

# Local Economy Impacts of Social Cash Transfers: A Comparative Look

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# Local Economy-wide Impact Evaluation (LEWIE)

- Most evaluations look at the beneficiary households
- They are a conduit through which cash enters local economies
- *The whole local economy, then, becomes a beneficiary of the program*
  - *...including those who do not get transfers*

# PtoP SCT Programs

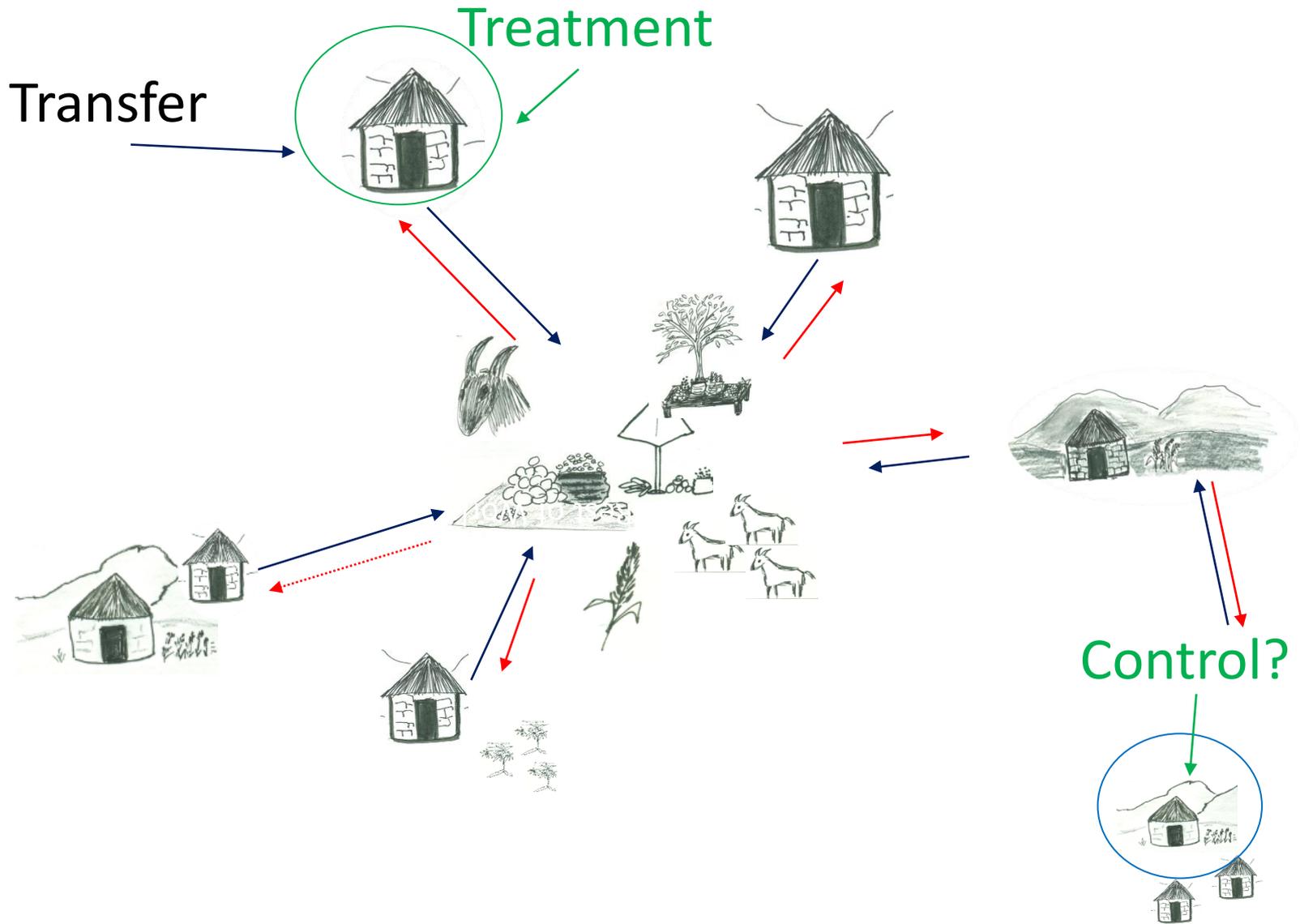
- Main Goal: Social
  - provide cash and health insurance to extremely poor households with the goal of alleviating short-term poverty and encouraging long-term human capital development
- Also injects significant cash into the rural economy
- Basic accounting identity: What goes in must come out
  - We want to discover how much work the money does while it circulates within local economies

# How SCTs May Create Local Spillovers

- The raise purchasing power of beneficiary households
  - ...thus demand in the local economy
- Two possible extremes:
  - Local supply expands to meet all this demand
    - Big local multiplier
  - Everything comes from outside the local economy
    - No local multiplier at all: 1:1
- Have to follow the money
  - Surveys, model designed to do this

