

The impact of the Tigray SCTP on economic activities

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Why do livelihoods matter for social cash transfers?

- Most beneficiaries in Sub Saharan Africa rural, engaged in agriculture and work for themselves
- Missing/poorly functioning markets link production and consumption activities
 - Credit, insurance, labor and input market failures
 - Constrain economic decisions in investment, production, labor allocation, risk taking
 - “Safety first”, short time horizon, etc
- “non separability” means social objectives conditioned by livelihoods
 - Labor allocation (adults and children), including domestic chores
 - Investment in schooling and health
 - Food consumption, dietary diversity and nutrition
 - Intra household decision making
 - Dynamic between men and women, old and young

Social cash transfers targeted to poorest of the poor can also have productive impacts

- Long term effects of improved human capital
 - Nutritional and health status; educational attainment
 - Labor productivity and employability
- Transfers can relax some of constraints brought on by market failure (lack of access to credit, insurance)
 - Helping households manage risk
 - Providing households with liquidity
- Transfers can reduce burden on social networks and informal insurance mechanisms
- Infusion of cash can lead to multiplier effects in local village economy



What is PtoP?

The From Protection to Production Project

- Within the **Transfer Project**, a focus on understanding economic impacts of social cash transfer programs
- Works with government and development partners in 7 countries in Sub Saharan Africa
 - **Ghana LEAP**, Ethiopia Tigray SCTP, Malawi SCT, **Kenya CT-OVC**, **Zambia CGP**, Zimbabwe HSCT and Lesotho CGP
 - Ongoing
- Joint with UNICEF
- Primary funding from DFID (2011-2015)



PtoP and the impact evaluation of the Tigray Social Cash Transfer Pilot (SCTP) program

- Household and individual level impacts via non experimental impact evaluation
 - FAO, late 2014
 - Focus on investment/change in productive activities (agricultural and non agricultural), labor supply on and off farm and domestic activities, risk coping strategies
- Qualitative methods
 - One round by OPM and FAO, first quarter 2014
 - Focus on household economy and decision making, social networks, local community dynamics
- Local economy effects via LEWIE (GE) modeling
 - UC Davis and FAO, final draft end 2013
 - Based on household and business enterprise survey data

Latest evidence on social cash transfers?

Large increase in human capital

- Dietary diversity
 - Zambia, Kenya and Malawi
- Food security
 - Zambia, Kenya, Malawi and South Africa
- Education
 - Increased grade completion and reduced repetition and absences, increased secondary school enrolment
 - Zambia, Kenya, Malawi, Ghana, South Africa
- Health care
 - Reduced morbidity (diarrhea), increased seeking of curative and preventative care
 - Zambia, Kenya, Malawi
 - Ghana: access to national health insurance
- Safer transition to adulthood for adolescents
 - Kenya, South Africa, Malawi (Zomba)

Reaching adulthood
with improved level
of human capital, long term
impact on development



Large increase in productive investment— though varies by program

- Zambia: an increase in
 - Investment in agricultural inputs
 - particularly for smaller households
 - Value of production, shift from cassava to maize/rice
 - Selling at market
 - 12 pp from 23% base
 - Livestock ownership
 - Ownership of non agricultural enterprise
 - 17 pp from 22% base
- Kenya and Malawi SCT (Mchinji): an increase in
 - Ownership of small livestock, agricultural tools
 - Share of household consumption of cereals, animal products and other foods produced via own production
 - Participation in nonfarm enterprises for female headed households—and decrease for male headed (Kenya)
- Ghana
 - Little impact



Move on farm and into family productive activities

- Reduction in adult agricultural wage labor and increase in time spent on the family farm
 - Zambia
 - Decrease in participation and intensity of agricultural wage labor , particularly for women (17 pp to 29%; 12 days fewer to 19)
 - Increase in on farm and non agricultural enterprise labor
 - Malawi
 - Decrease in *ganyu* labor and Increase in on farm activity by adults
 - Kenya
 - Similar story, but more complicated
 - Ghana
 - Increase on own labor on farm
- Increase in non agricultural labor market participation
 - Zambia and South Africa CSG
- Allowed elderly and physically disabled to “rest”

Same story comes out strongly in qualitative field work in Malawi, Kenya and Ghana

But mixed results on child labor

- Kenya
 - Reduction in on farm activity for children
 - Particularly for boys (12 pp from 42%)
- South Africa
 - Reduction in child wage labor
- Malawi
 - Reduction in wage labor, increase in on farm activity
- Ghana
 - No impact, though positive impact reported in qualitative work
- Zambia
 - No impact



