from PROTECTION to PRODUCTION

A methodology for local economy-wide impact evaluation (LEWIE) of cash transfers

Methodological guidelines for the From Protection to Production project

J. Edward Taylor
Department of Agricultural and Resource Economics, University of California, Davis

A methodology for local economy-wide impact evaluation (LEWIE) of cash transfers

Methodological guidelines for the From Protection to Production (PtoP) project

J. Edward Taylor
Department of Agricultural and Resource Economics, University of California, Davis

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS - ROME - 2013

The From Protection to Production (PtoP) project is financed principally by the UK Department for International Development (DFID) and the Food and Agriculture Organization of the UN (FAO), with additional support from the European Union. The research underlying this paper also received support from the World Bank.
The PtoP project is part of a larger effort, the Transfer Project, joint with UNICEF, Save the Children and the University of North Carolina, to support the implementation of impact evaluations of cash transfer programmes in sub-Saharan Africa.

An earlier version was published as IPC Working Paper number 99 December, 2012.

Abstract

There are a number of cash transfer (CT) programs in sub-Saharan Africa intended to aid the most vulnerable households. Because targeting strategies limit eligibility to resource-constrained and labor-poor households, the design of these programs would seem to work against the creation of positive production spillovers. From a local economy-wide perspective, though, beneficiary households are a conduit through which new cash enters the rural economy. As they spend their cash, the beneficiary households unleash general equilibrium (GE) effects that transmit program impacts to others in the economy, including non-beneficiaries. Most households that do not receive cash transfers are ineligible because they fail to meet the poverty-related criteria and are not labor constrained; they may be better positioned to expand production when demand is stimulated by cash transfers.

The local economy-wide impact evaluation (LEWIE) methodology is designed to understand the full impact of cash transfers on local economies, including on the production activities of both beneficiary and non-beneficiary groups; how these effects change when programs are scaled up to larger regions; and why these effects happen. All of these aspects are important for designing projects and explaining their likely impacts to governments and other sponsoring agencies.

The traditional starting point for constructing GE models is the development of a social accounting matrix (SAM) for a given geographic area; the LEWIE model requires the construction of household-village (local) social accounting matrices (SAMs) using household, enterprise, and community survey data collected as part of the baseline and/or follow up surveys in each of the countries in which evaluations of cash transfer programs are carried out. Separate SAMs are constructed for the households that will receive the randomized transfer, for control-group households, and when available, for ineligible households in both the beneficiary and control villages.

Contents

Executive summary

There are a number of cash transfer (CT) programs in sub-Saharan Africa intended to aid the most vulnerable households. Because targeting strategies limit eligibility to resource-constrained and labor-poor households, the design of these programs would seem to work against the creation of positive production spillovers. From a local economy-wide perspective, though, beneficiary households are a conduit through which new cash enters the rural economy. As they spend their cash, the beneficiary households unleash general equilibrium (GE) effects that transmit program impacts to others in the economy, including non-beneficiaries. Most households that do not receive CTs are ineligible because they fail to meet the poverty-related criteria and are not labor constrained; they may be better positioned to expand production when demand is stimulated by CTs.

The LEWIE methodology is designed to understand the full impact of cash transfers on local economies, including on the production activities of both beneficiary and non-beneficiary groups; how these effects change when programs are scaled up to larger regions; and why these effects happen. All of these aspects are important for designing projects and explaining their likely impacts to governments and other sponsoring agencies.

The traditional starting point for constructing GE simulation models for project impact evaluation is to build social accounting matrices (SAMs). The LEWIE method bypasses this step; the simulation model is built directly from the data. An advantage of LEWIE over traditional GE models is that by using data to directly parameterize the model, it also allows for the construction of confidence bands based on the distribution of the econometrically estimated parameters.

1.1. LEWIE: The Model

A LEWIE for a CT program begins by nesting household-farm models for eligible and ineligible households within a region of interest. The household models describe each group's productive activities, income sources, and expenditure patterns. In a typical model, households participate in activities such as crop and livestock production, retail, service, and other production activities, as well as in the labor market.

Productive activities use different factors (e.g. hired labor, family labor, land, capital), as well as intermediate inputs; the production functions for each activity are estimated econometrically. Household groups can purchase goods and services locally or outside the region; their expenditure can also be modeled econometrically.

Household groups in a given village are linked by local trade, and villages are linked by regional trade. The whole region also interacts with the rest of the country, importing and exporting goods and selling labor. Weaker interactions with outside markets mean fewer leakages, making it more likely to detect impacts within the local economy.

Survey data have two main purposes in the construction of LEWIE models: they provide initial values for all variables in the model as well as the data to econometrically estimate model parameters for each household group and sector, together with standard errors. The initial values and parameter estimates are organized into a data input spreadsheet designed to interface with GAMS, where the LEWIE model resides.

1.2. LEWIE: Markets and Assumptions

Validation is always a concern in GE modeling. Econometrics provides us with a way to validate the model's parameters: significance tests provide a means to establish confidence in the estimated parameters and functions used in our simulation model. If the structural relationships in the simulation model are properly specified and precisely estimated, this should lend credence to simulation results.

Econometric estimation of model parameters opens up a new and interesting possibility in regard to validation: the estimated standard errors for all parameters in the model can be used together with Monte Carlo methods to perform significance tests and construct confidence intervals around project impact simulation results.

The LEWIE also takes into account nonlinearities and local price effects in the region of interest. Simulations require making assumptions about where and how prices are determined (that is, market closure, which is usually not known). Sensitivity analysis, combined with the Monte Carlo method described above, allow us to test the robustness of simulated impacts to market-closure assumptions.

1.3. LEWIE and Randomized Control Trials

Evaluating project impacts with a randomized control trial (RCT) may be difficult if GE effects are present, because these effects can transmit impacts from treated to non-treated, including control, households. Effects of programs on control groups frequently confound experimental research in the social sciences. If GE linkages are strong and positive, and if they extend to control households, it may be difficult to identify the income impact of the program, because income will rise in both the treated and non-treated households. This is a form of control-group contamination.

Well-designed RCTs can capture some of the spillover impacts of programs (i.e., on the ineligible households at the program sites). However, they generally do not tell us why these spillovers occur (e.g., through local price effects), how we might be able to influence them, or how GE effects are may alter impacts once a program is scaled up. Experimental economists often ignore the effects of programs on ineligible groups, instead focusing on the average effects of treatments on the treated. Ignoring general-equilibrium effects can give an incomplete and often biased picture of how cash transfers affect local economies, including production activities.

Introduction

As soon as a household receives a cash transfer, it usually spends it. This transmits the transfer's impacts from the beneficiary household to others inside and outside the local economy, including households not eligible for the transfer. As the program's influences swirl around the project's zone of influence (ZOI) they create local general equilibrium (LGE) effects in addition to the direct impact of the program on the beneficiary households. Local economy-wide impact evaluation (LEWIE) is designed to capture the full impact of government programs (as well as other exogenous shocks; see Taylor and Filipski, 2012) on local economies.

Understanding the LGE effects of transfers and other public programs is important. Governments want to know how transfers affect the non-recipient as well as recipient households before committing significant resources to transfer programs. Transfers may affect production in beneficiary or non-beneficiary households, and indirect effects can significantly alter the overall impact of an intervention (positively or negatively).

Evaluating project impacts with a randomized control trial (RCT) may be difficult if LGE effects are present, because these effects can transmit impacts from treated to control households. Effects of programs on control groups frequently confound experimental research in the social sciences[1]. If GE linkages are strong and positive, and if they extend to control households, it may be difficult to identify the income impact of the program, because income will rise in both the treated and non-treated households. This is a form of control-group contamination.

Once a project is scaled up, GE effects are almost certain to create outcomes that were not captured in the RCT, including feedback effects on treated and non-treated households. The reliability of experimental methods depends critically on the invariance assumption, which states that the actual program will act like the RCT version of the program. GE effects are the main reason we worry about violations of the invariability assumption in RCTs[2].

Well-designed RCTs, i.e., those using random assignment at the cluster level while including ineligible households, can capture some of the spillover impacts of programs (i.e., on the ineligible households at the program sites, or eligible households excluded due to budget constraints). However, they generally do not tell us why these spillovers occur (e.g., through local price effects), how we might be able to influence them, or how GE effects are may alter impacts once a program is scaled up. Experimental economists often ignore the effects of programs on ineligible groups, instead focusing on the average effects of treatments on the treated. Ignoring general-equilibrium effects can give an incomplete and often biased picture

1 For example, see Edward Miguel and Michael Kremer's (2004) study of an experiment to raise school attendance by treating Kenyan children for worms.

2 There may be other difficulties with scaling up, e.g., the effectiveness of targeting and other administrative and cost problems tend to arise (e.g., Maliro (2011)). We have not explored these yet in LEWIE models, but with the right information, the models could be used to evaluate the local economy-wide implications of these scaling-up inefficiencies, for example, by reallocating transfers from eligible to ineligible households.

of how cash transfers affect local economies, including production activities. The total impact will be different from the average effect of the program on the treated.

This paper presents a methodology to understand the full impact of cash transfers on local economies, including on the production activities of both beneficiary and non-beneficiary groups; how these effects change when programs are scaled up to larger regions; and why these effects happen. All of these are important for designing projects and explaining their likely impacts to governments and other sponsoring agencies.

The simulation methods presented here are not a substitute for RCTs. Experimental findings are important to test and quantify the likely impacts of interventions on beneficiary households and, under some conditions, on ineligible households. They can also help validate some of the predictions of simulation models and, in some cases, improve the accuracy of model parameters.

Validation is a strength of RCTs but a concern in GE modeling. We econometrically estimate the LEWIE model parameters and use Monte Carlo methods to perform significance tests and construct confidence intervals around project impact simulation results. We believe this is an important step towards providing simulation impact evaluation with validation tools that are largely absent in the GE literature.

2. Methods overview

Our goal is to develop a method to estimate the full impacts of cash transfers on local economies, including on households that do not receive cash transfers, using simulation methods. The basic idea behind LEWIE is to create models of beneficiary and non-beneficiary households, then link them together within a GE model of the local economy.

A SAM is the basic data input for conventional (aggregate) general equilibrium models (Burfischer, 2011). New LEWIE methods discussed later in this report use econometrically-estimated parameters and bypass the stage of manually constructing SAMs. Nevertheless, they, too, must adhere to SAM accounting identities, and a conceptual SAM framework is the best starting point for any kind of LEWIE.

Traditionally, in GE modelling there is one SAM for a given geographic area, be that country or province, village, etc. Some project impact evaluation models begin with SAMs for different household groups, reflecting households' eligibility for project benefits. The different household groups, in addition to having different characteristics related to eligibility, also have different economic structures, including production activities and patterns of demand, and they may participate in markets in different ways that shape project impacts. Data from the baseline survey for RCTs can be used to construct SAMs for the different household groups in the project area.

If we have a valid control group, the economic structure of the households within it, on average, should be identical to that of the treatment group. However, we would not want to combine treatment and control households within a single SAM; experiments require keeping the two groups separate.

LEWIE requires considering at least two other groups of economic actors: the ineligible households in treated and control villages. There is a compelling reason to think that the structure of their household economies is quite different than that of the eligible households, in ways related to program eligibility and/or uptake. These differences may include access to productive assets, activity mixes, technologies, market participation, and expenditure patterns. Household groups may be disaggregated further, depending on the needs and interests of the evaluation. For example, if a group of households is socially excluded (perhaps because it of a different ethnicity), it might trade amongst its own members, and this would imply different linkages with the ZOI economy.

Household-village (local) social accounting matrixes can be used to parameterize a LEWIE model to analyze the local economy impacts of the cash transfer program. However, the newest LEWIE methods improve upon past GE impact-evaluation methods (e.g., Filipski and Taylor, 2012) by econometrically estimating production, demand, and other function parameters in the model, bypassing the SAM-construction stage. With econometrically-estimated model parameters, Monte Carlo methods can be used to perform significance tests and construct confidence intervals around project impact simulation results, as described at the end of this document.

After the randomized cash transfers are given out, ex-post surveys are used to verify the simulations and, where appropriate, improve the parameterization of the models. The simulation methods for impact evaluation that we develop are intended to complement the experimental analysis of average effects of cash transfers on the treated households.

As in any RCT, surveys are carried out before and after the roll-out of cash transfer programs, and they need to meet the needs of both the experimental and simulation impact evaluations. For the simulation impact evaluations, surveys need to provide the information necessary to estimate model parameters for beneficiary and non-beneficiary households.

The rest of this document explains the household SAMs and survey data needed to construct them; how the LEWIE model is parameterized from SAMs or directly from survey data; how the model is used to simulate transfer impacts; and how to validate LEWIE simulation results.

3. Household SAMs

Regardless of whether SAMs are manually constructed for each household group or the LEWIE model is parameterized econometrically, the starting point for constructing simulation models for project impact evaluation is to build a conceptual SAM for beneficiary and non-beneficiary groups within the zone of interest (ZOI) of our impact evaluation. Defining the ZOI is an important part of any impact evaluation, and we discuss how to do this later. This section explains what household SAMs are and how they are used as a basis for impact evaluation. The next section will present the data requirements for constructing these household SAMs and/or parameterizing the LEWIE model directly, as well as how to design the surveys needed to satisfy these data requirements.

Table 1a presents a stylized elemental SAM for a poor household or group of households that will be randomly selected to receive a cash-income transfer; that is, it represents the beneficiary or treatment group.[3] The household group represented in this illustrative example produces 80 value-units (say, dollars) of agricultural output and 140 of a nonagricultural good. These numbers are both the column and row totals for the two production accounts in the SAM. This beneficiary group carries out its agricultural production (Column A) with intermediate inputs, which are provided by its other production activities or else purchased on the market, and with labor and capital. The intermediate inputs include 10 units obtained from the household's own agricultural activities (e.g., seed). The nonagricultural activity (Column B) uses 15 units of agricultural inputs (e.g., a crop that is processed) and 20 units of nonagricultural inputs. Many inputs are obtained from the market. For its agricultural production the household purchases 15 units of inputs within the zone of interest (ZOI) for our impact evaluation and 25 units outside the ZOI. These might include high-yielding seeds, fertilizer, or other chemical inputs. Finally, it uses 20 units of labor and 10 of capital for agricultural production and 50 units of labor and 25 of capital for its non-agricultural production activities. These numbers represent the labor and capital value-added created by household production activities.

