

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

Benjamin Davis
FAO, 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

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

Transfer Project identified cross country thematic studies

1. Nutrition and food security
2. Health: use of services, morbidity, nutritional status
3. Education: enrollment, attendance, age of entry to school
4. Mitigation of HIV risk: sexual behavior and perceptions
5. Networks of reciprocal exchange
6. Psycho-social status (PSS), mental health, preferences
7. Productive activities and economic growth

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
- 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
 - Role of home production on food security
 - Risk coping strategies
- Finance, design, pilot and supervise implementation of additional modules in household surveys
- Preparation of methodological guidelines and analytical work led by ESA

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. Increased participation in nonfarm enterprise for female headed households (Kenya)
- iv. 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
- Overall, impact more muted in Kenya

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 general equilibrium) effects throughout the region of implementation.
 - General equilibrium effects are not captured in randomized impact evaluation

Results from Lesotho

	Multiplier	Level Change
Total Income		
Nominal	2.23	7.38 million
(CI)	(2.08 - 2.44)	(6.89 - 8.06)
Real	1.36	4.5 million
(CI)	(1.25 - 1.45)	(4.15 - 4.80)

Total value of transfer: 3.3 million Maloti (US\$ 361,000)

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

Effect on Household Incomes

Beneficiary (24%)	Multiplier	Share of total benefits
nominal	1.15	
real	1.03	76%
Non beneficiary (76%)		
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

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

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

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. **Pay down debt**
 - 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
 - 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
 - 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 from poverty not through formal wage labor, as in LAC

Extensions

- Child labor
 - Understanding Child Work (UNICEF, ILO and World Bank)
 - Kenya, Malawi, Lesotho and Zambia
- Climate change adaptation
 - Economics and Policy Innovations in Climate-Smart Agriculture (EPIC) project at FAO
 - Malawi

Entry points for the future

- Transfer Project unfunded
 - Indirectly supported by FAO, EU, UNC and time of other participants
 - What have we done so far?
 - Continual technical assistance
 - Annual research workshop
 - What's missing
 - Capacity building with government
 - National use of data
 - Communications
 - Research community of practice
- Cross country thematic studies
 - Nutrition and food security
 - Mitigation of HIV risk

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	Mar-13	Apr-13	Jul-12
Kenya CT-OVC	Jul-12	Jun-12	Sep-12
Lesotho CGP	Feb-14	May-12	May-13
Ethiopia SCTP	Nov-13	Jun-13	?
Zimbabwe HSCT	Oct-14	Oct-13	Jan-13
Malawi SCT	Nov-14	Dec-13	Dec-13
Zambia CGP	Apr-13	Apr-13	NA
Cross country	Jan-15	Feb-14	Mar-14