Productive inclusion and cash transfers

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Why are we concerned about productive inclusion?

• Put simply: facilitating livelihood opportunities for poor and vulnerable households
  – Financial, productive
• Sustainable livelihoods necessary for reaching social objectives
• Governments seek sustainable poverty reduction
• Concern about dependency syndrome
• Graduation
What are the livelihoods of cash transfer beneficiaries in SSA?

• Most beneficiaries in Sub Saharan Africa are rural, engaged in agriculture and work for themselves
  – >80% produce crops; >50% have livestock
• Most grow local staples, traditional technology and low levels of modern inputs
  – Most production consumed on farm
• Most have low levels of productive assets
  – few hectares of land, a few animals, basic tools, few years of education
• Engaged on farm, non farm business, casual wage labour (ganyu, maricho)
• Often labour-constrained
  – Elderly, single headed household, large burden of care
• Large share of children work on the family farm
• Importance of informal social networks of reciprocity
And urban beneficiaries?

- Most still **work for themselves**
- Agriculture less important—more cash based
- Most have low levels of productive assets
  - Few years of education, implements
- Primarily engaged in informal labor and family business
- Often labour-constrained
  - Elderly, single headed household, large burden of care
- Reduced access to informal social networks of reciprocity
Pathways of productive inclusion

- Address inequitable distribution of resources and market failures
- Increase access to assets
  - Land, animals, labor, tools, human capital
- Increase access to liquidity
- Increase access to credit
- Reduce burden of care
- Improved ability to manage risk
- Hope and confidence in the future
Cash transfers address these pathways

- Improved human capital of children
  - Nutritional and health status; educational attainment
  - Labor productivity and employability
- Facilitate purchase of assets
- Relax some of constraints brought on by market failure (lack of access to credit, insurance)
  - Helping households manage risk
  - Providing households with liquidity
- Provide hope in the future
- Reduce burden on social networks and informal insurance mechanisms
- Infusion of cash can lead to multiplier effects in local village economy
And cash transfers have productive impacts

- Households invest cash transfers in livelihood activities
  - Increased purchase and use of agricultural inputs and tools, leading to increased production, and in some cases, market participation
  - Increased ownership of livestock, ranging from large to small animals
  - Increased participation in non-farm family enterprises
- Household members shift from casual wage labour to on-farm and family productive activities
- Improved ability to manage risk
  - Reduction in negative risk coping strategies
  - Strengthened informal safety nets of reciprocity
  - Reduction in debt; increase in savings
- Positive local income multipliers

Impact varies by country
• Beneficiaries are hard working and are responsible for their own income generation and food security
  – Evidence is clear: we don’t need to worry about dependency syndrome
• But what about graduation? What about exiting poverty?
  – Not all households can graduate
  – How to make sustainable—make sure that they don’t fall back into poverty (risk management as key)
  – It doesn’t only depend on a cash transfer programme—
    • Regional and national economic growth (jobs and income)
    • Functioning markets
    • Provision of public goods and services (health, education, infrastructure, etc)
    • Access to assets and services
A lot can be done to improve the productive impact of existing cash transfer programmes

- **Assure regular and predictable transfers**
  - Facilitate planning, consumption smoothing and investment

- **Reconsider the demographic profile**
  - Go beyond missing generation, labour constrained households
  - Labour as key factor—though labour constrained households also productive

- **Size of transfer**
  - At least 20 percent of per capita income

- **Programme messaging**
  - Households are responsive—it is ok to spend on economic activities

- **Effectiveness of local committees**
  - Peer support, communications, assuring effective linkages
But households need more than just cash transfers

- Cash transfers are not silver bullet in terms of poverty reduction
- Policymakers from a wide variety of countries are looking into complementary programmes, or to place their cash transfer into a wider context of rural development
  - LAC: mature social protection systems coming to grips with limits of social protection
    - Delayed because of belief in human capital and poverty exit via formal labour markets
  - SSA: Concern with livelihoods taking place during scale up
    - Agricultural based livelihoods
Examples from Sub Saharan Africa

