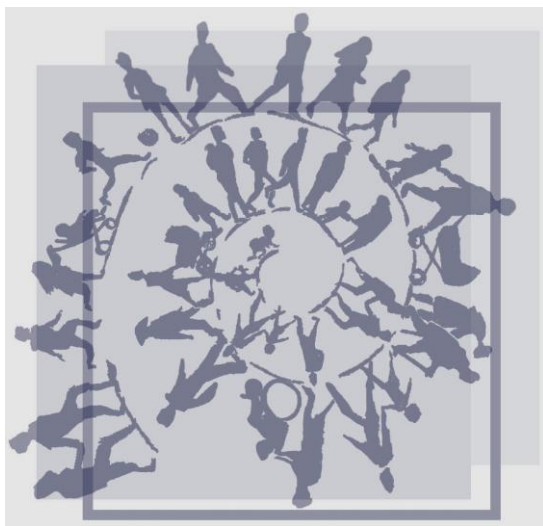




Small-scale farmers' economic inclusion through improved productivity:

are cash transfers a viable alternative to traditional agricultural subsidies?

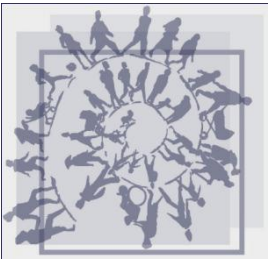


Nuno Cunha

Technical Advisor on Social Security

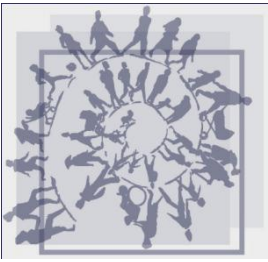
(Zambia, Malawi and Mozambique)

International Labour Organisation



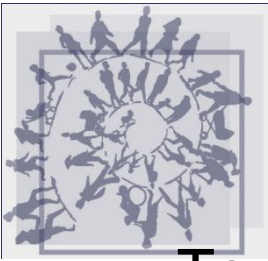
Background

- GRZ (MoF)-IMF-ILO Conference - “Bringing all aboard” -
 - 25th November 2014 - inclusive growth, with a focus on productivity in the Zambian context
- Wide shared perception that Cash-Transfers are Handouts and money should not be transferred to working age individuals (or HH with able bodied members)
- **THEREFORE:** prevailing vision that “Viable HH” should receive other type of (productive) support, as the “Fertilizer Input Support Programme” (FISP)
- Opportunity created by the launch of studies questioning this widely accepted myths



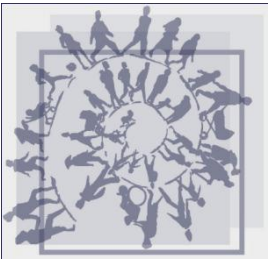
Background II

- The fact that more than 80% of beneficiaries of the CG are farmers
- The recent approved NSPP includes among its 5 pillars the “Livelihood and Empowerment Pillar”, aiming to
 - Enhance access by poor and vulnerable populations to productive resources and skills
 - Increase livelihood among vulnerable populations in order to meet their food and nutrition security requirements year round
- NSPP recognize current programs limitations and includes the intention to “Reform and streamline livelihood and empowerment programs”

