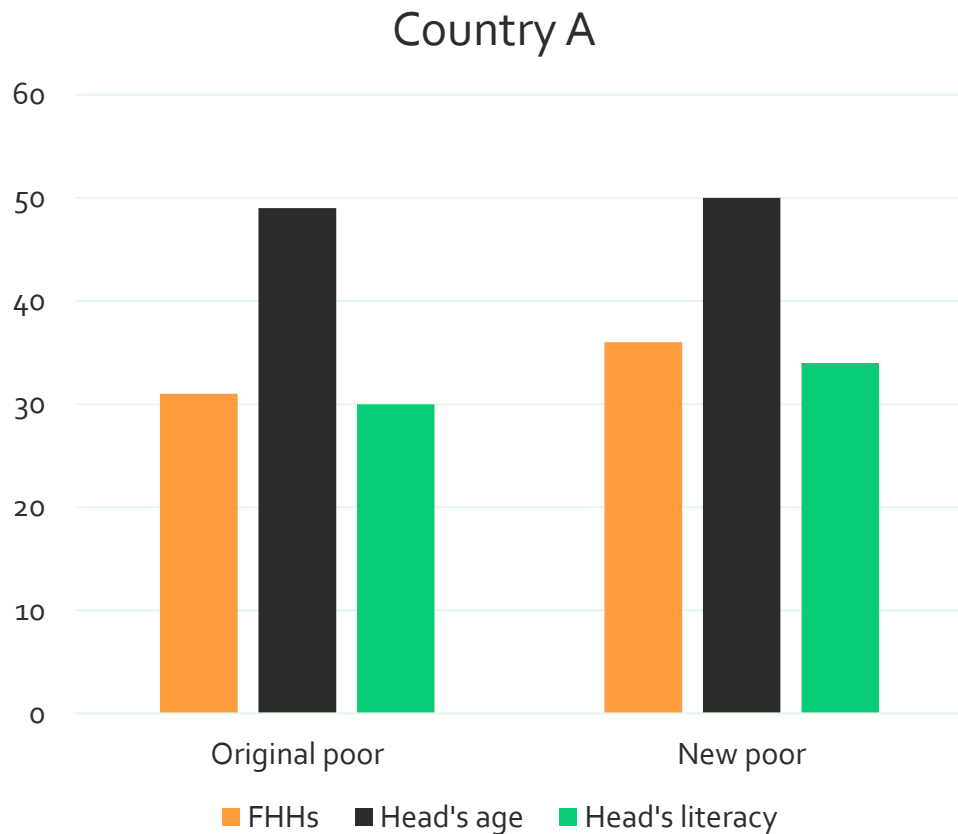
ILLUSTRATIVE EFFECTS OF 15% SHOCK TO CONSUMPTION ON HEADCOUNT POVERTY



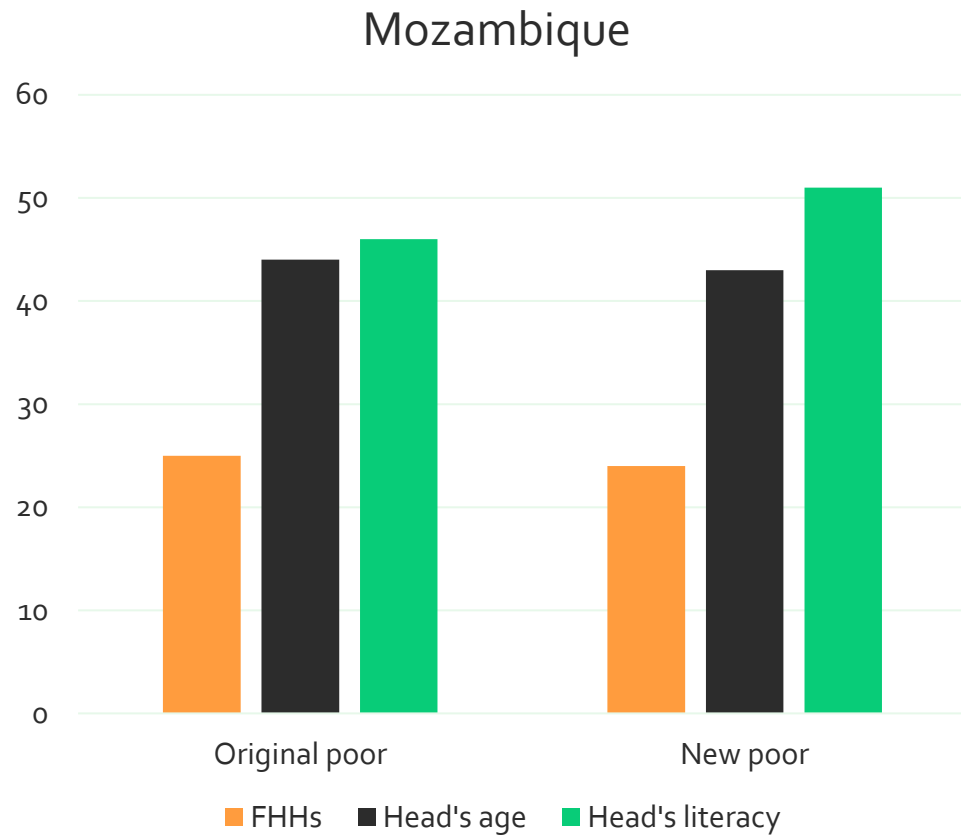