This poor household engages with markets in a number of ways. It sells 55 units of agricultural output and 45 units of nonagricultural output outside the ZOI, and 75 units of nonagricultural output within the ZOI. It supplies labor to wage work activities inside the ZOI (20 units; Column F). It also sends labor outside the ZOI, either as day labor or migrants (10 units; Column G). In the latter case, the number in column G represents migrant remittances. Thirty percent of the poor household's labor income thus comes from off-farm work. Finally, the household depicted here is fully integrated with the market for consumption. Column E reveals that its income is used to purchase goods and services supplied inside (100) or outside (35) the ZOI. In real life, the household could supply some of its own consumption goods from home production or purchase some of these goods from other poor households represented in this SAM. However, if households are fully integrated with markets, as in a

[3] If there is significant heterogeneity among the beneficiary households, a SAM could be constructed for each beneficiary group.

conventional agricultural household model, they will be indifferent between consuming their own product or selling their output and subsequently buying from the market (Singh, Squire and Strauss, 1996).

Table 1a **An elemental SAM for Beneficiary Households**

SAM ACCOUNTS	SUB-ACCOUNTS	Treatment Households					ZOI	ROW	TOTAL
		ACTIVITIES		FACTORS		Cons			
		Ag	Non Ag	Labor	Capital				
		A	B	C	D	E	F	G	H
ACTIVITIES	Ag	10	15	0	0	0	0	55	80
	Non Ag	0	20	0	0	0	75	45	140
FACTORS	Labor	20	50	0	0	0	20	10	100
	Capital	10	25	0	0	0	0	0	35
	INCOME	0	0	100	35	0	0	0	135
ZOI		15	15	0	0	100			130
ROW		25	15	0	0	35			75
TOTAL		80	140	100	35	135	95	110	695

If, on the other hand, high transaction costs drive poor households into autarky with respect to one of the activities (e.g., food), a subsistence constraint will link consumption with production in each poor household. This could be reflected in the SAM by moving consumption expenditures up from the ZOI and/or ROW to the Ag row in Column E. If the SAM depicts a group of similar poor households, this would be consistent with partially closing off each elemental household economy from outside markets; however, it would also be consistent with poor households buying food from each other. We need a model, not just a SAM, to explore how interactions with markets shape the impacts of policy shocks on production as well as income in poor households.

If we were to hand a cash transfer to the poor household depicted in Table 1a, the household's income would increase by the amount of the transfer. With all markets exogenous to the household, the income multiplier of the transfer in this elemental SAM would be zero. With before and after data, experimental and econometric methods could be used to test, ex-post, whether the transfer indeed had a unitary effect on the poor household's income and whether it affected specific parameters underlying the model, for example, factor value-added shares (the exponents in a Cobb-Douglas production function) and budget shares. If so, these impacts could be incorporated into the SAM ex post[4] .

Ex-ante, a SAM multiplier analysis can be used as a first step in exploring the impact of the cash transfer on the local economy. Suppose in this simple economy there is one other household group, which we shall call the non-treated. At the experimental stage of testing a new cash transfer program, this other group could be the ineligible group within the targeted

---

[4] Note that the SAM is perfectly balanced: each row sum (total receipts or income) equals its corresponding column sum (total expenditures). The exception is the two rest-of-world accounts, the sums of which must balance. (The household, like any economy, is not required to maintain a trade balance with each rest-of-world account, only an aggregate trade balance.)

villages. Well-designed experiments try to select a control group that is physically separate from the beneficiary group, that is, in other localities. Nevertheless, inside the beneficiary villages there will always be households that do not qualify for transfers. Even if the control group is selected so as to minimize contact with treated households, there are likely to be economic linkages between treated and ineligible households within the treated villages during the experimental phase. Once the transfer program is fully implemented after the experimental phase, the control group disappears, and the only households in the non-beneficiary group are those deemed to be ineligible for the program.

We construct the following elemental SAM for the non-beneficiary group:

Table 1b **An Elemental SAM for the Non-beneficiary Households**

SAM ACCOUNTS	SUB-ACCOUNTS	Non-treatment Households					ZOI	ROW	TOTAL
		ACTIVITIES		FACTORS		Cons			
		Ag	Non Ag	Labor	Capital				
		A'	B'	C'	D'	E'	F	G	H
ACTIVITIES	Ag	20	20	0	0	0	35	30	105
	Non Ag	0	40	0	0	0	125	65	230
FACTORS	Labor	20	90	0	0	0			110
	Capital	40	45	0	0	0			85
	INCOME	0	0	90	85	0			175
ZOI		10	20	20	0	135			185
ROW		15	15	0	0	40			70
TOTAL		105	230	110	85	175	160	95	960

The non-treated households in this SAM engage more heavily in non-agricultural production than the treated households, they use less labor-intensive production technologies, and they hire but do not sell labor inside or outside the ZOI. If the households represented by the elemental SAMs in Tables 1a and 1b constitute the entire ZOI economy, then presumably the treated households supply 20 units of labor to non-treated households, while non-treated households supply 25 units of consumer goods to treated households[5].

Once elemental SAMs have been constructed, they can be stacked along the diagonal of a "mega-SAM" for the project ZOI, as shown in Table 2. The shared ZOI account captures interactions among households within the ZOI. A shared "rest of ZOI" account is an essential ingredient of any simulation model, capturing market linkages among the economic actors within the region that may be stimulated by project interventions. These linkages are vital in order for a cash transfer to have a multiplier effect on local incomes. Multipliers vanish in models with non-interacting "autarkic" households (no entries in the "rest of ZOI" accounts) as well as in which all households are fully integrated with outside markets, as implied by

[5] This last number is obtained from Table 1b by subtracting non-beneficiary households' consumption demand from ZOI markets (135) from their supply of agricultural and nonagricultural goods to these markets (35+125=160), or alternatively, from Table 1a by subtracting the consumption demand in the ZOI (100) from the output supply to the ZOI (75).

models of agricultural households that are price takers in all markets (all market interactions are with the exogenous "rest-of-world" accounts)[6].

The simplest simulation model for impact evaluation is an unconstrained SAM accounting multiplier model for the ZOI. This is a particular kind of LEWIE model in which certain assumptions about markets and household behavior (discussed below) are satisfied.

Let y denote a vector of total incomes and x a vector of final (in our example, rest-of-world) demands for the endogenous accounts in the SAM. Both are of dimension (I x 1), where I is the number of endogenous accounts (in the present case, 11: 4 production sectors, 4 factors, 2 household incomes, and the ZOI market). A SAM coefficient matrix is derived for these endogenous accounts by dividing each internal element by its corresponding column total. Let A refer to this shares matrix. The relationship between y and x, then, is:

Thus,

$$y = (I - A)^{-1} x = M_a x$$

The change in income (dy) resulting from a change in final demand (dx) is given by:

$$dy = (I - A)^{-1} dx = M_a dx$$

The beauty of a LEWIE SAM multiplier model is its computational simplicity; the nested SAM flows matrix in Table 2 is easily converted into a SAM multiplier matrix in three steps: (1) the shares matrix is computed; (2) the shares matrix is subtracted from an identity matrix of the same dimensions, then (3) the resulting matrix is inverted. This is easily accomplished in EXCEL, using the matrix command *minverse*.[7] A LEWIE SAM multiplier model can also be programmed into GAMS.

The SAM multipliers of a $1 cash transfer to the beneficiary households appear in Table 3. These represent the total (direct plus indirect) effects of the exogenous transfer (modeled as a payment from the ROW to the treated household). If the assumptions underlying the SAM multiplier model are correct (these are discussed below), a $1 cash transfer to the treated households has a multiplier effect of $1.50 on treated-household incomes and $.78 on the incomes of non-treated households. These income multipliers result from an increase in treated-household expenditures on goods supplied within the ZOI, which in turn stimulate production in both the treated and non-treated. Agricultural production increases by $0.08 in treated households and $0.42 in non-treated households, and nonagricultural production jumps by $0.62 and $1.07 in the two households, respectively. As incomes in both households increase, so do expenditures, which in turn stimulate further rounds of income increases. In

[6] See Holden, Taylor, and Hampton (2002).
[7] Each column of the M_a matrix gives the multiplier effect of a $1 exogenous change in the column-account's income on the row-account's income. The exogenous change could be a change in final demand for production activities, exogenous (e.g., government) employment for a factor, or (as in our example) a direct income transfer for a household.

this way, both non-treated and treated households benefit from the cash transfers. Under the best of circumstances, the program can help jump start a stagnant economy.

Designing a SAM framework is always a first step in carrying out simulation analysis using economy-wide models. Real-life SAMs for LEWIE would be more complicated than the one in this example. They would have more production activities (as much disaggregation as the investigator wishes and has data to support), instead of aggregating activities into large categories. They might also contain more factors of production, for example, labor by skill level, gender, or other type; physical capital as well as land (for agricultural activities), and so on. They might have more households, including different types of treated and non-treated ones classified by asset ownership, demographics (e.g., gender or ethnicity of household head), location (region or remoteness from markets), or other criteria. They might contain elemental SAMs for actors besides household-firms. For example, pure firms would have activity but not household income-consumption accounts, while pure households would have incomes and expenditures but not activities. Governments are also easily represented, like in a village model,[8] either as a single account or a set of accounts for different government levels (e.g., village, county, state, federal). For complex projects, an account for the project itself may be included to model the local economy-wide impacts of project spending. Finally, a set of capital accounts may be included to capture savings and channel them into various kinds of investments: physical capital, human capital, and financial instruments. If informal capital markets are important in the ZOI economy, it is important to include them in the SAMs, as they can be an important source of economic linkages across households.

The ZOI might consist of distinct regions. A regional focus can be incorporated into our simulation model by constructing a series of composite SAMs like the one in Table 2, one for each region, then stacking them into a multi-region SAM with a shared regional market (analogous to the rest-of-ZOI account in our illustrative SAM). If households and firms in a region share the same production technologies, the production activities in the elemental region SAMs can be aggregated into a set of shared accounts, as in more conventional SAMs, alongside multiple household accounts. At a minimum, each household group adds a row and column to the regional SAM; this is the case when households differ in their expenditure patterns and income sources but share production technologies and market behavior. However, if household groups differ in fundamental ways with respect to their production technologies or market behavior (e.g., some are subsistence producers, others commercial), each regional SAM should be decomposed into its elemental household SAMs, as in our simple example.

[8] See Taylor and Adelman (1996).

Table 2. Integrated ZOI SAM

Household Group	SAM ACCOUNTS	SUB-ACCOUNTS	Treatment Households					Non-treatment Households					ZOI	ROW	TOTAL
			ACTIVITIES		FACTORS		Cons	ACTIVITIES		FACTORS		Cons			
			Ag	Non Ag	Labor	Capital		Ag	Non Ag	Labor	Capital				
			A	B	C	D	E	A'	B'	C'	D'	E'	F	G	H
Treatment	ACTIVITIES	Ag	10	15										55	80
		Non Ag		20									75	45	140
	FACTORS	Labor	20	50									20	10	100
		Capital	10	25											35
		INCOME			100	35									135
Non-treatment	ACTIVITIES	Ag						20	20				35	30	105
		Non Ag							40				125	65	230
	FACTORS	Labor						20	90						110
		Capital						40	45						85
		INCOME								90	85				175
	ZOI		15	15			100	10	20	20		135			315
	ROW		25	15			35	15	15			40			145
	TOTAL		80	140	100	35	135	105	230	110	85	175	255	205	1655

Table 3. **SAM Multipliers of a $1 Cash Transfer to the Beneficiary Households**

Household and Outcome	Simulated Multiplier Effects of a $1 Transfer to Treatment Households
	Accounting Multiplier
Treatment Households	
Activities	
AG	0.08
NONAG	0.62
Factor Incomes	
LABOR	0.38
CAPITAL	0.12
Income	1.50
Non-treatment Households	
Activities	
AG	0.42
NONAG	1.07
Factor Incomes	
LABOR	0.50
CAPITAL	0.37
Income	0.78
COMBINED INCOME	2.28
Trade	
ZOI	1.80

Beyond SAM: Limitations of SAM Multiplier Models and What to Do About Them

SAMs contain most of the data needed to construct any kind of economy-wide simulation model, though not to build confidence intervals around model results (see "Econometric Parameterization and Validation of LEWIE," below). SAM multipliers give a sense of how large linkages might be in an economy that satisfies the basic assumptions underlying the model. Because of this, LEWIE SAM multiplier analysis can be a reasonable preliminary step in conducting impact analysis using simulation methods. Because the row and column total for every account in a SAM must be equal, arranging survey data into a LEWIE SAM ensures that we begin our study with a consistent set of accounts and that there are not significant data errors or omissions that could affect study findings. (The econometric approach to parameterizing LEWIE models, while bypassing the manual construction of SAMs, nevertheless results in a baseline set of balanced accounts; thus, balanced SAMs are a by-product of the econometric approach described later on in this report.) SAMs provide a snapshot of the ZOI economy in the baseline, which can serve as a benchmark to measure changes in the economy *ex-post*. A SAM framework guides the design of survey questionnaires and sampling strategies.

The most important assumptions underlying SAM multiplier models include:

Perfectly elastic supplies of all goods, services and factors, so that increases in demand translate into increases in quantities, not prices. This assumption is violated when there are significant obstacles to increasing supply in some activities, or when factors are fully employed in the ZOI. In real life, increases in demand can put upward pressure on prices in the ZOI, in addition to having real (i.e., quantity) effects. In this case, a SAM multiplier, which assumes that prices do not change when demand increases, may overstate the real effect of income transfers and other types of interventions on the ZOI economy.

Linear responses all around, including in production activities (that is, a Leontief production function with fixed input-output coefficients) and in household consumption (fixed budget shares). In other words, the share of an increase in income that a household spends on a given good (that is, the marginal budget share) equals the average budget share. If households shift their demand patterns when their incomes rise, this assumption will be violated. Similarly, average input shares (that is, the Leontief input-output coefficients) determine how an increase in production will translate into increased demands for intermediate inputs, labor and capital in a SAM multiplier model. This assumption is not defendable if there are diminishing marginal returns to inputs in production activities.

These assumptions are easier to defend in some situations than in others. For example, in an economy with unemployed labor and other resources and where there is excess capital capacity, fixed input-output coefficients may reasonably represent technologies, and increases in demand may translate directly into increases in local production. If the local economy is a price taker in outside markets for inputs and outputs, higher demand should not put upward pressure on prices. And for relatively small changes in income, household demand patterns are not likely to change significantly as income goes up. In general, SAM multiplier analysis is more reasonable in ZOIs with high unemployment and without severe capital constraints than in economies at full employment or where technological limitations on production are more severe.

