

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

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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



What is PtoP?

The From Protection to Production Project

- Focus on understanding economic impacts of cash transfer programs
 - Take advantage of ongoing impact evaluations
- Mixed method approach
 - Program impact on household economic decisions
 - Village economy multipliers
 - Qualitative analysis of community dynamics
- Joint with UNICEF and government in 7 countries
 - Ghana, Kenya, Lesotho, Malawi, Ethiopia, Zambia, Zimbabwe
- Primary funding from DFID (2011-2014)



Household level impact

Kenya CT-OVC and Malawi SCT

- i. Increased ownership of small livestock
- ii. Greater share of household consumption of cereals, animal products and other foods produced via own production
- iii. Mixed results on labor supply
 - Malawi:
 - Decreased agricultural wage labor and child work off farm, and
 - Increased on farm activity by both adults and children
 - Kenya:
 - Reduction in on farm child labor



Village economy multipliers

Lesotho CGP Program

		Multiplier
Total Income		
Nominal		2.23
(CI)		(2.08 - 2.44)
Real		1.36
(CI)		(1.25 - 1.45)

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

Beneficiary	Multiplier	Share of total benefits
nominal	1.15	
real	1.03	76%
Non beneficiary		
nominal	1.08	
real	0.33	24%

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

$$\frac{1.01}{0.13 + 1.01} = 89\%$$



Community dynamics

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

- 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
 - CTs will not themselves necessarily lead to large productivity gains, but can contribute
 - Through health and education
 - Providing 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
 - 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 from poverty not through formal wage labor, as in LAC



Our websites

From Protection to Production Project

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

The Transfer Project

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



PtoP country timelines

	Draft versions of report		
	household level analysis	local economy analysis	qualitative 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, CGP
 - Pilot, 2011-2013
- Uganda, SAGE
 - Pilot, 2012-2014
- Zimbabwe, SCT
 - Pilot, 2013-2015
- Tanzania, TASAF
 - Pilot, 2009-2012
 - 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
2. Technical assistance on design and
implementation of impact evaluation and
identification of research areas
3. Synthesis of regional lessons on program
design and impacts



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
 - Household level income multiplier
- Finance, design, pilot and supervise implementation of additional modules in household surveys
- Preparation of methodological guidelines and analytical work led by ESA



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



Alternative market structure scenarios

	Final scenario	Alternative 1	Alternative 2
Elasticity of labor supply	High	Low	Low
Liquidity constraint on purchased inputs	off	off	on
Total Income multipliers			
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