- Ghana (LEAP)—
  - Bringing together cash and public works
- Malawi (SCT)—
  - Resilience Programme; ePayments and savings
- Lesotho (CGP)—
  - Home gardening; thinking about linking with community
development aimed at graduation
- Kenya (CT-OVC)—
  - Linking payments to savings, youth employment
- Zambia (SCT)—
  - Linking payments to savings
- Tanzania (TASAF)—
  - CCT and public works linked with savings
- Ethiopia (PSNP)—
  - Public works and productive packages
- Rwanda (VUP)—
  - Public works linked to savings
Examples from LAC

• Mexico (OPORTUNIDADES/PROSPERA)—CCT plus
  – New strategy of financial inclusion
  – Territorios Productivos (increase productivity, income, food production)

• Peru (JUNTOS)—CCT plus
  – Financial literacy (Programa Piloto de Promoción del Ahorro)
  – Technical assistance in production (Proyecto Sierra Sur)
  – Productive project (Haku Wiñay)
  – Savings via telenovelas (soap operas)

• Child (Solidario)—CCT plus
  – Financial inclusion

• El Salvador (Comunidades Solidarias Rurales)—CCT plus
  – Productive project (food security and value chains)
What are some of the options?

• Two broad areas
  – Better coherence and coordination with existing large scale agricultural and/or rural development interventions
  – Combining cash transfer programs with complementary interventions
  – These are not mutually exclusive
First, better coherence with large scale agricultural/rural development programmes

• Input subsidies and cash transfers
  – Discussions in Malawi, Zambia, Ghana, etc.
  – Different objectives, but similar outcomes and target populations
  – Input subsidies are expensive, strong entrenched political support, usually (but not always) regressive, not very efficient, run by another Ministry, mixed results
  – When the target group is small holder farmers, are input subsidies appropriate, or are cash transfers a better solution?
  – What does the evidence from IE tell us (Zambia, Malawi)?

• Seasonal and emergency household food security
  – Discussions in Burkina, Niger, Chad, Mali, etc
  – How to coordinate cash transfers with existing large scale food security support, usually run by other ministry (Agriculture)
Second, potential complementary interventions

- **Microfinance (savings groups)**
  - Relatively inexpensive, take advantage of traditional systems, but mixed results
  - New innovative variations—making ROSCAS more flexible, rely on training
- **Mobile microfinance and digital financial services**
  - Take advantage of advancing mobile phone technology, but restricted by spread of technology
  - Link to ePayments; help liquidity management
- **Financial inclusion**
  - Training, literacy, links to formal financial system
- **Microcredit**
  - Low take up and modest impacts
- **Agricultural insurance**
  - Low take up and modest impacts
More potential complementary interventions

• Productive packages
  – Assets, inputs, revolving cows/goats, etc
  – Mixed results, and potentially more expensive
• Agricultural extension and training
  – Mixed results
• Incentives to small business formation
  – Mixed results
• Facilitating labour market participation
  – Mixed results
  – NUSAF
• Graduation model and other combinations
  – Bringing together a set of complementary interventions in a staged approach
  – One time productive asset, cash/food support, savings, training, health care, social integration
  – Positive results, but cost and logistics, and is it sustainable over time?
Comparing the evidence on cash transfers and the Graduation model

• Broadly similar, consistent, positive impacts on consumption, food consumption and life satisfaction
• Both types of programs also lead to increased savings, loans, housing improvements, business ownership—though not as consistently
• Graduation model has much stronger impacts on value and ownership of assets
• Cash transfers have stronger impact on health and education outcomes

• Argument for bringing the two together
Which is the best complementary intervention?

• Not much evidence on government-managed cash plus complementary intervention
  – PSNP

• Programme specific evidence does not point to one magic programme
  – Depends on particular context, implementation, etc

• Taking existing cash transfer programme as a base, BRAC offers a framework for identifying major constraints faced by households and possible solutions
  – But how feasible is scale up?

• Countries are moving ahead and experimenting
  – Develop a research agenda around that experimentation
Our websites

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

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