# Impacts Beyond the Treated

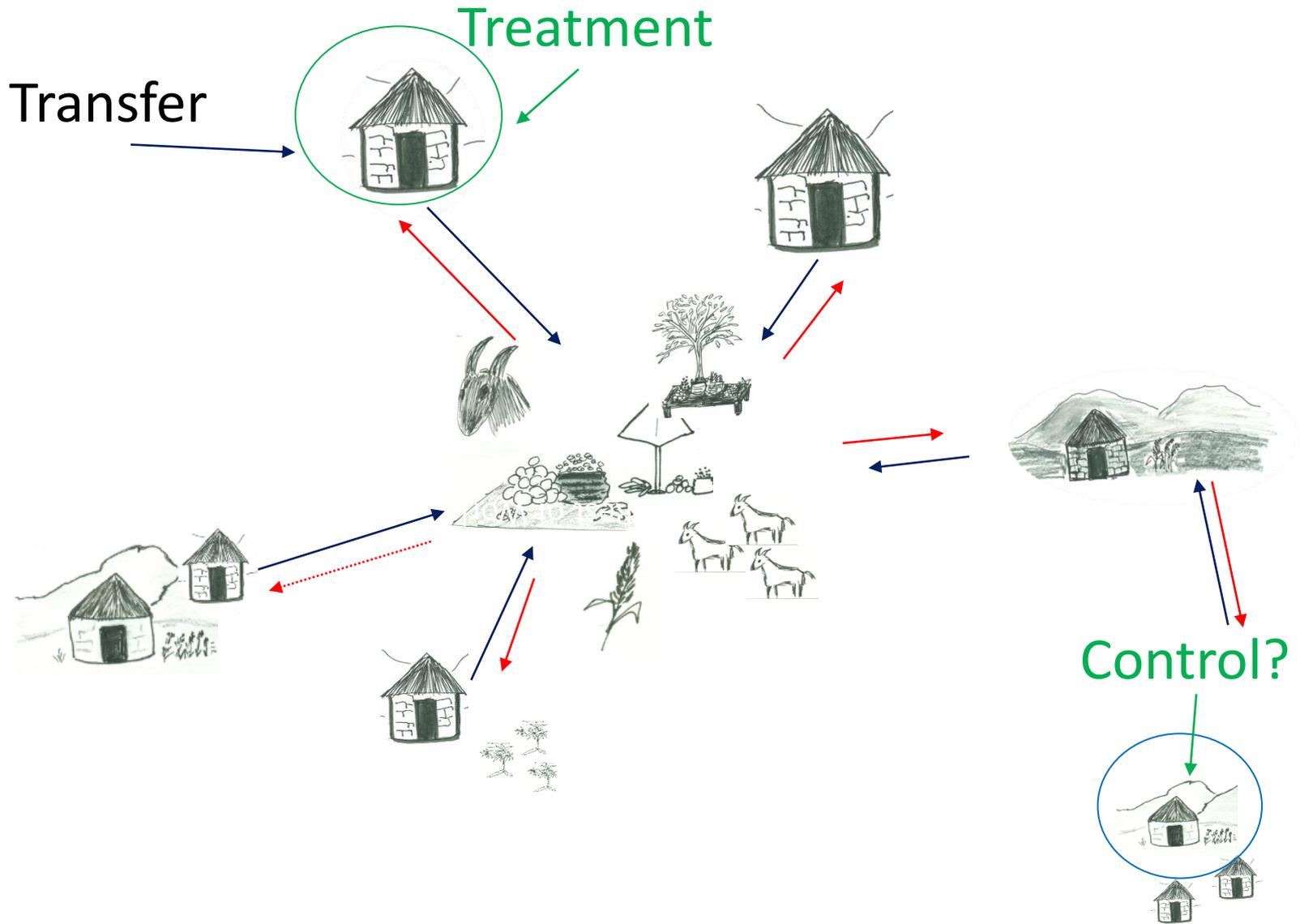
- The SCT raises the purchasing power of beneficiary households
- ...thus demand in the local economy
- ...supply must rise to meet this demand
  - otherwise, inflation
- Basic accounting identity
- Thus, the SCT treats the local economy as well as the beneficiary households



# What Shapes Outcomes?

- Which sectors get stimulated
  - Where do households and activities spend their income?\*
- Openness of economy
  - How much demand is for goods produced inside the economy?
  - What goods are tradable, where are prices determined?
    - Retail: biggest sector, and most open

