From Protection to Production: the impact of cash transfer programs on economic activities

#### Benjamin Davis ESA, PtoP and the Transfer Project

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### The rise of cash transfers in Sub Saharan Africa

- Approximately half of the countries of Sub Saharan Africa have some kind of government run cash transfer program
  - And most others have multilateral/NGO run CT programs
- Some programs are national
  - Others scaling up
  - Some pilots beginning this year
- Most focus on rural poor





### Wide range of designs

- Universal programs
  - 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
- Cash for work for able bodied
  - Often explicitly linked to productive activities (PSNP, VUP, Somalia)
- Prominent role of community in targeting
- Unconditional (for the most part)
  - Soft conditions and strong messages





With exception of public works, perception that cash transfer 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, often seen as welfare, charity, handout





Cash transfers targeted to poorest of the poor can have productive impacts

 Beneficiaries in Sub Saharan Africa predominately rural, most engaged in agriculture

Most work for themselves

- Transfers can relax some of constraints brought on by market failure in credit and insurance
- Infusion of cash can lead to multiplier effects in local village economy
- Transfers can reduce burden on social networks and informal insurance mechanisms



### For example, agriculture is fundamental part of livelihoods of Kenya CT-OVC beneficiaries

- Large majority are agricultural producers
  - Over 80% produce crops; over 75% have livestock
- Most grow local maize and beans, using traditional technology and low levels of modern inputs
- Most have low levels of assets
  - few acres of agricultural land, few small animals, basic agricultural tools and low levels of education
- Only 16 percent used credit in 2011
- 1/4 of adults worked in casual wage labor, 1/3 in own non ag business, 1/5 private transfers ETRANS



42% of children worked on family farm

Relatively little evidence on productive impacts

- Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition
- Accompanying impact evaluations pay little attention to economic/productive activities





### What is PtoP?

#### The From Protection to Production Project

- Focus on understanding economic impacts of cash transfer programs
  - PtoP formally works with government and development partners in 7 countries in Sub Saharan Africa
  - Adds value to ongoing impact evaluations
  - Mixed method approach
- Joint with UNICEF-ESARO
- Primary funding from DFID (2011-2014)
- Under umbrella of Transfer Project





# 1. Analysis of household decision making

- Via impact evaluation design, program impact on household decisions regarding:
  - Asset accumulation, agricultural and non agricultural productive activities and labor allocation/supply
  - Risk coping strategies
  - Social networks/reciprocal exchange
- Finance, design, pilot and supervise implementation of additional modules in household surveys
- Preparation of methodological guidelines and analytical work led by ESA



## **Results from Kenya**

CT-OVC targeted to poor families with children

- i. Increased ownership of small livestock
- Geater share of household consumption of cereals, animal products and other foods produced via own production
  - Particularly for smaller and female-headed households
- iii. Increased participation in nonfarm enterprise for female headed households
- iv. Mixed results on labor supply
  - Strong reduction in on farm child labor





### 2. Simulation of local economy impacts

- Construct village CGE models for cash transfer program areas
  - Capture social and economic structure of village/local economy, including types of households
  - Simulate impact of cash transfer on local economy
- Preparation of methodological guidelines and analytical work led by Ed Taylor at UC Davis
- Joint funding and dissemination with World Bank



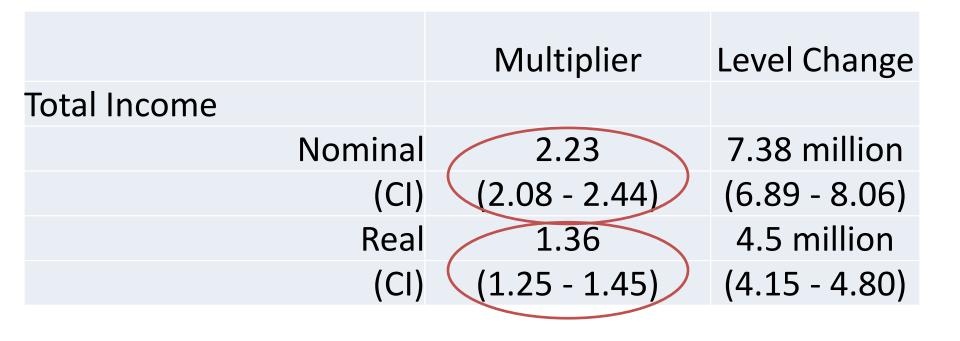


### How do local economy effects work?

- Immediate impact of transfer will raise purchasing power of beneficiary households.
- As beneficiary households spend cash, impacts immediately spread outside beneficiary households to others inside and outside treated villages, setting in motion income multipliers
- Periodic markets and purchases outside village will shift income effects to non-treated villages, potentially unleashing income multipliers there.
- In longer run, as program is scaled up, transfers will have direct and indirect (or <u>general equilibrium</u>) effects throughout the region of implementation.
  - General equilibrium effects are not captured in randomized sterper impact evaluation



## **Results from Lesotho**



Total value of transfer: 3.3 million Maloti



Divergence between nominal and real values due to land and capital supply constraints



## Effect on Household Incomes

Multiplier	Share of total benefits
1.15	
1.03	76%
1.08	
0.33	24%
	1.15 1.03 1.08



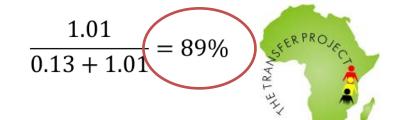
Total real multiplier = 1.36



## Effects on Value of Production

Production multiplier for:	Beneficiary	Non beneficiary
Crop	0.03	0.15
Livestock	0.02	0.26
Retail	0.07	0.52
Services	0	0.08
Other Production	0	0
TOTAL	0.13	1.01