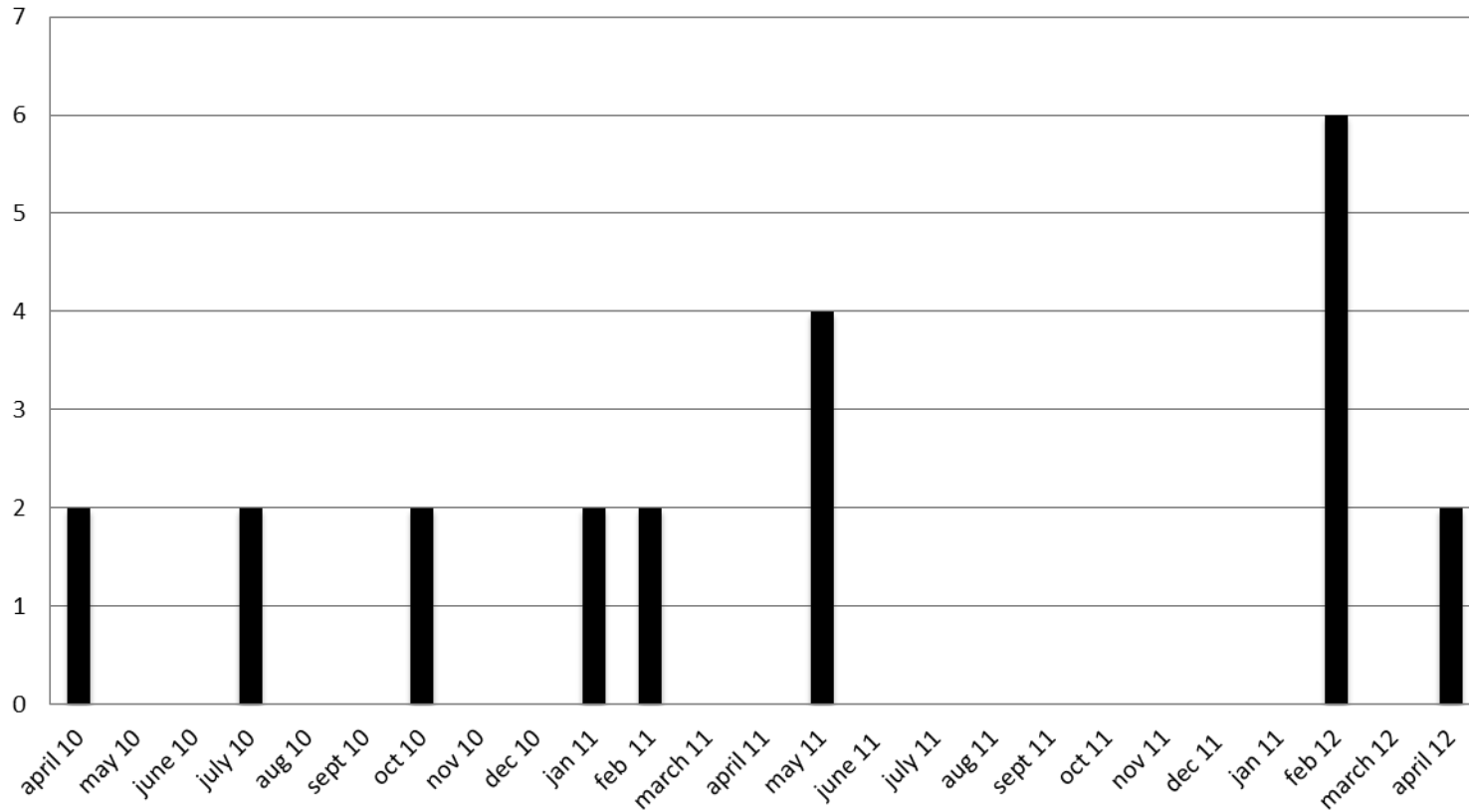
Improved ability to manage risk

- Reduction in negative risk coping strategies
 - Malawi (quant)
 - Reduction in begging (14 pp from 34%), children pulled from school
- Increase in savings, paying off debt and credit worthiness
 - Zambia (quant), Ghana (quant and qual), Lesotho and Kenya
 - Though often reluctant to increase debt
- Re-engagement with social networks, community activities
 - Ghana (quant and qual), Lesotho, Zimbabwe and Kenya
 - Allow to participate, to “mingle” again
- Some indication of reduced informal transfers
 - Zambia, Lesotho, Malawi
- Although targeting in some cases has contributed to tension
 - Kenya, Lesotho, Zimbabwe

