Human capital, credit constraints, and rural poverty: Impact Evaluation of PSNP Livelihoods

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Motivation

- Economic inclusion (EI) programs generate persistent increases in household income and assets through a "big push" (PEI, 2021; Kondylis & Loeser, 2022)
  - **Trainings and coaching** → Develop human capital
  - **Transfers, savings groups** → Overcome credit constraints to leverage developed human capital
- EI programs currently reach 3% of households receiving social assistance (PEI, 2021; Gentilini et al., 2022); new challenges associated with increasing scale
  - Effective **trainings** often implemented by private sector (Bossuroy et al., 2022)
  - **Large transfers** drive high costs in government-led programs (PEI, 2021)
  - Potential for **spillovers** onto non-beneficiaries (Filmer et al., 2021)

Research questions

- **What are the impacts of government-implemented EI programs?**
  - Featuring facilitated access to low interest loans ("credit")? or transfers ("grant")?
  - How do the impacts of facilitated access to low interest loans or asset transfers vary by household characteristics?
- **What is the value added of different components?**
  - What are the additional impacts of government-implemented soft skills training?
  - What are the differential impacts of the grant compared to credit?
- **What are the impacts on non-beneficiary households of EI-at-scale?**

Experimental design
Across-kebele randomization

Impact of LH = (LH) − (Control)
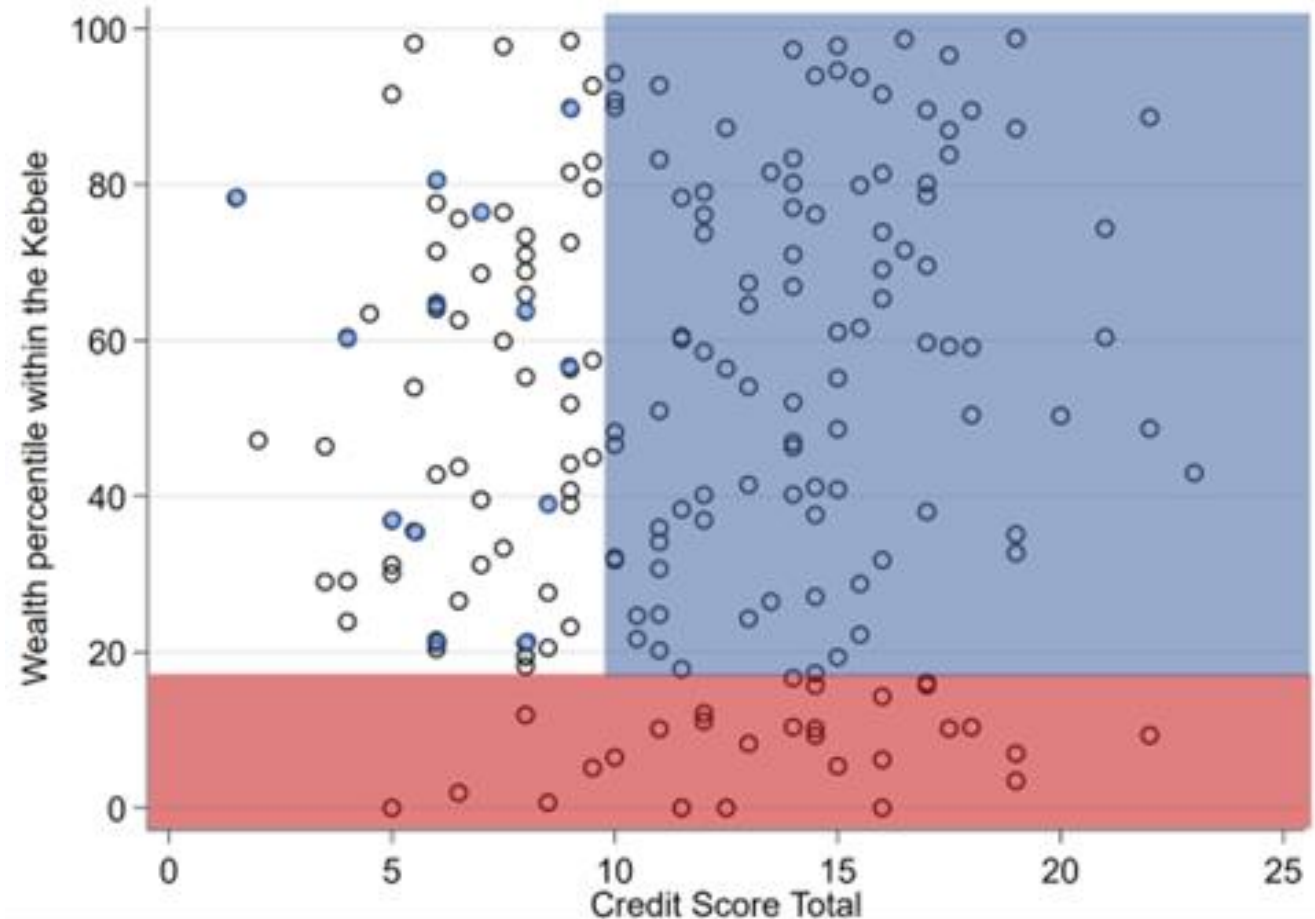
Impact of Soft skills = (LH+) − (LH)
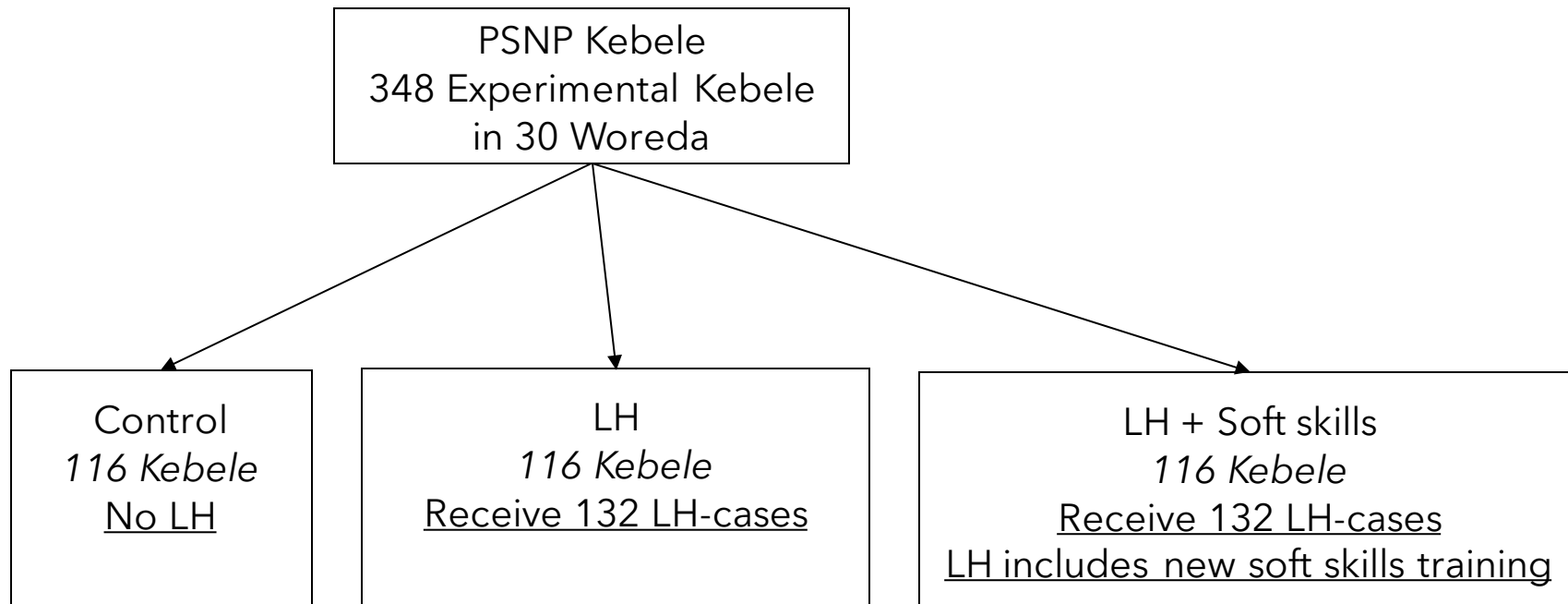
Kebele lotteries