ILLUSTRATIVE EFFECTS OF 15% SHOCK TO CONSUMPTION ON HEADCOUNT POVERTY



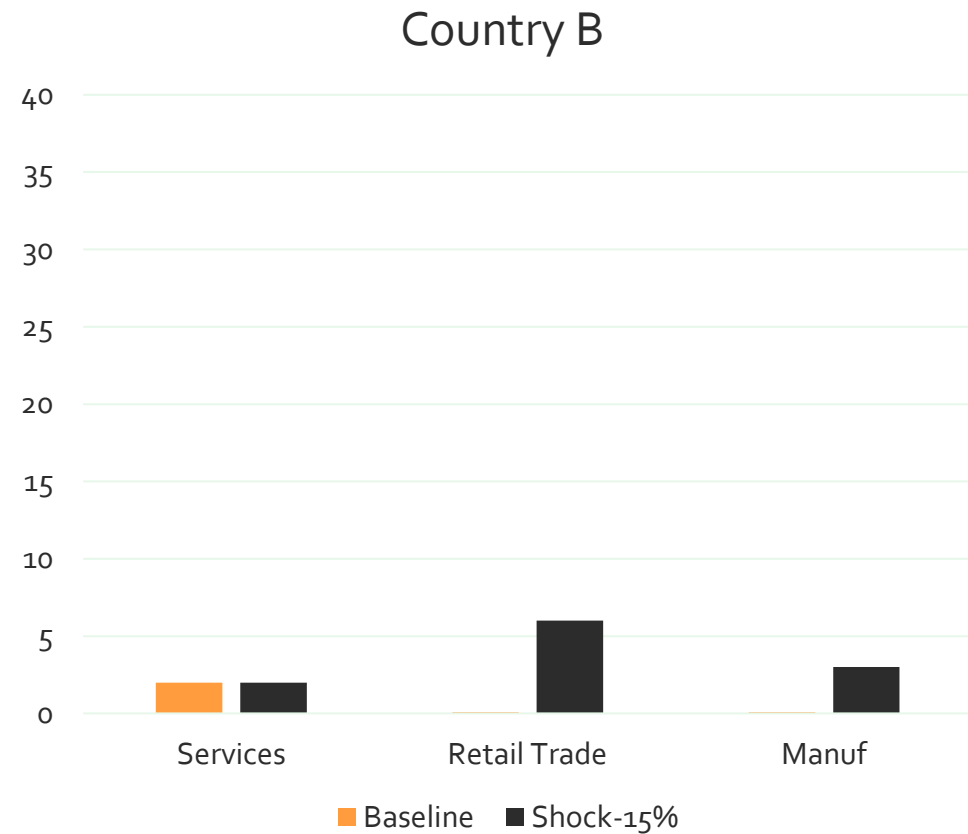
CHARACTERISTICS OF THE ORIGINAL AND NEW POOR AFTER 15% SHOCK (DILEMMA)



