



The impact of the Malawi SCT program on productive activities—an update

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Motivation

- Objectives of Social Cash Transfers programs
 - Social protection
 - Reduce consumption poverty
 - Induce investment in child health and education
 - Break the intergenerational transmission of poverty
 - Criticism of SCTs
 - Focus solely on long-term poverty reduction
 - Weak link to productivity → human capital, skills, labor market insertion → Investment in human capital to what end
 - Agriculture?
 - Miss opportunities to complement broader development programs, particularly productive investment
 - Productive vs. social investment
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Motivation

- Cash transfers and production
 - Can they be used for productive purposes as a complement to broader development agenda?
 - Agricultural technology adoption
 - Agricultural asset accumulation
 - Promoting microenterprises...
 - Under what conditions?
 - Those with land or other opportunities?
 - Those that have access to complementary inputs including labor?






Social cash transfers and productive choices

- Transfers can influence consumption *and* production decisions when markets fail or are incomplete
 - Transfers as a source of liquidity
 - Credit constraints potentially limit productive spending and investment
 - Transfers can induce spending and investment altering production and the allocation of resources, including labor
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Social cash transfers and productive choices

- Transfers as a secure source of income
 - Insurance and credit market imperfections limit the ability of poor households to smooth consumption
 - Poor households take action to manage risk *ex ante* and cope with risk *ex post*
 - Transfers provide regular income uncorrelated with other income sources, potentially altering risk management and coping strategies, and therefore production choices
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Objective

- To look beyond the social protection function of SCT programs and analyze the impact of these programs on productive activities linked to agriculture

Covarrubias, Katia, Benjamin Davis and Paul Winters. “From Protection to Production: Productive Impacts of the Malawi Social Cash Transfer Scheme.” To be published in *Journal of Development Effectiveness*.


Boone, Ryan, Katia Covarrubias, Benjamin Davis and Paul Winters. “Cash Transfer Programs and Agricultural Production: The Case of Malawi.” February 2012.

Soares, Fernanda, Guy Stecklov and Paul Winters. “Household composition and the extreme poor in Sub-Saharan Africa.” February 2012.






Malawi Social Cash Transfers

- Initiated in 2006 with intention to reach poorest 10% of population
 - Expanding with hope of reaching 300,000 households by 2015
 - Targets ultra poor, ***labor constrained households***
 - Geographic targeting combined with community targeting within Village Development Groups (VDGs)
 - Unconditional cash transfer but “encouraged” to invest in children (soft conditions)
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Hypotheses

By providing cash to poor households the Malawi SCT leads to an:

1. Increase in agricultural asset ownership
 2. Increase in time dedicated to own production of agriculture and less to casual labor
 3. Increase in own production of basic crops and greater production of a range of crops
 4. Shift in adult labor into the household to facilitate production
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Malawi SCT: Data and method

- Evaluation 2007-2008
 - Random assignment of eight VDGs into treatment and control in Mchinji district
 - 751 households – 386 treatment, 365 control
 - Baseline: March 2007
 - Follow-up: Sept 2007 and April 2008
 - Questionnaire limited in production questions
 - Agricultural assets, time use, own production...
 - Double difference and propensity score matching
 - Adjustments to baseline due to targeting/sample size
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Agricultural assets

	Total	Labor>0	Labor=0	Male head	Female head
Hoes	0.13*** (0.000)	0.10** (0.044)	0.16*** (0.007)	0.02 (0.755)	0.19*** (0.000)
Sickles	0.29*** (0.000)	0.23*** (0.000)	0.34*** (0.000)	0.19*** (0.000)	0.34*** (0.000)
Goats	0.49*** (0.000)	0.58*** (0.000)	0.41*** (0.000)	0.43*** (0.000)	0.52*** (0.000)
Chicken	0.59*** (0.000)	0.70*** (0.000)	0.50*** (0.000)	0.58*** (0.000)	0.60*** (0.000)

Results consistent across seasons

P-values in parenthesis

Adult time use

	Sept 07	April 08
Own farm	-0.01 (0.400)	0.12*** (0.000)
Casual labor	-0.33*** (0.000)	-0.44*** (0.000)
Casual labor days	-2.32*** (0.000)	-3.00*** (0.000)
Household work	0.14*** (0.000)	0.14*** (0.000)

P-values in parenthesis

Source of food: September / April

	Own Production	Purchase	Gift
Cereals	+ / +	+ / +	- / -
Tubers	+ / +	+ / +	- / -
Pulses	+ / +	+ / +	0 / 0
Vegetables	+ / +	+ / +	- / -
Animal products	+ / +	+ / +	0 / 0
Fruits	+ / +	+ / +	0 / 0
Regular maize flour	+ / 0	+ / +	- / -
Fine maize flour	+ / +	+ / +	- / -

Adults in the household

	Impact	P-value
Adults 18-34	0.10**	0.015
Adults 35-54	0.01	0.715
Adults 55+	0.00	0.858
Females 18-34	0.05*	0.092
Females 35-54	-0.02	0.506
Females 55+	0.02	0.432
Males 18-34	0.05*	0.067
Males 35-54	0.03*	0.078
Males 55+	-0.01	0.344

Departures and arrivals

	Departed	P-value	Arrived	P-value
Any individual	0.03**	0.013	0.05***	0.000
Adults 18-34	-0.01	0.811	0.06	0.224
Adults 35-54	-0.03	0.303	0.08***	0.002
Females	0.02	0.163	0.04***	0.008
Females 18-34	0.02	0.744	0.05	0.583
Females 35-54	-0.02	0.360	0.06**	0.033
Males	0.04**	0.024	0.06***	0.001
Males 18-34	-0.04	0.506	0.09	0.195
Males 35-54	-0.02	0.841	0.14**	0.032



Conclusions

- SCTs have an impact on productive decisions related to agriculture
 - Asset accumulation, time use, food diversity and consumption all affected by the program
 - Adult labor appears to move back to complement access to cash
 - Impacts are evident among very poor and labor constrained
 - Impact probably linked to credit and insurance market imperfection
 - Seem to draw in adult labor making them less constrained
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