\* Behavioral parameters estimated from survey data

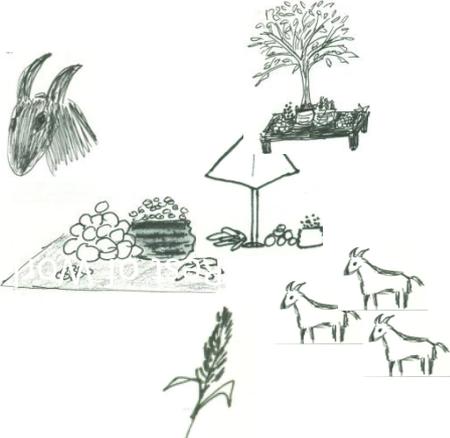


Transfer

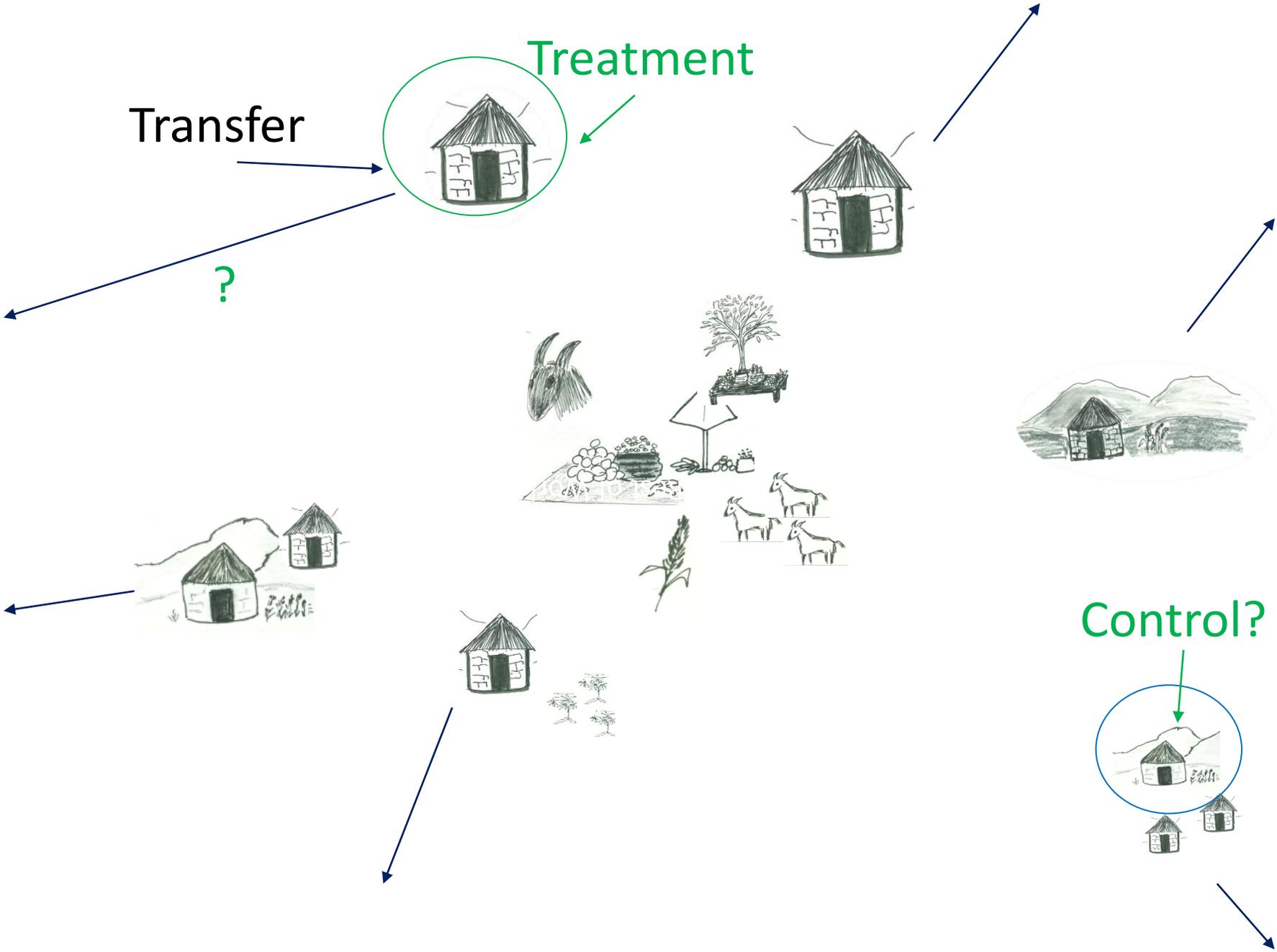
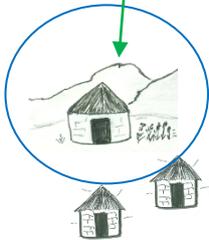
Treatment



?



Control?



# What Shapes Outcomes?

- Supply response
  - Intensity of local production in different inputs (labor, etc.)\*
  - Elasticities of these inputs' supplies
- Other constraints
  - Cash constraints on inputs
  - SCT loosens these for beneficiaries, but not for non-beneficiaries