3.1. Extending LEWIE SAM Models: Fixed-price and Constrained Multipliers

The effects of such constraints can be explored in fixed-price and constrained multiplier models. A fixed-price multiplier model is one in which we replace marginal for average budget shares to reflect changes in household demand patterns at different income levels. Constrained models impose inelastic supplies for some (constrained) sectors or beyond certain levels of output (Lewis and Thorbecke, 1992; Parikh and Thorbecke, 1996). These modifications can make SAM multiplier models a more realistic tool for evaluating project impacts.

As an example, let us revisit our simple two-household SAM accounting model and turn it into a fixed-price multiplier model by incorporating marginal budget shares. We econometrically estimate marginal budget shares for the two households and compare them to the average shares calculated from the SAM in Table 2:

Table 4. **Average and Marginal Budget Shares**

Expenditure	Treatment Households		Non-treatment Households	
	Average	Marginal	Average	Marginal
ZOI	0.74	0.76	0.77	0.82
ROW	0.26	0.24	0.23	0.18

In this example the marginal budget share for goods purchased within the ZOI is higher than the average for both poor and non-poor households (0.76 and 0.82, respectively, compared with average budget shares of 0.74 and 0.77). Intuitively, it seems clear that these modifications will increase linkages within the ZOI and thus the multiplier. Making the replacement in the unconstrained SAM multiplier model, we obtain a new fixed-price coefficient matrix (A_{fp}) and new SAM multiplier (M_{fp}):

$$dy_{fp} = (I - A_{fp})^{-1} dx = M_{fp} dx$$

We do indeed obtain slightly higher production and income multipliers from the cash transfer in the fixed price multiplier model (Table 5). The income multiplier rises from 1.50 to 1.55 for poor households and from .78 to .85 for non-poor households; see Table 5.

An inelastic supply response might reflect liquidity or other constraints preventing households from increasing their agricultural output in response to increases in demand. It also might reflect high transaction costs, which in effect prevent market signals from reaching the household. The methodology to incorporate inelastic supply responses into a SAM multiplier model appears in Lewis and Thorbecke (1992).[9] Suppose some accounts are unconstrained, and let y_{nc} denote a vector of incomes in these unconstrained accounts, while others are constrained, such that the value of their total income is fixed. We let y_c represent the vector of (fixed) incomes in these constrained accounts. An account, in this case, might be a production activity with fixed output, or it might be a fixed factor (e.g., capital) or even a ZOI market constraint preventing trade between the households. Final demand (in our model, the ROW demand for output and payments from the ROW into the households) is fixed at x_{nc} for the unconstrained sectors. In contrast, the only way that constrained sectors can respond to increases in local demand is by diverting goods or services from the ROW to the local market; thus, for these sectors, the final or ROW demand, x_c, is endogenous. The multiplier model becomes partitioned between unconstrained and constrained accounts, such that:

$$\frac{dy_{nc}}{dx_c} = M_m d\left[\frac{x_{nc}}{y_c}\right]$$

Where the constrained multiplier matrix, M_m, is given by:

[9] Blane D. Lewis and Erik Thorbecke. 1992. "District-Level Economic Linkages in Kenya: Evidence Based on a Small Regional Social Accounting Matrix. *World Development* 20(6):881-897.

$$M_m = \begin{bmatrix} (I - C_{nc}) & 0 \\ -R & -I \end{bmatrix}^{-1} \begin{bmatrix} I & Q \\ 0 & -(I - C_c) \end{bmatrix}$$

C_{nc}, R, Q and C_c are all submatrices of the coefficient matrix A_{fp}: C_{nc} corresponds to the intersection of unconstrained rows and columns; R to the intersection of supply-constrained rows with unconstrained columns; Q to the intersection of unconstrained rows with constrained columns; and C_c to the intersection of constrained rows and columns.

Table 5. **Accounting and Fixed Price Multipliers Compared**

Household and Outcome	Simulated Multiplier Effects of a $1 Transfer to Treatment Households	
	Accounting Multiplier	Fixed Price Multiplier
Treatment Households		
Activities		
AG	0.08	0.08
NONAG	0.62	0.68
Factor Incomes		
LABOR	0.38	0.42
CAPITAL	0.12	0.13
Income	1.50	1.55
Non-treatment Households		
Activities		
AG	0.42	0.46
NONAG	1.07	1.17
Factor Incomes		
LABOR	0.50	0.55
CAPITAL	0.37	0.40
Income	0.78	0.85
COMBINED INCOME	2.28	2.40
Trade		
ZOI	1.80	1.98

Although the matrix representation of M_m is slightly cumbersome, in our GAMs multiplier program it is simple to impose the constraint that the agricultural supply is inelastic: we simply fix total income (output value) and free up final (ROW) demand for the constrained sector(s) while leaving all other accounts unchanged.

We can use the constrained model to see how inelastic agricultural supplies affect the income multipliers from our cash transfer. Table 6 reveals that the combined household income multiplier drops from 2.40 to 2.33 when the treated household group's agricultural supply is perfectly inelastic, and to 1.85 when both households have inelastic agricultural supplies.

Naturally, the largest income effect is in the household facing the supply constraint. Nevertheless, a cross-household effect also is evident. For example, a constrained beneficiary-group's agricultural supply reduces the non-treated group's income multiplier from .85 to .83. The beneficiary group's income multiplier drops from 1.50 to 1.39 when the non-poor supply constraint is imposed on the model.

If there is concern that an economy faces serious capital or technological constraints, we should incorporate these into our simulation models. We should also consider including a component in the project to address these constraints. An example might be micro-credit for capital investments in the non-beneficiary households, so that their production can expand as demand increases and contribute to local income multipliers.

An attractive feature of constrained multiplier models is that they can be used to simulate the effect of loosening the constraints. Because supply is fixed in the constrained sector(s), it is possible to increase the constrained-sector supply and use the model to estimate the multiplier effect on the ZOI economy. This is easily accomplished in our simulation models. One could imagine various simulations, in which constrained supplies are loosened together with the income transfer.

Table 7 compares multipliers from the cash transfer with and without a $1 loosening of the beneficiary household's agricultural supply constraint. When the agricultural supply constraint is loosened, income increases by 2.07 instead of 1.50 in the beneficiary group and by 1.14 instead of .83 in the non-beneficiary group. The transfer creates a multiplier effect in the ZOI economy, and loosening the beneficiary group's agricultural supply constraint increases this multiplier. The combined income gain is now 3.21, compared with 2.33 when the constraint is unchanged. Unfortunately, unlike the cash transfer, the cost of the intervention to loosen the agricultural supply constraint is not known. More information is needed in order to perform a cost-benefit analysis or compare the efficiency of the two programs at raising household incomes.

Table 6. **Unconstrained and Constrained Fixed Price Multipliers Compared**

Household and Outcome	Base Income	Simulated Effect of a $1 Income Transfer to the Poor Household, Fixed-price Multipliers		
		Unconstrained	Constrained	
			Poor Ag	Both Ag
Poor Household				
Activities				
AG	81.21	0.08	NA	NA
NONAG	149.9	0.68	0.66	0.51
Factor Incomes				
LABOR	106.1	0.42	0.39	0.30
CAPITAL	36.92	0.13	0.12	0.09
Income	143.02	1.55	1.50	1.39
Non-poor Household				
Activities				
AG	111.73	0.46	0.45	NA
NONAG	247.12	1.17	1.14	0.89
Factor Incomes				
LABOR	117.98	0.55	0.53	0.35
CAPITAL	90.91	0.40	0.39	0.17
Income	187.44	0.85	0.83	0.46
COMBINED INCOME	330.46	2.40	2.33	1.85
Trade				
ZOI	283.85	1.98	1.92	1.50
ROW	205	NA	-0.07	-0.34

Table 7. Multiplier Effects of a $1 Cash Transfer to Beneficiary Households with and Without Loosening These Household's Agricultural Production Constraint

Household and Outcome		Base Income	Simulated Multiplier Effects of a $1 Transfer to Poor: Leaving the Poor Household's Agricultural Supply Constraint Unchanged	Simulated Multiplier Effects of a $1 Transfer to Poor: Loosening the Poor-Household Agricultural Production Constraint
Poor Household				
Activities				
	AG	80	NA	1.00
	NONAG	149.6	0.66	0.90
Factor Incomes				
	LABOR	105.6	0.39	0.78
	CAPITAL	36.71	0.12	0.29
Income		142.34	1.50	2.07
Non-poor Household				
Activities				
	AG	111.53	0.45	0.61
	NONAG	246.6	1.14	1.56
Factor Incomes				
	LABOR	117.74	0.53	0.73
	CAPITAL	90.74	0.39	0.54
Income		187.07	0.83	1.14
COMBINED INCOME		329.41	2.33	3.21
Trade				
	ZOI	282.98	1.92	2.63
	ROW	205	-0.07	0.78

3.2. Prices

In microeconomics, prices transmit the influences of market shocks from one actor to another. LEWIE models simulate the workings of local economies. Thus, prices are central to these models. Simulations require making assumptions about where and how prices are determined (that is, market closure, which usually is not known). The SAM multiplier model represents a special and perhaps extreme case, in which production is linear and local supply responses are so elastic that increases in demand do not affect market prices at all. This is illustrated by supply curve S_1 in Figure 1. If a cash transfer shifts out the local demand for goods and services (from D to D'), all of the impact manifests itself as a real expansion in local production (from Q0 to Q_1'). Prices are unchanged at P_0.

In real life supply curves are not likely to be perfectly elastic. Production is nonlinear, with decreasing marginal returns to factors and other inputs. Input supplies may be fixed (e.g., land and capital in the short run, if not longer) or have an upward-sloping supply (e.g., higher wages may be required to induce people to supply more labor to local production activities). In this case (curve S_2) an outward shift in demand puts upward pressure on local prices, as well as having real economic impacts. In Figure 1, with an upward-sloping supply curve, the quantity of goods or services produced increases less (to Q'_2) and prices increase (to P'_2) when cash transfers shift out the demand curve.

If endogenous prices transmit project impacts they need to be included in our evaluation model. Changes in wage rates or the price of food may be an important outcome of a cash transfer program, creating benefits for some (i.e., the suppliers of labor or food) and costs for others (i.e., businesses that hire labor or food consumers). Price inflation is not inevitable. In an economy with high levels of unemployment, a stimulus program like cash transfers may increase the local labor demand without exerting significant upward pressure on wages. In a sector like retail, which obtains most of its merchandise in markets outside the local economy, increased demand might not push up local food prices significantly.

Nevertheless, our impact evaluation models should take into account nonlinearities and the role of prices in transmitting impacts within ZOI economies. Typically, some goods (services, labor, land, often food, and sometimes other items) are nontradable, with prices determined largely in local markets, while others (e.g., non-farm goods sold in local stores, most purchased agricultural inputs) are tradable. Cash crops like coffee clearly are tradable. Livestock is likely to be nontradables, given the difficulty of transporting animals, as are perishable food crops, unless villages are closely integrated with outside markets, buying and selling at exogenous prices. Wages typically vary across villages, reflecting transaction costs that limit arbitrage in labor markets. They are likely to play a critical role in transmitting project impacts to labor-supplying households.

Imported goods and factors may be imperfect substitutes for local ones. Goods that are obviously tradable have a nontradable component. For example, the purchase of a bar of soap in a local grocery will have a tradable (wholesale price plus some transport costs) and a non-tradable (grocery mark-up plus some local transport costs) component. Others are tradable but not perfect substitutes; an example is imported and locally produced corn for tortillas in Mexico or black and white teff for injera in Ethiopia. One might imagine an aggregation function that combines imperfectly-substitutable imported and local corn to produce tortillas or black and white teff to make injera. Even if locals prefer one variety of corn or teff, they might be willing to mix in the other if the price is right. One way to model this is via a constant elasticity of substitution (CES) aggregation function.

In any general-equilibrium model, households may shift from nontradable to tradable-goods consumption as relative prices change. One way to respond to rising nontradables prices is to purchase from stores (retail), for which a high share of the output price is the fixed price of intermediate goods (for example, soft drinks) purchased from suppliers outside the local economy.

Price effects are absent from SAM multiplier models, constrained or unconstrained. Incorporating them into our analysis generally requires moving from a LEWIE SAM multiplier model to a general-equilibrium (GE) modeling approach in which prices for locally nontradable goods are determined by the interaction of supply and demand within the ZOI. Filipski and Taylor (2012) use this approach. The ability to analyze impacts of cash transfers and other interventions on local prices is a particular advantage of simulation models.

It is useful to keep it in mind the role of prices and the local supply response while thinking about the market assumptions underlying simulation models. If ZOI “imports” and local goods are complements but supply is so elastic within the ZOI that changes in demand are instantaneously matched by changes in local supplies, prices will not rise as demand increases (consistent with a SAM multiplier model), but otherwise they may. Supply elasticities clearly shape impacts in the ZOI and the way in which we should model them.

3.3. Behavior

A premise of some cash transfer programs is to change household behavior. An example is a change in expenditures favoring food, schooling, or children’s health. Experimental methods can be used to test whether programs succeed in shifting household preferences (for example, see Kenya CT-OVC Evaluation Team, 2012, which shows that the program indeed succeeded in shifting household preferences). If so, LEWIE model parameters will change. This is true for SAM multiplier models (constrained or unconstrained) as well as for more general models.

In a LEWIE-SAM multiplier model, new shares can be substituted for old ones using the method of Lewis and Thorbecke (1992) and Parikh and Thorbecke (1996) described earlier. In more general LEWIE models, parameters can be econometrically updated using the findings from the experimental analysis. Substituting parameters in these ways makes it possible to model the local economy-wide impacts of changes in behavior. In theory, it is possible that spillovers within the local economy influence the parameters of non-treated households, for example, by transmitting new information or norms (nutritious eating, children’s education and health, etc.). In practice, this may be unlikely, at least in the short run (though, data permitting, the hypothesis that the behavior of the non-treated changes as a result of the program could be tested experimentally with the same methods used to test changes in treated-household behavior). Once a LEWIE model exists, updating model parameters is straightforward and does not require any changes in the model code.

