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POLICY BRIEF

The economic impacts of cash transfer programmes in sub-Saharan Africa

Cash transfer programmes in sub-Saharan Africa impact the productive activities of both beneficiary and non-beneficiary households in the communities where they are implemented. These programmes have led to an increase in agricultural activities in beneficiary households, including greater use of agricultural inputs, more land area in crop production and higher crop output. Beneficiary households have increased ownership of livestock and agricultural tools, as well as a greater tendency to participate in non-farm family enterprises. Moreover, households that receive transfers tend to reallocate their labour away from casual agricultural wage labour to household-managed economic activities. In almost all countries, cash transfers have allowed beneficiary households to avoid negative risk coping strategies and to better manage risk, partly by allowing beneficiaries to 're-enter' existing social networks and thus strengthen their informal social protection systems. Finally, cash transfers benefit the wider community, leading to significant income multipliers throughout the local economy. The nature and magnitude of these impacts vary from country to country, however, due to differences in programme design, implementation and context.

BACKGROUND

During the past decade, a growing number of sub-Saharan African governments have launched cash transfer programmes as part of their social protection strategies. Many of these government-led programmes originated from a concern about vulnerable populations, often in the context of HIV/AIDS. This drove the setting of objectives and targeting towards an emphasis on the ultra-poor, labour-constrained households and/or households caring for orphans and vulnerable children (OVC). The majority of the transfer programmes are unconditional and have been designed to improve food security, health, nutritional and educational status, particularly in children.

Along with meeting these social objectives, cash transfer programmes are likely to influence the productive activities of beneficiary households. The livelihoods of most beneficiaries in sub-Saharan Africa are predominantly based on subsistence agriculture and rural labour markets, and will continue to be so for the foreseeable future. Moreover, most beneficiaries live in places where markets for financial services (such as credit and insurance), labour, goods and inputs either do not exist or do not function well. In this context, when cash transfers are provided in a regular and predictable fashion, they can help households to overcome credit constraints, manage risk and address other market failures. This in turn can increase productive spending and investment, improve access to markets and stimulate local economies.

This brief brings together the critical mass of evidence that has emerged from recent rigorous impact evaluations of government-run cash transfer programmes in sub-Saharan Africa. Most, but not all, of the programmes belong to the Transfer Project, a community of practice created to share lessons, experience and expertise between evaluators, government programme managers and development partners. Under the umbrella of the Transfer

Countries and Programmes

Country	Cash Transfer Programme	Baseline	Follow-up
Lesotho	Child Grant Programme (CGP)	2011	2013
Kenya	Cash Transfers for Orphans and Vulnerable Children (CT-OVC)	2007	2009, 2011
Ethiopia	Tigray Minimum Social Protection Package	2012	2014*
Malawi	Social Cash Transfer (SCT)—Mchinji	2007	2008
Malawi	Social Cash Transfer (SCT)—Expansion	2013	2014*, 2015*
Ghana	Livelihood Empowerment Against Poverty (LEAP)	2010	2012
Zambia	Child Grant Programme (CGP)	2010	2012, 2013*
Zimbabwe	Social Cash Transfer (SCT)	2013	2014*, 2015*
Tanzania	Tanzania Social Action Fund (TASAF)	2009	2011, 2012

*data or results not yet available for inclusion in the brief

Project, a subset of countries participated in the From Protection to Production (PtoP) project, which focused on measuring the impact of cash transfers on productive and economic activities. Most of these evaluations used mixed methods, combining quantitative and qualitative approaches with general equilibrium modelling of local economy impacts. This brief is based on evidence from government-run cash transfer programmes, conditional or unconditional, from eight countries: Ethiopia, Malawi, Lesotho, Zambia, Zimbabwe, Kenya, Ghana and Tanzania.

