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Brief 7

Center for Economic Research in Pakistan (CERP) - Pakistan Poverty Alleviation Fund

Research Partnerships on Participatory Development

THE DESIGN OF SOCIAL PROTECTION PROGRAMS FOR THE ULTRA-POOR: ASSET TRANSFERS VERSUS UNCONDITIONAL CASH TRANSFER

Dr. Imran Rasul, Dr. Adnan Khan

Context

More than 40 million people live below the national poverty line in Pakistan. Ten million of them reside in the rural southern districts of Punjab province. The project is being implemented by National Rural Support Program (NRSP) and Farmer Development Organizations (FDO) in four of the poor districts of Southern Punjab namely; Bahawalpur, Muzzaffargarh, Lodhran, and Bahawalnagar, and aims to provide causal impact of asset and cash transfers on various outcomes such as household's engagement in different sectors and their overall economic well-being, by measuring them rigorously through Randomized Control Trail (RCT).

There is evidence that asset-transfer programs coupled with complementary training, significantly and permanently raise the economic well-being of ultra-poor households' through their engagement in basic entrepreneurship [Banerjee et al. 2012, Bandiera et al. 2013]. There is also evidence that unconditional cash transfers foster entrepreneurial activity [Blattman et al. 2013]. This research design is among the first to directly compare both designs in the same environment. This comparison helps identify the underlying behavioural and market failures that cause rates of return on cash transfers and asset transfers to differ.

Experiment

The project divides the total sample into two treatment arms where randomly selected 1,895 ultra and vulnerable poor households will either receive asset or cash from partner organizations. The first treatment arm (30 mouzzas) is a replica of regular asset transfer programs where an in-kind asset, of any combination up to the value of PKR 50,000, combined with complementary trainings is provided to beneficiaries, whereas in the second treatment arm (29 mouzzas), beneficiaries also have a choice of choosing equivalent amount of cash instead of asset and trainings. Apart of these two treatment arms, sample also includes a set of Control villages (90 mouzzas) that will not receive anything from PPAF or their partners. The evaluation nature of this study will primarily help the team to measure the welfare impact of both interventions.

A comparison of outcomes between Treatment 1 and the Control group reveals the causal impact on household well-being of being offered a menu of assets and complementary training. A comparison of outcomes between Treatment 2 and Control group households reveals the impact of being offered the longer list including the equivalent cash transfer. Comparing outcomes between Treatment 1 and 2 reveals whether households are better off when offered cash transfer relative to when they are only offered a menu of in-kind asset transfers. These treatment effects are identified using the experimental variation in the RCT.

Policy Implications

This project addresses a question central to the design of social protection programmes in developing countries: whether in-kind transfer programmes are more effective than cash transfers. The experimental research design and data collection on communities/households allows us to determine the underlying demand for cash transfers over in-kind transfers, and estimate the causal impacts of the offer of both choices on outcomes including labour productivity, income generating activities and movements into basic entrepreneurship, earnings levels and earnings volatility, consumption and asset holdings.

In addition to this, the data collected on the supply side of livestock and other markets will shed light on market failures that create a wedge between the rates of return to asset transfers and cash transfers. If cash transfers have higher returns, the analysis assesses which investment opportunities are available to ultra-poor households that are not in the form of livestock/retail asset transfers. If cash transfers have lower returns our study shed lights on the behavioral biases/market failures that drive this. Both will provide novel findings for design of social protection programmes for the ultra-poor, but also foster research/policy into the market failures that lead to extreme forms of poverty in the first place. The market failures that constrain growth include missing markets for training, imperfect markets in complementary inputs (e.g. veterinarians, infrastructure linking to urban consumers), and discrimination against ultra-poor households by intermediaries or other households

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Pakistan Poverty Alleviation Fund
1, Hill View Road, Banigala, Islamabad, Pakistan , Tele: +92-51-111-000-102 Fax: +92-51-261 3931-33, Website: www.ppaf.org.pk