4. Data Requirements for LEWIE

Under certain conditions no information other than what is in a ZOI SAM is required to calibrate LEWIE models (see, for example, Filipski and Taylor (2012).) Flexibility is a virtue of simulation models; the model may be as detailed and complex as needed to evaluate program impacts of interest. For example, beneficiaries might not be integrated with local markets prior to the intervention, but the program, by providing them with cash benefits, might affect their market participation. Jonasson, et al. (2011) model market participation in their evaluation of agricultural policies in six less-developed countries; however, to date, market participation has not been addressed explicitly in a project impact-evaluation simulation model.[10] A related question concerns the potential effects on migration: migrant remittances are private transfers to households from the rest of the world, yet cash transfers may loosen liquidity constraints on migration or possibly crowd out remittances. Migration and remittances can be explicitly modeled as in Taylor and Dyer (2009), and these two papers' modeling approaches can be integrated to simulate the impacts of cash transfers on migration and remittances.

Before dashing off and estimating a more constrained nonlinear LEWIE GE model, it is worth asking whether some variant of the multiplier model might be useful in focusing attention on the constraints that prevent transfers from unleashing a development dynamic, as well as to design complementary policies to loosen these constraints. We'll revisit LEWIE GE analysis after reviewing the data requirements for constructing household SAMs.

This section is a guide to the nuts and bolts of (1) designing household SAMs and identifying the data needed to construct them and (2) designing surveys to fill information gaps.

4.1. Designing LEWIE SAMs and Identifying Data Needs

The first step in constructing a simulation impact model is to define household groups and sketch out the structure of the SAMs to be created for them. This is a prerequisite for determining data needs and designing baseline surveys—or more accurately, modifying experimental baseline surveys to meet the needs of GE modeling.

The structure of the SAMs, and thus the data requirements for the model, depend on what one wants to simulate, the economy in which to simulate it, and the outcomes of interest. All of these must be reflected in the LEWIE SAM. If the SAM does not reflect the structure of the

[10] A number of studies include subsistence and/or labor-constrained households, which by definition are outside the market for the subsistence good or labor. However, the market-participation decision is not explicitly modeled.

economy in question, or if the economy is ill defined geographically or conceptually, simulations using the model will not be reliable, like a flight simulator programmed for the wrong aircraft. There must be a point of entry in the model for the intervention to be simulated, and this needs to be reflected in the SAMs. For example, the simulation of a cash transfer to poor households with high dependency ratios requires having a SAM for these households and an account in the SAM through which the transfer is channeled to the beneficiary group. If the project to be simulated concerns stimulating human capital investments, then labor factors in the SAMs should be disaggregated by educational categories and investment accounts should be disaggregated to highlight human capital. If it involves raising incomes of poor, female-headed households, then we will need a separate SAM or disaggregation of a larger SAM to highlight this group. If one of the outcomes we wish to simulate is the project's impact on crop productivity on marginal lands, land factor accounts in the SAM will have to be disaggregated by quality.

There may be an interest in outcomes other than those depicted in the SAMs. For example, we might want to know how a cash-transfer program is likely to affect calorie consumption. Nutritional impacts are likely to be influenced by GE linkages between treated and non-treated households. Quantifying them requires translating changes in food demands into calories. Provided that there is a sufficiently detailed food-demand disaggregation in the household SAMs, this can be accomplished using calorie-conversion coefficients from country nutrition authorities or the World Health Organization.[11]

The structure of the SAM, in turn, guides data collection. For our simulation impact analysis, the major goal of data collection is to fill in the cells of each SAM for each household group (or to calibrate a LEWIE model to do this).

Figure 1 provides a broad-brush illustration of a typical micro-SAM for a household group in the impact evaluation model. The entries in this general SAM framework and their interpretation are completely analogous to those in the illustrative SAMs in Section 2. For a given household group, the activity accounts reveal where output goes (rows) and all intermediate and factor inputs (columns). These are all disaggregated by location, most importantly whether inside or outside the ZOI. The factor accounts collect wages and rents (rows) and channel them into the household, rest of the ZOI, or world outside the ZOI (columns). There is a single household account in an elemental household SAM. It collects income from all sources as well as borrowing or dis-savings (row), and it channels it into demand for goods and services produced by the household, obtained elsewhere in the ZOI, or purchased outside the ZOI; it also allocates income to savings (column). The capital accounts gather up savings (row) and allocate it to formal or informal credit or risk-sharing inside or outside the ZOI (column).

[11] Examples using nutrient-conversion coefficients in econometric food-demand models include Behrman and Deolalikar (1987) and Ye and Taylor (1995).

.

The ZOI account is the critical link among our household SAMs. We include a ZOI account in each household SAM. However, when we combine the elemental household SAMs into a meta-SAM for the ZOI, we aggregate the ZOI accounts into a shared account in the meta-SAM. In our simulations, it serves to transmit impacts through the ZOI. The rest-of-world (outside the ZOI) account collects expenditures on goods and services made outside the ZOI (row) and channels them into the rest of the world (column). Purchases outside the project area are lumped together as "imports" from the rest of the country outside the project area or the rest of the world. It is an exogenous account which captures leakages from, and exogenous injections into, the ZOI economy.

The SAMs also include a government account. It gathers taxes from inside the ZOI and transfers from outside the ZOI (row) and allocates these to the government demand for goods and services and public transfers. To facilitate our simulations of program effects, it usually is helpful to disaggregate this account into sub-accounts representing the project being evaluated and other government activities.

As in the simpler SAMs in the last section, all accounts must balance: total income (rows) must equal total expenditures (column). The exceptions are the ZOI and rest-of-world accounts, because the household group is not required to achieve a trade balance separately with each of these. The sums of the two accounts' row and column totals must balance, however.

It should be clear from this description that all accounts except the rest-of-world outside the ZOI and government are endogenous to the ZOI. The capital account is exogenous only if the ZOI is integrated with outside capital markets. The classification of accounts between endogenous and exogenous is central to model closure.

The correspondence between the activity accounts and the household expenditure categories is critical: For every category of household expenditures on locally supplied goods and services, there must be a corresponding sector in the activity accounts. If the households pay direct taxes, these are allocated by the household columns to the government row. If households receive government transfers, they appear as a payment by the government (column) to the household (row). Migrant remittances are transfers received by the household (row) from the rest of the world in which the family migrant works (column). The latter may be the rest of the country, in the case of internal migration, or rest of world, in the case of international migration.

4.2. Defining the ZOI

Two main considerations guide the definition of the ZOI. The first is the evaluation, itself: Over how large an area do we wish to document the impacts of an intervention? This is the zone of interest for purposes of the evaluation. If a policy goal is to achieve specific outcomes (e.g., income and employment growth) within villages or village clusters, it may be appropriate to designate the village or cluster as the ZOI for our evaluation. On the other hand, if the intervention covers multiple villages within a district or region, the district or region might be a more ideal choice.

The second consideration has to do with the linkages that transmit impacts of the intervention through the economy. To some extent, multiplier effects depend on the size of the ZOI. Like the ripples in a pond, the influences of transfers and other interventions continue on through the economy, eventually making their way into regional and national urban centers and even abroad (through imports). How widely we wish to cast our net may depend not only on our zone of interest but also on the strength of linkages. The larger the area over which we carry out our analysis (e.g., defining the ZOI as a village cluster rather than single village), and the stronger the linkages within this area as opposed to between it and the rest of the world, the more indirect impacts our analysis will capture. Even if our main interest is income growth within villages, if strong linkages transmit impacts from one village to another within a cluster, limiting the evaluation to a single village may miss important feedback effects that shape project impacts.

These considerations have led to the creation of policy evaluation models for villages, village-town economies, districts, regions, and even whole rural economies. (Some of these are featured in Taylor and Filipski, 2012 (forthcoming) and in Taylor, 2011). A current project (at IFPRI) is evaluating the impacts of new irrigation projects by defining the ZOI as the districts touched by the projects and embedding these within a national model, in order to test for potential feedback between rural and urban areas and across districts.

In many cases, high transaction costs result in strong linkages in and around project areas. Most people spend most of their money close to home. Many of the goods and factors purchased are local nontradables, and one does not have to cast the net too far in order to capture significant impacts missed by conventional impact evaluations.

Figure 1. General Structure of a Typical Household SAM

Incomes	Expenditures							
	1 ACTIVITIES	2 COMMODITIES	3 FACTORS	4 INSTITUTIONS	5 CAPITAL	6 Rest of ZOI	7 Rest of World	TOTAL
1. ACTIVITIES Staples Other Ag Livestock Services		Supply of Commodities to Own Production Activities and Consumption				(i) Sales Inside the ZOI	(i') Sales Outside the ZOI	(e) Total Production Value
2. COMMODITIES Staples Other Ag Livestock Services	(a) Home-produced Intermediate Inputs (Input-Output Matrix)			(g) Own Consumption	(h) Implicit Investment or Storage			Total Value of Home Production
3. FACTORS Family Hired Labor Land Capital	(b) Value-Added from Production						(o) Wages, rental income	Total Factor Receipts
4. INSTITUTIONS Households Government	(c) Indirect Taxes		(f) Household Value-Added Income	(j) Public and private transfers			(k) Migrant remittances	Total Household Income
5. CAPITAL				(l) Savings (incl. investments)				Total Savings
6. Rest of ZOI **7. Rest of World**	(d) Purchased inputs by place purchased			(m) Market Consumption	(n) Investment good purchases, formal and informal savings			Total Market Purchases
TOTAL	(e) Total Production Expendtures	Total Value of Home Production	Total Factor Payments	Total Household Expenditures	Total Investments		Total Market Sales	Total Incomes and Expenditures

To illustrate, for the Malawi business survey (Annex A), this is how we constructed the master list from which businesses were randomly selected for the survey: We considered a business to be within the 'zone of influence' of a sample village if it was inside the village or regularly (at least around once a month) made transactions with households in the sample village. These transactions might involve sales to households, purchases from households, or employment of members of households within the sample village. To identify which businesses belong on this list, a supervisor or experienced enumerator talked with village contacts. The population of businesses sampled was divided into three categories (retail, services, and manufacturing), and then the sample was stratified to make sure that it included at least one business from each category.

In Lesotho, village clusters constituted the project area. In theory, if treated and control villages interact directly or indirectly, for example, through periodic markets, control group contamination could occur: influences might be transmitted from treated to control village clusters. A randomized cluster design was devised to minimize the likelihood that CGP impacts will be transmitted to the control clusters, making the treated cluster the natural choice for ZOI.[12]

4.3. Modifying Baseline Surveys for Simulation Impact Evaluation

All experiments require baseline surveys of treatment and control groups. Both consist of eligible households located at the treated or control sites. In order to capture the indirect effects of programs on non-beneficiary groups, experimentally or using simulation methods, we also need information about ineligible groups.

Broadly speaking, there are four critical household groups for which we need data from both baseline and follow-up surveys: (A) Beneficiary households (eligible households in the treated villages); (B) The control group: eligible households in the non-treated or control villages; (C) Ineligible households in the treated villages; and (D) Ineligible households in the control villages. More often than not, baseline surveys for impact evaluation exclude ineligible households. This makes it impossible to do LEWIE unless data on ineligible households can be obtained from other sources. The Lesotho CGP LEWIE included ineligible households in the baseline survey. The Kenya CT-OVC program evaluation did not, and nor did the Ghana LEAP evaluation. In both cases, a second-best strategy was used, synthetically creating samples of ineligible households based on program eligibility from other surveys (the Kenya Integrated Household Budget Survey (KIHBS) and, in Ghana, a survey conducted by ISSER and Yale University).

If the baseline surveys are based on Living Standard Measurement Surveys (LSMS), with detailed information on inputs and outputs of production activities, other income sources, and expenditures, much of the data needed for simulation impact evaluation will be available from

[12] Details of the sampling procedure can be found in: Oxford Policy Management/Luca Pellerano, CGP Impact Evaluation, Sampling Design and Targeting Evaluation Research, June 30, 2011.

them. We simply have to make sure that no cell of the SAM is overlooked. The most important single modification required to construct elemental SAMs is to obtain information about where transactions take place and, in particular, the tradable and nontradable component of purchases. Few economic models make the distinction between tradables and nontradables, and those that do usually invest little effort into determining which is which. For example, de Janvry, et al. (1991) and Taylor and Adelman (2006) perform "what if" simulations on the implications of nontradable food and labor on autarkic households and villages, respectively. Neither, however, attempts to determine whether food is, indeed, nontradable.

These are difficult questions to get at, but they are critical if we wish to capture the local GE effects of projects. Local informants can be valuable in classifying goods into tradable and nontradable groups. It is not hard to figure out whether local farmers are supplying national markets or simply local demand. Surveys of retail businesses can provide information on the origins of goods sold in stores as well as mark-ups. Adding the "Where/with whom?" question to business and household surveys provides additional important information. In addition to knowing the values of everything the household purchased and sold, we need to know where the exchange took place and/or with whom. This information can be recorded by entering a location/transactor code next to each sale or purchase. A typical list of locations might include (a) households within the village, (b) households in a neighboring village; (c) a trader who buys and sells locally, (d) a trader who also buys and sells in other parts of the country, (e) in a town within the ZOI, or (f) outside the ZOI. This information is crucial in order to know where to allocate each expenditure or source of income in the SAMs.

Rarely are the data available to conduct a truly rigorous classification of goods as tradable or nontradable. Conceptually, nontradables are goods and services whose prices are endogenous to the local economy, such that shifts in local demands affect these prices and changes in prices in the rest of the world are not transmitted into the local economy. A number of studies carefully document imperfect food-price transmission, particularly in African countries. Co-integration analysis tests whether regional prices (e.g., in Ethiopia's Tigray province) change when prices for the same goods at market centers (e.g., the central market in Addis Ababa) do. Prices of tradables may vary across space in ways that reflect transportation costs; however, prices of nontradables will not change (or change little) when outside prices change. Wherever possible, it is useful to draw from price-transmission studies to inform the classification of goods as tradables or nontradables in project-area economies.

The second critical addition to data collection is a survey of businesses. Households spend their income on goods and services provided by businesses, which in turn play a crucial role in transmitting impacts within economies. Typically, at least in rural areas, most businesses are associated with households and thus are at risk of being picked up by baseline household surveys, particularly if these surveys include non-eligible households in treated villages. Nevertheless, households also spend may income in non-household businesses in the treated and neighboring locales, including in periodic markets. Non-household businesses may differ from household-firms in terms of the goods and services they provide, production technologies (e.g., labor intensity), and linkages with the rest of the economy. As a result, if these businesses are excluded, our models may not provide an accurate representation of GE effects of the program. A separate business survey is required if we wish to have these businesses reflected in our model.