INVESTMENT IN FARM AND NON-FARM BUSINESS

Cash transfers programmes have had a variety of impacts on household livelihood strategies, particularly with regard to agricultural activities. Zambia's CGP led to a 34 percent increase in the area of worked land as well as an increase in the use of agricultural inputs, including seeds, fertilizers and hired labour. The growth in input use led to an approximately 50 percent increase in the value of overall production, which was primarily sold rather than consumed on farm. The cash transfer produced an income multiplier at the household level: the increase in per capita consumption induced by the programme was 25 percent greater than the transfer itself.

Lesotho's CGP increased crop input use and expenditures, including an eight percentage point boost in the share of households using pesticides (from a base of 12 percent). As in Zambia, the increase in input use led to an increase in maize production and, for labour constrained households, in sorghum production, as well as in the frequency of garden plot harvest. The cash transfer programme led to an increase in seeds expenditure in Ghana, and to a decrease in Kenya, though in neither case did the transfers lead to growth in agricultural production (this was not measured in Malawi). In both Kenya and Malawi, however, the cash transfer did increase the share of family food consumption obtained from home production.

In almost all programmes in which it was measured, cash transfers increased the ownership of livestock. This ranged from all types of animals, large and small, in Zambia and Malawi, to small animals in Kenya, Lesotho and Tanzania. No impact on livestock ownership was found in Ghana. Similarly, the programmes in Zambia and Malawi led to a growth in the purchase of agricultural tools, with no impact in Kenya, Lesotho and Ghana. Finally, the Zambia CGP caused a 16-percentage point increase in the share of households conducting non-agricultural business enterprises. The Kenya CT-OVC led to a similar increase among female-headed households, and a decrease among male-headed households. No other programme had an impact on the establishment of non-agricultural business enterprises.

REALLOCATION OF FAMILY LABOUR

Along with the growth in agricultural activities, the programmes have led labour to move on farm. In Zambia and Malawi, and to a lesser extent in Kenya, the programmes led to a shift from agricultural wage labour to on-farm activities for adults. In Zambia, the CGP transfer led family members to reduce their participation in, and the intensity of, agricultural wage labour. The impact was particularly strong for women, amounting to a 17-percentage point reduction in participation and 12 fewer days a year. Both men and women increased the time they spent on family agricultural and non-agricultural businesses. In Kenya and Lesotho,

this shift varied by age and gender, while in Ghana, the LEAP programme also increased on-farm activities. The shift from agricultural wage labour of last resort to on-farm activities was consistently reported in Kenya, Ghana, Lesotho, Malawi and Zimbabwe. As one elderly beneficiary said, "I used to be a slave to ganyu but now I am free." The cash transfers had mixed results on child labour, with a reduction in child on-farm labour occurring in Kenya and Lesotho, a switch from off-farm wage labour to on-farm activities taking place in Malawi and no clear impacts in Zambia or Ghana.

RISK MANAGEMENT

Cash transfers have allowed beneficiary households to better manage risk in almost all countries. Fieldwork in Kenya, Ghana, Lesotho, Zimbabwe, Ethiopia and Malawi found that the programmes increased social capital and allowed beneficiaries to 're-enter' existing social networks and/or to strengthen informal social protection systems and risk-sharing arrangements, results corroborated by econometric analysis in Ghana and Lesotho. Receiving the transfer allowed beneficiaries to support other households or community institutions, such as the church.

A reduction in negative risk coping strategies, such as begging, was seen in Malawi, Ethiopia and Lesotho, while beneficiary households in almost all countries were less likely to take their children out of school. Moreover, the cash transfer programmes allowed households to be seen as more financially trustworthy, to reduce their debt levels and increase their creditworthiness. In many cases, however, households remain risk averse and reluctant to take advantage of their greater access to credit.

LOCAL ECONOMY

When beneficiaries receive cash they spend it and the impacts of the transfer are then transmitted to others inside and outside the local economy, often to households that are not eligible for cash transfers, who tend to own most of the local businesses. These income multipliers can be measured using an innovative village economy model, called the LEWIE (Local Economy-wide Impact Evaluation) model. LEWIE models constructed for the cash transfer programmes in Kenya, Lesotho, Ghana, Malawi, Zambia, Zimbabwe and Ethiopia generated nominal income multipliers ranging from 2.52 in Hintalo-Wajirat in Ethiopia to 1.34 in Nyanza, Kenya. That is, for every Birr transferred by the programme in Hintalo-Wajirat, up to 2.52 Birr in income can be generated for the local economy.

