

From protection to production: The role of cash transfer programs in fostering economic activities

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Expansion of government-run cash transfers in SSA

- Approximately half of the countries of SSA have some kind of government run CT program
- Range from universal and near universal pensions and grants to community targeted transfers
- Some national programs as big and old (South Africa Child Support Grant) as Bolsa Escola/Familia
 - Others scaling up
 - Some pilots beginning this year



Partial list of government-run cash transfers in SSA

Old age pensions	Child grants	Poverty, OVC, labor constrained	
Lesotho (80,000)	Namibia (108,000)	Malawi (26,000 hhs and scaling up)	Kenya OVC (100,000; scale up to 300,000 by 2013)
South Africa (2.6 million)	South Africa (10 million)	Zambia (9,000 hhs; scale up to 22,000)	Zimbabwe (pilot begin 2011, 55000 by 2014)
Namibia (115,000)	Zambia (begin 2010; will scale up to 33,000 hhs)	Ghana (45,000 hhs)	Uganda (pilot begin 2011, 65000 by 2015)
Botswana (91,000)	Direct transfers plus cash for work	Kenya Hunger Safety Net (scaling up to 60,000 hhs)	Ethiopia (Min social protection package, pilot begin 2011)
Swaziland (60,000)	Rwanda (143,000 ind and scaling up)	Mozambique (170,000 hhs)	Tanzania (10,000 hhs)
Zambia (4,700 hhs in pilot)	Ethiopia (PNSP 1.6 million hhs; BOLSA 8,000)	Lesotho (1,000 hhs in pilot; scale up to 10,000 by 2011)	

What's different between cash transfers in SSA and LAC--context

Higher risk and vulnerability



- HIV/AIDS
 - Economic and social vulnerability
- More widespread poverty
- Continued reliance on subsistence agriculture and informal economy
 - Exit path from poverty is not necessarily through the labor market
 - Less developed markets and risk, risk, risk

Weaker institutions



- Less fiscal space---donors play a stronger role
 - Dependent on bilateral, multilateral support
- Still missing consensus among national policy makers
- Weaker institutional capacity to implement programs
- Weaker supply of services (health and education)



What's different between cash transfers in SSA and LAC--design

- Universality
 - Old age pensions, child grants
- Targeted programs
 - Focus on ultra poor, labor constrained
 - Focus on OVC and other specific vulnerabilities
 - Though slowly moving towards proxy means
- Prominent role of community in targeting
- Unconditional (for the most part)
 - Soft conditions and strong messages
- Cash for work for able bodied



What is similar? Most new CTs in SSA accompanied by rigorous impact evaluation

- Malawi SCT
 - Mchinji pilot, 2007-2009
 - Expansion, 2011-2013
- Kenya CT-OVC
 - Pilot 2007-2011
 - Expansion, 2011-2013
- Mozambique PSA
 - Expansion, 2008-2009
- Zambia
 - Kalombo pilot, 2005
 - Monze pilot, 2007-2010
 - Expansion and child grant, 2010-2013
- South Africa CSG
 - Retrospective and expansion, 2010-2013
- Ethiopia
 - PNSP, 2006-2010
 - Regional minimum social protection package, 2011-2013
- Ghana LEAP
 - Pilot, 2010-2012
- Lesotho CGP
 - Pilot, 2011-2012
- Tanzania, TASAF
 - Pilot, 2010-2011
- Uganda, begins in 2011
- Zimbabwe, begins in 2012
- Niger, begins in 2012



Productive Safety Nets and Unproductive Cash Transfers

- Perception that cash transfer only programs do not have economic impacts
 - Focus explicitly on food security, health and education
 - Targeted towards ultra poor, bottom 10%, labor constrained, elderly, infirm, children, etc
 - Beneficiaries primarily women
 - Separated from productive households as “direct support”
 - Often seen as welfare, charity, handout



Why should we expect economic/productive impacts from cash transfer programs?

1. People do not always make the right decisions
 - Imperfect information leading to inaccurate beliefs, combined with missing credit/savings/insurance markets
 - Private investment (spending on health and education) is lower than “true” optimal level for a given household
 - Private optimal maybe lower than social optimal

This is the classic economic justification for CCTs



But there is more..... rationale for potential impact on productive activities

2. Missing/poorly functioning markets constrain economic decisions

- Households unable to access credit or liquidity, or obtain insurance
- Difficulty in buying/selling labor, goods and inputs
- Links consumption and production decisions at household level
 - Particularly in context of subsistence agriculture

3. Households are linked via

- Reciprocal relationships, social networks
- Economic exchanges



Usually not
considered by CTs



Why should we care?

- Contribute to policy debate
 - Understand overall contribution of CT programs to poverty reduction (cost-effectiveness)
 - Political economy: more support for CT programs
 - Promote inclusion as part of rural development strategy
- Contribute to program design
 - Most programs not designed with productive dimension in mind
 - Evidence on how households spend, invest, or save can help strengthen design and implementation
 - Confront potential synergies and constraints (eg, child labor)
 - Link to graduation strategies, “productive insertion of beneficiaries” or welfare-to-work transitions



5 (+1) ways in which cash transfer programs have productive/economic impacts



1. Improve human capital

- Nutritional status
- Health status
- Educational attainment



enhance productivity

improve employability



Typically core objectives of CT programs
Underlying rationale for CCTs



2. Facilitate change in productive activities

By relaxing credit, savings and/or liquidity constraints

- Investment in productive activities
 - Use of labor, inputs
- Accumulation of productive assets
 - Farm implements, land, livestock, vehicle, inventory
- Change in productive strategies , including natural resource conservation
 - New crops, techniques
 - New line of products or services
 - New activities (off farm wage labor, migration?)