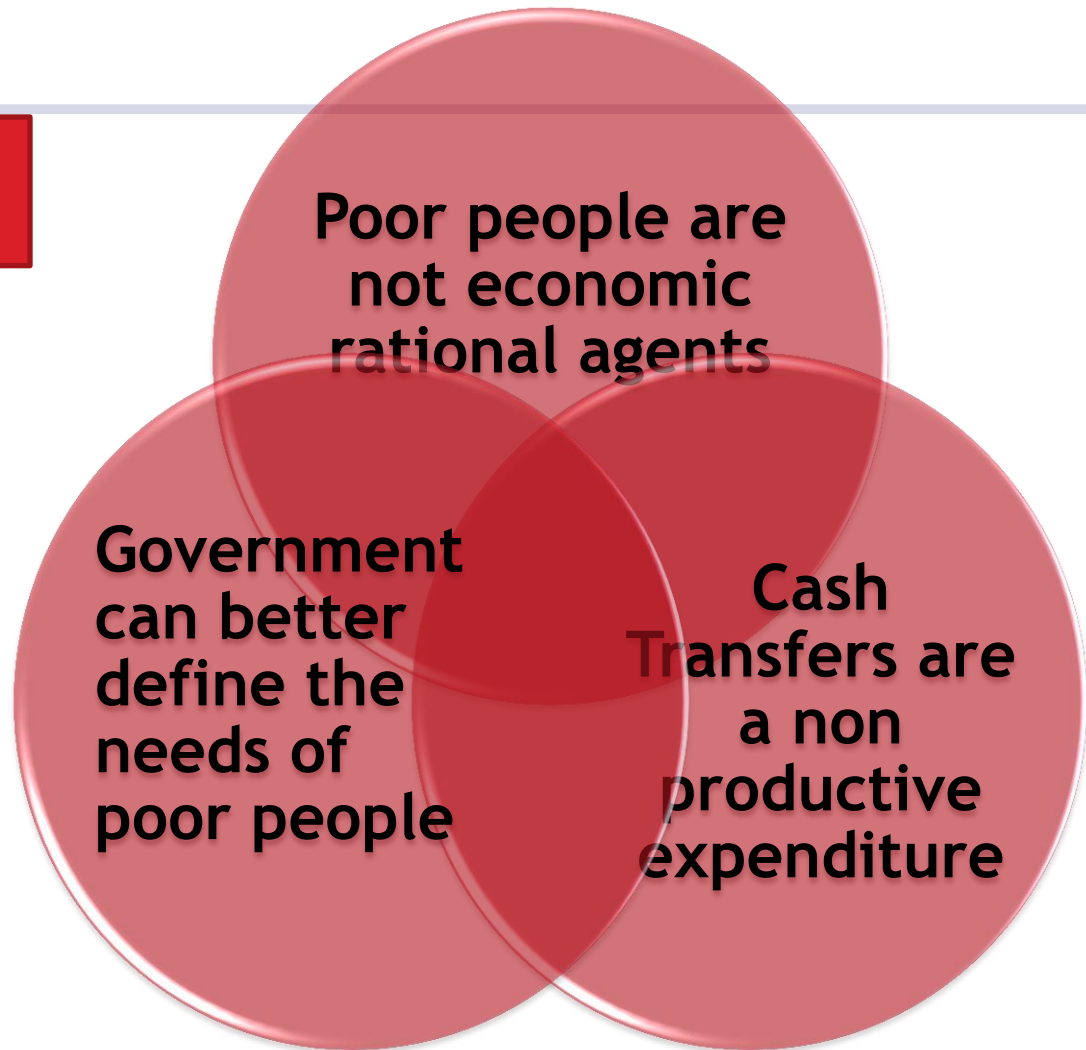


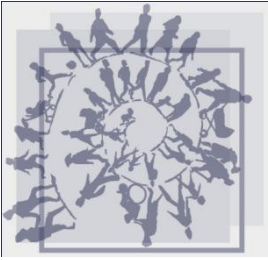
Paper humble purpose...

- To bring together the results of 3 studies:
 - One conducted in the Zambian CG:
 - Zambia's CG Program: 24 Month Impact Report on Productive Activities and Labour Allocation (Dewbre, J. 2014)
 - Two studies on the FISP:
 - A Review of Zambia's Agricultural Input Subsidy Programs: Targeting, Impacts and the way forward (Mason, N. et al, 2013)
 - Do input subsidies reduce poverty among smallholder farm households? (Mason, N. and Tembo, S., 2014)
- Not an in-depth analysis of Agricultural Input Subsidies vs Cash-Transfers
- Challenge some of existing perceptions