\* Behavioral parameters estimated from survey data

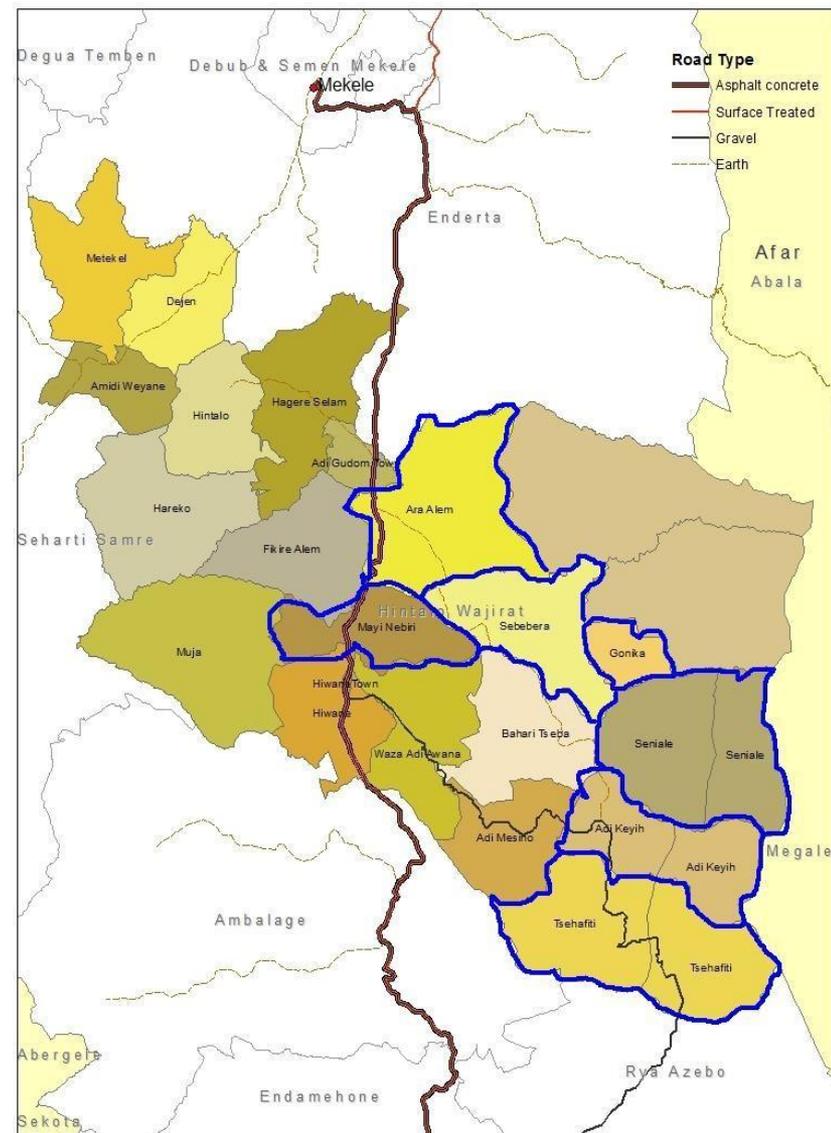
# Cross-country Comparison

- Consistencies and differences in impacts of different CT programs
  - Targeting is different in each country
  - ...so are parameters of models
  - ...importance of activities
  - ...openness
    - In Kenya and Ethiopia, also within countries
  - Less sure about input supply elasticities, other constraints
    - Sensitivity analysis lets us explore importance of these

# Tigray's Pilot SCT Program: A Tale of Two Target Areas

- Introduced in 2011 in two *woredas* of the Tigray region by the Regional Government with the support of the United Nations Children Fund (UNICEF)
- The SCTPP aims to “improve the quality of life for vulnerable children, the elderly, and persons with disabilities (PWD)” in selected households.
- Payment size depends on the number of household members and their characteristics. For one or two adults household, the basic grant is 155 birr (approx. \$8.50) per month plus additional amounts for children, disabled members and elderly dependent. 50-80% of beneficiary household income.

	Woreda		
	Hintalo-Wajirat	Abi Adi	Total
<b>Beneficiary (treatment)</b>	846	649	1,630
<b>Non-Beneficiaries (ineligible)</b>	1091	798	2,035
<b>All</b>	1,937	1,447	3,665
<b>Actual Population</b>	55,351	16,115	71,466
<b>Total Transfer Received (Birr)</b>	5,577,420	1,618,740	7,196,160



Source: Berhane et. al (2012)

	<b>Hintalo-Wajirat (More Local Linkages)</b>			<b>Abi-Adi (Open; Retail Big)</b>		
	Village/Town	Nearby Village	Elsewhere	Village/Town	Nearby Village	Elsewhere
<b>Expenditures and Income</b>						
<b>All items purchased by households</b>	0.274	0.715	0.011	0.99	0.001	0.009
<b>Wages accrued by households</b>	0.337	0.166	0.497	0.956	0.042	0.002
<b>Retail business sales*</b>	0.604	0.18	0.216	0.945	0.019	0.036

**\*\*The business sale shares from Hintalo-Wajirat were obtained from the BES so that only market towns and not smaller villages were included hence the larger share in-village.**

		Hintalo-Wajirat	Abi-Adi
<b>MULTIPLIERS</b>			
<b>Total income multiplier</b>			
<b>Nominal</b>		2.52	1.35
<b>(CI)</b>		(2.09- 2.80)	(1.33- 1.38)
<b>Real</b>		1.84	1.26
<b>(CI)</b>		(1.52- 2.05)	(1.25- 1.26)
<b>Production multiplier</b>			
<b>Crop production</b>		0.20	0
<b>(CI)</b>		( 0.11- 0.30)	(0.00- 0.00)
<b>Livestock production</b>		0.03	0.05
<b>(CI)</b>		( 0.02- 0.05)	(0.04- 0.06)
<b>Retail</b>		1.35	1.25
<b>(CI)</b>		(1.11- 1.50)	(1.24- 1.26)
<b>Production multiplier by hh</b>			
<b>Crops</b>	<b>A</b>	0	0
	<b>B</b>	0.20	0
<b>Livestock</b>	<b>A</b>	0	0
	<b>B</b>	0.03	0.05
<b>Retail</b>	<b>A</b>	0.03	0.02
	<b>B</b>	1.32	1.22