For every 1 Maloti transferred to beneficiary households, the value of production earned by non beneficiary households increases 1.01 Maloti



# Alternative market structure scenarios

	F	-inal scenario	Alternative 1	Alternative 2
Elasticity of labor supply		High	Low	Low
Liquidity constraint on				
purchased inputs		off	off	on
Total Income multipliers		$\frown$		
	Real	(1.36)	1.14	1.02
	(CI)	( 1.25- 1.45)	( 1.08- 1.20)	( 0.94- 1.09)



Keeping constraints on land and capital; Assumptions on market structure come from qualitative fieldwork and expert opinion



Magnitude of local economy effects depends on

- Size of transfer and share of households receiving transfer
- How much of transfer is spent on goods and services produced within community
  - And definition of local economy
- Constraints on supply response by local producers and traders



## 3. Community dynamics

- Implement qualitative field work in each country at community level
- Focus on economic activities, social networks and operations
- Integration with quantitative analysis
- Preparation of methodological guidelines, field work and analysis led by OPM





## Results from Ghana

LEAP program targeted to poor households

- i. Food, education and health top priority, then investment in farming
- ii. Lumpier payments encourage investment
- iii. Increased access to credit, but not always used
- iv. Beneficiaries able to re-enter social networks
  - They can contribute more, enhancing risk sharing and expanding coping mechanisms
  - Broadens social capital base
- v. Local economy stimulated
  - More diversified goods available, enhanced labor market



Towards including the productive dimension in cash transfer programs

- Measuring success of cash transfer programs does not depend on productive impacts—not part of original objectives
- Yet clear that in context of livelihoods based on self employment combined with market imperfections/failures, consumption and production decisions of beneficiary households are linked





## Towards including the productive dimension in cash transfer programs

- Contribute to program design
  - Implications for "social" side: you cannot separate from livelihoods
    - Labor allocation (adults and children), including domestic chores and care giving
    - Intra household decision making
    - Investment in schooling and health
    - Food consumption, dietary diversity and nutrition
  - Confront potential synergies and constraints
  - CTs will not themselves necessarily lead to large productivity gains, but can contribute
    - Through health and education
    - Liquidity and reducing risk
    - Combined with complementary programs
  - Link to graduation strategies





## Towards including the productive dimension in cash transfer programs

- Contribute to policy debate
  - Understand overall contribution of CT programs to poverty reduction in short and long term
  - Political economy: more support for CT programs
  - Articulation as part of rural/agricultural development strategy
    - Bring together sectoral ministries (Ethiopia)
    - Social protection and cash transfers will not reduce poverty by itself
    - Centrality of improving small holder productivity
    - In most of Sub Saharan Africa, for foreseeable future, exit records from poverty not through formal wage labor, as in LAC



### Wither social protection and FAO?

- FAO has a role in social protection
  - Though we will rarely be the lead player
  - And we should not remake ourselves into a social protection organization
  - Partnerships as organizing principle
- Our niche
  - Intersection of social protection, food and nutrition security and agricultural development—at the country, regional and global level
  - Technical and policy assistance, and sometimes implementation





### Our websites

### From Protection to Production Project <u>http://www.fao.org/economic/PtoP/en/</u>

#### The Transfer Project

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

FERPRO

ETRAN





#### PtoP country timelines

	Draft versions o		
	household	household local economy	
	level analysis	analysis	analysis
Ghana LEAP	Feb-13	Feb-13	Jul-12
Kenya CT-OVC	Jul-12	Jun-12	Sep-12
Lesotho CGP	Feb-14	May-12	May-13
Ethiopia SCTP	Nov-13	Mar-13	?
Zimbabwe HSCT	Aug-14	Aug-13	Jan-13
Malawi SCT	Sep-14	Sep-13	Dec-13
Zambia CGP	Apr-13	Apr-13	NA
Cross country	Oct-14	Nov-13	Mar-14





### Cash transfer program impact evaluations in Sub Saharan Africa (19 in 13)

- Malawi SCT
  - Mchinji pilot, 2008-2009
  - Expansion, 2013-2014
- Kenya
  - CT OVC, Pilot 2007-2011
  - CT OVC, Expansion, 2012-2014
  - HSNP, Pilot 2010-2012
- Mozambique PSA
  - Expansion, 2008-2009
- Zambia
  - Monze pilot, 2007-2010
  - Child Grant, 2010-2013
- South Africa CSG
  - Retrospective, 2010
- Burkina Faso



– Experiment, 2008-2010

- Ethiopia
  - PNSP, 2006-2010
  - Tigray SPP, 2012-2014
- Ghana LEAP
  - Pilot, 2010-2012
- Lesotho, CSP
  - Pilot, 2011-2013
- Uganda, SAGE
  - Pilot, 2012-2014
- Zimbabwe, SCT
  - Pilot, 2013-2015
- Tanzania, TASAF
  - Pilot, 2009-2012
  - SFER PRO Expansion, 2012-2014
- Niger
  - Begins in 2012

Regional effort on CT impact evaluation is coordinated by the Transfer Project

UNICEF, SCUK, UNC and FAO, in coordination with national governments and research partners

- 1. Regional learning, information exchange and network/ community of practice
- Technical assistance on design and implementation of impact evaluation and identification of research areas
- 3. Synthesis of regional lessons on program design and impacts