3. Better ability to deal with risk and shocks

By providing insurance via regular and predictable CTs

- Avoid detrimental risk coping strategies
 - Distress sales of productive assets, children school drop-out, risky income-generation activities
- Avoid risk averse production strategies
 - “Safety first” or “eat first”
- Increase risk taking into more profitable crops and/or activities
 - Specialization or diversification
 - Higher value crops or migration



4. Relieve pressure on informal insurance mechanisms

By regular and predictable CTs to the poorest and most vulnerable

- Reduce burden on social networks
 - Local networks of reciprocal relationships
 - In SSA, often weakened and over burdened in context of HIV/AIDS
- Rejuvenate social networks
- Allow beneficiaries to participate in social networks
- Allow non beneficiaries to redirect their resources



5. Strengthen the local economy

- Significant injection of cash into local economy
- Multiplier effects on local goods and labor markets via economic linkages
 - Size of the multiplier depends on
 - level of integration: how much of local demand is met by local products, or imports? How much of local production is for local consumption, or exported? What are labor linkages?
 - functioning of markets: what are constraints imposed by missing/shallow credit and insurance markets?



5+1. Facilitate climate change adaptation

- All five pathways related to **increasing resilience** and **reducing vulnerability** at the level of the household, community and local economy
 1. Human capital formation
 2. Change/adaptation in productive activities
 3. Better ability to deal with risk
 4. Reduced pressure on informal insurance networks
 5. Strengthened resilience of the local economy



climate change adaptation



What does the evidence say?

- Tons of evidence on human capital
 - Poverty, food security and food consumption
 - Nutrition, health and education
- Some studies on risks and shocks
- Very few studies on
 - Productive activities
 - Multiplier effects
 - Social networks
- No studies on climate change adaptation



Challenge for the future: building the evidence base

- As we have seen, few studies of productive impacts
 - Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition
 - Accompanying impact evaluations pay little attention to economic/productive activities
 - Not enough data collected to carry out detailed analysis
 - True in both LAC and SSA
- But plenty of potential



From Protection to Production

- FAO–UNICEF ESARO project focusing on understanding the economic impacts of cash transfer programs
 - Providing technical and analytical assistance to government agencies carrying out impact evaluations
 - Working with 6 countries in Sub Saharan Africa
 - Lesotho, Malawi, Ethiopia, Zimbabwe, Kenya and Ghana
 - Though we provide support to any government administered CT who requests it
 - Strengthen data collection and analysis in ongoing impact evaluations



Analysis of household decision making

- Design, pilot and supervise implementation of additional modules in household surveys
- Taking advantage of experimental design and panel data, analysis of
 - Asset accumulation, productive activities and labor allocation
 - Climate change adaptation
 - Risk coping strategies
 - Time use
 - Social networks
- FAO team will lead data analysis



Simulation of local economy impacts

- Construct village SAM/CGE models for cash transfer program areas in each country
- Insert economic linkages questions throughout household questionnaire (to/from whom and where)
- Implement business enterprise surveys in program communities
- Analytical work led by Prof Ed Taylor and team at UC Davis



Complement with qualitative methods

- Implement qualitative field work in each country
- Focus on economic activities and social networks
- Qualitative work will be led by OPM
- Integration with quantitative analysis will be led by Luca Pellerano



Increase capacity of program managers and policy-makers

- Direct technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Input into policy process and ongoing program implementation
- Community of practice on impact evaluation
 - Network, website, face to face meetings, thematic capacity-building events
 - First meeting in Naivasha (January, 2011)
 - Second meeting in Kenya (February, 2012)



Partnerships

Guiding principle:

piggy-back on/add value to existing impact evaluations

- Component of overarching “Transfer Project”
 - UNICEF, Save the Children UK, University of North Carolina
- Strong partnership with Government and UNICEF country offices currently implementing impact evaluations
 - Plus DFID and World Bank country teams
- Collaboration with independent external evaluators (international firms and national research institutions)
- Regional partners
- 3ie
- FAO-FMM on governance and targeting
- World Bank on local economy effects



Latest on country timelines

- Kenya CT-OVC
 - 2nd follow up, July-August 2011
 - Data collection complete; we have business and most hh data
 - Partner: UNC
- Lesotho CGP
 - Baseline, July-August 2011; follow up 2012
 - Baseline data collection complete; we have business data
 - Partner: OPM
- Ghana LEAP
 - Baseline February 2010; 1st follow up February 2012
 - Waiting for baseline data
 - Partner: UNC



Latest on country timelines

- Ethiopia Tigray SP package
 - Baseline early 2012; 1st follow up 2013; 2nd follow up 2014
 - Inception workshop in December
 - Partner: IFPRI/IDS
- Malawi SCT expansion
 - Baseline March 2012; 1st follow up 2013)
 - Partner: not selected yet (TORs to be released in November)
- Zimbabwe SCT
 - Baseline early 2012; 1st follow up 2013; 2nd follow up 2014)
 - Partner: not selected yet (TORs to be released in November)



Our websites

From Protection to Production Project

<http://www.fao.org/economic/PtoP/en/>

The Transfer Project

<http://www.cpc.unc.edu/projects/transfer>