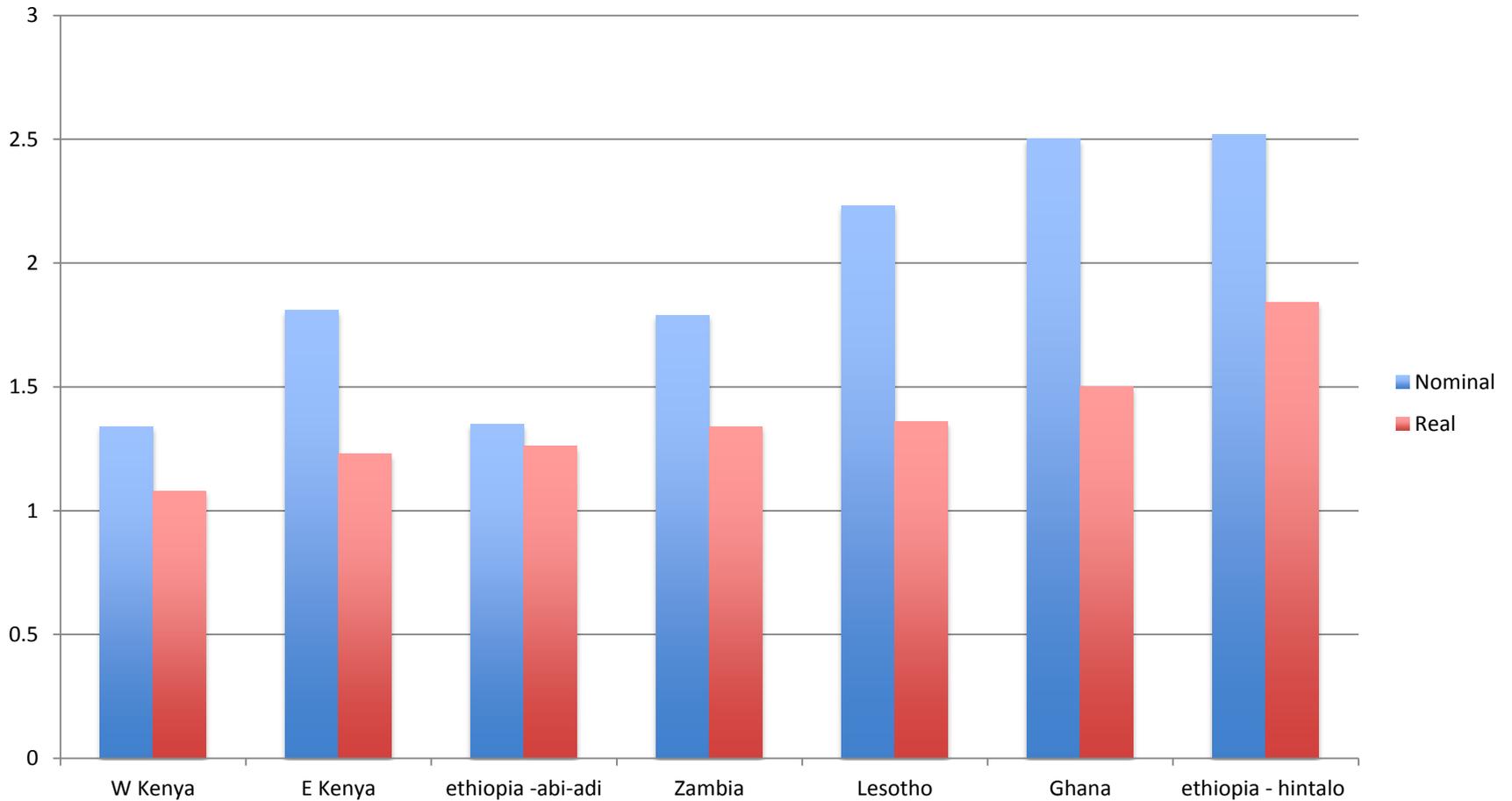
# Results

- The initial investment was 5.6 mil birr for Hintalo-Wajirat and 1.6 mil birr for Abi-Adi.
- It creates a total income gain of 10.57 million Birr and 2.19 million, respectively.
