When and under what conditions should we expect to find evidence of impact of cash transfer programs on household livelihoods?

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Theory of change

- Household model with market failures/imperfections
  - Household behavior in the presence of credit and insurance market failures (nonseparable production and consumption)
    - Livelihood, crop, variety diversification
    - Labor allocation and investment
    - Resource allocation and investment
    - Input use and spending
    - Social network interaction

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Theory of change (continued)

- Change in behavior with the introduction of cash transfers
  - Alteration of the noted decisions

→ Productive impacts

- Mental accounting and the use of transfers
  - Linked to perception of magnitude and frequency

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Mechanism of impact

- Productive spending and investment
  - More inputs and more assets in agricultural or non-agricultural activities

- Change in resource allocation, particularly labor
  - More or less labor used in agricultural production, non-agricultural self employment, agricultural wage employment, non-agricultural wage employment…

Underlying assumptions for impact

1. Beneficiaries want to expand production rather than expand leisure.
2. Marketing/soft conditions on transfers do not limit short-term productive investment.
3. Transfers are sufficiently reliable to be considered for productive investment.
4. Markets for credit and insurance do not function and do limit access to productive inputs and thus limit production. And transfers are sufficiently large to overcome these limitations.

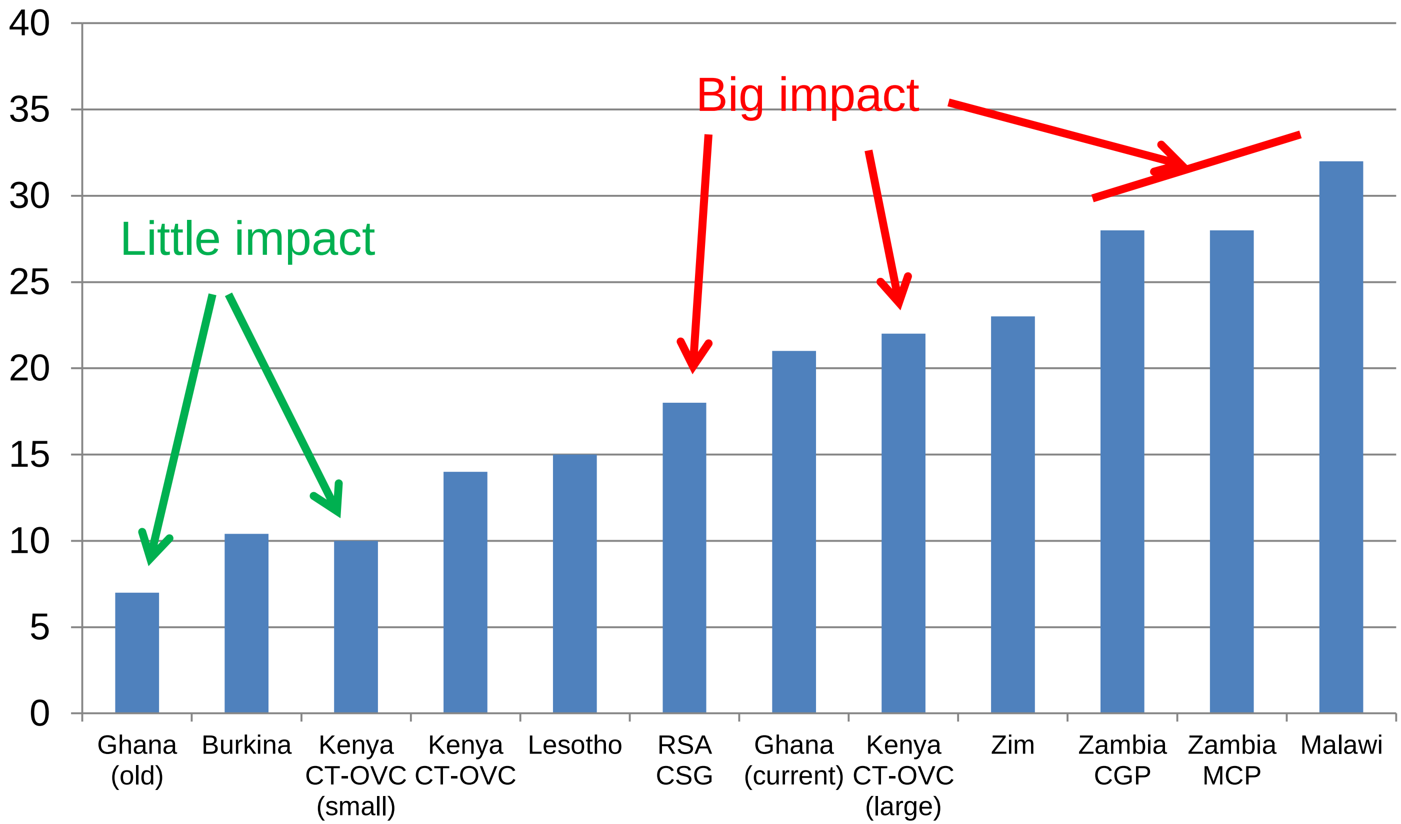
Underlying assumptions for impact (continued)

5. Opportunities exist in agriculture (or non-agricultural activities) for expanded production.
6. Beneficiaries have surplus labor (and land) to employ productively or can shift labor from less to more productive uses when provided with transfers.
7. Inputs are available to expand production.
8. Beneficiaries have the capacity to employ transfers in a productive manner.

Conditions when we expect to find impact

1. When beneficiaries want to expand production rather than expand leisure, which is likely to vary by region and household.
2. When marketing/soft conditions do not focus resources on other investments, such as child health and education.
3. When transfers are regularly provided.
4. When transfers help overcome credit market limitations, which may depend on the transfer size.

Size of transfer and food consumption



Conditions when we expect to find impact (cont')

5. When there exist opportunities to expand production in agriculture and/or non-agricultural activities.
6. When beneficiaries have surplus labor to employ productively or when they can shift labor from less to more productive uses.
7. When input markets are available.
8. When beneficiaries have the capacity to employ transfers in a productive manner.

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Factors affecting when we expect to find productive impact

- Depends on how program is targeted and characteristics of beneficiary households

- Depends on design of program in terms of marketing as well as size and regularity of transfer payments

- Depends on the implementation of the program and how it is managed