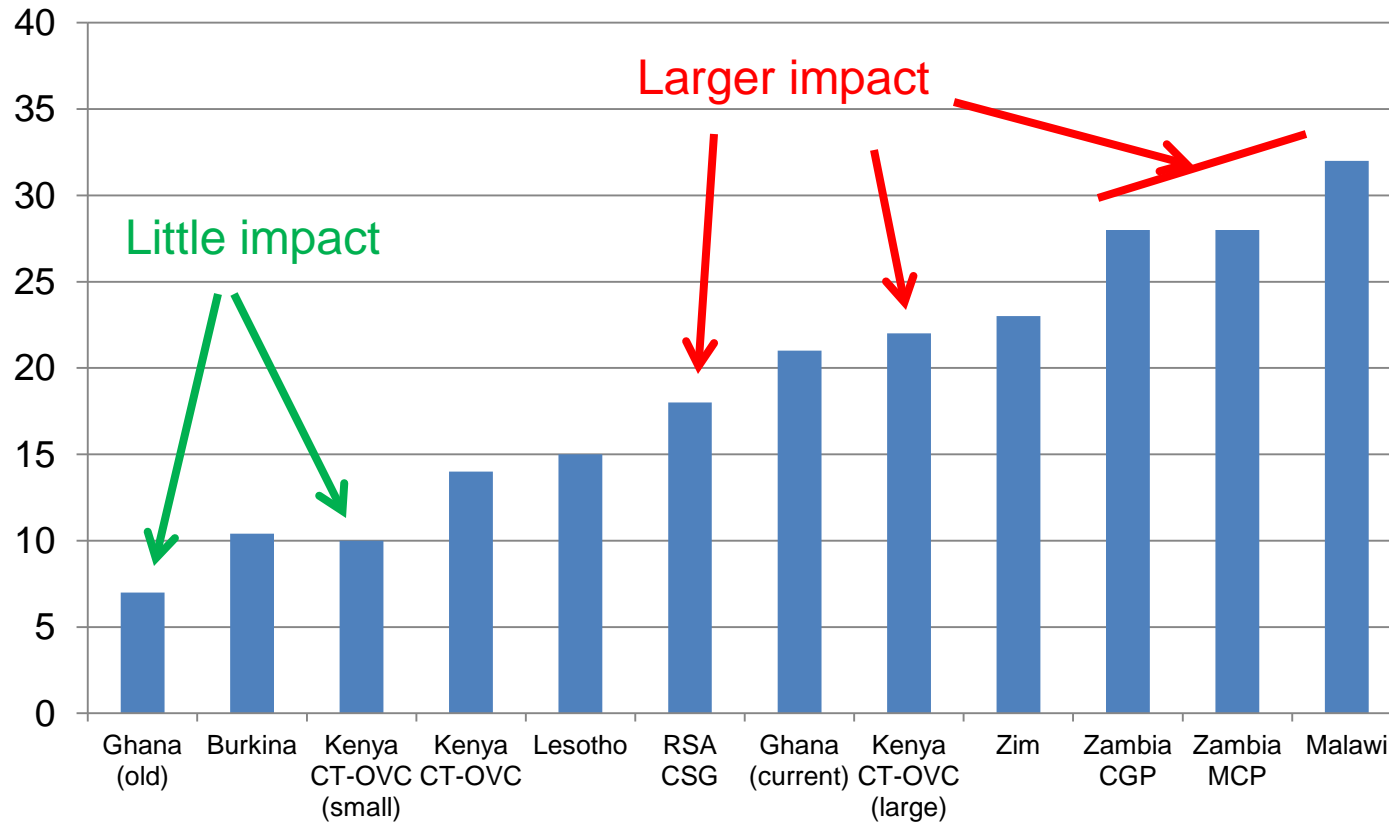
Explaining differences in impact across countries and households

- Demographic profile of beneficiary households
 - Available labor: Households with OVC? Households with young children? Elderly on their own?
- Access to productive assets
- Relative importance of subsistence agriculture, diversity of the local economy, nature of market constraints
- Relevance of messaging and soft conditions on social spending