- Helping the poor gives a quantifiable benefit to non-beneficiary households.

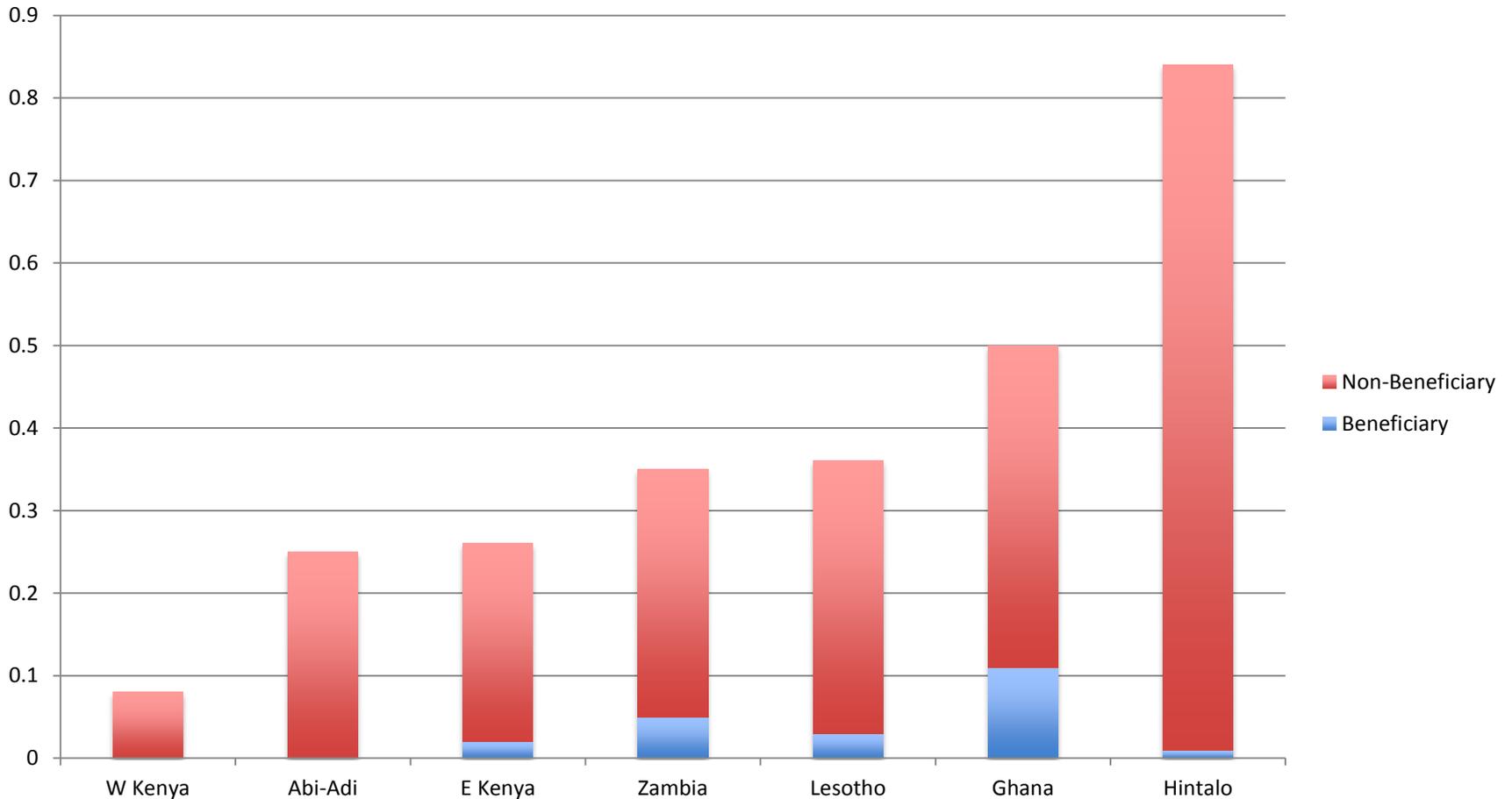
# A Comparison of Local Income Multipliers from SCT Programs

