Results from impact evaluation of cash transfer programs in sub-Saharan Africa

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Conferencia Nacional de Assistencia Social

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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 are pilots
Scale up of cash transfer programs in Sub Saharan Africa

- % of population covered by cash transfer program
- Since 2010, planned or on-going expansions (eg: Lesotho, Ghana, Kenya)
The rise of cash transfers in Sub Saharan Africa

• Variety of designs
  – Universal old age pensions; near universal child grants
    • Primarily southern African countries
  – Targeted programs to specific vulnerabilities
    • Kenya, Lesotho, Malawi, Mozambique
  – Cash for work for able-bodied
    • Ethiopia, Rwanda
  – A few conditional programs
    • Burkina Faso, Tanzania, Nigeria
  – Cash in emergency settings
    • Niger, Somalia, Mali
Who are cash transfer beneficiaries in Sub Saharan Africa? An example from the Zambia CGP

- Over 95% of households are extremely poor; over 99% poor
- Almost 75% of expenditures spent on food
- Large families (over 5 members on average)
  - More than half children under 13
- 1/3 of children under 5 are stunted
- 1/3 of school aged children do not attend school; 22% are orphaned
- Over 80% of households produce crops
  - Most grow local staples, using traditional technology and low levels of modern inputs
- Most have low levels of assets
  - Half hectare of agricultural land, few small animals, basic agricultural tools and low levels of education
- Over half of all children worked on family farm
Evidence on cash transfers from Sub Saharan Africa

• Improve welfare
  – Reduce poverty and increase food consumption
  – Improve food security and nutritional status

• Enable poor and vulnerable to become productive citizens
  – Increase human capital
    • Heath status and use of health services
    • Educational enrolment and school attendance
  – Safer transition to adulthood
  – Improve livelihoods (productive activities)
  – Dynamic local economy

• Evidence based on ongoing impact evaluations from unconditional cash transfer programs
  – Malawi, Kenya, Ethiopia, Zambia, Ghana, South Africa and Lesotho
Reduce poverty

• Zambia CGP
  – 5 pp reduction in poverty, 11 pp in poverty gap, 11 pp in severity of poverty gap (using severe poverty line)

• Kenya CT-OVC
  – 13 pp reduction in poverty (less than $1 a day)

• South Africa (all)
  – Reduce the poverty gap by 45% and destitution gap by 67%
Cash transfers increase household expenditures on food

<table>
<thead>
<tr>
<th></th>
<th>Zambia</th>
<th>Kenya</th>
<th>Ghana</th>
<th>Malawi</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>impact</td>
<td>baseline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>47</td>
<td>+++</td>
<td>NS</td>
</tr>
<tr>
<td>Food</td>
<td>12</td>
<td>34</td>
<td>+++</td>
<td>NS</td>
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<tr>
<td>Education</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>3</td>
<td>+++</td>
<td>NS</td>
</tr>
<tr>
<td>Clothing</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
</tr>
</tbody>
</table>

- No increase in expenditures on alcohol or tobacco in any country

Over 35%
Leading to an improved diet

<table>
<thead>
<tr>
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<th>Zambia baseline</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Meat</td>
<td>2.4</td>
<td>6.8</td>
<td>+++</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Dairy</td>
<td>.7</td>
<td>.9</td>
<td>+++</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Cereals</td>
<td>4.5</td>
<td>11.6</td>
<td>NS</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Fruits/vegetables</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Sugars</td>
<td>1.3</td>
<td>.8</td>
<td>+++</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Fats, oil, other</td>
<td>1.8</td>
<td>1.5</td>
<td>+++</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Dietary diversity</td>
<td>1.4</td>
<td>4.8</td>
<td>+++</td>
<td>NS</td>
<td>+++</td>
</tr>
</tbody>
</table>
And improving multiple dimensions of food security

- Zambia CGP
- Kenya CT-OVC
- Ethiopia PSNP
- Malawi SCT
- South Africa CSG

With mixed story on nutritional status

<table>
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<tr>
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<th>Malawi</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stunting</td>
<td>NS</td>
<td>NS</td>
<td>+++</td>
<td>+++</td>
</tr>
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</table>

Multiple determinants of nutritional status

- Increasing number of meals a day
- Reducing going to bed hungry, etc
Cash transfers also led to improvement in health status and use of health services

- Reduction in diarrhea (children under 5)
  - Zambia CGP, Kenya CT-OVC, Malawi SCT
- Increase in seeking curative care (children under 5)
  - Kenya CT-OVC
- Increase in seeking preventative care (children under 5)
  - Kenya CT-OVC
  - Ghana LEAP (for female headed households)
- Increase in access to national health insurance
  - Ghana LEAP (34 pp for children under 5)
As well as increased school enrolment and attendance

- Increased primary and/or secondary school enrolment
  - Kenya CT-OVC
  - Zambia CGP (for mothers with lower levels of education)
  - Malawi SCT
  - Ghana LEAP
  - South Africa Old Age Pension

- Highest grade completed
  - Kenya CT-OVC

- Reduced grade repetition
  - Ghana LEAP

- Reduced absences
  - South Africa CSG
Cash transfers can make the transition into adulthood safer for adolescents