The ideal, naturally, is to have household and business data for all study villages, including program and non-program locations within the ZOI. In practice, just as one must make statistical inferences from a sample of agents, surveying all villages in the ZOI often is unrealistic. When many villages are involved, surveys can be carried out in a subset of (randomly chosen) beneficiary and control villages, and within each village, from random samples of both eligible and ineligible households, supplemented perhaps with surveys of venders in periodic markets. In theory, if all villages were identical, we would only need to collect data on a single study village. In practice, villages, like the agents within them, are heterogeneous, and the larger the sample of locales included in the study, the more accurately we can model project impacts.

The critical data that we need from these surveys is summarized in Table 8. It includes:

4.4. Data on Beneficiary and Non-beneficiary Households

The household data needed to construct a SAM include income from supplying labor or capital to production activities inside and outside the project area (including home production), other sources of income, and the shares of income or expenditures spent on individual goods and services. In economies characterized by a high level of in-kind exchanges (e.g., bartering of goods or labor exchanges), these exchanges typically are valued at local market prices and can be integrated into like accounts or else included as separate accounts in the SAM. In the second case, the model could be used to evaluate the impacts of the intervention on both market and non-market activity, though we are not aware of any study that does this to date.

Most baseline surveys collect wage income by type of work for each household member; if so, only the location code has to be added to the survey. Agricultural and non-agricultural production modules also usually are a part of baseline surveys. However, where output is sold and where inputs are purchased is not. Location codes need to be added for each sale and purchase, including payments of wages ("Where do the workers you hired live?") and rent paid for land and other types of capital ("Where does the person to whom you paid rent live?"). If the household received rent, it is important to record where the payer resides. If family labor in household production activities is not covered, it needs to be added to the survey.

Construction of household SAMs requires having values of total supplies and demands of the goods and services bought and sold by each household group. The entries in the SAMs are value flows. Quantities generally are not critical except when needed to compute values or when market transactions do not take place (subsistence production and family inputs, including labor, land, animal traction, and other capital). When we do not observe prices, quantities may be needed to estimate values.

Baseline household surveys also include information on consumption expenditures, investments and savings. We need to know where these expenditures took place. Savings might be in banks (usually not part of the local economy) or informal (in which case they may be a source of capital to others in the local economy). Risk-sharing institutions may help circulate income within the local economy. It is likely that household payments and receipts related to risk sharing and informal credit already are included in the baseline survey, but sometimes they are not. Periodic markets often are an important source of consumption goods and/or outlet for home-produced goods; if so, they should have their own location code and be included in the business survey (below).

The minimum household sample sizes required for simulation modeling are not unlike those for experimental impact evaluation, with the exception that we need to sample households in all four groups (A-D). Many baseline surveys for experimental studies cover only (A) and (B). Some also include non-beneficiary households at program sites. Including the latter is critical if we wish to model impacts of programs on the non-treated.

4.5. Data on Businesses

The businesses surveys gather the same sort of information as the production modules of household surveys. The critical data needed to fill in the column for each production activity include gross income, the value of intermediate inputs produced inside and outside the ZOI, payments to factors (wages, capital costs, and profits), taxes paid and subsidies received, and business savings. This information is used to obtain input-output coefficients and value-added shares for each activity. The most difficult-to-collect information is on profits. However, they can be estimated as the difference between gross sales and expenditures on intermediate inputs and factors. As always, the location codes identify where each input was purchased. For wages, this means asking business owners what part of the wages they paid went to workers who live inside and outside the ZOI. The residence of the business owner is important to ask, as well, because that is where profits from the business flow.

If the business is seasonal, the data need to be collected for each season, and the number of months in each season must also be recorded. If the owner has a difficult time calculating annual figures, it might be useful to ask questions like "How much did you sell in a typical week during the high season?" It is also useful, as a check, to ask what share of every dollar of sales went to wages, purchasing inputs, rent, etc. It is very important to document business' payments for intermediate inputs and factors from within the ZOI, as they generate the principal economic linkages from business activities.

If rotating markets are important, their vendors should be interviewed as part of the business survey. Where these venders are based and where they acquire the goods they sell and labor they hire may play an important role shaping local GE linkages. Periodic markets could mop up money from households and send it outside the ZOI economy, creating large leakages. Alternatively, they could gather products from one part of the ZOI and sell them in others, they might hire local labor, and their owners might live in the ZOI. If so, they could lower transaction costs for local producers and contribute towards creating income linkages in the ZOI economy.

Table 8 **Survey Data Needed to Construct Household SAMs**[13]

SAM Cell	Data Needed to Fill Cell
(a - e)	What economic activities (production, retail, services, etc…) did your household or your business do in the last 12 months?
(e)	How much did you or your business produce, whether you sold it or not, and what's it worth? (Q,$)
(a, g-i)	What did you do with what your produced? (Q used as inputs for your other production activities (e.g., corn fed to animals)); home consumption (Q); sold to buyer in the ZOI (Q,$), sold to buyer outside ZOI (Q,$))
(b)	What labor and capital did you use for this economic activity?
	Your own labor (Q=days); hired labor (Q, $, where purchased (WP; from inside or outside ZOI)); your own land (Q=hs); other people's land (hs, $ paid, WP); your own capital (Q: e.g., tractor or oxen-days); other people's capital (Q,$, WP).
(d)	What inputs did you buy to produce it? (Q, $ and WP; e.g., amount of fertilizer, cost, bought outside the ZOI)
(c)	What taxes did you pay to do this activity? ($, to government agency inside our outside the ZOI?)
(f, j, k, o)	How much income did your household receive in: Wages ($, WP: working inside or outside the ZOI); rents ($, WP); transfers from other households ($, WP); migrant remittances ($, WP); transfers from government (WP: government inside or outside ZOI); NGOs or other sources ($, WP)
(m)	How much did you spend on consumption ($, spent inside or outside the ZOI; this requires an expenditure-recall module, noting if expenditure was inside or outside the ZOI
(l, n)	What investments did you make? ($, WP of investment

[13] Q-Quantity; $-value or price needed to calculate value; WP-where purchased (i.e., inside or outside ZOI). SAM cells correspond to the social accounting matrix that follows.

A brief community survey conducted with community leaders and other informants, can be a useful way to construct lists of businesses in the community, learn about periodic markets and other places where households spend their income, and get a sense of how the village fits into the surrounding economy or whether it is largely self-sufficient. A short data collection instrument can be used for this purpose.

When designing surveys, usually it is ideal to ask the locations of purchases and sales in the corresponding modules of the questionnaire. For example, after asking "How much (crop) did you sell?" follow with "Where did you sell it?" In some cases, we must ask these questions as an add-on to an existing survey questionnaire, or time and space constraints might make it difficult to ask where every transaction documented in a survey took place. As a second-best strategy, a matrix can be included at the end of the survey questionnaire to get an idea of where transactions of different kinds take place. An example is included as Annex B. The questions in this Annex are also useful guides for asking the locations of transactions within the appropriate survey modules.

Typically, business surveys are an add-on to household surveys conducted as part of the baseline for experiments. This raises the question of sample size. The standard equation used to determine the optimal sample size for surveys is:

$$n \geq \left(\frac{z_{\alpha/2}\sigma}{\delta} \right)^2$$

where z is the value of the t statistic corresponding to the desired confidence interval, σ is the standard deviation of the variable we wish to estimate from the data, and δ is the desired level of confidence of our estimate.

Usually, we do not have access to the information needed to determine the optimal sample size for enterprise surveys in project ZOIs. Registers of businesses in rural areas are rare, let alone estimates of standard deviations of variables of interest. One way to get an idea of the sample size needed for our enterprise surveys is to consider the parameters we wish to estimate, for example, labor value-added shares in value-added, and how they are distributed. Fortunately, the standard deviation of a share estimate is relatively straightforward: $\sigma = \sqrt{p(1-p)}$, where p represents the labor share in value added. Assuming that the true share is 0.35 to 0.6 (the range commonly found in agricultural census and household surveys), for α=*.05* and a margin of error of 3%, we obtain an optimal simple size of between 350 and 369 businesses. If these exceed 5% of the population of businesses in the ZOI, however, they may be too high. The correction by Cochran (1977) can be used to obtain an adjusted sample size (n_{aj}) as follows:

$$n_{aj} \geq \frac{n}{(1 + \frac{n}{N})}$$

Where n is the minimum sample size given by the general formula (248 a 270), and N is the population of businesses in the ZOI. For example, if there are 300 businesses in the ZOI, the minimum sample reduces to 162 to 166. We might expect similar sample sizes to be needed to estimate other parameters, e.g., average enterprise value-added, output value, and demands for inputs. Given the heterogeneity of businesses, it is likely that we will want to estimate these parameters for different groups of activities, for example, retail, other services, and other production activities. Balancing theory and practicality, and considering that many businesses are connected with households and thus picked up in household surveys, a reasonable target is on the order of 100-120 surveys for each major business type (e.g., retail, other services, and other production activities).

Sampling theory dictates having larger samples the more heterogeneous the population (this explains the appearance of σ in the numerator of the minimum sample size expression). In some cases, there may be unique businesses missed by the randomization strategy used to sample businesses. For example, one village in the ZOI might contain an influential food processing or furniture factory. Omitting this business from the survey (and SAMs) might introduce bias into the simulation model. A periodic market is another example. Ideally, individual stalls at the market would be included in the population of businesses from which the sample is drawn, but in practice this may not be the case. It is useful, therefore, to do some reconnaissance work prior to carrying out the business survey, in order to avoid missing potentially important economic actors not picked up by randomized sampling designs.[14]

4.6. Other Data that May Be Needed to Construct Simulation Models

Projects and policies may have local fiscal impacts that should be captured in simulation models. If so, then it is important to include governments and entities associated with the project in the ZOI SAM. Public agencies may collect fees and allocate their budgets to locally produced goods and services (activities), factors (labor and capital), and outside purchases. Data to construct government accounts usually are available from government agencies. Other economic actors may also be important to include in the model. For example, a temple may be an important endogenous actor receiving contributions from households, hiring labor and purchasing goods, and providing some households with income support (see the India village model in Taylor and Adelman (1996). In this way, it might add to GE linkages in the economy.

Theory guides data collection, and surveys for the experimental evaluation of program impacts may not provide data on all the economic actors we wish to consider in our simulation models. Hopefully, this will change in the future, but in the meantime other data sources might be useful to fill the void. For example, many impact evaluations do not collect information on non-eligible households in either the treatment or control communities. In

[14] This represents a type of stratification approach that makes statistical sense when a population consists of a large number of relatively homogeneous businesses but a very small number of influential businesses unlikely to be drawn in a randomized sample and expanding the sample size to substantially increase the probability of inclusion is not economically feasible.

Malawi and Ghana, Filipski and Taylor (2012) used data from multi-purpose household surveys to construct household groups, based on their eligibility for different types of transfer, and constructed a SAM for each.

4.7. Using Surveys and Other Data to Construct SAMs

Constructing SAMs from the survey data is relatively straightforward and easily accomplished using EXCEL spreadsheets. If the household and business survey data are organized into a case-by-variables format in a spreadsheet, additional worksheets can be linked to this, one for each SAM, and formulas can be inserted into their cells to aggregate across households in each group, selecting on a group identifier in the data sheet. The cell in a household SAM is filled in by adding up the data corresponding to the cell from all of the survey questionnaires administered to households corresponding to the SAM. For example the total value of maize production (the maize activity row and column total) for the beneficiary group is the sum of the value of maize production for all surveyed households in this group. When we go from survey data to SAM construction, we insert a formula in each SAM cell that sums up the relevant information from all of the households represented in the SAM.

4.8. Balancing Act

The SAM is a double-entry accounting system: every unit of income recorded in the rows must have an equal expenditure associated with it in the corresponding column. Regardless of whether household SAMs are constructed manually or using econometrically-estimated parameters as described below, the accounting identities of the SAM must be respected.

In some parts of the SAM, balancing is nearly automatic. The activity accounts (rows) send all of their production into the commodity accounts (columns). A reason for having both is that there may not be a one-to-one mapping of activities to commodities. For example, in Mexico, the traditional *milpa* multi-cropping activity produces three different commodities: maize, beans, and squash. Moreover, while small farmers often use ox-and-plow methods to cultivate traditional maize varieties with low yields, large farmers are highly capitalized, grow high-yielding hybrids, and have yields sometimes not that different from corn farmers in the United States. The activities are where production functions lurk. In this example, different activities (that is, farms with different technologies reflected in their production functions) produce the same or perhaps different commodities (depending on the elasticity of substitution in consumption between hybrids and traditional varieties). Having a separate SAM for the two farmer groups allows us to explicitly capture differences in technologies used in maize production activities as well as differences in quality or maize commodities. In many applications, there will be a one-to-one matching between activities and commodities, or households may have different production technologies (activities) to produce the same commodities (e.g., rice).

By immediately allocating output from activities to the commodity accounts, we ensure that they are consistent. This leaves us with a balancing act on either side, though. On the activity side, total expenditures (the columns) must equal total output value. As we fill in the expenditure column, accounting for intermediate input demands inside and outside the ZOI, wages and rents paid, eventually we are left with a residual, which is the implicit payment to family factors. For some applications it might be appropriate to leave this family factor value-added as an aggregate "family factor" account in the SAM. However, with information on quantities of family inputs (labor, land, and other capital), straightforward econometrics can be used to decompose the aggregate family factor into its distinct components. This can be important if our research has a labor or land-use focus, or if a specific fixed family factor (e.g., land, in the absence of an agricultural frontier or local land markets) is likely to limit the agricultural production response to prices and other shocks. Treating the family value-added as a residual virtually guarantees that the activity accounts will balance. Immediately allocating commodities to their end uses as intermediate inputs, consumption in the household or rest of the ZOI, or "exports" to markets outside the ZOI, ensures that the commodity accounts balance, as well.

Following the double-entry rule while constructing SAMs should enable us to balance, or nearly balance, the other accounts in the matrix. For example, when recording a wage payment from agriculture (row: wage, column: agricultural activity), we add the same amount as a payment from the wage labor factor (column) to the row account corresponding to the origin of the labor (same household group, rest of ZOI, or rest of world outside the ZOI).

The household account is balanced by taking household income from all sources (the household row total) and allocating it across consumption demand for all goods produced by the household (commodity rows), goods obtained in the rest of the ZOI (ZOI row), goods bought outside the ZOI (rest-of-world row), taxes (government row), and savings (capital rows). The most efficient way to do this is to first estimate expenditure shares from the household survey data then apply these shares to the total income in our SAM. This ensures that the household account will balance.

