

Agreeing on data collection additions necessary for local economic impacts

Meeting of steering committee of Government of Tigray Social Cash Transfer Pilot

November 13-14, 2012

Akum Hotel, Mekelle



Cash transfers targeted to poorest of the poor can have productive impacts

- Beneficiaries predominately rural, most engaged in agriculture
- Most work for themselves
- Most face missing/poorly functioning markets (credit, insurance, etc) which constrain economic decisions
 - Transfers can relax some of these constraints



5 ways in which cash transfer programs can have productive/economic impacts



1. Improve human capital

- Nutritional status
- Health status
- Educational attainment



enhance productivity

improve employability



Typically core objectives of CT programs
Underlying rationale for CCTs



2. Facilitate change in productive activities

By relaxing credit, savings and/or liquidity constraints—and/or constructing community assets

- Accumulation of productive assets
 - Farm implements, land, livestock, inventory
- Investment in productive activities
 - Allocation of labor (adults and children), inputs
 - From sharecropping out to working own land
- Change in productive strategies
 - New crops, techniques
 - New line of products or services
 - New activities (retail, food preparation, etc)



3. Better ability to deal with risk and shocks

By providing insurance via regular and predictable CTs

- Avoid detrimental risk coping strategies
 - Distress sales of productive assets, children school drop-out, risky income-generation activities
- Avoid risk averse production strategies
 - “Safety first”
- Increase risk taking into more profitable crops and/or activities
 - Specialization or diversification
 - Higher value crops or migration



4. Relieve pressure on informal insurance mechanisms

By regular and predictable CTs to the poorest and most vulnerable

- Reduce burden on social networks
 - Local networks of reciprocal relationships
 - In SSA, often weakened and over burdened in context of HIV/AIDS
- Rejuvenate social networks
- Allow beneficiaries to participate in social networks
- Allow non beneficiaries to redirect their resources



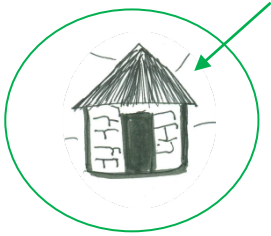
5. Strengthen the local economy

By injecting relatively large amounts of cash into a local economy, and/or building community assets

- Multiplier effects on local goods and labor markets via economic linkages
- Public works: creation of public goods/assets



Treatment



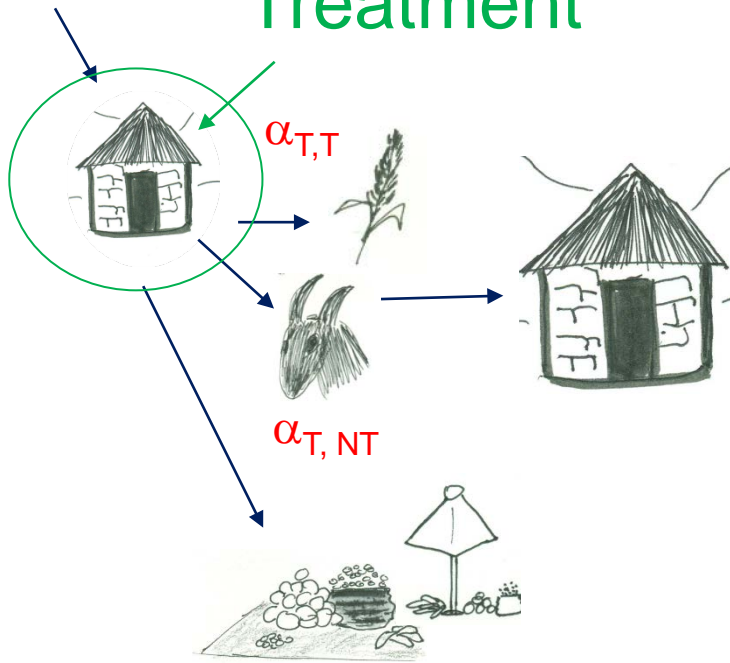
How do local
economy effects
work?

