Welcome to the first issue of EDePo Digest, our new newsletter. Inside, we take a look at current EDePo research, and provide information on our recent publications and upcoming events. So, read on.

Orazio Attanasio and Sonya Krutikova
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Our aim at IFS’s Centre for the Evaluation of Development Policy (EDePo) is twofold: first, to understand what policies are effective at improving the lives of people in developing countries; and second, equally important, to understand the mechanisms through which such policies achieve their impact.

Our research agenda includes: taxes, transfers and public services; early childhood development; education, skills and employment; nutrition, sanitation and health; consumption and welfare; micro-finance; technology adoption; and the role of social networks and social capital in each of these areas. We work in a wide range of countries across Latin America, Africa and Asia and with a range of partners and funders including governments, the British Academy, DfID, the ESRC, the Gates Foundation, the Inter-American Development Bank, the Leverhulme Trust, the National Institutes of Health, the Waterloo Foundation, the World Bank and 3ie. And just as for the rest of IFS, our focus is on academically rigorous policy-relevant research that can inform and influence the work of governments, aid agencies and third-sector organisations.

Although EDePo began over 10 years ago and we have completed dozens of projects, this is our first newsletter. Our hope is that it will make it easier for people to find out about the exciting work we are doing and help us forge new research and project implementation partnerships. New editions of EDePo Digest will be published every four to six months to keep you up to date with our various activities.

In this first issue, our featured topic is early childhood development (ECD). EDePo researchers Sarah Cattan and Marta Rubio-Codina explain our work in this field in Colombia and India; there is a report from the field; and we give information on how we elicit mothers’ expectations about their children’s prospects. We also look at the returns rural Indians earn from their cows and buffaloes – a controversial topic of late, and one that matters given wider debates about the role that asset and livestock transfers can play in lifting people out of poverty.
Early childhood development interventions: effectiveness, delivery and mechanisms

Early childhood is a period of great opportunity for human development – the human brain reaches 90% of its adult size by the age of 4. But this also means that, during this period, children are highly vulnerable to negative influences, such as poverty, malnutrition and non-stimulating environments. Some early childhood interventions aim to improve child development through psycho-social stimulation and strengthening parent–child interactions – namely by encouraging parents to play, talk and read with their children. Research has shown that such interventions can lead to long-lasting improvement in children’s outcomes.

In doing so, we are not only testing the effectiveness of the ‘Jamaican model’ in other contexts, but also seeking to address a number of key questions in early childhood development policy. A first challenge is to move beyond simple impact evaluation to understand the mechanisms through which these programmes benefit children – which is a crucial part of refining the design of existing and future policy interventions. For instance, do they add to parental knowledge of child development, improve parenting practices and/or increase the amount of resources available in the home? To answer these questions, we collect a wealth of information on the children, their parents and their home environment and use these data to model how the interventions affect the development of children’s human capital over time. We can also assess which investments (time, material resources, etc.) are most affected by the programme and which are most beneficial to children.

A second challenge is to identify how to deliver these typically very expensive interventions in a cost-effective manner so that they can be scaled up and adopted as nationwide policies. In our projects, we train local women to deliver the interventions, use low-cost materials (e.g. home-made toys) and centre many of the play activities on normal daily life. In our first study in Colombia, we found that delivery through individual home visits led to substantial improvements in the cognitive and language development of the children. We are currently investigating whether we can achieve similar results through less costly mother–child playgroup sessions in trials in India and Colombia.

In recognition of the importance of our work, EDePo researchers won 2nd place in the Economic and Social Research Council’s 2013 awards for Outstanding International Impact. Our research is already influencing ECD policies in other developing countries: inspired by it, the Peruvian government has begun a home visitation service, currently reaching 48,000 children across the poorest rural districts of the country.

For more information on EDePo’s work on early childhood development, click here. We have a forthcoming article in the British Medical Journal.
Methodology Matters

Eliciting expectations

Beliefs and expectations play a major role in decision-making. For instance, expectations about future income are likely to affect current behaviour: how much to work, how much to spend and how much to save. And beliefs about returns to investments — such as in education or in new productive assets — are an important determinant of whether to invest and, if so, how much.

Economists have been reluctant to use information other than that about ‘revealed preferences’. In part, this is because measuring expectations, and particularly the degree of uncertainty that surrounds people’s central expectation, can be difficult. Another reason is that respondents might lack incentives to answer in a meaningful fashion. A number of researchers, however, have been developing methods to directly question people about their subjective expectations and beliefs. Researchers at EDePo have been at the forefront of this work in developing countries, designing and implementing methods to elicit subjective beliefs and uncertainty about future events from respondents who might be illiterate or innumerate and who are often unfamiliar with the concept of probability.

More recently, as part of our work on ECD, we have developed new tools to measure mothers’ perception of the usefulness of play and stimulation for children’s development. Mothers are asked to think how long it will be until a child reaches particular developmental stages given different initial conditions and different levels of parental investments — and then indicate their expectations by sliding a bead along a scale representing time. We find that the tool helps the mothers answer what might otherwise seem a difficult abstract question.

Lost in translation?

‘In the past two weeks, have you been able to make up your mind about things?’

‘In the past two weeks, have you been feeling confident?’

These are questions from an internationally accepted measurement scale on well-being that we are using to collect data for evaluating an ECD intervention in rural Odisha, India. While piloting the questions, though, we soon realised they needed to be reworked to suit our purpose.

First, there was the translation into Oriya – the local language in Odisha. Simply hiring a translator, even a very good one, was not enough: sometimes the words just did not exist. Take ‘things’, for example: in Oriya, there is a word for ‘things’ in a physical sense but not in an abstract one. This made it near-impossible to translate the first question in a way that fully preserved its generality. Instead, we worked with local translators to develop a question that was well understood by participants whilst maintaining as much of the meaning as possible. The final version of the question we developed, back-translated into English, was ‘Did you take decisions on your own?’.

