

What Social Protection Programs Contribute to Broadly Based Growth?

What we know, What we need to learn

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Productive Social Protection

Safety Nets, Cargo Nets & Cash Transfers

- Laura & Hassan outlined for us the mechanisms by which social protection may foster economic growth
- As a complement to their macro growth analysis, explore what we do & do not know about:
 - 'Save the Children' cash transfers, human capital and time horizon of economic growth impacts
 - 'Save the Parents' asset transfers, human capital and time horizon of economic growth impacts
 - Insurance to crowd-in entrepreneurial risk-taking—Will it work?

Cash versus Asset Transfers

A debate we need to have

- 'Save the Children' through Cash Transfers
- Mexico's Progressa Conditional Cash Transfer program has been very influential in part because of careful randomized impact evaluation
 - South Africa simultaneously implemented an unconditional cash transfer program called the Child Support Grant (CSG)
- Boost Parents' Productivity through Asset Transfers (or cargo nets)
 - Classic land reform logic
 - South Africa's Land Redistribution for Agricultural Development (LRAD) introduced in 2001
- Research allows a window into which of these responses is the better approach to persistent poverty & promoting growth?

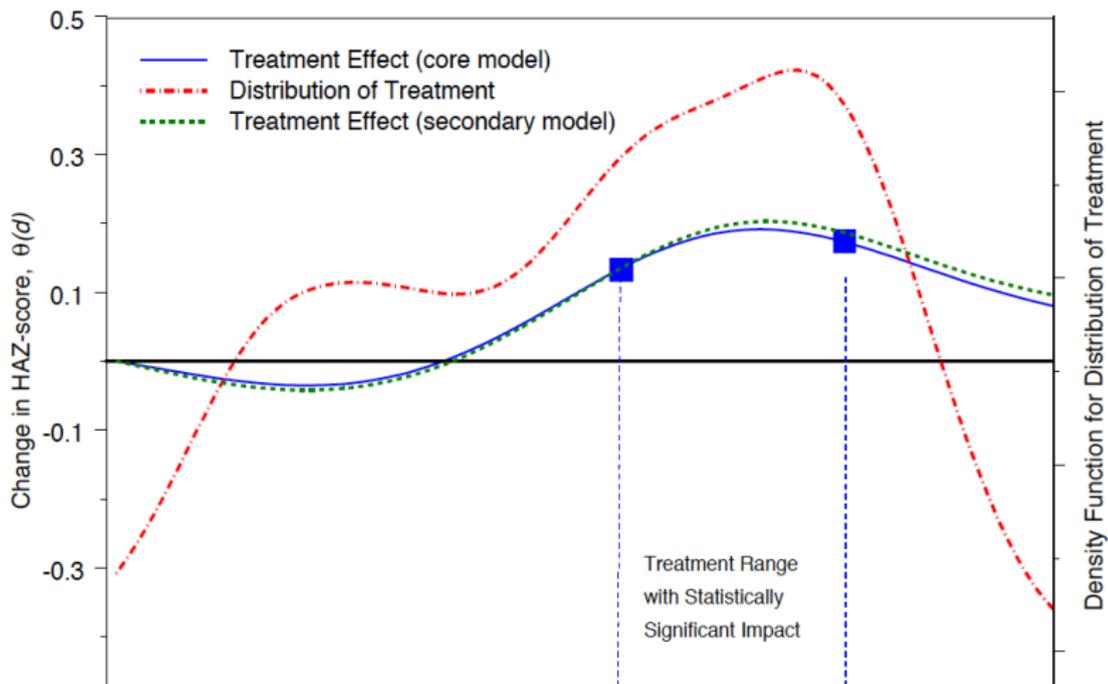
South Africa's Child Support Grant (CSG) Transfer Program

- Introduced in 1998, the CSG is means-tested
- The child's care giver (typically the mother or grandmother) receives the grant in the name of the child
- Payments are unconditional: no clinic visits or school attendance are required
- Children from *poor* households are entitled from birth to 14.
- Payments are R170 (US\$27) per month per child. Three months of CSG equal one year of school fees.
- Unlike *Progresa*, CSG rollout was not randomized
- No 'control group' of non-beneficiaries who should be identical to beneficiaries in both observable and unobservable characteristics—herein lies impact evaluation challenge