Experimental design
Across-household targeting and randomization

- **Poorest LH-interested households** receive LH-Grant

- **Highest credit capacity LH-interested** households receive LH-Credit

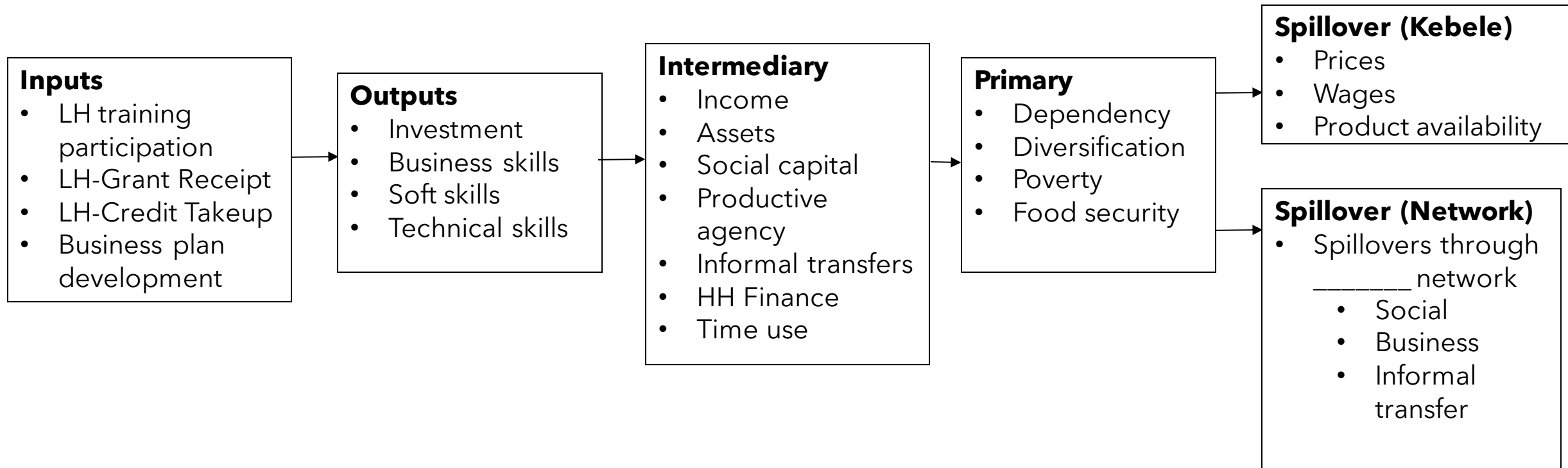- "**Missing Middle**" get random "second chance" to receive LH-Credit

Lists of grant and credit beneficiaries posted in Kebele

Sampling

- Survey 8,760 HH across 348 Experimental Kebele in 30 Woreda
- 25 HH per Kebele: 10 LH-Cash-Eligible and 15 LH-Credit-Eligible
- Sample from HH Profiling lists in all 348 Experimental Kebele

Key outcomes

Inputs
- LH training participation
- LH-Grant Receipt
- LH-Credit Takeup
- Business plan development

Outputs
- Investment
- Business skills
- Soft skills
- Technical skills

Intermediary
- Income
- Assets
- Social capital
- Productive agency
- Informal transfers
- HH Finance
- Time use

Primary
- Dependency
- Diversification
- Poverty
- Food security

Spillover (Kebele)
- Prices
- Wages
- Product availability

Spillover (Network)
- Spillovers through _____ network
  - Social
  - Business
  - Informal transfer

Timeline

Feb 2023 Community Based Targeting Completed

Mar 2023 Kebele lotteries, Recruitment of CF, Training-of-Trainers

Apr 2023 Beneficiary selection, Group formation

May 2023 – Jul 2023 Baseline (HH, DA/CF, Community)

May 2023 – Aug 2023 Financial, Business, Technical, and Soft Skills Trainings by DA/CF, DA/CF monitoring surveys

Aug 2023 Grant distribution/Credit application

Aug 2023 – Aug 2024 Coaching by CF

Oct 2023, Dec 2023, Feb 2024 Midline 1 (Short HH, DA/CF, Community)

May 2024 – Jul 2024 Midline 2 (HH, DA/CF, Community)

Initial qualitative work

- 2 Regions (Dire Dawa and Sidama)
- 4 woredas, 8 kebeles
- KII and focus groups at Region-, Woreda-, and Kebele-level
- In depth interviews with individual and groups of beneficiaries

Takeaways from initial qualitative work
Credit

- Households often unfamiliar with credit, highlighting importance of financial literacy training
  - "I borrowed 3425 Birr and bought a calf to rear. They asked for the money back after 6 months, and I had no money, so I sold the calf and I never took a loan again."
- Households have insufficient savings to take large loans from MFI, but have investment ideas; **MoUs with Regional MFIs essential to ensure LH-beneficiary access to credit**
  - "MFI buildings are symbolic, they don't give money. With 10,000 Birr, I would buy a bull, feed it, and I could resell for 50,000 Birr."

Thanks!