As we do our household SAM-building, each time account A (column) makes a payment to account B (row), account B temporarily is out of balance, with excess income. Accounting for where this income goes (account B, column) restores balance. As the SAM takes shape, any imbalances tend to get pushed down to the southeast corner of the matrix, that is, into the exogenous accounts, where final adjustments can be made without having an important impact on the endogenous SAM.

The goal of balancing is to use the double-entry accounting rule and hopefully good survey data to achieve the greatest balance possible in the SAM's endogenous accounts. Household survey data are inherently imperfect. Whether for experimental or other types of analysis, inevitably there are errors in the reporting and recording of survey data. However, once a relatively large number of households are aggregated into a household SAM, these errors should wash out on average, provided they are random. Errors that remain may create imbalances in the SAM. This could occur if, for example, households do a better job of recalling expenditures than income. Many surveys utilize questions about recent consumption (e.g., 2-week recall) to construct household expenditures; however, seasonality may cause recent expenditures to diverge from the average, resulting in imbalances between reported income and consumption. In other cases, reported expenditures may be more reliable than reported income. The double-entry nature of SAMs offers a major advantage here, because if data on a consumption (or income) item are missing or deemed unreliable, often data on income (expenditures) can be used to fill in the gap.

When designing surveys, careful thought should be given to the most efficient and natural way to obtain accurate information about incomes and expenditures. Ideally, the structure of the survey should reflect the ways in which respondents think about these things. For example, if farmers cultivate different plots of land differently, it might be more efficient to gather plot-level than crop-level agricultural data. However, this may not be necessary if farmers have few plots, manage these plots similarly, or find it natural to think about inputs and outputs on a crop level. The same considerations apply to other modules. For example, people might find it natural to recall their expenditures in terms of place (e.g., in the periodic market, in butcher shops, etc.). Although there are obvious advantages to eliciting recall data on recent purchases in consumption modules, if recent purchases are not likely to reflect typical purchases, any expenditure survey should make an effort to address this problem. For example, a question like “how much rice did your household purchase in the past week?” could be followed with “Is this more or less rice than you purchase in most weeks? How much rice do you purchase in most weeks?” In some cases, asking more questions (e.g., about plots) not only improves data quality but actually shortens the time needed for a survey, by avoiding side calculations (e.g., summing fertilizer or labor days across plots) and enabling people to report on their activities in the same way they think about them.

When an endogenous account does not balance, we look for missing income or expenditures in the data and record them in the SAM. Our rule of thumb is to get to within 90% of balancing each account (that is, a 10% discrepancy between row and corresponding column totals, at most) before moving on to the final balancing exercise. Usually, with good data, we are able to do considerably better.

The final stage of balancing involves the use of information theoretic tools to spread errors as efficiently as possible through the matrix. We should proceed to this stage only once we are certain that we have done the best we can with the data to balance the matrix “by hand” and no other data are available to do this. At this point, we have done the best we can do, and the objective is to complete the balancing while inflicting as little damage as possible on the matrix. This does not necessarily mean spreading the errors across the matrix in proportion to the size of each account, because we may have more confidence in the numbers in some accounts than others. For example, if we know the value of government transfers to the households used to construct a SAM, we do not want these to change as a result of the final balancing. If we are confident about the production information obtained in the survey but less so about the consumption data (perhaps because a one-week recall of expenditures was multiplied by 52 to estimate annual expenditures), it might be better to let expenditures take more of the hit while fine tuning the SAM.

Various methods are available to perform the final SAM balancing. The most common one, the RAS algorithm, takes the unbalanced SAM coefficients matrix and adjusts it by iterative multiplying it by the ratio of row (column) to column (row) totals until it converges to a balanced matrix. Robinson, et al. (2001) propose a cross-entropy method that permits incorporating additional information into the SAM updating. Under some conditions, it can be more efficient than RAS, in the sense of achieving consistency with smaller adjustments to the SAM cells and/or more accurately estimating the “true” SAM. (The latter is demonstrated using Monte Carlo simulations.)

5. Using SAMs and Experiments to Calibrate Evaluation Models

Once the SAMs are complete, they can be used immediately for multiplier and constrained multiplier evaluations, as described above. Parameters for other kinds of ZOI general equilibrium models can be calculated directly from the data in the SAMs, as described in Taylor and Filipski (2012, Chapter 2), or estimated econometrically from the same survey data. If SAMs are used, exponents on factor inputs in Cobb-Douglas production functions are equal to the factor shares in total value-added of each SAM activity for each household group. Consumption demands, if modeled using a linear expenditure system without minimum required quantities as in Deaton and Muellbauer (1980) and Taylor, et al. (2005), also can be modeled with data from the SAM. If there are minimum required consumption quantities, defined by basic food requirement as in (Pauw and Thurlow, 2010), the marginal budget shares in the demand functions need to be econometrically estimated from a semi-log inverse function suggested by King and Byerlee (1978). Alternatively, as in the impact evaluation of transfers in Malawi and Ghana by Filipski and Taylor (2012), both sets of parameters may be estimated econometrically from the household survey data.

Taylor, et al. (2005) found the results of experiments using similar models to be robust to the specification of functional forms, including more complex production and expenditure functions with assumed elasticities. This is not surprising, inasmuch as the model is always estimated at the same point given by the survey data, and our experiments will involve marginal changes in exogenous transfers. Despite linearity of individual household-group responses, aggregate outcomes of transfer on local economies are nonlinear, shaped by specific household groups’ production and demand parameters and, in some cases, endogenous prices. The goal is always to do what the data permit to test the sensitivity of chosen functional forms; nevertheless, the latter are not likely to be as important as the structure of local economies in shaping project linkages.

Ex-post SAMs for beneficiary and non-beneficiary groups, constructed from follow-up survey data, can be compared to SAMs constructed using baseline data. Even in the absence of the program, SAM coefficients may change between the baseline and the follow-up. If this is the case, then calibration on baseline data may not allow us to recover the experimental estimates; however, constructing a SAM for the control group household cluster might give us the counterfactual of interest, i.e., what are the linkages between households through local markets and with the rest of the world had the program not been in place? By comparing SAM coefficients of control group clusters before and after the program we would pick up the effect of all other time-varying factors not due to the program. We might then be able to attribute other changes in the coefficients of the matrix to the program.[15]

Ultimately, the local economy-wide impacts of cash transfer programs might be shaped by impacts on household behavior reflected in model parameters. Our simulation models can offer insights into how changes in these parameters might influence local economy-wide impacts.

6. Econometric Parameterization and Validation of LEWIE

When parameters are calculated from SAMs, we do not know how much confidence to place in them. For example, the share of a household group's expenditures on food crops is calculated by taking the group's expenditure on food (household column, food row of the SAM) and dividing it by total expenditures (the household column total). In essence, then, it is calculated from a single data point.

We can improve upon this by using econometric methods to estimate production, expenditure, and other functions in the LEWIE model. As in any econometric model, significance tests provide a means to establish confidence bounds around the estimated parameters and functions used in our simulation model. In theory, if the structural relationships in the simulation model are properly specified and estimated with confidence, this should lend credence to our simulation results. Assumptions concerning functional form are critical to GE models, but they are equally critical to any econometric estimation exercise. The same methods used to choose among functions in econometric modeling can be used to decide upon functions in a simulation model. The same methods used to verify any econometric model (e.g., out-of-sample tests) are relevant when parameterizing simulation models. Econometric estimation of parameters also makes it possible to validate LEWIE simulation findings, as described below.

The baseline survey data have two main purposes in the construction of LEWIE models. First, they provide initial values for each variable of interest: output of crop and other activities; inputs of land, labor, capital, and purchased inputs; consumption expenditures, public and private transfers, and so on. Second, they provide the data to econometrically estimate each of the parameters of interest in the model and their standard errors: exponents and shift parameters in Cobb-Douglas production functions, marginal budget shares and subsistence minima for consumption functions, etc. Tables 9a and 9b present excerpts from the LEWIE data input spreadsheet for the impact evaluation of Lesotho's Child Grants Program, showing the parameters and initial values related to crops for each of four household groups (eligible/ineligible in treated/control villages; the spreadsheet is split into these two tables for ease of presentation).

[15] Thanks for Habiba Djebbari for pointing this out.

Table 9a Top Panel of LEWIE Input Spreadsheet

Variable	Commodity	Factor	Households			
			Treated Villages		Control Villages	
			A	B	C	D
FD	crop	HL	150283.91	170974.01	1552819.18	2140229.31
FD	crop	FL	930154.11	818267.67	2859873.84	2432985.77
FD	crop	LAND	873093.98	768071.19	2684435.40	2283734.71
FD	crop	K	1092395.01	960992.93	3358703.55	2857356.10
FD	crop	PURCH	113174.87	99239.27	919594.60	838077.97
beta	crop	HL	0.0750011	0.0750011	0.0750011	0.0750011
beta	crop	FL	0.2401784	0.2401784	0.2401784	0.2401784
beta	crop	LAND	0.2254447	0.2254447	0.2254447	0.2254447
beta	crop	K	0.2820712	0.2820712	0.2820712	0.2820712
beta	crop	PURCH	0.1773046	0.1773046	0.1773046	0.1773046
se	crop	HL	0.0172838	0.0172838	0.0172838	0.0172838
se	crop	FL	0.0882176	0.0882176	0.0882176	0.0882176
se	crop	LAND	0.0661637	0.0661637	0.0661637	0.0661637
se	crop	K				
se	crop	PURCH	0.0391298	0.0391298	0.0391298	0.0391298
acobb	crop		4.238052	4.238052	4.238052	4.238052
acobbse	crop		0.2097159	0.2097159	0.2097159	0.2097159
alpha	crop		0.0915113	0.1289393	0.0188418	0.034959
alphase			0.0108685	0.0132612	0.0043281	0.0068111
cmin	crop		0.00	0.00	0.00	0.00

Source: Taylor, Thome, and Filipski (2013)

This data input table was structured to interface with GAMS, where the LEWIE model resides. Its columns give the names of variables or parameters, the name of the commodity, the factor name (in the case of factors), then the values for each household group. In this model, crop production involves four kinds of factor demands (FDs): hired labor (HL), family labor (FL), land, and capital (K), along with purchased inputs (PURCH). The first five rows give the baseline levels of each for each of the four household groups. The next five rows give the estimated Cobb-Douglas production function exponents (beta), and the next five the standard errors of these estimates (se). The following two rows (acobb and acobbse) give the estimated production function shift parameter and its standard error. The remaining rows contain consumption function parameters: alpha and alphase are the estimated budget share and its standard error, and the last row, the intercept, assumed here to be zero (corresponding to a Stone-Geary utility function without subsistence minima).

For the Lesotho LEWIE, this panel is followed by similar panels for livestock, retail, other services, and other production.

The bottom panel of the input table (9b) contains other household parameters and initial values of variables not related to production activities or commodities.

Table 9b **Bottom Panel of LEWIE Input Spreadsheet**

Variable	Commodity	Factor	Households			
			Treated Villages		Control Villages	
			A	B	C	D
endow		HL	1075105.05	818409.82	6228443.37	3113530.86
endow		FL	4752302.88	3734097.21	45821811.45	39755606.63
endow		LAND	404896.84	539744.97	992408.91	344490.25
endow		K	27975026.43	17113373.18	252889068.03	231547916.73
ZOI LABOR ENDOW		HL	697947.43	741630.92	4665416.51	7577907.83
ROLES LABOR ENDOW			520542.34	628959.54	2906892.15	2682130.85
ROWendow		HL	295165.16	225433.36	2591160.11	2831404.48
transfout	alpha		0.0012663	0.0011821	0.0018765	0.0027138
	se					
transfin	alpha		0.0009271	0.0032502	0.0024569	0.0068431
	se		0.0004002	0.0004912	0.0005068	0.0004165
sav-informal	alpha		0.0468887	0.0348792	0.0669304	0.0737041
	se		0.0047567	0.0054993	0.0055992	0.0074673
sav-formal	alpha		0.0295651	0.0081229	0.1939786	0.2341901
	se		0.0037793	0.0016507	0.0111184	0.0093985
labexp	alpha		0.0017639	-0.000171	0.0070615	0.0142293
	se		0.0011685	0.0008516	0.0015431	0.0034445
EXP ZOI	alpha		0.22000711	0.262005593	0.310724082	0.268586968
EXP ROLES			0.07227429	0.114225807	0.124906518	0.099961632
NONSCtransfers			1544083.35	1105914.73	27898374.63	20052205.27
Remits			1141970.32	1317276.59	8958830.09	8458958.52
Number of HHs			2299	2254	7916	8136

Source: Taylor, Thome, and Filipski (2013)

The first four rows of this panel contain household endowments of each factor, and the following three rows, total endowments of hired labor in the ZOI, rest of Lesotho, and rest of world (here, South Africa). This model does not attempt to explain the supply of hired labor from ZOI households to the rest of the country or world, which is likely to be determined by a fairly complex, network-driven process. Thus, in the impact evaluation these are treated as fixed variables; however, the within-ZOI availability of labor depends on them, so it is important to collect data on these variables in the survey and include them in the LEWIE.

The rest of the last panel contains data on estimated parameters and standard errors on household private transfers outside (transfout) and inside (transfin) the village; savings, both informal and formal; hiring other than for production activities (e.g., for home improvements; labexp); expenditures outside the village (EXP ZOI and EXP ROLES, both residuals); non-SCT transfers; and remittances (Remits).

6.1. Construction of Confidence Intervals using Monte Carlo Methods

Validation is always a concern in GE modeling. Econometric estimation of model parameters opens up a new and interesting possibility in this regard, because we have estimated parameters as well as their standard errors. This means we can use Monte Carlo methods to perform significance tests and construct confidence intervals around project impact simulation results, using the following steps:

1. Use parameter estimates and starting values for each variable obtained from the micro-data to calibrate a baseline LEWIE model.
2. Use this model to simulate the project, for example, a cash transfer to eligible households.
3. Now make a random draw from each parameter distribution, assuming it is centered on the estimated parameter with a standard deviation equal to the standard error of the estimate. This results in an entirely new set of model parameters. Using these parameters, calibrate a new baseline LEWIE model, and use this model to simulate the same project again.
4. Now repeat step 3 *J* (say, 1,000) times. This will yield 1,000 observed simulation results on each outcome of interest.
5. We can construct percentile confidence intervals $(\hat{Y}^*_{1-\alpha/2}, \hat{Y}^*_{\alpha/2})$, where $\hat{Y}^*_p$ is the p[th] quantile of the simulated values $(\hat{Y}^*_1, \hat{Y}^*_2, ..., \hat{Y}^*_J)$. For example, for a 95% confidence interval, we find the cutoffs for the highest and lowest 2.5% of simulated values for the outcome of interest. This is similar to the percentile confidence intervals in bootstrapping.

