

Cash Transfers and Shocks: long-term effects during a pandemic in Uganda

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12 years down the road: cash transfers for firms
in 2009 increase resilience during COVID19 crisis
#Uganda

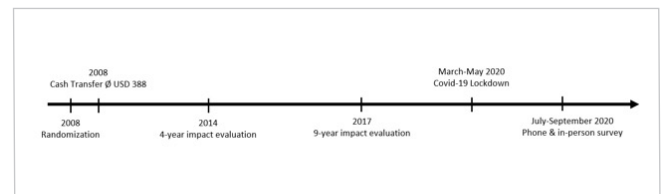
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Topic at a Glance

In the past decade, cash transfer programs have become a popular tool to combat poverty in low- and middle-income countries among governments and donors alike. Since March 2020 alone, over 300 new cash transfer programs have been implemented across 156 countries in response to the COVID-19 pandemic (See: <https://www.poverty-action.org/event/recovr-webinar-series-impact-cash-transfers-during-covid-19-pandemic-africa>). The vast evidence on cash transfers (CT) suggests substantial positive benefits for beneficiaries after one to four years. Yet, to date, the long-term effects of such programs have rarely been studied and remain unclear. One of the few exceptions is Blattman, Fiala, and Martinez (2020), henceforward BFM (2020), who conducted a 9-year follow-up of a cash transfer program in Uganda and, unlike the short-term evaluation (BFM 2014), found only minor sustained effects.

The present study pushes even further by adding a 12 year follow-up to the CT intervention examined in BFM (2020), now to look at how CT recipients handle the COVID-19 shock.

In late March 2020, after the first confirmed cases of COVID-19 in Uganda, the government imposed a strict lockdown that led to an almost standstill for the Ugandan economy. Except for farming and food-related activities, businesses and marketplaces were closed. During the lockdown in Uganda, a study documents desperate economic conditions, with non-farming income dropping by 60% and a rise in food insecurity (Mahmud and Riley 2021). Based on these reports from Uganda, we investigate whether the CT intervention in 2008 makes the treatment group less vulnerable to the economic consequence of the lockdown measures. Furthermore, based on the 4- and 9-year findings in BFM (2014, 2020), we hypothesize that higher human capital coupled with more durable assets induced by the CT intervention makes individuals more resilient and could ease the recovery process after the strict lockdown.



Caption: The timeline illustrates the design and highlights the major events.

New Insights

The program under scrutiny is the Young Opportunities Program (YOP) that the Ugandan government implemented in 2008. Young adults could apply as a group to participate in YOP and to receive individual cash grants labeled to start small, skilled businesses. Eligible individuals received around \$400 to finance vocational training, tools, and start-up costs based on a successful application. For the experimental design, 535 eligible groups were nominated in 14 districts in Northern Uganda. 265 groups were then randomly assigned to treatment and 270 to control, stratified by district. After four years, BFM (2014) document substantial positive effects on YOP beneficiaries. They show that the program successfully increased investments into human capital (340 hours more vocational training) and tools in the treatment group. These investments translate into more business assets, work hours, higher earnings, and higher consumption. In addition, BFM (2014) identified as the main channel a movement of the treatment group into skilled trades, typically as a self-employed artisan. Yet, the nine-year results show minimal sustained effects. Over time the control group converges towards the treatment group regarding income, working hours, and consumption (BFM 2020). Nevertheless, after nine years, the treatment group still has substantially more assets, and the share of full-time workers in a skilled trade is larger in the treatment group.

We implemented a hybrid data collection from July to September 2020, shortly after the strict lockdown was eased in late May 2020 and economic activities began to resume. To comply with Uganda's social distance and travel restrictions, we first conducted a round of phone interviews. In September 2020, we then implemented in-person interviews with intensive tracking to obtain

a meaningful response rate and minimize attrition. We randomly selected a representative subsample of those not successfully contacted in the first round via phone for the intensive tracking. As a result, we achieved an overall effective response rate of 83 percent.

We prespecified three primary outcomes:

- **Paid employment:** we first examine whether the treatment group is more likely to have pursued a paid employment in the past week. We find that most of our sample pursued a paid employment (67%), indicating that economic activities have resumed. We do not find a difference between the treatment and control group in the full sample, yet we document that men in the treatment are slightly more likely to be in a paid employment.
- **Income:** in the next step, we investigate the effects on the reported income in the past four weeks. We find large and statistically significant differences between the treatment and control group. The treatment group reported a 17% higher income. The heterogeneity analysis reveals that this effect is driven by men who report a 20% higher income, while the difference between women in treatment and control is not significant.
- **Food Security:** we find modest levels of food insecurity but do not detect any statistically significant differences between the treatment and control group despite the higher incomes.

To understand potential channels, we conduct an explorative analysis and find similar patterns as the nine-year study: the treatment group is still substantially more engaged in skilled work. Moreover, we do not see evidence that the effects might be driven by more labor supply in the treatment group in terms of hours or days worked. Overall, this suggests that our starting hypothesis that the treatment group benefits from being more engaged in skilled employment is indeed positive shortly after the lockdown.

Policy Recommendations

Our findings suggest that a CT intervention designed to move people up the job ladder into skilled and self-employed work can, even after 12-years and shortly after an economic shock, increase resilience against aggregated shocks. CT interventions serve, therefore, not only as an emergency tool that is used right after catastrophic events but can also help to prepare vulnerable individuals to cope with shocks in the long run. It is important to note that this is merely a proof of concept. We do not claim that this finding generalizes to every other setting. Therefore, the key policy take-away is that these long-term effects should be monitored to assess the cost-benefit analysis of CT programs. In the planning and decision phase, program managers should probably be careful in not overestimating long-term effects.

Yet, projects that appear to be on the edge of cost-effectiveness when looking at short-term effects, might rather be implemented than abandoned.

Yet, the evidence on the long-term impact of CT interventions is still scarce, and to design appropriate programs more evidence is needed. Therefore, it is reassuring that researchers have recognized this lack of evidence, and there are currently several long-term (10-15 years) follow-ups in preparation (See: https://drive.google.com/file/d/1abSO-IW-aCoOkCGTau3nDdVK0V2_xgJW/view for an outlook on upcoming studies.). Future studies should also consider the variety of different CT interventions and identify those interventions that unfold benefits over a long period.

Limitations

We conduct a survey 12 years after the baseline, and therefore attrition is a natural concern. Although we put much effort into minimizing attrition, we only achieve an effective response rate of 83 percent. Hence, there is still the potential that our sample is biased by selective attrition. Since we had to rely on phone surveys, we could only use a brief questionnaire. Therefore, we lack detailed data to further probe into the mechanisms of our findings.

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