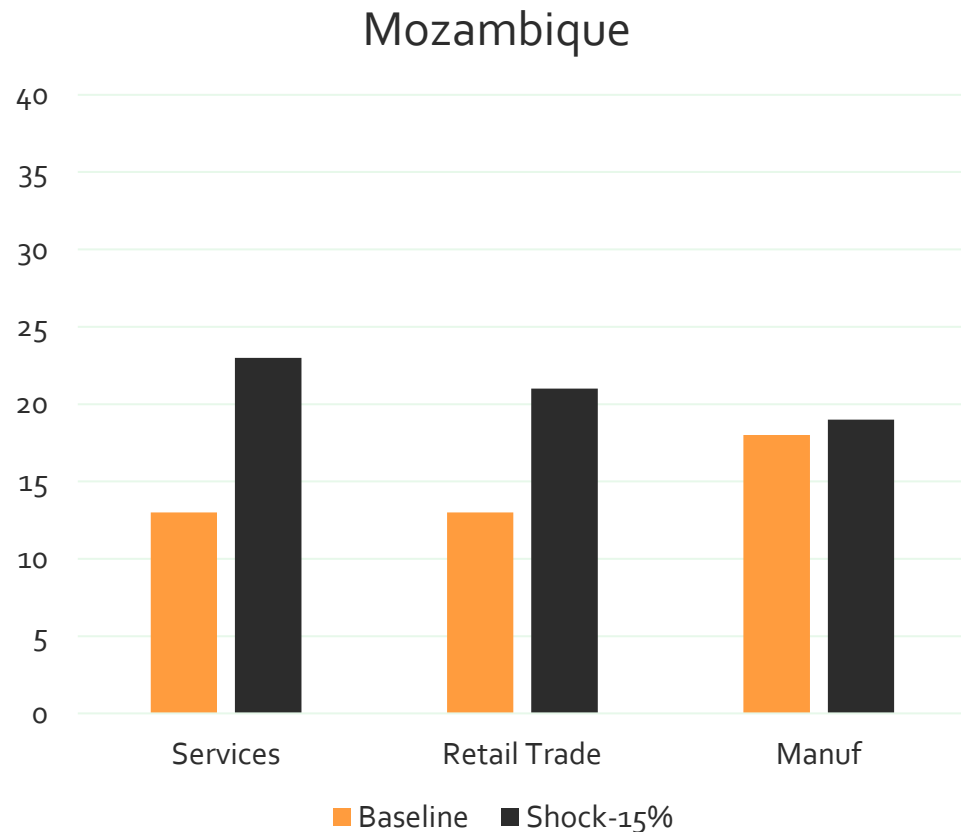
CHARACTERISTICS OF THE ORIGINAL AND NEW POOR AFTER 15% SHOCK (DILEMMA)



EFFECTS ON POVERTY HEADCOUNT OF 15% SHOCK IN URBAN SECTORS: EXISTING POVERTY RATES ARE VERY LOW (**DILEMMA**), RETAIL TRADE MORE VULNERABLE IN 'B'

