

From Protection to Production: The impact of the Malawi Social Cash Transfer Scheme on productive activities

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Unproductive Cash Transfers

- Massive expansion of government-run cash transfers in SSA in last 10 years
- Perception that cash transfer programs do not have economic impacts
 - Focus explicitly on food security, health and education
 - Targeted towards ultra poor, bottom 10%, labor constrained, elderly, infirm, etc
 - Beneficiaries primarily women
 - Separated from productive households as “direct support”
 - Often seen as welfare, charity, handout



Why should we expect economic impacts from SCT programs?

- Missing/poorly functioning markets
 - credit / savings, insurance, labor, goods and inputs
 - link consumption and production decisions at household level
 - particularly in context of subsistence agriculture
- Households are linked via
 - reciprocal relationships, social networks
 - economic exchanges



What can cash do?

- Relax credit/liquidity constraint
- Allow households to take some risk
- Relax pressure on informal social networks
 - facilitate beneficiary participation
 - non beneficiaries to redirect their resources
- Inject resources into local economies



Economic impacts come through three main channels

1. Improvement in human capital (long term)
2. Changes in household behavior
 - changes in labor allocation of household members
 - investment in productive activities/assets
 - crop/livestock production, non farm business
 - prevention of detrimental risk-coping strategies
 - distress sales of productive assets, children school drop-out, or risky income-generation activities
3. Via the local economy
 - transfers between beneficiary and ineligible households
 - effects on local goods and labor markets
 - multiplier effects



Malawi Social Cash Transfer Scheme

- Unconditional cash transfer targeted at ultra poor, labour-constrained households
- Objective:
 - Reduce poverty, hunger and starvation, and
 - improve school enrolment and attendance and the health and nutrition of children among the poorest 10 percent of households in Malawi
- Monthly US\$4-13 according to household size
- Operational in 7 districts
 - Our study based on a pilot in 2007-2008 in Mchinji District



Evaluation Framework

- Baseline March 2007
- 2 follow-ups (September 07 and March 08)
- 818 hhs interviewed
- We work with 746 in balanced panel for which intervention status is defined in all 3 rounds



First challenge

- Differences in control and treatment households at baseline
 - Randomized over only 8 units
 - Local discretion in terms of ranking priority among eligible households at community level

Treatment hhs have more orphans and children, though all hhs poor with few assets

	C	T	C-T	P value C-T
Consumed <=1 meals	.51	.55	-.04	.271
PC expenditure	193.3	191.5	1.8	.938
Owens <=1 assets	.52	.48	.04	.261
# orphans	.38	.73	-.35	.000
# children	1.98	2.98	-.99	.000



Second challenge

- Detailed household survey on demographics, education, health, expenditures, assets and income.....
- But limited information on economic activities:
 - no agricultural module
 - scope of questionnaire broadens with subsequent rounds
 - got better, but not possible to backtrack all information
 - inconsistencies in questions over rounds



But still enough

- Contains enough workable information related to productive impacts:
 - Ownership of tools and implements
 - Ownership of livestock
 - Participation in income activities
 - Participation in risk coping strategies and informal networks
 - Child time use



Identification strategy

- Objective is to identify impact of SCT on productive activities
- Panel data, with randomized control & treatment hhs
 - allows treatment effect to be identified taking differences over time and across control and treatment
 - Difference in difference (DD)



Two methods to correct pre-treatment differences

1. Adding controls to DD in regression framework

$$Y_i = \beta_0 + \beta_1 \text{SCT}_i + \beta_2 \text{Round} + \beta_3 (\text{Round} * \text{SCT}_i) + \text{BX} + \mu_i$$

– β_3 is the unbiased double difference estimator

2. Propensity score matching, applying DD on matched sample

– Nearest neighbors, with replacement, caliper $.01$, on observable baseline characteristics



Increased spending on agricultural implements and livestock

Average treatment effects	DD	PSM-DD	Average treatment effects	DD	PSM-DD
Hoes	.129***	.174***	Cattle	.009*	.018*
Axes	.279***	.324***	Goats	.487***	.522***
Sickles	.293***	.296***	Chickens	.590***	.589***
<i>N</i>	746	743	<i>N</i>	746	743



Reduction in outside agricultural wage labor

- No change in participation in self employment activities, including own farm, but.....

Average treatment effects	DD	PSM-DD
Agricultural wages	-.534***	-.608***
On-farm	.010	.074
Self employment	-.031	.026



Children reduce work outside the home, and miss fewer school days

Child average treatment effects	DD	PSM-DD
Non-HH domestic work	-.069***	-.074***
Non-HH paid domestic work	-.072***	-.077***
Hrs worked: non-HH domestic work	-.241***	-.261***
Missed school days	-.760**	-.721*

But increase the time spent working at home and on farm

Child average treatment effects	DD	PSM-DD
Household chores	.137***	.077**
Family farm/non-farm business work	.064**	.021
Hrs worked: family farm/non-farm business	.294***	.161*
<i>N</i>	1860	1876



SCT serves as substitute for informal support mechanisms and detrimental risk-coping strategies

HH Average treatment effects	DD	PSM-DD
Received private transfers	-.312***	-.313***
Days Ganyu labour worked by head	-3.32***	-5.15***
Begging for food/money	-.179***	-.139***
Pulling children from school to work for food/money	-.345***	-.362***



Results robust in harvest season—and children increase on farm labor

Average treatment effects	DD	PSM-DD
Owning hoes	.086**	.113**
Owning goats	.407***	.445***
Participation in ag. wage labour	-.454***	-.477***
Days Ganyu labour worked by head	-3.73***	-4.02***
Pulling children from school to work for food/money	-.276***	-.327***
Children work paid domestic labor	-.055***	-.061***
Children participate in family farm/nonfarm business	.132***	.120***
Hrs children worked in family business	.292***	.237***



Households with greater labor constraints remain more vulnerable

- HHs with low labor constraints → bigger impact on detrimental coping strategies

Average treatment effects from PSM & DD	Yes able bodied	No able bodied
Owning sickles	.198***	.367***
Owning goats	.570***	.439***
Days Ganyu labour worked by head	-9.38***	-0.49
Pulling children from school to work for food/money	-.529***	-.124
Received private transfers	-.199**	-.389***
School days missed	-1.20***	-.28
Hrs worked in family business	.175	-.144



Cash transfer to ultra poor, labor constrained hhs has large impact on productive activities

- Households—both children and adults—redistribute time and resources towards home-based productive activities
- Less dependence on informal safety nets and detrimental risk coping strategies
- However, households with greater labor constraints remain more vulnerable



SCT has both a “protective” and “productive” function

- Protective
 - reduce vulnerability from shocks
- Productive
 - increase ability to make productive investments and reallocate hh labour



Please....collect data on livelihoods and productive impacts

- Whole other dimension of impact which most CT programs ignore