Regularity of payments: sporadic and lumpy LEAP



Size of transfer relevant for impact across range of indicators



Measuring Local Economy Impacts

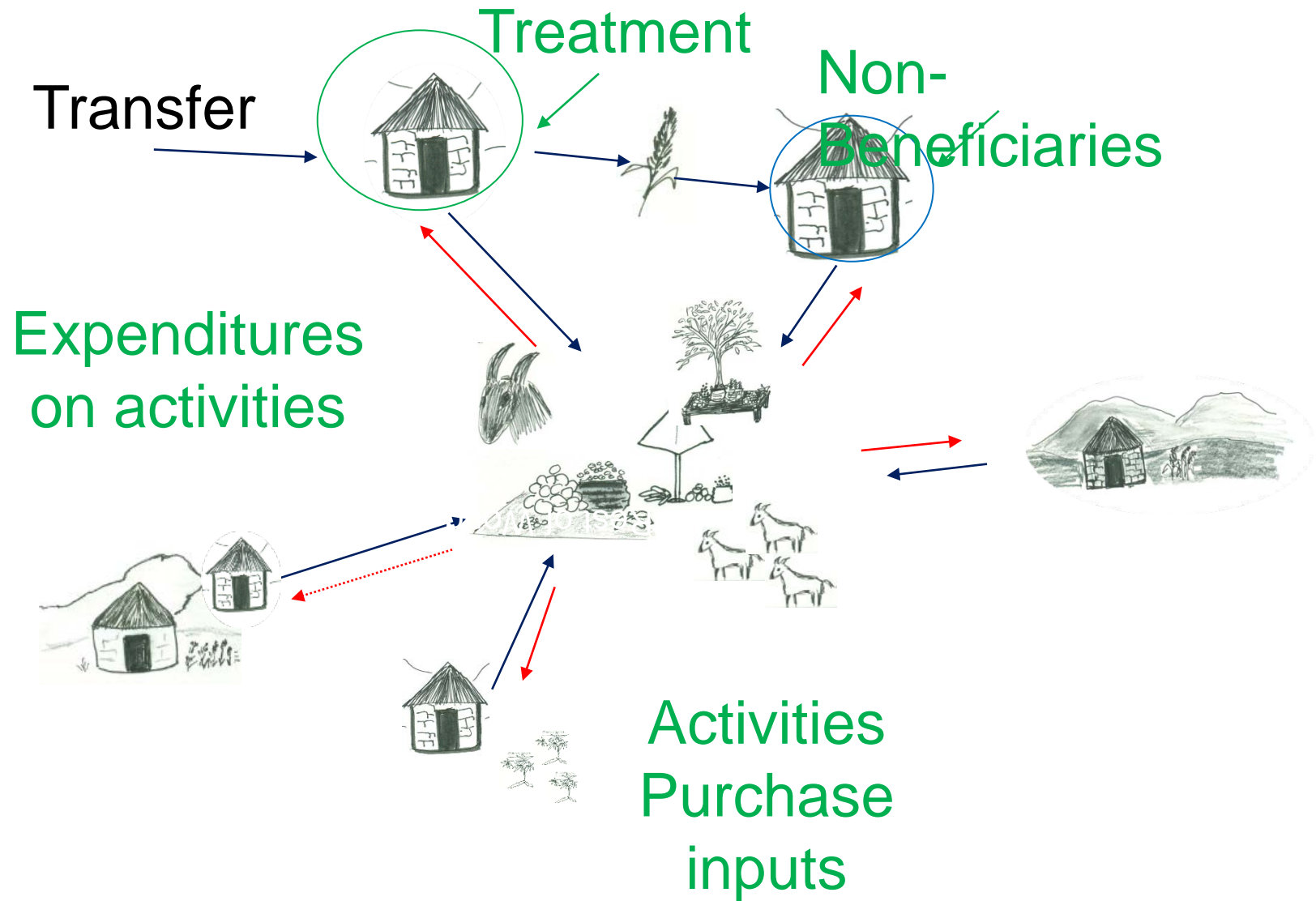
- Raises purchasing power of beneficiary households
- ...thus demand in the local economy
- ...supply must rise to meet this demand
 - otherwise, inflation



Local Economy-wide Impact Evaluation (LEWIE)