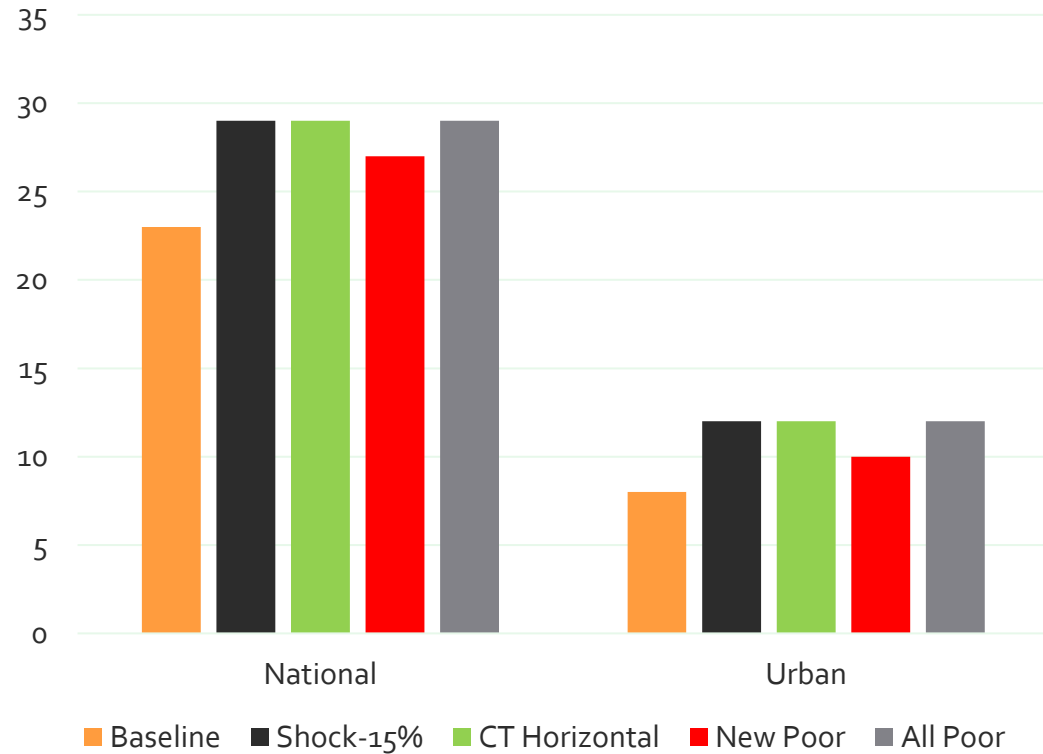


OVERALL ULTRA POVERTY RATES MUCH HIGHER IN MOZAMBIQUE BUT STILL HALF OF NATIONAL AVERAGE **(DILEMMA)**, SERVICES MORE VULNERABLE, MANUFACTURING MORE RESILIENT

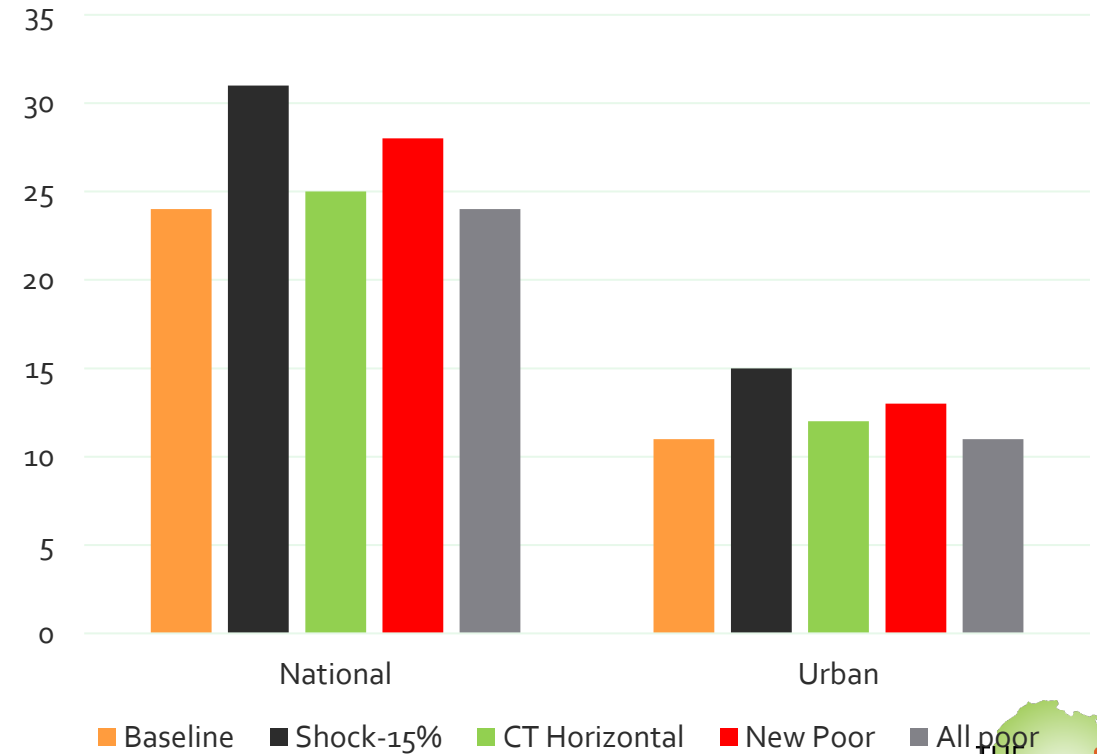


CASH TRANSFER RESPONSE TO 15% SHOCK-EFFECTS ON POVERTY HEADCOUNT: HORIZONTAL EXPANSION OF EXISTING PROGRAM VS NEW POOR ONLY VERSUS ALL POOR (DILEMMAS: VALUE OF TRANSFER, NARROW TARGET GROUP)