Second, as well as faithful linguistic translation, it is important to consider how questions and concepts translate across cultures. For instance, asking women from the small Indian villages we worked in to take a step back and evaluate personal concepts such as ‘feeling confident’ was often asking them to do something pretty new. To ensure our questions are well answered, we are providing rigorous training to the interviewers on the intent behind each question and on creating an atmosphere in which women will feel comfortable answering such questions.

A mix of judgement, skill and trial-and-error has therefore been required to ensure the meaning of our questions won’t be lost in translation somewhere between our computer screens and being asked to a young mother in a small Indian village. This is why having EDePo researchers regularly ‘in the field’ is vital for our work.

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Holy cows or cash cows?
The economic return to livestock in rural India

Orazio Attanasio and Britta Augsburg

The ownership of livestock is often seen as vital to the welfare of the rural population in many developing countries. Animals are a source of food, income, mechanical strength and employment, and they represent an asset that can be used for a variety of saving- or insurance-type functions.

But, in a recent paper, S. Anagol, A. Etang and D. Karlan find evidence that households owning cows and buffaloes in northern India face large negative returns. They suggest a number of potential reasons why rural households continue to keep livestock in such circumstances, including an inability to access other forms of saving or a lack of access to local labour markets.

This work has received considerable attention: The Economist reported it and D. Acemoglu and J. Robinson asked, in their blog, ‘What could explain such irrational economic practices?’ They emphasised the importance of considering economic activity and asset ownership in their social, cultural and religious context. (Cows are considered holy in India.)

However, the data used by Anagol et al. covered only one year (2007). Using data collected on livestock holding in southern India that cover three years (2008, 2009 and 2012), a new paper by EDePo researchers suggests things may be more complex. In 2008 – a year with good rainfall, and hence cheap fodder and high milk production – returns to cows and buffaloes were high, while in drought years – such as 2009 and 2012 – the returns were negative and similar to those reported by Anagol et al. While surprisingly simple, this explanation had not been considered: returns on cows and buffaloes, like those on many other assets, are positive in some years and negative in others. Take the stock market – plummeting prices hit people hard in the 2008 financial crisis, but stock market investors generally make money in the long term. So the fact that, in a given year, the observed return on a risky asset is negative does not imply that holding that asset is economically irrational.

These new findings do not necessarily mean that farmers’ livestock holdings in India are optimal, nor that failures in the credit or labour markets and social factors play no role in farmers’ behaviour. The growing recognition that social and cultural factors may affect economic incentives and behaviour (what Acemoglu and Robinson term economic ‘embeddedness’) is clearly a good thing. But our findings do show the importance of thinking about asset holding in a dynamic way and are a reminder that one should be careful before concluding that standard economic incentives – such as the financial return to owning a cow – cannot explain observed behaviour.

‘Holy cows or cash cows?’ is a new EDePo working paper. It forms part of a project analysing the potential of asset (primarily livestock) transfer programmes to increase incomes and transform the lives of the ultra-poor.

EDePo researchers have also examined how important training people is to the success of a livestock transfer programme in Rwanda. A new article in the Journal of Economic Behavior & Organization presents the findings.
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New Publications

Impacts of microfinance: evidence from joint-liability lending in Mongolia
American Economic Journal – Applied Economics (forthcoming)
Orazio Attanasio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons and Heike Harmgart

The socio-economic gradient of child development: cross-sectional evidence from children 6-42 months in Bogota
Journal of Human Resources (forthcoming, 2015)
Marta Rubio-Codina, Orazio Attanasio, Costas Meghir, Natalia Varela and Sally Grantham-McGregor

Nutrition, information, and household behaviour: experimental evidence from Malawi
IFS Working Papers (W14/02)
Emla Fitzsimons, Bansi Malde, Alice Mesnard and Marcos Vera-Hernández

Corporate tax in developing countries: current trends and design issues
Fiscal Studies (forthcoming, December 2014)
Laura Abramovsky, Alexander Klemm and David Phillips

Tackling social exclusion: evidence from Chile
Cemmap Working Papers (CWP24/14)
Pedro Carneiro, Emanuela Galasso and Rita Ginja

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Upcoming Events

11–13 Nov 2014, São Paulo, Brazil
On 11 November, Marta Rubio-Codina will take part in a panel discussion on the scalability and sustainability of ECD interventions organised by the Institute of Medicine and the National Research Council. She will also participate in the IV International Early Childhood Development Symposium on 12–13 November.

27 Nov 2014, Barcelona, Spain
EDePo Co-Director Orazio Attanasio will be giving the Barcelona GSE Lecture, focusing on early childhood development.

1 Dec 2014, London, UK
IFS and the Microfinance Club UK are presenting recent EDePo research in Mongolia. The meeting is open to Club members and others looking to learn more about the Club’s work. Contact us.

8–9 July 2015, London, UK
EDePo will be hosting its first major conference, with papers and presentations covering a broad range of development issues. We will be seeking submissions from November 2014 until end-February 2015, so stay tuned.

Event in Focus
EDePo at the ESRC Festival of Social Science

5 November 2014 @ The British Academy

Drawing on research from both developed and developing countries, EDePo researchers will present the evidence on whether programmes aimed at improving the home and learning environments of young children actually lead to improvements in their outcomes and, if so, the mechanisms by which the programmes work. There will also be a panel discussion and questions from the audience.

Click here for further information. Places are free of charge but please register in advance by emailing events@ifs.org.uk. The event runs from 9:30 to 12:30.

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