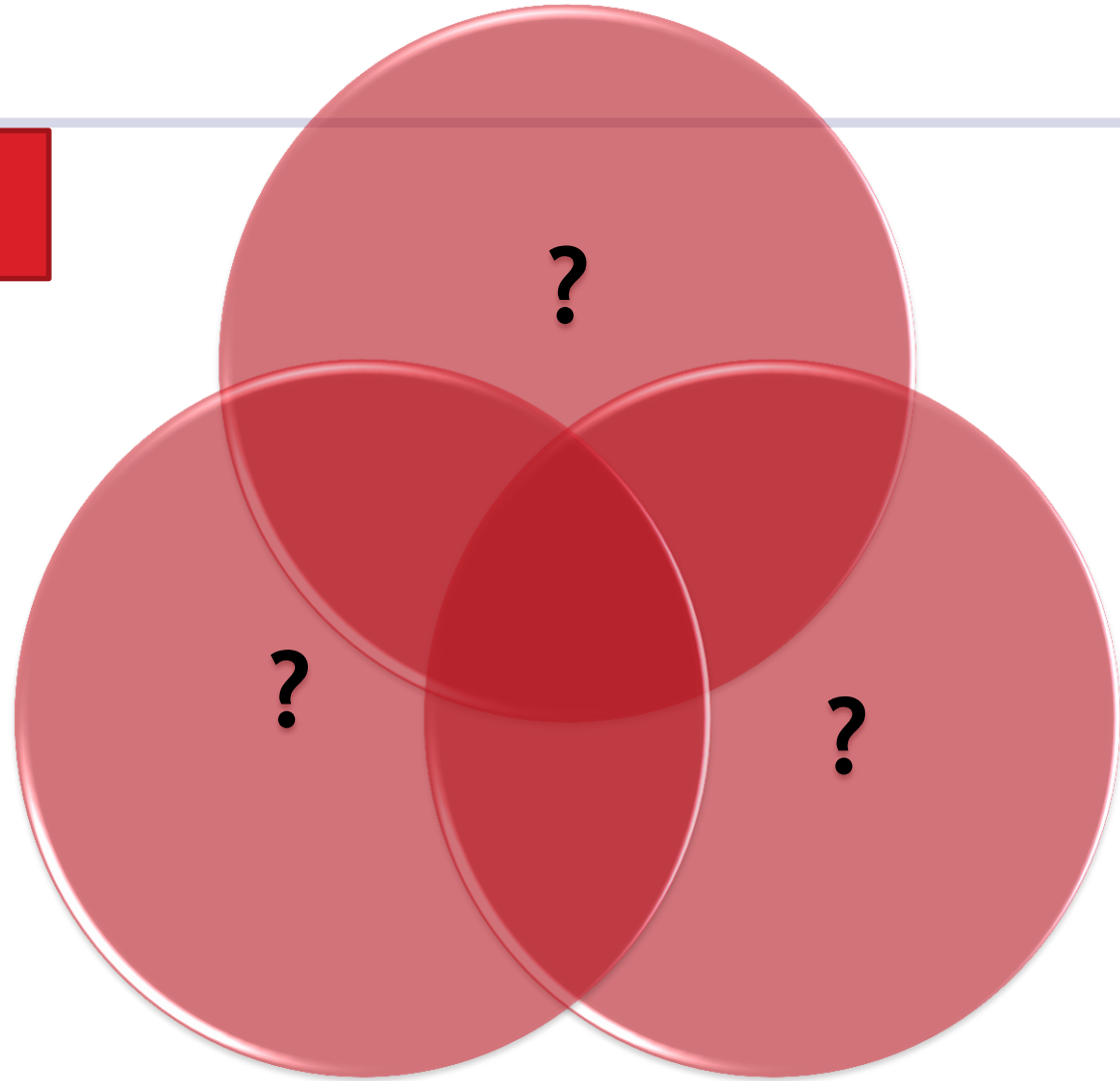


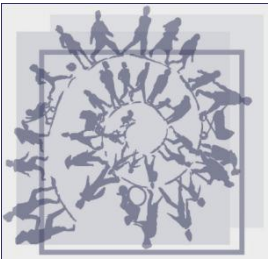
**INFLUENTIAL
(MIS) PERCEPTIONS**





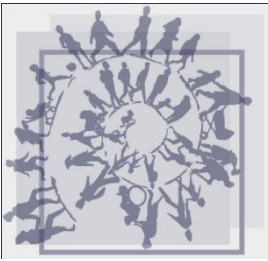