Impact Analysis of CSG

Analysis of duration of CSG coverage for children under 36 months

Figure 3: Gains in Height-for-Age from Child Support Grant



Economic Impacts of Improved Child Growth

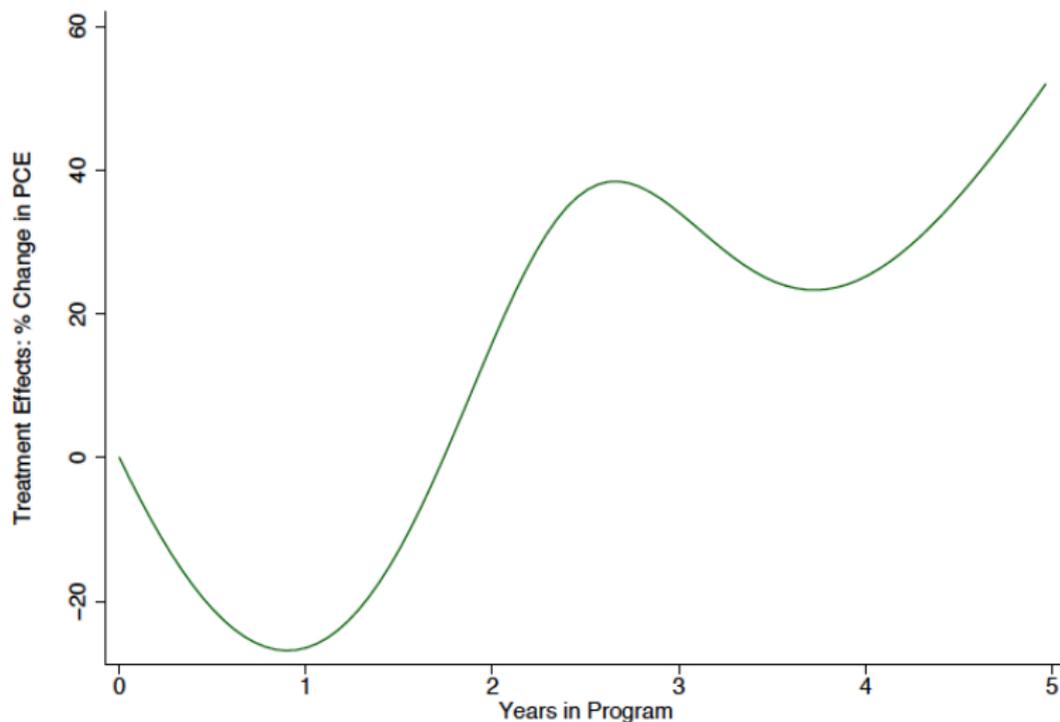
- Evidence on nutrition and cognitive development (Paxson and Schady; Macours et al.)
- More generally, what is long-term value of this human capital asset?
- Assumptions
 - Maintain z-score gain implies 1.8 cm gain in adult height
 - Accept Thomas-Strauss wage-height elasticity estimate: 2.4-3.3
 - Implies Adult monthly wage gain of R67-R92
 - Accrue wage gain from 25-65 years old
- Results
 - Present value at birth of expected wage gain: R3896-5380
 - Program cost: R3400 (20 months \times R170)
 - Benefit-Cost: 1.6-2.3
 - If assume unemployed one third of time, ratio falls to 1.06-1.48

Land Redistribution for Agricultural Development (LRAD)

- Redistribution of land happens by way of a once-off grant (R15,000 or more with matching) made to beneficiaries followed by voluntary land market transactions
- For the LRAD programme, this means that beneficiaries don't get cash but gain ownership of land.
- The state's role is to lubricate the bargaining process between the prospective beneficiaries and the seller.
- Market-assisted process, but where “invisible hand” of market has a helping hand.
- Like CSG program, no control group of individuals identical to beneficiaries but who were denied access to program