Control



Transfer

Treatment

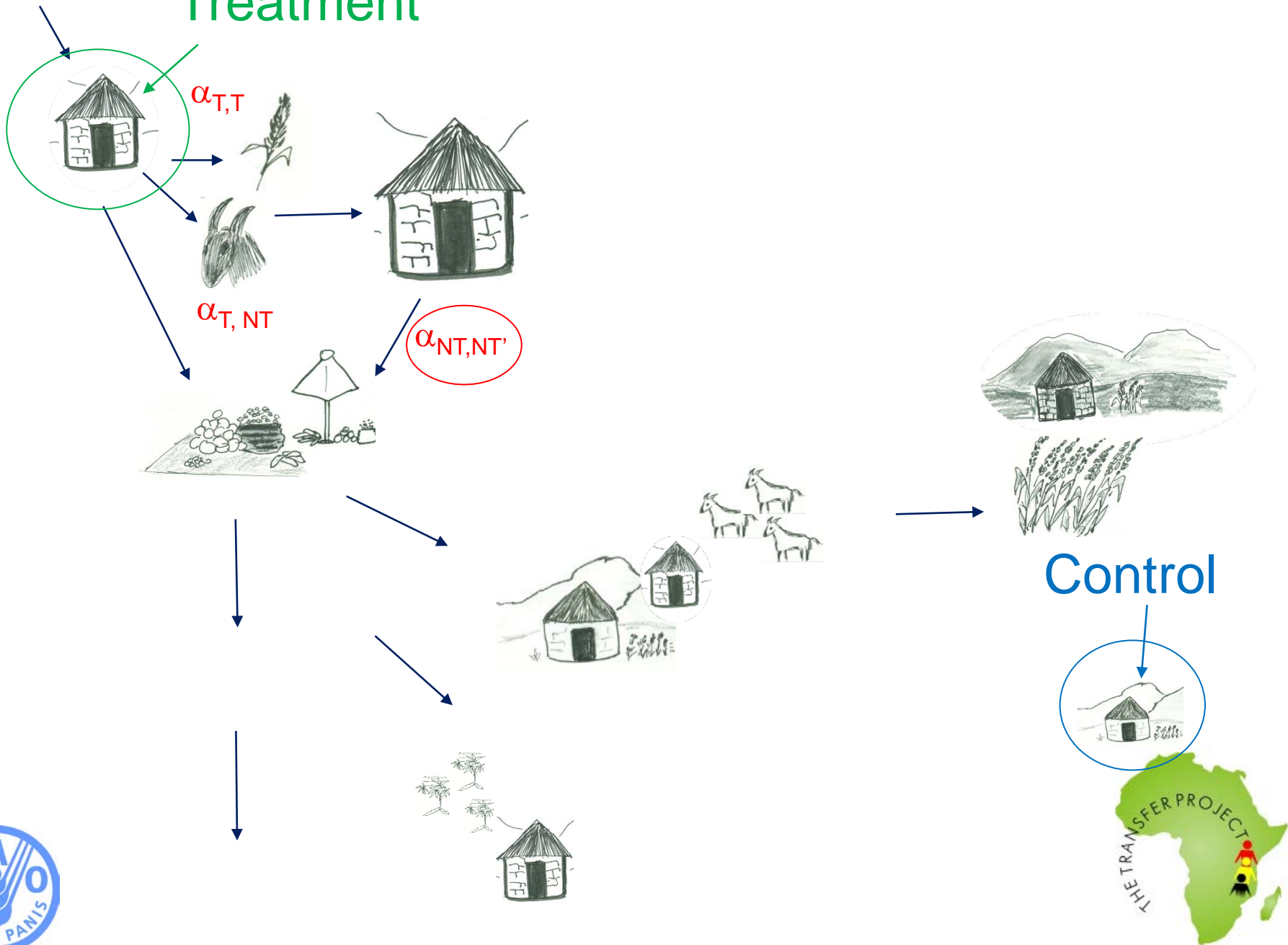