- Kenya CT-OVC
  - Less likely to have had sexual debut (8 pp)
  - Reduced number of sexual partners in last 12 months
  - Reduced frequency of unprotected sex in last 3 months
  - Less likely to be pregnant (5 pp)
    - But mediated through increasing in schooling
  - Improvement in psycho-social status
    - Less depression

- South Africa CSG

- Malawi Zomba cash transfer experiment
Cash transfers can lead to productive investment

- Increase in investment in agricultural inputs and tools
  - Zambia CGP, Ethiopia PSNP, Malawi SCT
- Increase in agricultural production
  - Ethiopia PSNP
  - Zambia CGP
    - And increase in sales at market (12 pp from 23% base)
- Increase in home production of food
  - Kenya CT-OVC and Malawi SCT, in cereals and animal products
- Increase in livestock ownership
  - Zambia CGP, Kenya CT-OVC and Malawi SCT
- Increase in ownership of non agricultural enterprises
  - Zambia CGP (17 pp from 22% base) and Kenya CT-OVC
Move on farm and into family productive activities

- Reducing adult agricultural wage labor and increasing time spent on the family farm
  - Zambia, Kenya, Malawi (ganyu labor), Zimbabwe (maricho labor), Ghana (increase on own farm labor)
    - Zambia: particularly for women (17 pp to 29%; 12 days fewer to 19)
- Increase in labor dedicated to family non agricultural enterprise
  - Zambia, Kenya
- Increase in labor market participation
  - Zambia CGP
  - South Africa CSG
- Allowed elderly and physically disabled to “rest”
  - Zimbabwe
But mixed results on child labor

- Kenya: reduction in on farm activity for children
  - Particularly for boys (12 pp from 42%)
- Malawi: reduction in wage labor, increase in on farm activity
- South Africa: reduction in child wage labor
- Zambia: no impact
Cash transfers improve the ability of households to manage risk

- Reduce negative risk coping strategies
  - Malawi, Ethiopia, Kenya

- Pay off debt and increase savings
  - Zambia, Ghana and Kenya

- Increase in credit worthiness
  - Ghana and Lesotho
    - Though often reluctant to increase debt

- Re-engagement with social networks, community activities
  - Allow households to participate, to “mingle” again
  - Ghana, Zimbabwe and Kenya
How do local economy effects work?
Transfer

$\alpha_{T,T}$

$\alpha_{T,NT}$
Transfer

\[ \alpha_{T,T} \]
\[ \alpha_{NT,T} \]
\[ \alpha_{T,NT} \]
\[ \alpha_{NT,NT'} \]
\[ \alpha_{NT',NT} \]
Ghana: LEAP households spend about 80% of income inside the local economy
Cash transfers can have large income multiplier effects

Ghana LEAP Program

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal (CI)</td>
<td>2.50 (2.38 - 2.65)</td>
</tr>
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Every 1 Cedi transferred can generate 2.50 Cedis of income
If supply response is constrained, income multiplier can be as low as 1.50

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<td><strong>Multiplier</strong></td>
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<tr>
<td>(CI) (2.38 - 2.65)</td>
</tr>
<tr>
<td><strong>Real</strong></td>
</tr>
<tr>
<td>(CI) (1.40 - 1.59)</td>
</tr>
</tbody>
</table>

Production constraints can limit supply response, which may lead to higher prices and a lower multiplier.
Income multiplier varies by context

Differences across countries:
Openness of local economies
Where money is spent in local economy

Every 1 Cedi transferred can generate 2.50 Cedis of income

If constraints are binding, may be as low as 1.50
Non beneficiary households gain most the income multiplier

Policy message:
In order to maximize income multipliers, pay attention to supply response by all, particularly non beneficiaries.
Design and implementation are important for achieving objectives

- Demographic profile of beneficiary households
  - Available labor: OVC? Households with young children?
- Relevance of messaging and soft conditions on social spending
Regular and predictable transfers allow people to plan: the lumpy LEAP
Reaching objectives requires transfer equal to 20-30% of per capita income of poor households.
Cash transfers need to be linked to supply of services

- Cash transfers can help address demand-side barriers to accessing services (economic and financial barriers)
- But to maximize impacts need to develop linkages with other sectors (education, health, nutrition, etc)
  - Ensure supply of quality services to meet demand
  - Complementary services to address outcomes with multiple determinants (eg: behavioral practices around nutrition)
Cash transfers needs to be part of a rural development strategy

- Cash transfer programmes cannot replace sector economic development strategy, nor do they constitute a motor of growth in and of themselves.
- Almost three quarters of economically active rural population are smallholders, most producing own food.
- Small holder agriculture as key for rural poverty reduction and food security in Sub Saharan Africa:
  - Relies on increased productivity, profitability and sustainability of small holder farming.
- Social protection and agriculture need to be articulated as part of strategy of rural development:
  - Link to graduation strategies.
In conclusion:
The evidence shows.....

• Cash transfer programs are not charity
  – They enable the poor and vulnerable to become productive citizens

• Cash transfers can have a big impact even without conditions
  – Though messaging is important

• A small amount of money can go a long way
  – Cash transfers equal to 20 to 30 percent of per capita average income of poor households can have big impacts
Our websites

From Protection to Production Project
http://www.fao.org/economic/PtoP/en/

The Transfer Project
http://www.cpc.unc.edu/projects/transfer