- Trends in outcomes across countries

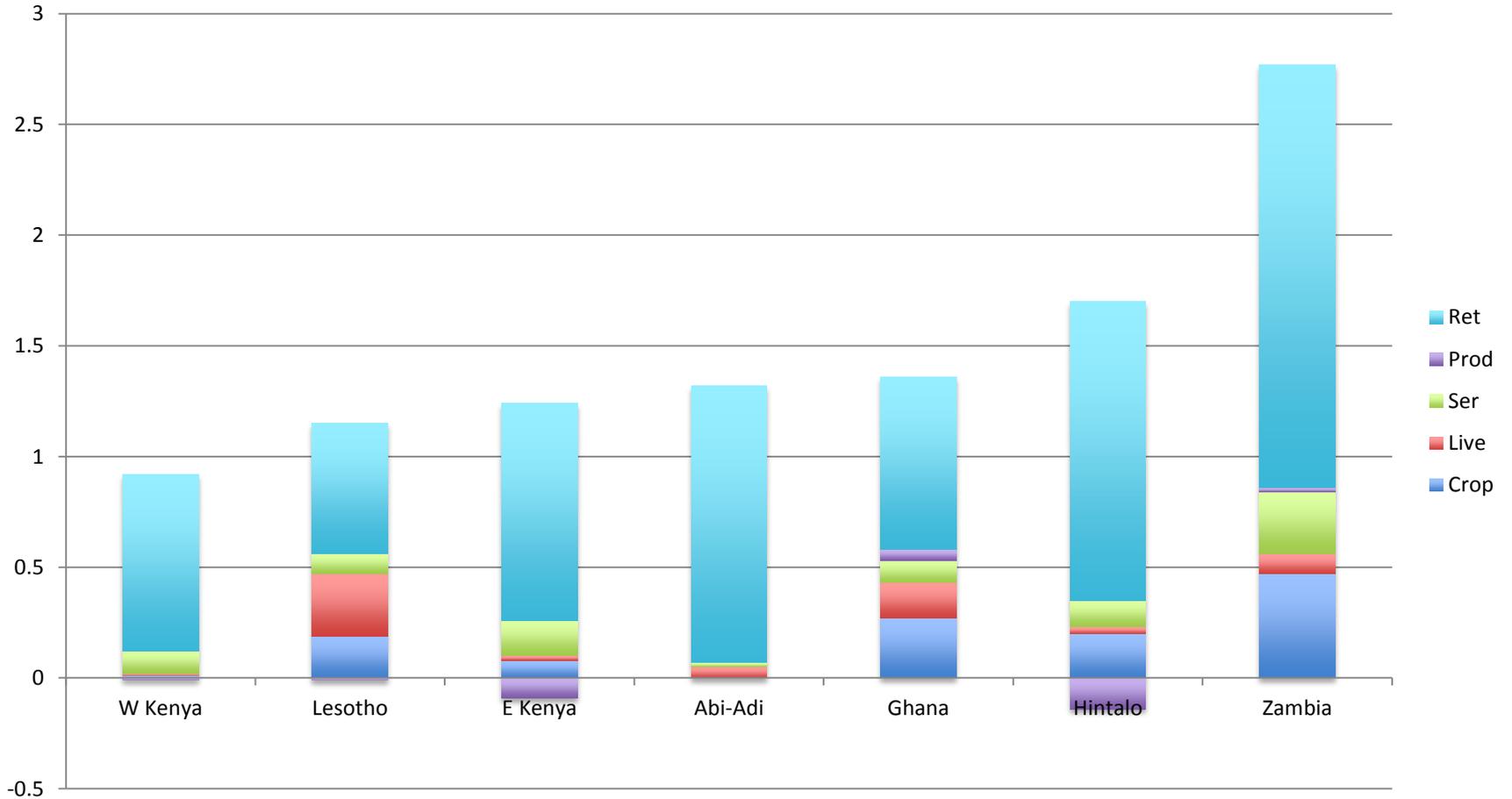
# Total income multipliers



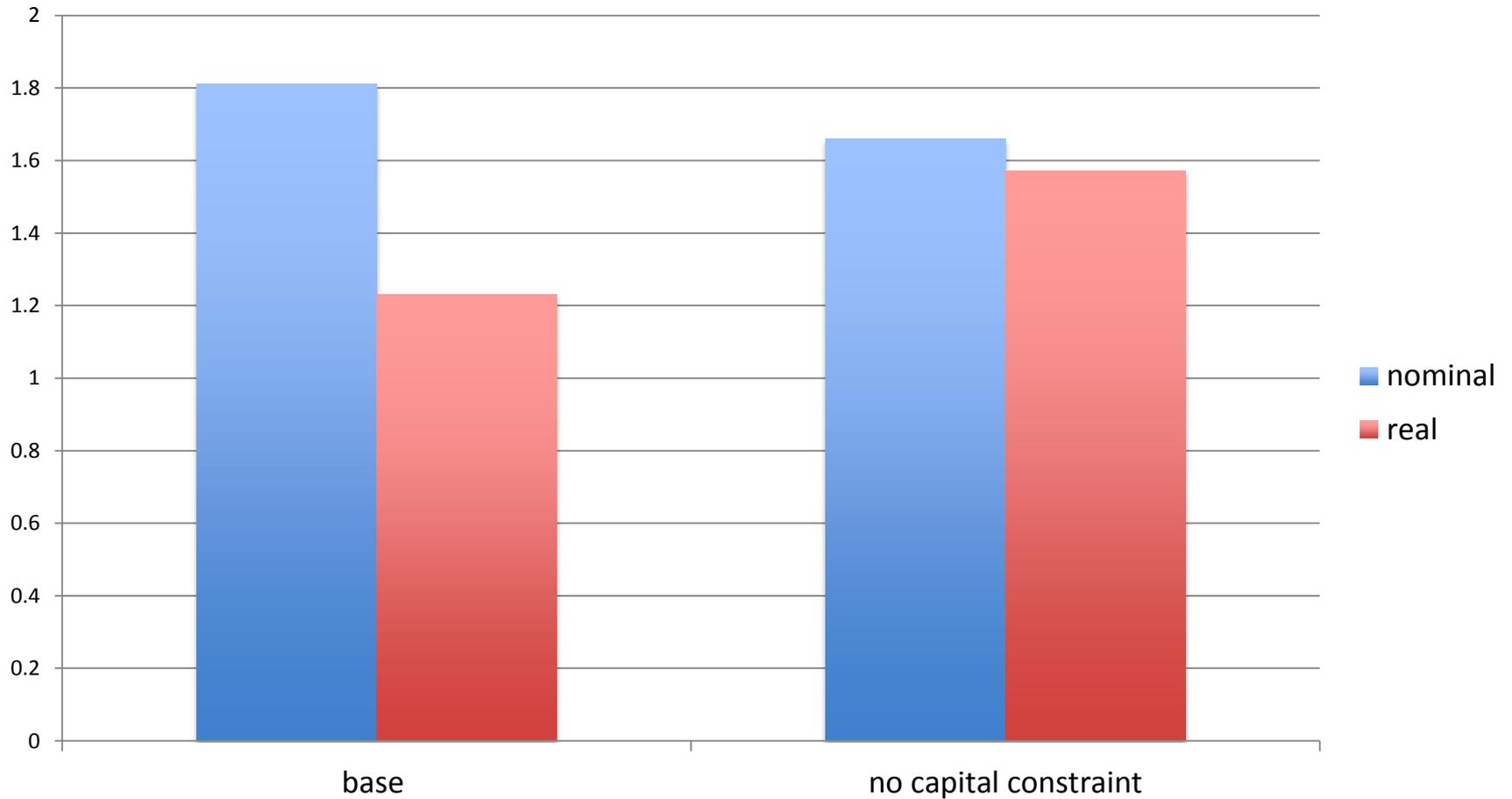
# Spillover income multipliers for beneficiary and non-beneficiary households