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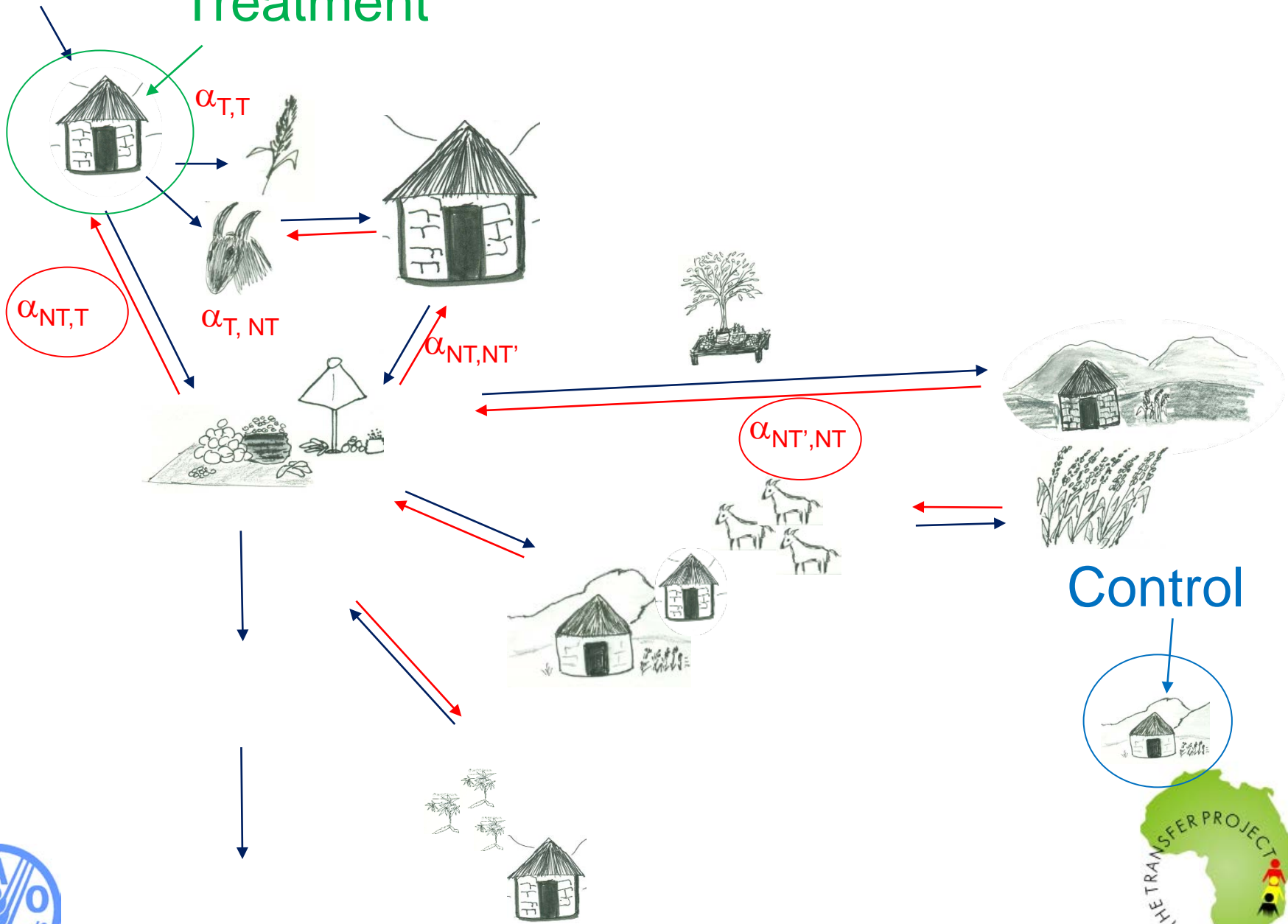
Transfer