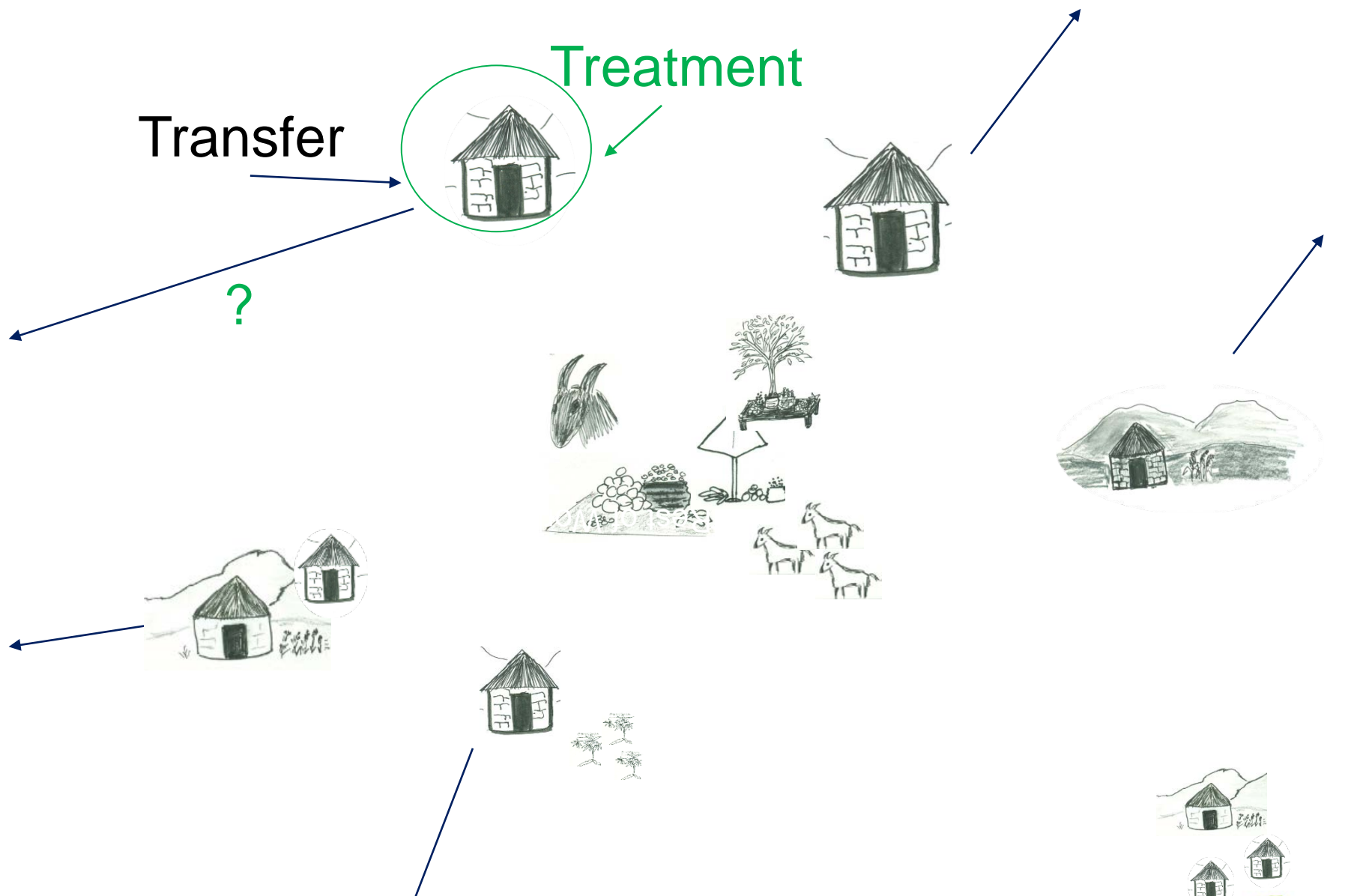
- Most evaluations focus on beneficiary households
- They are a conduit through which cash enters local economies
- The whole local economy, then, becomes a beneficiary of the program
 - ...including those who do not get transfers