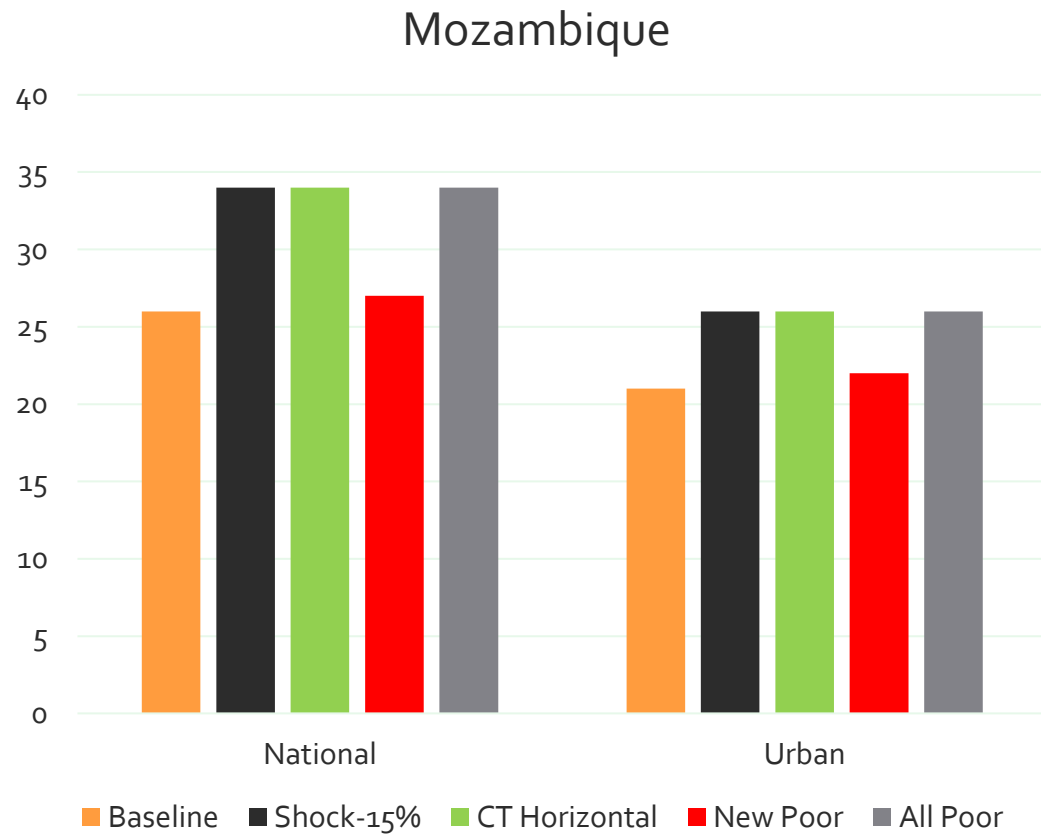
Country A