WHAT DOES EVIDENCE SHOWS





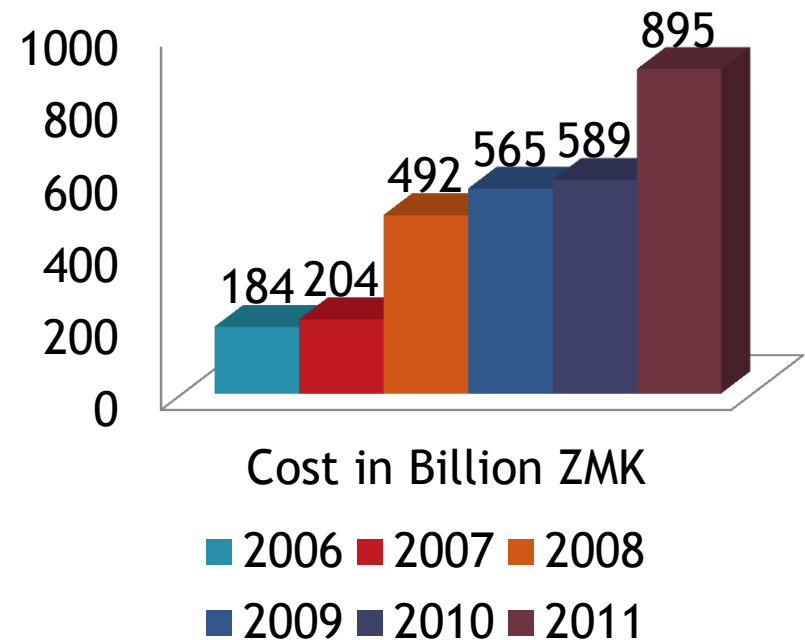
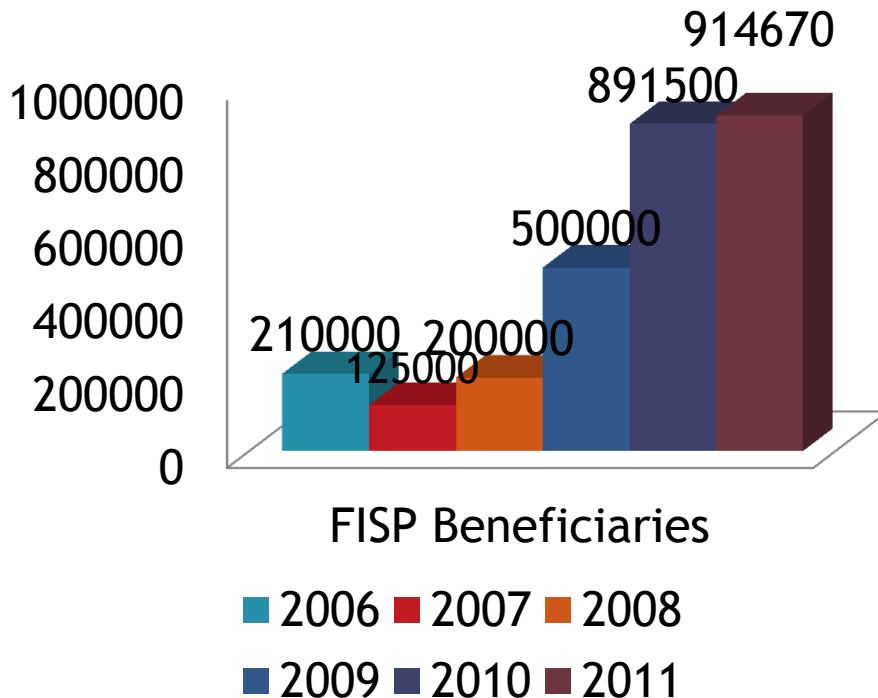
Child Grant - 24th Month Impact Study - what we already now