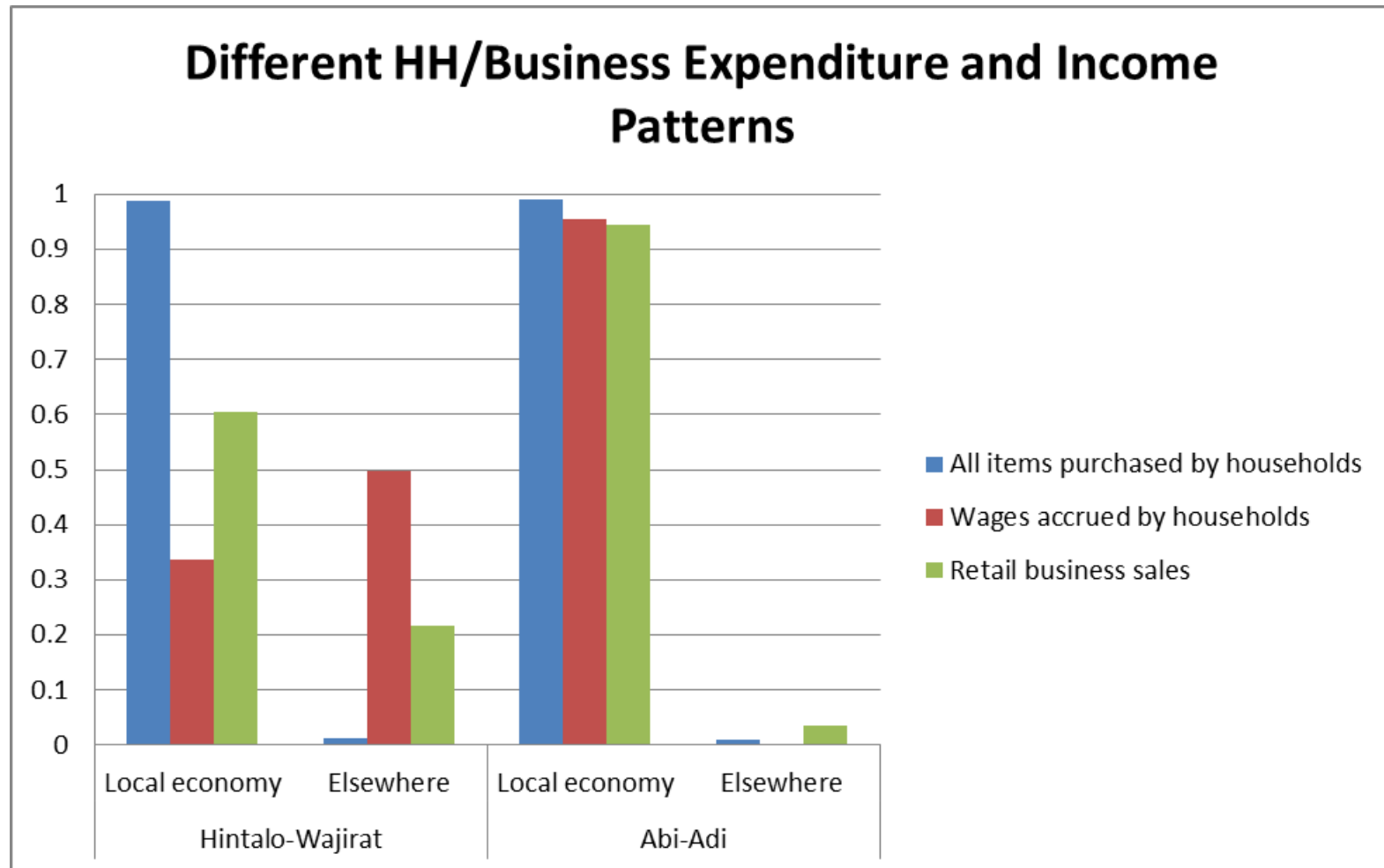


Transfer

Treatment

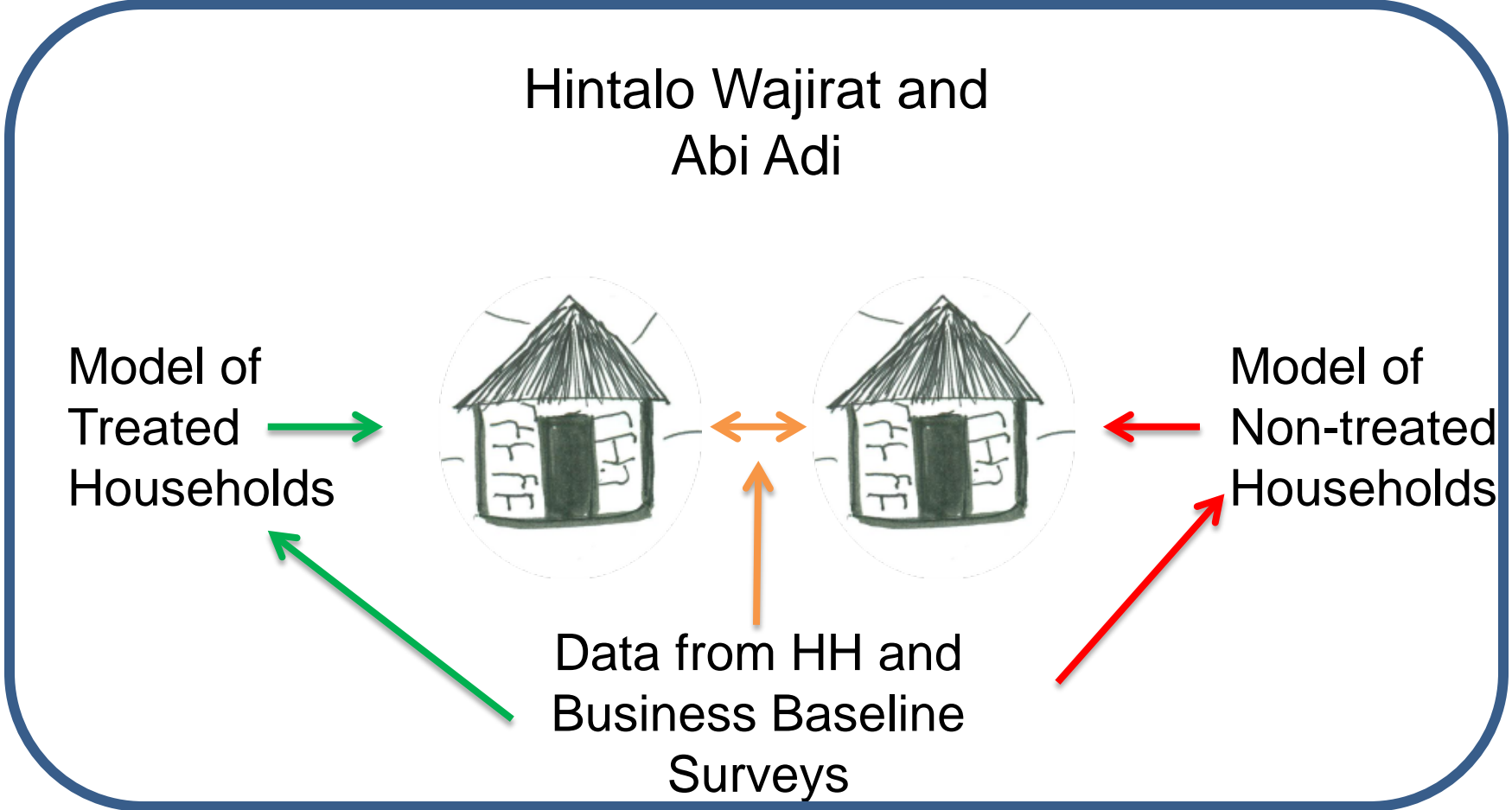


Each woreda has a different economic structure



How To Make the LEWIEs

Rest of World



Tigray SCTP potentially has large income multipliers

	Hintalo-Wajirat	Abi-Adi
Income Multiplier		
Nominal	2.52	1.35
(CI)	(2.09- 2.80)	(1.33- 1.38)

Every 1 Birr transferred in Hintalo-Wajirat can generate 2.52 Birr of income

Production constraints can limit supply response, which may lead to higher prices and a lower multiplier

	Hintalo-Wajirat	Abi-Adi
Income Multiplier		
Nominal	2.52	1.35
(CI)	(2.09 - 2.80)	(1.33 - 1.38)
Real	1.84	1.26
(CI)	(1.52 - 2.05)	(1.25 - 1.26)