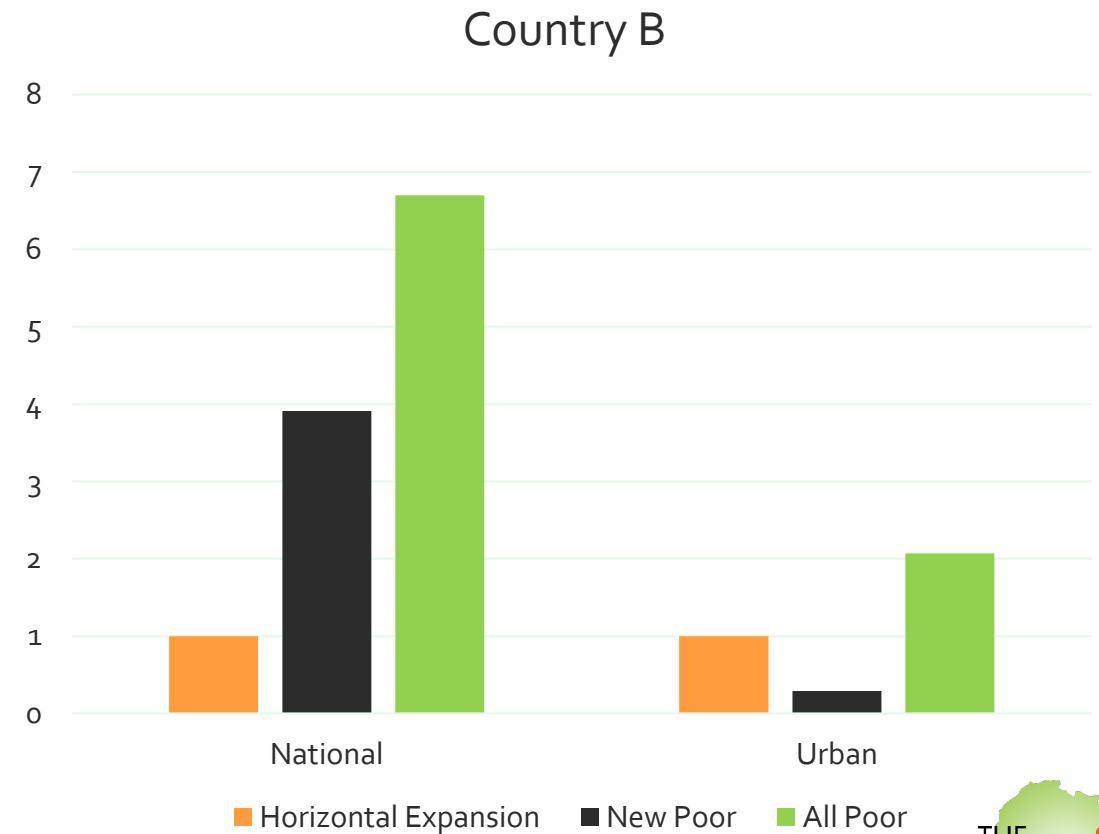
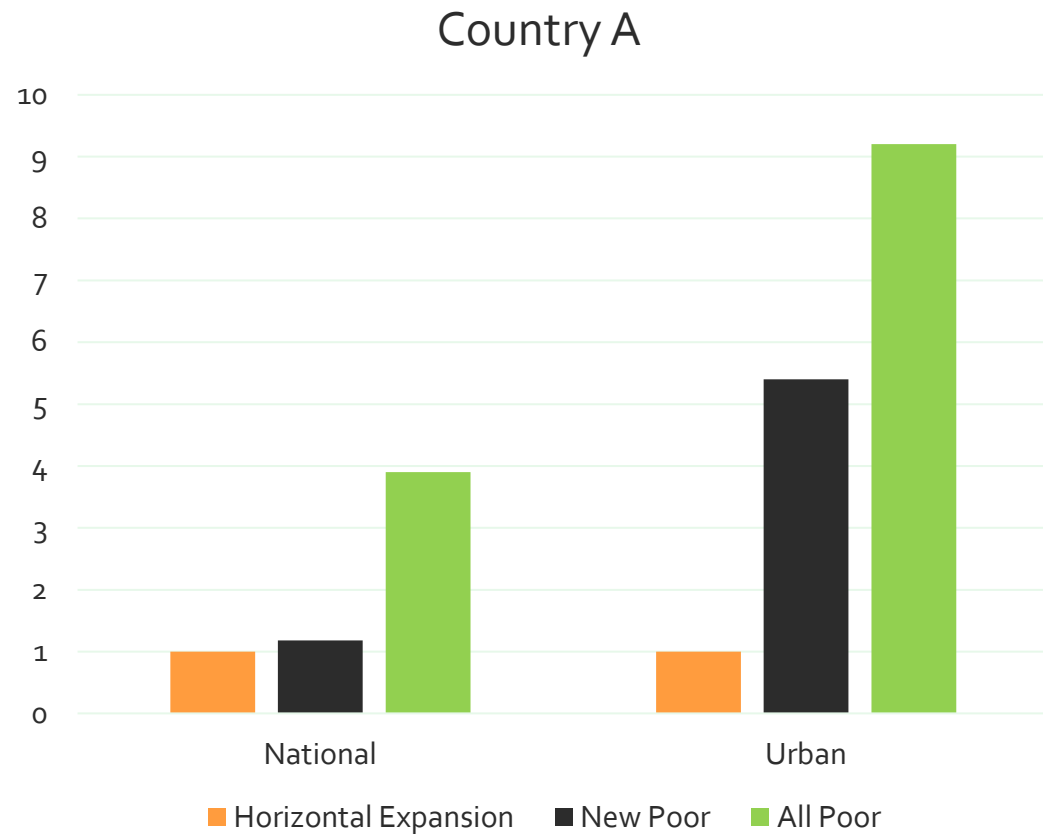
Country B