This Monte Carlo procedure allows us to use what we know about the variances of all our parameter estimates simultaneously to perform a comprehensive sensitivity analysis grounded in econometrics. If the model's parameters were estimated imprecisely, this will be reflected in wider confidence bands around our simulation results, whereas precise parameter estimates will tend to give tighter confidence intervals. Structural interactions within the model may magnify or dampen the effects of imprecise parameter estimates on simulation confidence bands.

Table 10 summarizes some of the findings from the LEWIE evaluation of Lesotho's pilot CGP program. The 90% confidence intervals around nominal and real-income impacts were constructed using 500 random draws from each parameter distribution. The "Total Income" panel of the table shows that each LSL transferred to beneficiary households generates a total income multiplier of 2.23 in nominal terms, with a 90-percent confidence interval of 2.08 to 2.44. That is, the 3.3 million LSL transfer program produces a 6.89 to 8.06 million LSL increase in project-area income. However, higher demand puts upward pressure on prices. This raises consumption costs for all households and results in a real-income multiplier that, although significantly greater than 1.0, is lower than the nominal one: the real income multiplier of the program is 1.36 (90-percent confidence interval: 1.25 to 1.45).

One the one hand, this finding confirms that the CGP will generate income multipliers within the treated clusters that are significantly greater than 1.0, regardless of whether they are measured in nominal or real terms. On the other hand, they illustrate that constraints on the supply response can result in price inflation instead of a real expansion of the local economy. Even a relatively small increase in the local current price index (CPI) can result in a much smaller real income multiplier, because it potentially affects all expenditures by all household groups.

The middle panel of the table gives simulated impacts on the nominal and real incomes of each household group. Treated households (Group A) receive the direct benefit of the transfer plus a small spillover effect of .15 loti per 1.0 loti transferred. Their total income increases by 3.79 million LSL (3.42 million LSL in real terms).

The ineligible households within the treated clusters do not receive the transfer, but they benefit from positive spillover benefits. Their nominal income increases by 3.59 million LSL (1.08 million LSL in real terms). The difference between nominal and income gains for this group reflect the fact that the income gain is not large relative to Group C's total expenditure on consumption, which becomes slightly more expensive due to higher prices; the total cluster consumer price index (weighted by expenditure shares) increases by 1.96%. Thus, the real income multiplier (0.33), while positive, is considerably lower than the nominal one (1.08).

The program has significant production impacts, mostly in the ineligible households. Each LSL transferred stimulated local production by 1.14 LSL, 88.1% of which is by the ineligible households. The cash transfers stimulate the production of crops and livestock in the treated clusters by 0.19 and 0.28 LSL per loti transferred. The largest positive effect is on retail, which has a multiplier of 0.60. The service sector also benefits (0.08). Increasing demand stimulates these four sectors by putting some upward pressure on prices. That is, prices are the mechanism by which impacts are transmitted within the local economy. The higher the local supply response, the larger the real expansion in the local economy and the smaller the resulting inflation level will be.

The LEWIE approach makes it possible to analyze these spillover effects of cash transfers as well as to explore their sensitivity to different local market situations and to local supply responses. The evaluation by Taylor, Filipski, and Thome (2013) found that liquidity constraints on purchasing inputs, particularly in the ineligible households, and an inelastic local labor supply severely limit the local multiplier effect. On the other hand, relieving local production constraints increases the transfer multiplier while reducing the potential impact on prices. Thus, a key finding from the study is that complementary interventions to loosen local supply constraints (e.g., micro-credit and extension) can enhance the positive economic impacts of SCTs on the treated economy.

Ex-post, experiments may be useful in parameterizing impact-evaluation simulation models. For example, low fertilizer use in Africa is often blamed on liquidity constraints. Cash-constrained farmers may underutilize fertilizer even if its marginal product is high, because cash outlays on inputs precede the harvest. A cash transfer loosens the liquidity constraint. One might assume ex-ante (as in Filipski and Taylor, 2012) that the marginal effect of cash transfers on fertilizer purchases is the same as that of income from other sources; however, any potential effect on production will depend on when and how this new income is spent. Experimental data can be used ex-post to estimate the effect of the transfer on fertilizer (and other) expenditures, testing the ex-ante model's assumptions.

Table 10. Simulated Impacts of the CGP Pilot Using the GE-LEWIE Model (Simulation 1)

		Assumptions	
Recipient household		A only	
Elasticity of hired/family labor supply		100	
Liquidity constraint on/off		off	
Village Markets		crop, live, ret, ser, FL, HL	
Zoi-wide Markets		(none)	
Integrated Markets		prod, outside, purchased inputs	
Amount transferred		3310560 (A)	
iterations		500	
		Multiplier	Level Change
Total Income			
	Nominal	2.23	7.38
	(CI)	(2.08- 2.44)	(6.89 -8.06)
	Real	1.36	4.5
	(CI)	(1.25- 1.45)	(4.15 -4.80)
Household Income			
	A nominal	1.15	3.79
	cpi increase in %	1.96%	1.96%
	real	1.03	3.42
	B nominal	0	0
	cpi increase in %	0.00%	0.00%
	real	0	0
	C nominal	1.08	3.59
	cpi increase in %	1.88%	1.88%
	real	0.33	1.08
	D nominal	0	0
	cpi increase in %	0.00%	0.00%
	real	0	0
Production Effects (in Loti)			
	crop	0.19	614886
	live	0.28	930528
	ret	0.60	1971207
	ser	0.08	281137
	prod	-0.01	-25539

Source: Taylor, Thome, and Filipski (2013)

Experimental evidence can be used to validate the impact-simulation model in other ways. For example, it can enable us to compare observed changes in incomes, expenditures, or other variables with those predicted by the model. Cash transfers potentially change model parameters, as well. The impacts of transfers on expenditure patterns, time allocations, technologies, and other outcomes are a focus of many experiments. Ex-ante, structural parameters by necessity must be estimated, using methods that sometimes require strong assumptions. Ex-post, findings from carefully designed experiments might be useful to validate and update parameter estimates along with standard errors.

7. Limitations and Extensions

Most local GE impact evaluation models to date have focused on linkages among households. The paper by Filipski and Taylor (2012) explores the effect of liquidity constraints within households, echoing Sadoulet, de Janvry, and Davis' (2001) econometric study of the household income-multiplier effects of cash transfers. Just as LEWIE nests distinct household groups within the larger economy of the ZOI, it should be possible to nest individuals within households in order to get at intra-household impacts of projects. Other research documents how conflict within households can shape project impacts.[16] Filipski, Taylor, and Msangi (2011) take a step in this direction by including the allocation of time to housework (reproduction activities) in their study of the impacts of CAFTA on welfare in the rural Dominican Republic.

Seasonality is another important question that can arise in impact evaluations, whether experimental or simulation. For example, in Malawi, Chirwa, Dorward and Vigneri (2012) emphasize that prices and wages vary across seasons, reflecting seasonally-binding resource constraints. This raises the possibility that a cash transfer loosens a liquidity constraint in one season (say, by enabling households to invest in fertilizer) while tightening constraints in other seasons (say, labor during harvest). Many locales are cut off from outside markets during some seasons. At these times, all goods become nontradable.

Seasonality can be incorporated into LEWIE by including seasonal accounts in LEWIE SAMs, as in Taylor, Filipski and Lybbert's (2012) study of the impacts of saffron prices in a region of Morocco. In order to do this, decisions need to be made how to model seasonality, how many seasons to model, what data need to be seasonally disaggregated. The Taylor, et al., study distinguishes the period of intense labor demand around the saffron harvest from the rest of the year. Dorward and colleagues would call for a similar distinction between pre-harvest and post-harvest periods in Malawi.

LEWIE is no different from experimental and other impact analysis in that addressing new questions often requires access to new data. Incorporating an intra-household focus requires

[16] For example, see Judity A. Carney (1992).

having information on how resources as well as transfers are allocated within households. To address seasonality, data are needed on changes in prices, activities, and resources across seasons. For example, the Malawi IHS 2004 and 2011 are yearlong surveys, composed of nationally representative surveys carried out every month which are then aggregated together. They pick up seasonality on many indicators, most importantly food prices, food consumption/expenditure, and food security. Impact evaluations may employ staggered surveys to get at seasonality. The Mchinji impact evaluation in Malawi included follow-up surveys 6 and 12 months after the baseline survey; some important seasonal differences are evident in program impacts. Recall is more difficult to carry out systematically across all the necessary areas of information.

In short, data, not modeling technology, is the major constraint on extending impact evaluation in these (and other) directions. These considerations are likely to be important not only for impact analysis, but also for program design and complementary investments; thus, the benefits of addressing them might well outweigh the cost.

References

Behrman, J.R. and A.B. Deolalikar. 1987. "Will Developing Country Nutrition Improve with Income? A Case Study for Rural South India." *Journal of Political Economy* 95: 492-507.

Burfisher, Mary E. 2011. *Introduction to Computable General Equilibrium Models*. Cambridge: Cambridge University Press.

Carney, J.A. 1992. "Peasant Women and Economic Transformation in The Gambia," *Development and Change* Vol. 23, No. 2, pp. 67-90.

Chirwa, E., A. Dorward and M. Vigneri (2012). Seasonality and Poverty: The 2004/05 Malawi Integrated Household Survey. *Seasonality, Rural Livelihoods and Development*. R. Sabates-Wheeler and S. Devereux, Earthscan.Cochran, W. G. 1977. *Sampling techniques* (3rd ed.). New York: John Wiley & Sons.

Davies, Simon and James Davey (2008). "A Regional Multiplier Approach to Estimating the Impact of Cash Transfers on the Market: The Case of Cash Transfers in Rural Malawi." *Development Policy Review* **26**(1): 91-111.

Deaton, A., and J. Muellbauer. 1980. *Economics and consumer behavior*: Cambridge University Press.

Dyer, G. A., Boucher, S. and Taylor, J. E. (2006). Subsistence response to market shocks. *American Journal of Agricultural Economics*, 88 (2), 279-291.

Filipski, M., and J. E. Taylor. 2012. "A Simulation Impact Evaluation of Rural Income Transfers in Malawi and Ghana." *Journal of Development Effectiveness* Volume 4, Issue 1, pp. 109-129, 2012.

Filipski, M., J.E. Taylor and S. Msangi. 2011. "Effects of Free Trade on Women and Immigrants: CAFTA and the Rural Dominican Republic." *World Development* 39(10):1862-1877 (November).

Holden, S.T., J.E. Taylor and S. Hampton (2002). "Structural Adjustment and Market Imperfections: A Stylized Village Economy-Wide Model with Nonseparable Farm Households." In M. Monasinghe (ed.), *The International Library on Critical Writings in Economics: Macroeconomics and the Environment*. Edward Elgar Publishing Ltd., Cheltenham, UK and Northampton, Massachusetts, USA.

Jonasson, E., M. Filipski, J. Brooks, and J.E. Taylor. 2012. "Modeling the Welfare Implications of Agricultural Policies in Developing Countries." Scandinavian Working Papers of Economics No. 2012:11 (http://swopec.hhs.se/lunewp/abs/lunewp2012_011.htm).

Kenya CT-OVC Evaluation Team, "Impact of the Kenya CT-OVC on Household Spending," Journal of Development Effectiveness, Vol.4(1):9-37, 2012.

King, R. P., and D. Byerlee. 1978. "Factor intensities and locational linkages of rural consumption patterns in Sierra Leone." *American Journal of Agricultural Economics* 60 (2): 197–206.

Lewis, B. D. and E. Thorbecke. 1992. "District-Level Economic Linkages in Kenya: Evidence Based on a Small Regional Social Accounting Matrix." *World Development* 20(6): 881-897.

Maliro, D.D. (2011). *Comparison of Agricultural Input Subsidies and Social Cash Transfers as Policies for Reducing Vulnerability to Hunger in Malawi*. PhD, University of East Anglia

Miguel, E., and M. Kremer. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." *Econometrica* 72(1): 159-217.

Parikh, A. and E. Thorbecke. 1996. "Impact of rural industrialization on village life and economy: A social accounting matrix approach." *Economic Development and Cultural Change,* volume 44, Number 2, January.

Pauw, K., and J. Thurlow. 2010. *Agricultural growth, poverty, and nutrition in Tanzania*. IFPRI Discussion paper 947. Washington, DC: International Food Policy Research Institute.

Robinson, S., A. Cattanew, and M. El-Said. 2001. Updating and Estimating a Social Accounting Matrix Using Cross Entropy Methos. *Economic Systems Research* 13:47-64.

Sadoulet, E., A. de Janvry and B. Davis. "Cash Transfer Programs with Income Multipliers: PROCAMPO in Mexico." World Development 29(6):1043-1056, 2001.

Singh, I. J., L. Squire, and J. Strauss (eds.). 1986. *Agricultural Household Models—Extensions, Applications and Policy*. Baltimore: The Johns Hopkins University Press.

Taylor, J.E. 2010. “Technical Guidelines for Evaluating the Impacts of Tourism Using Simulation Methods.” Inter-American Development Bank, Impact-Evaluation Guidelines Technical Notes No. IDB-TN-229; http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35572878

Taylor, J.E., K. Thome, and M. Filipski. 2013. “Evaluating Local General Equilibrium Impacts of Lesotho’s Child Grants Program.” Paper prepared for the United Nations Food and Agriculture Organization (UN-FAO), UNICEF/ESARO, and The World Bank.

Taylor, J.E. and M. Filipski. 2012. Beyond Experiments: Simulation Methods for Impact Evaluation. Unpublished manuscript under construction.

Taylor, J. E. and Dyer, G. 2009. Migration and the Sending Economy: A Disaggregated Rural Economywide Analysis. *Journal of Development Studies*, 45 (6), 966-989.

Taylor, J. E., G. Dyer, and A.Yúnez-Naude. 2005. “Disaggregated Rural Economy-wide Models for Policy Analysis.” *World Development* 33 (10): 1671-1688.

Taylor, J.E., M. Filipski and T. Lybbert. Saffron. Paper in progress, 2012.

Taylor, J.E. and I. Adelman. 1996 (reprinted in 2005). *Village Economies: The Design, Estimation, and Use of Villagewide Economic Models,* Cambridge: Cambridge University Press.