When credit, capital and other market constraints limit the local supply response, the increase in demand brought about by the cash transfer programme may lead to higher prices and consequently a lower income multiplier. Simulations incorporating such constraints find that the 'real' income multiplier can be lower than the nominal income multiplier although remaining greater than one. The key insight is that non-beneficiaries and the local

Beneficiaries of the LEAP programme in the Volta region.
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economy also benefit from cash transfer programmes through trade and productive linkages and that maximizing the income multiplier may require complementary interventions that target both beneficiary and non-beneficiary families.

WHAT EXPLAINS THE DIFFERENCES IN RESULTS ACROSS COUNTRIES?

A number of factors are behind the differences in results across countries. First, regular and predictable transfers facilitate planning, consumption smoothing and investment. Households that receive lumpy and unpredictable transfers, such as was the case in Ghana, are likely to spend the money differently. Second, the relative amount of the transfer matters. The size of the transfer as a share of per capita consumption of beneficiary households ranged from 7 percent in Ghana to almost 30 percent in Zambia. Third, the demographic profile of beneficiary households – and particularly the availability of labour – also matters. Most of the cash transfer programmes covered in this brief include a large proportion of labour- constrained households, which conditions the nature of the economic activities a household can employ. The Child Grant in Zambia was the exception, with a target population of young families with available labour. Finally, differential access to productive assets besides labour, the nature of local markets, the effectiveness of local committees in implementing a transfer programme and the nature of programme messaging, all played a role in determining the impacts of the programme. Differences in the size of the multiplier among countries, and in different areas within countries, were driven by the openness and structure of the local economy, where money is spent in the local economy and the intensity of the supply of goods produced within the local economy.

LESSONS LEARNED AND POLICY IMPLICATIONS

The evidence from recent rigorous impact evaluations of cash transfer programmes in sub- Saharan Africa clearly addresses fears of 'dependency.' In policy circles, concerns are often raised that providing cash to the poor leads them to work less and to live off the transfers. The results show that not only is this not the case, but that transfers allow households to be productive. While cash transfers are not designed to remove people from poverty in the short-term, the results show that they do not induce laziness and in fact promote productivity and provide an income multiplying effect at both the household and local economy levels.

Furthermore, the evidence illustrates how beneficiary households utilize part of the cash transfer to finance family farm and non-farm businesses. Cash transfers can thus serve not just as social protection but as a means of promoting farm and household-level production gains. Productive impacts can be maximized by improving the implementation of the transfer programmes, particularly by ensuring regular and predictable payments. Cash transfers can be linked to livelihood interventions and thus potentially serve as an important complement to a broader rural development agenda, including a pro-poor growth strategy focusing on agriculture. Of course, it is critical to keep in mind potential synergies and conflicts with the original social objectives of these programmes.

REFERENCES

The list of sources used for this policy brief can be found on the PtoP website at: **www.fao.org/economic/ptop/publications/reports**
These and other resources can be found on the Transfer Project website: **www.cpc.unc.edu/projects/transfer**

FOR MORE INFORMATION

Please visit: www.fao.org/economic/ptop **or write to:** ptop-team@fao.org

The From PROTECTION to PRODUCTION (PtoP) programme is, jointly with UNICEF, exploring the linkages and strengthening coordination between social protection, agriculture and rural development. PtoP is funded principally by the UK Department for International Development (DFID), the Food and Agriculture Organization of the UN (FAO) and the European Union. The programme is also part of a larger effort, the Transfer Project, together with UNICEF, Save the Children and the University of North Carolina, to support the implementation of impact evaluations of cash transfer programmes in sub-Saharan Africa.

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