CASH TRANSFER RESPONSE TO 15% SHOCK-EFFECTS ON POVERTY HEADCOUNT: HORIZONTAL EXPANSION OF EXISTING PROGRAM VS NEW POOR ONLY VERSUS ALL POOR (DILEMMAS: VALUE OF TRANSFER, TARGET GROUP)

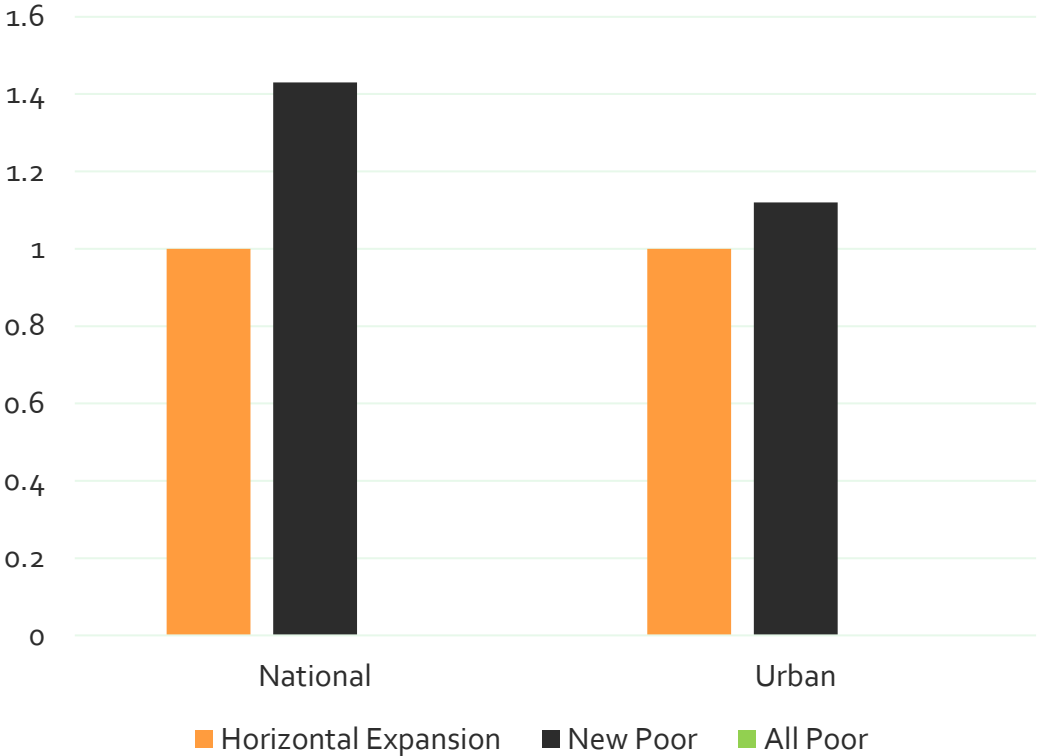


COST OF ALTERNATIVE CT RESPONSES IN FACE OF 15% SHOCK (DILEMMAS: EXISTING PROGRAM PARAMETERS ARE VERY NARROW)



COST OF ALTERNATIVE CT RESPONSES IN FACE OF 15% SHOCK (DILEMMAS:)

Mozambique



POLICY DILEMMAS ASSOCIATED WITH CT EXPANSION IN RESPONSE TO COVID-19

- High risk groups, urban workers in retail trade and services, are not the poorest
 - 'New poor' are a very small group with better characteristics
- Existing national programs wont catch these new poor (made poor by COVID-19)
 - Ultra-poverty and demographic criteria are the reason
 - Narrow target population of existing programs suggests that horizontal expansion of existing program using existing target criteria will not help
- Targeting all poor households in urban areas is expensive
- Need creative options to reach COVID-19 affected households
 - Those dependent on service and retail trade sectors in urban areas

CONTACTS

- Tayllor Spadafora, UNICEF Regional Office for Eastern & Southern Africa
 - trspadafora@unicef.org

- Ashu Handa, University of North Carolina at Chapel Hill
 - shanda@email.unc.edu