Ye, Xiao and J. E. Taylor. 1995. "Income Growth and Nutrient Intake in a Prosperous Rural Area of Northern China." *Economic Development and Cultural Change* 43(4):805-820.

Annex A – Malawi Business Enterprise Questionnaire

♦ FOR THE SUPERVISOR:			
Q.1	**District (Name and Code)**		☐☐
Q.2	**Traditional Authority (Name and Code)**		☐☐
Q.3	**Village Cluster (Name and Code)**		☐☐
Q.4	**Community (Name and Code)**		☐☐☐
Q.6	**Name of the village where the business was selected**		
Q.7	**Who is the respondent?**	**01. Owner** **02. Family member of owner** **03. Non-family employee**	
Q.8	**Does the owner of the business live in the village given in Q.6?**	**Yes =01 >Q.10** **No = 02**	
Q.9	**Where does the owner live?**	**01. In a nearby village** **02. At a trading centre** **03. Elsewhere**	
Q.10	**Type of business** ***If multiple indicate the one for which the person was selected and that will be the object of the interview***	See business codes below.	

Business Codes:		
RETAIL BUSINESSES	SERVICE BUSINESSES	PRODUCTION BUSINESSES
1. Tuck Shop	10. Mill	20. Making Bricks
2. Petty trader	11. Mechanic/ Tire repair	21. Construction
3. Butchery	12. Traditional Healer	22. Carpenter
4. Bottle Shop/Grocery	13. Taxi/ Transportation	23. Crafts(basket making, reedmat making..)
5. Clothing/Shoe Store	14. Bar/ Restaurant/Take-Away	24. Home Brewery
6. Hardware Store	15. Electronics/ Phone repair	25. Charcoal
7. Ag inputs Store	16. Agricultural inputs and tools rental	
8. Selling Airtime	17. Seamstress/Tailor/Clothes repair	
	18. Hairdresser/Barber	
9. Other (specify):_________	19. Other (specify):_________	26. Other (specify):_________

Q.11	**Date**: dd/mm/yyyy	**Time at start:** hh/mm	**Time end:** hh/mm	**Interviewer ID Code**

INFORMED CONSENT STATEMENT

"Hello. How are you? My name is [ENUMERATOR NAME], and I am working with a team from the Centre for Social Research at Chancellor College of the University of Malawi . We are conducting a survey of businesses in this district, and your business (mention business type for which the person was selected) was chosen to be interviewed in this community.

We hope that this information will benefit the entire community by allowing us to understand the challenges that businesses like yours face, and how to mitigate them. The information you provide is strictly confidential. It is important that throughout the interview you refer to this business only, and not to other businesses that you may also operate.

You do not need to talk to me if you do not want to. And if there is any question you do not want to answer, that will be fine. It is important you understand that the answers you give will in no way affect your status with respect to the CSR . If you have any problems, or if you feel uncomfortable answering any question, you should feel free to stop talking with me at any time. You can speak with the Director, CSR for more details or clarification of this study.

Will you please give me some time to speak with you?"

[Enumerator, sign below to indicate that respondent consented to interview.]

ENUMERATOR SIGNATURE_________________________________ DATE_______________________________________

Q.12	**Which goods and services do you sell / provide?**	**Yes =01** **No = 02**
1.	Packaged food (e.g. chips, sugar, UHT milk) and soft drinks	
2.	Unpackaged animal products (meat, eggs, fresh milk)	
3.	Prepared food	
4.	Fresh fruit, vegetables, unprocessed grains	
5.	Alcohol (home made)	
6.	Alcohol (branded)	
7.	Household goods/personal items	
8.	Wood products (chairs, coffins)	
9.	Metal products	
10.	Phone cards	
11.	Clothes	
12.	Agricultural inputs	
13.	Phone calls/airtime	
14.	Transport service	
15.	Personal services (traditional healer, repairs, etc)	
16.	Building materials	
17.	Shearing and other livestock services	
18.	Grass cutting and selling	
19.	Charcoal burning and selling	
20.	Medicine	
21.	Loans/money lending	
22.	Training/informal school	
23.	Clothes/sewing	
24.	Hairdressing	
77.	Other? Please specify_________	

Q.13	In what year did you begin operating this business?	*YYYY*	
Q.14	Do you keep any accounting (written records) of your costs and sales? ♦ ***Interviewer:*** *if so, ask to see them for next questions, if possible*	01 =Yes 02 =No	
Q.15	How many months have you been in operation in last **<u>12 months</u>**?	*No. of Months*	
Q.16	What was your **total revenue** in the last **<u>30 days of operation</u> in Kwacha** *(revenue = total sales without subtracting costs)*		
Q.17	What was your **average monthly revenue in Kwacha**? *(revenue = total sales without subtracting costs)*		
Q.18	What was your total revenue in the **worst month** for this business last **<u>12 months</u>** in **Kwacha**?*(revenue = total sales without sutracting costs)*		
Q.19	What was your total revenue in the **best month** for this business last **<u>12 months</u>** in **Kwacha**? *(revenue = total sales without subtracting costs)*		
Q.20	What was your **average monthly profit in Kwacha?** (profit = total sales minus costs)		
Q.21	During the last 12 months, did you sell anything/provide your services to........? Yes = 01 No = 02	a) Residents from village in Q6	
		b) Other businesses in village in Q6	
		c) Intermediaries/middlemen in the village	
		d) Public/gov institutions in village in Q6	
		e) To residents or businesses from nearby villages	
		f) To residents or businesses from a trading centre	
		g) Elsewhere	
Q.22	About what percentage of your total sales of the last 12 months were to each of these (i.e. those mentioned above)? (*Rows should sum to 100%. If respondent cannot estimate, use stones or mention ‘half’, ‘quarter’..)*	a) Residents from village in Q6	
		b) Other businesses in village in Q6	
		c) Intermediaries/middlemen in the village	
		d) Public/gov institutions in village in Q6	
		e) To residents or businesses from neighbouring villages	
		f) To residents or businesses from a trading centre	
		g) Elsewhere	

Q.23	How many members of the owner's household helped with this business in the last 12 months? Whom? How many? *(write numbers and include owner)* ***(Enter '0' if none)*** ♦ ***Interviewer:*** *Probe for number of adult males, adult females and children under 15 years*	*a) Adult males* *b) Adult females* *c) Girls under 15* *d) Boys under 15*	
Q.24	For how many weeks did […] work in the business in the last 12 months? *Interviewer: include respondent* *Response, in* ***person-weeks =01*** *or;* ***person-months =02*** ***(Enter '0' if none)***	*a) Adult males* *b) Adult females* *c) Girls under 15* *d) Boys under 15* ***Code*** ***weeks =01*** ***months =02***	
Q.25	For how many hours a week, on average, did […] work? *Interviewer: include respondent* *Response, in hours per person* ***(Enter '0' if none)***	*a) Adult males* *b) Adult females* *c) Girls under 15* *d) Boys under 15*	
Q.26	Were any persons that are not part of the owner's household paid to work for the business?	01 =Yes 02 =**No >> Q.35**	

Q.27	Q.28	Q.29	Q.30	Q.31	Q.32	Q.33	Q.34
What type of employees were there in the past 12 months? *(please list each type that applies)*	How many [….] did you employ in the past 12 months?	How many of your employees live in […]?	For how many [months or weeks] did you employ each […] in the last 12 months? *(Answer in person-months or person-weeks)*	How much did you pay each employee of this type per week or month? *(cash only, not in-kind) in Kwacha per person*	Did you provide any meals, insurance or other benefits to this type of employee in the last 12 months?	For how many [months or weeks] did you provide these benefits in the last 12 months? *(Answer in person-months or person-weeks)*	What was the average value of meals, insurance, or other benefits provided to each employee of this type each [month or week]? Answer per person
01= clerks 05 =cook 02 =helpers 06=driver 03 =cleaners 77=other 04 =apprentice (specify)	*Write number of employees for each* *category*	01= in the village mentioned in Q6 02= in a nearby village 03 = elsewhere	*01= Month* *02= Week* ***Number*** ***Code***	*01= Month* *02= Week* ***Amount in Kw*** ***Code***	*01= Yes* *02= No >>**Next employee***	*01= Month* *02= Week* ***Number*** ***Code***	*01= Month* *02= Week* ***Amount in Kw*** ***Code***
		01 02 03					
		01 02 03					
		01 02 03					
		01 02 03					

Q.35	During the last 12 months did you purchase with **cash** any inputs for this business?	01 =Yes 02 =No >> **Q. 42**	

	Q.36	**Q.37**	**Q.38**	**Q.39**	**Q.40**		**Q.41**	
*Only include inputs purchased **with cash***	In the last 12 months, did you purchase [__] for the business?	How many months in the last 12 months did you purchase [__] **using cash**?	How many times each month do you usually purchase […]?	On average how much do you spend each time you purchase […]? in **Kwacha**	Of the purchases you made what % of {..} did you purchase in: a) the village b) a nearby village c) a trading centre d) town e) elsewhere		What % of this [__] was purchased from: a) Other Household b) Other Business c) Intermediary/trader d) public/government institution ***(Use proportional piling)***	
	01=yes 02= no >> **Next item**			***Amount***	01= Yes 02 =No >> **Next item**		%	
a) Food crops such as maize, sorghum, wheat, potatoes, fruits, and vegetables					a)		a)	
					b)		b)	
					c)		c)	
					d)		d)	
					e)			
b) Meat or other animal products, including eggs					a)		a)	
					b)		b)	
					c)		c)	
					d)		d)	
					e)			
c) Local crafts					a)		a)	
					b)		b)	
					c)		c)	
					d)		d)	
					e)			
d) Other goods (specify):					a)		a)	
					b)		b)	
					c)		c)	
					d)		d)	
					e)			
e) Other goods (specify):					a)		a)	
					b)		b)	
					c)		c)	
					d)		d)	
					e)			

Other expenses	Q.42	Q.43	Q.44	Q.45	Q.46
	Did you spend anything on [...] for this business during the last 12 months?	For how many months in the last 12 months did you have this expense?	On average how much did you spend **on** [...] per month during the last 12 months?**(Kwacha)**	Was any part of [...] purchased from an individual, business or institution in the village?	What % of this expense was paid to an individual, business or institution in the village? ***(Use proportional piling)***
	01 = Yes 02 = No >> **Next item**		Amount	01 = Yes 02 = No >> **Next item**	%
1. Electricity					
2. Telephone (including cell airtime and charging)					
3. Transport					
4. Rent on your building					
5. Rent on machinery or other (specify):					
6. Insurance					
7. Taxes					
8. License/permits					
77. Other (specify)					

Business Assets	Q.47	Q.48	Q.49	Q.50	Q.51	Q.52
	Do you own […] for use in your business?	In what year did you acquire […]?	What is the current value of […]?**(Kwacha)**	How much did you pay for {…} in the last 12 months, not including maintenance and repair? **(Kwacha)**	How much did you pay for materials for the maintenance and repair of […] n the last 12 months? **(Kwacha)**	How much did you pay for labor for the maintenance or repairs of […] in the last 12 months?**(Kwacha)**
	01 = Yes 02 = No >> **Next item**	YYYY				
1. Building/Storefront						
2. Vehicle						
3. Machinery (please specify):						
4. Bicycle						
5. Motorbike						
6. Boat/Canoe						
8. Cell phone						
9. Fishing nets						
10. Wheel barrow						
11. Musical system/TV						
12. Refrigerator						
13. Other (specify)						

Q.53	In the last 12 months, did you borrow money or repay money you borrowed to run this business?	01 =Yes 02 =No >> **Q.58**	

	Q.54	**Q.55**	**Q.56**	**Q.57**
	*From whom did you borrow or repay money for your business in the last year?**(Record up to 3 in order of importance)*** 01. Relative 02. Neighbor 03. Grocery/ local merchant 04. Money lender 05. Employer 06. Religious institution 07. Bank 08. Village Bank 09. Other (specify)	Where was […] located? 01= in the village 02= in a nearby village 03= at a growth point 04=elsewhere	How much money did you borrow from […] in the last 12 months?**(Kwacha)**	How much money did you repay […] in the last 12 months?**(Kwacha)**
	Write code		If none, mark "00"	If none, mark "00"
1.				
2.				
3.				

Now we would like to ask you some questions about your customers and your relationship with them

Q.58	Thinking back over the last 12 months, was your business able to earn a good, average or poor income during each of the following months? 01 = Poor 02 = Average 03 = Good	a) June	
		b) May	
		c) April	
		d) March	
		e) February	
		f) January	
		g) December	
		h) November	
		i) October	
		j) September	
		k) August	
		l) July	
Q.59	Do your customers ever buy on credit from you?	01 = Yes 02 = No >>**61**	
Q.60	What % of your customers usually buy on credit?**(use proportional piling)**	%	

Q.61	Do you operate any other business additional to the one this interview has focused on?	01 = Yes 02 = No >> **63**	
Q.62	What kind of business do you also operate?	See business codes on the first page.	
Q.63	Do you ever set up your sales point in a location different from your usual/fixed business location?	01 = Yes 02 = No	

Contact information:

Q.64	**Business name**
Q.65	**Address**
Q.66	**Proprietor name**
Q.67	**Cell number**

THE END OF INTERVIEW

Annex B - Supplemental module for capturing location of important transactions

MODULE 17: CONSUMPTION LOCATION MODULE				
This module is based on Purchases (not Own production, gifts, food for work and relief food)				
ITEM CODE		**1** **Do you buy any of [ITEM]?** 1. Yes 2. No >> NEXT ITEM	**2** **Where do you usually purchase** [ITEM]**?** 1. Village 2. Nearby Village 3. Rotating market/Trading Centre 4. Town 5. Rest of Malawi (outside district) 6. Abroad (e.g. S. Africa)	**3** **From whom do you usually purchase** [ITEM]**?** 1. Another Household 2. Trader (local or not) 3. Store/Business 4. Organization(ngo, church, school, government)
1	Cereals/Tubers/Pulses			
2	Fruits and Vegetables			
3	Meat and other animal products			
4	Fish			
5	Shelf staple and prepared food (e.g. sugar, bread, canned goods)			
6	Beverages(tea, coffee, cocoa etc)			
7	Clothing			
8	Health hygiene (soap, shampoo, tooth paste etc)			
9	Communication services			
10	Transportation services			
11	Charcoal, firewood			
12	Cooking, heating, or lighting fuel (excl. charcoal/firewood)			
13	Rent on your home			

14	Chemical fertilizers			
15	Local seeds			
16	Improved seeds			
17	Hybrid seeds/GMO			
18	Pesticides			