Treatment



Transfer

Treatment



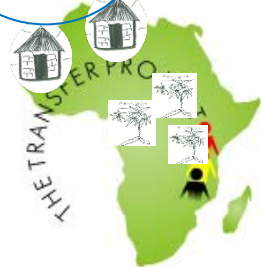
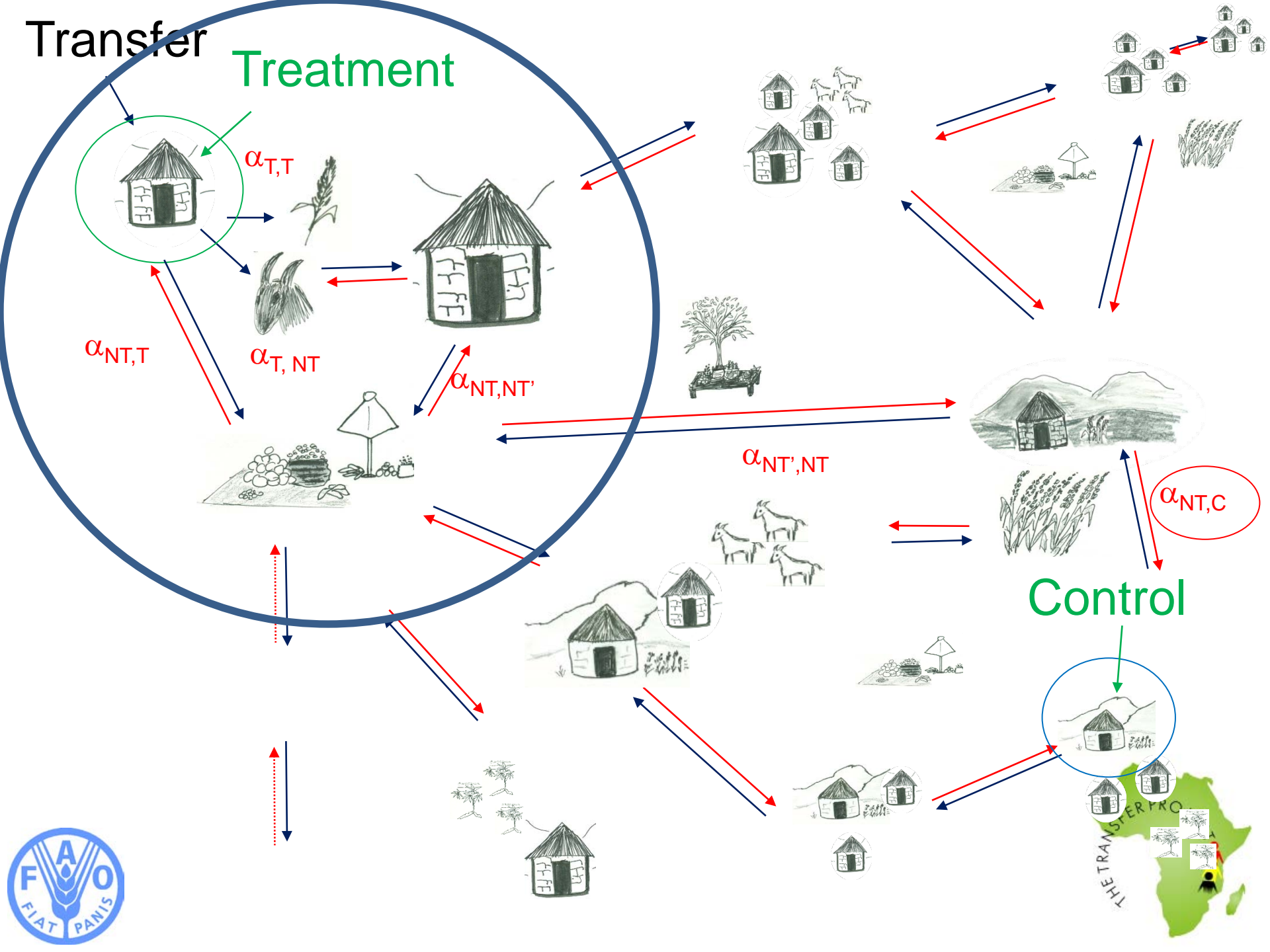
Control