- In relation to agriculture was witnessed increase in: **operated land; investment in inputs; aggregated output and livestock**
- Increase in **consumption** (19,3% food; 5% non-food)
- **Reduced dependency on farming** (non farm business)
- increase in **savings**
- Cost-effectiveness (focusing only on agricultural productivity) - **the value of additional crop yield is 146 ZMW - benefit/cost of 2,4**
- Multiplier effect of **1.79 (1.34) ZMW** as 54,5% of items purchased in own village



Why is FISP so important

- Biggest transfer in Zambia (represents 0,8 GDP)
- Significant political support (independently of the party)





FISP (explicit) Goals

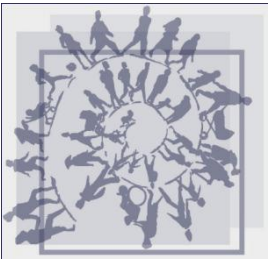
Improving household and national:

- food security
- incomes

Improving accessibility to rural inputs by small scale farmers

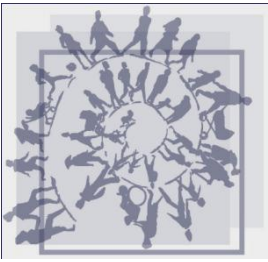
building the capacity of the private sector to participate in the supply of agricultural inputs

Contribute to Poverty Reduction



FISP - Some general findings

- Distribution of FISP fertilizer is highly correlated with higher income and lower poverty
 - Minimal effects on poverty reduction
- FISP fertilizer have no spill-overs to other HH income sources
- 1Kg of Fertilizer increases 2.01 Kg of maize yield
- Very low cost effectiveness: 200Kg of fertilizer raises gross total HH income by 228 (against a cost of 151 Usd) **giving a benefit-cost ratio of approx. 1.52** (excluding administrative costs)



Some potential explanations

- Preferably targets large farms
 - The wealthiest quintile received 64% of subsidized fertilizer in 2002/03 and 2006/07 and 42% in 2010/11
 - Eligibility criteria (at least 0.5 Ha) and ability to pay for inputs (21% for fertilizer & 47% improved seeds)
- Local economy effects are reduced by the fact that FISP fertilizer is purchased from 2 large suppliers
- A government distribution system is used parallel to the existing commercial system
- Crowding out: the majority of the beneficiaries was already able to afford fertilizer
 - For the subsidized seeds 1kg crowd out 0,49Kg of commercial seeds (Mason et al. 2013)



Preliminary Conclusions

FISP is not reaching the stated goals and is not able to answer efficiently to most of the market failures/constraints affecting Small Scale Farmers

- Access to Finance (Need of liquidity/Credit/Insurance) - reducing the scope for more risk taking strategies
- Lack of technical assistance services

Indications that CG is more efficient than FISP in terms of productivity (cost benefit of 2,4 vs 1,5 excluding analysis of Admin Costs)

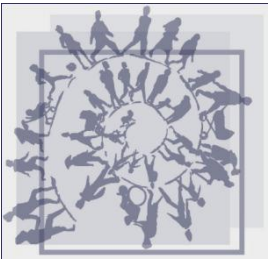
Flexibility given by cash



Preliminary Conclusions

However it can not be concluded categorically that CT can be a viable option to replace agricultural input subsidies

- Limitations in terms of comparability between the researches
- CT can offer an interesting solution to some market failures (for instance on Insurance and Credit) but needs to be complemented by other type of interventions
 - Research suggested that poor people are “rational” in the allocation of small amounts but there is room for improvement



Preliminary Conclusions

It is not FISP vs CT - the challenge is how to:

- Find agricultural interventions that are more efficient than FISP for SSF or invest in improvements within FISP (eligibility criteria; target; delivery mechanism) learning from CT

Strong need for more coordination between Social Protection measures and Agricultural Interventions

- CT can offer an interesting “window” to target small scale farmers with a variety of agricultural services
- Agriculture interventions could enhance the impact of SP interventions

Important to think on how to take advantage of the political economy beyond FISP for SP interventions



THANK YOU