Continuous Treatment Impact Estimators

South African Land Reform



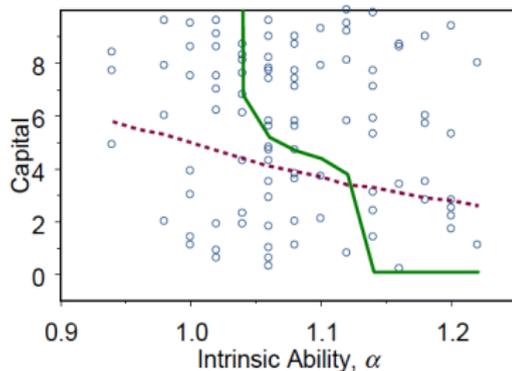
Asset versus Cash Transfers

- The upfront direct costs of LRAD are some 5-times that of early childhood CSG payments
- The asymptotic income increases are, however, 15 times higher than the expected income increases from improved child height
- The LRAD income increases also accrue much earlier
- We may be understating full impact of CSG-induced health increases
- We also do not know whether the income increases generated by LRAD spill-over into improvements in child health and nutrition
- Challenge to all of us to rethink asset versus cash transfers—forward!

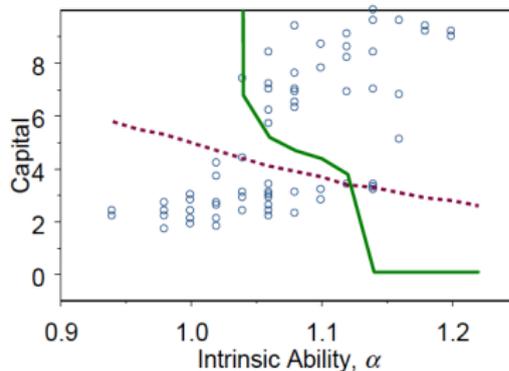
Insurance to Crowd-in Entrepreneurial Risk-taking

Theory: The Micawber Threshold

Initial Distribution

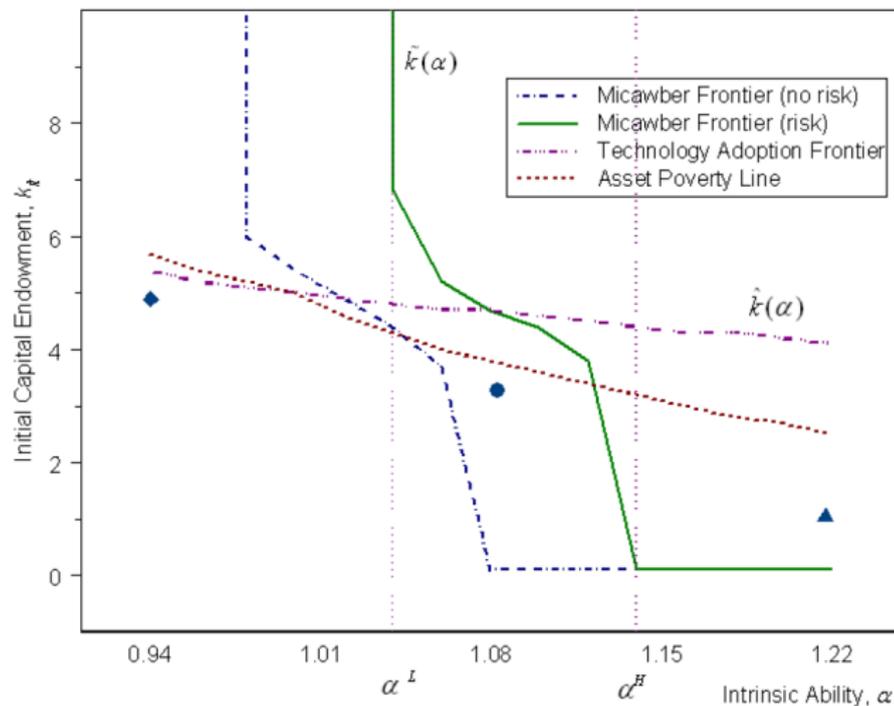


Year 50 Autarchy



Insurance to Crowd-in Entrepreneurial Risk-taking

Theory: Crowding-in investment and income growth



Insurance to Crowd-in Entrepreneurial Risk-taking

Practice: the HSNP+ program in Northern Kenya

- Video Clip (<http://blip.tv/file/3757148>)
- Intuition & initial analysis
 - Can we do better than food aid & cash transfers?
 - Expected effects
 - Ex post: brake slide into infeasible positions
 - Ex ante: open pathways from poverty Induce financial deepening
- Technical challenges & crafting a demand-centric design
 - Index signal
 - Intelligent design
- Implementation challenges
 - Contract details
 - Understanding
 - Reinsurance and competitive pricing
- Rollout, results and impact evaluation strategy