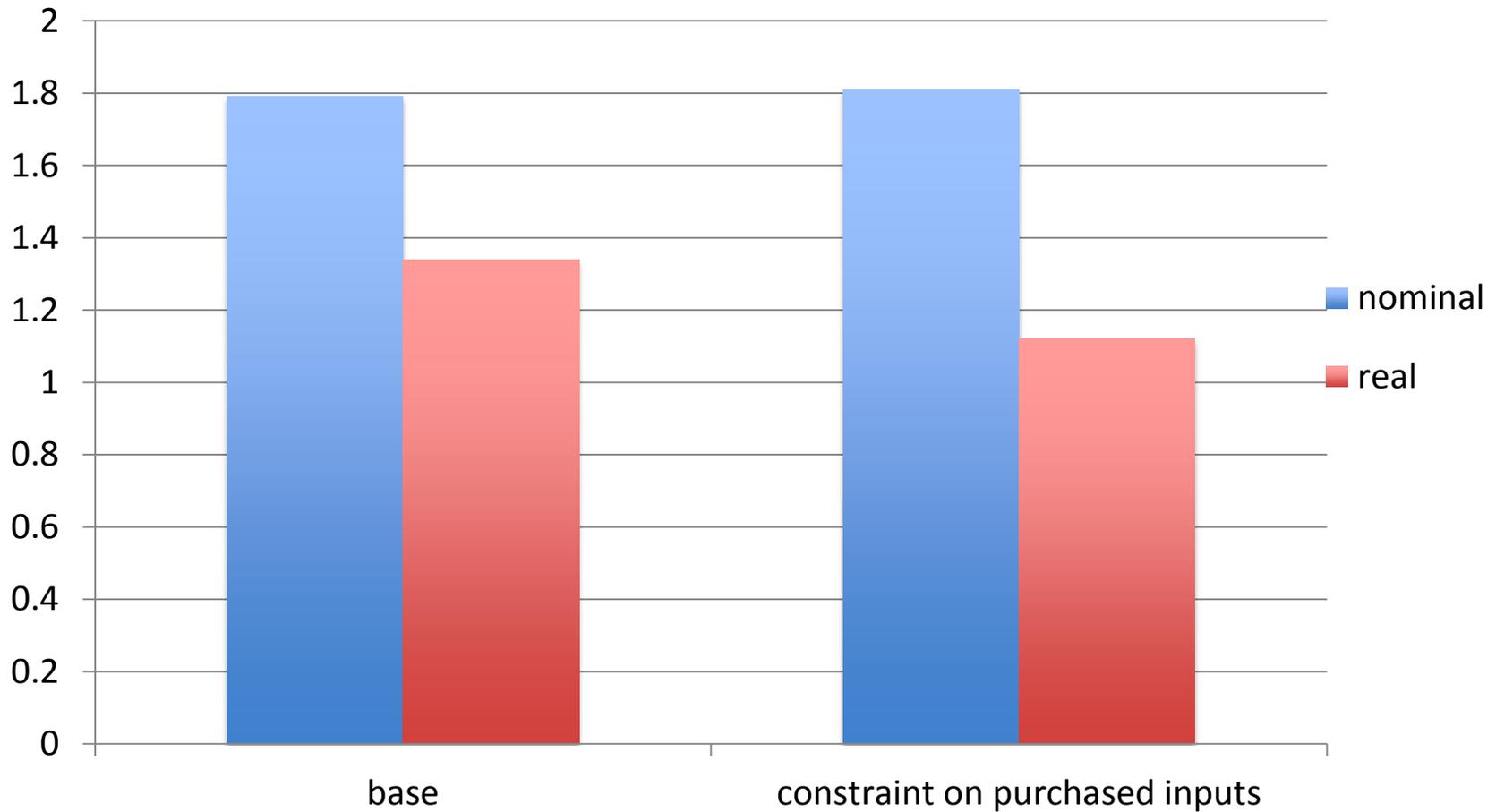
# Production multipliers by activity



# Loosening the capital constraint (E Kenya)



# Imposing constraint on purchased inputs for agriculture (Zambia)



# Continuum of Impacts

- First order: openness of local economies and local supply constraints
- Behavioral parameters (consumption, production) are important, but they do not seem to have the same impacts on results as local supply constraints do

# Beyond SCT Programs

- Policies that loosen production constraints can enhance impacts of SCTs
- ...which is why we have this unique FAO-UNICEF collaboration

Thank You

# Beyond Experiments:

*Evaluating Development Impacts with Local  
Economy-wide Models*

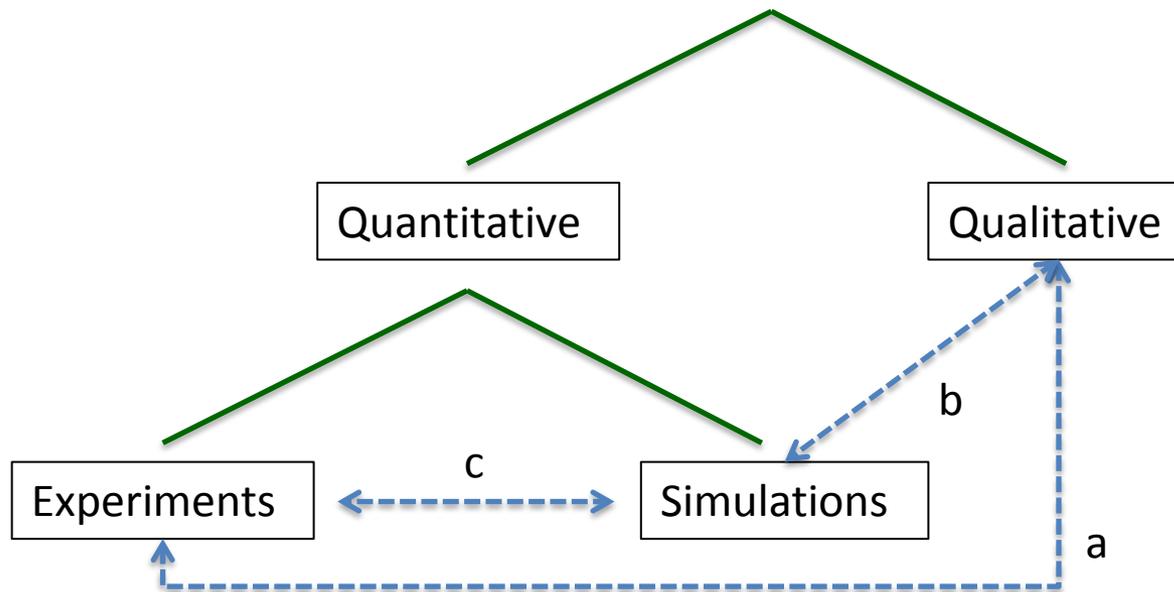
J. Edward Taylor and Mateusz Filipski

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# Contents

- Chapter 1 Introduction
- Chapter 2 Foundations for Local Economy-wide Impact Evaluation
- Chapter 3 A Continuum of Models for Any Situation
- Chapter 4 Data for Simulation Impact Evaluation
- Chapter 5 What's the Roatán Reef Worth?
- Chapter 6 Economy-wide Cost-benefit Analysis
- Chapter 7 Galapagos: The Myth of Eco-tourism?
- Chapter 8 Evaluating the Impacts of Global Food Price Shocks in Rural Guatemala
- Chapter 9 Spillover Effects of Social Cash Transfers: Lesotho's Child Grants Program
- Chapter 10 Malawi: Proving the Experts Wrong?
- Chapter 11 Modeling Regional Impacts of an Irrigation Project in Tanzania
- Chapter 12 Saffron! Gender and Inter-temporal Time Use in an Export-Boom Economy
- Chapter 13 Migration and the Impacts of the Great Recession in Rural Mexico
- Chapter 14 The True Cost of Corruption
- Chapter 15 Conclusions

# Mixed Methods on Two Levels



- a: Qualitative informs experiments
- b: Qualitative informs simulations
- c: Experiments and simulations inform one another