Transfer

Treatment

Control



Mixed method approach to assessing productive impacts

1. Household and individual level impacts via econometric methods
2. Local economy effects via SAM/CGE (LEWIE) modeling
3. Perceptions on household economic decision making, social networks and local economic effects via qualitative methods

- Form part of ongoing cross country (7) study led by From Protection to Production project



An example of local economy effects: Lesotho

		Multiplier	Level Change
Total Income			
	Nominal	2.23	7.38 million
	(CI)	(2.08 - 2.44)	(6.89 - 8.06)
	Real	1.36	4.5 million
	(CI)	(1.25 - 1.45)	(4.15 - 4.80)

Total value of transfer: 3.3 million Maloti

Divergence between nominal and real values due to land and capital supply constraints



Effect on Household Incomes

Beneficiary (24%)	Multiplier	Share of total benefits
nominal	1.15	
real	1.03	76%
Non beneficiary (76%)		
nominal	1.08	
real	0.33	24%

Total real multiplier = 1.36



Effects on Value of Production

Production multiplier for:	Beneficiary	Non beneficiary
Crop	0.03	0.15
Livestock	0.02	0.26
Retail	0.07	0.52
Services	0	0.08
Other Production	0	0
TOTAL	0.13	1.01

For every 1 Maloti transferred to beneficiary households, the value of production earned by non beneficiary households increases 1.01 Maloti

$$\frac{1.01}{0.13 + 1.01} = 89\%$$



Alternative market structure scenarios

	Final scenario	Alternative 1	Alternative 2
Elasticity of labor supply	High	Low	Low
Liquidity constraint on purchased inputs	off	off	on
Total Income multipliers			
Real	1.36	1.14	1.02
(CI)	(1.25- 1.45)	(1.08- 1.20)	(0.94- 1.09)

Keeping constraints on land and capital;
Assumptions on market structure come from qualitative fieldwork and expert opinion



Magnitude of local economy effects depends on

- Size of transfer and share of households receiving transfer
- How much of transfer is spent on goods and services produced within community
 - And definition of local economy
- Constraints on supply response by local producers and traders



SCTPP: Options for assessment of productive impacts

1. Household and individual level impacts via econometric methods

- Baseline, periodic monitoring and follow up household surveys
- Insight from qualitative fieldwork
- FAO with impact evaluation team



Options for SCTPP

2. Local economy effects via SAM/CGE (LEWIE) modeling

- Baseline household survey
- Business enterprise survey
 - Nov-Dec, 2012
 - ~360 observations, stratified by retail, service and production
 - Follows sampling contour of household survey
- Qualitative fieldwork
 - Insight into market functioning
- Modeling by team at UC Davis
 - Draft 2nd quarter 2013
 - Multiple models?



Options for SCTPP

3. Perceptions on household economy and decision making, social networks and local community dynamics via qualitative methods

- Integrate with household level analysis and study of local economy effects
- Form part of ongoing qualitative field work
- Current implementation proposal under discussion
 - Carry out qualitative field work focusing on local economy effects in 1st quarter 2013
 - Incorporate questions on household level productive effects in second round of Mekelle Uni/IDS field work



Our websites

From Protection to Production Project

<http://www.fao.org/economic/PtoP/en/>

The Transfer Project

<http://www.cpc.unc.edu/projects/transfer>