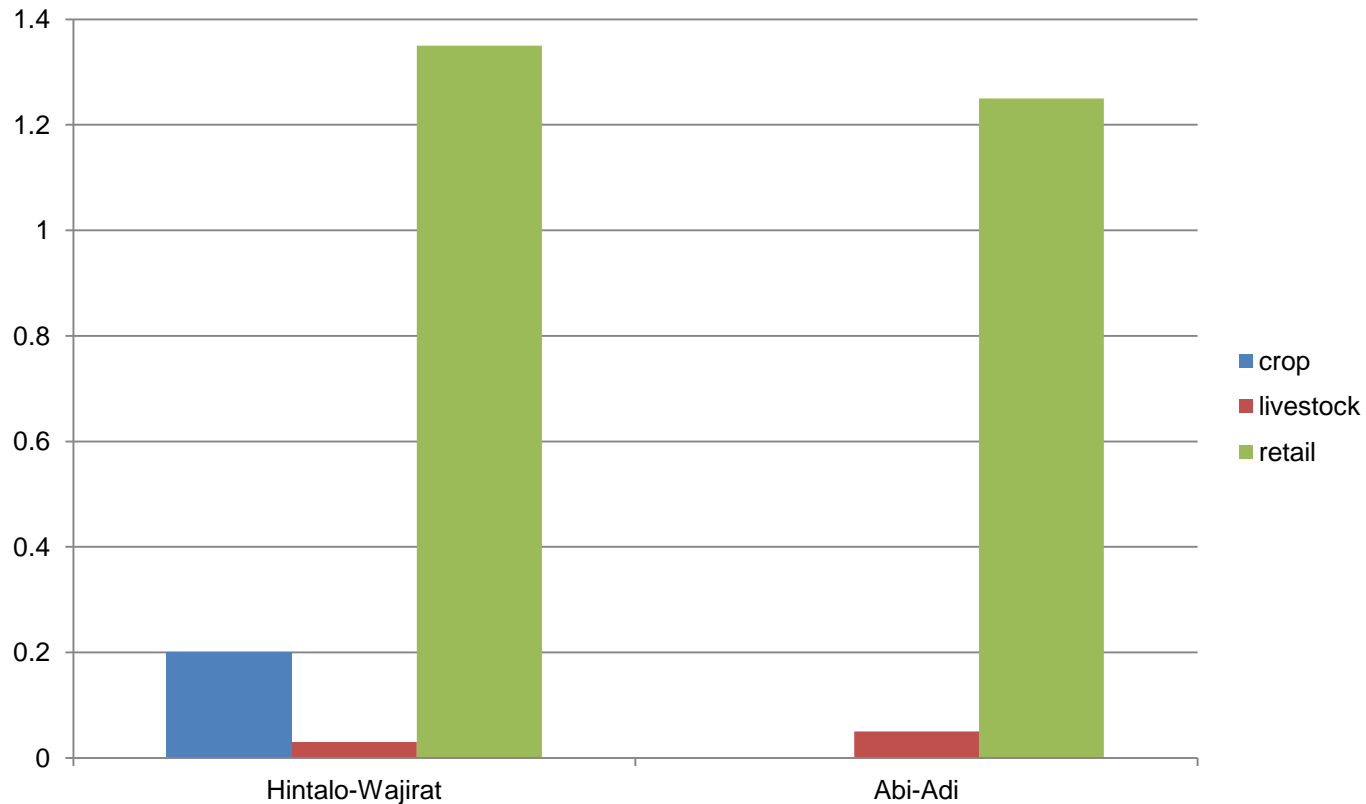
If supply response is constrained, real income multiplier in Hintalo-Wajirat can be as low as 1.84

Total benefit to the local economy

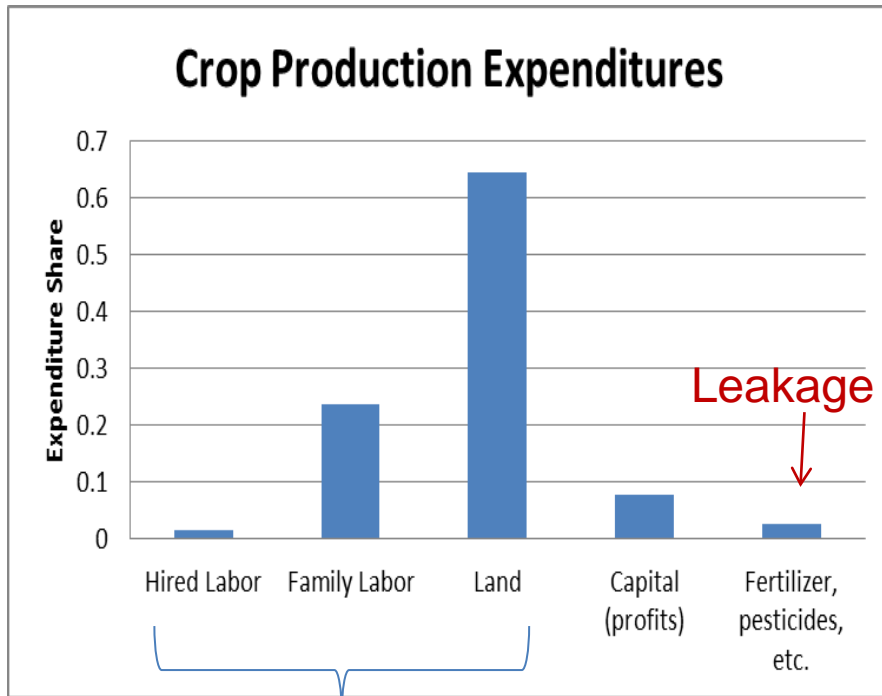
- Each Birr transferred can generate Birr 1.84 and Birr 1.26 of real total income for a total of 10.57 million Birr and 2.19 million Birr for the treated areas of Hintalo-Wajirat and Abi-Adi, respectively.
- The initial investment was 5.6 mil birr for Hintalo-Wajirat and 1.6 mil birr for Abi-Adi.



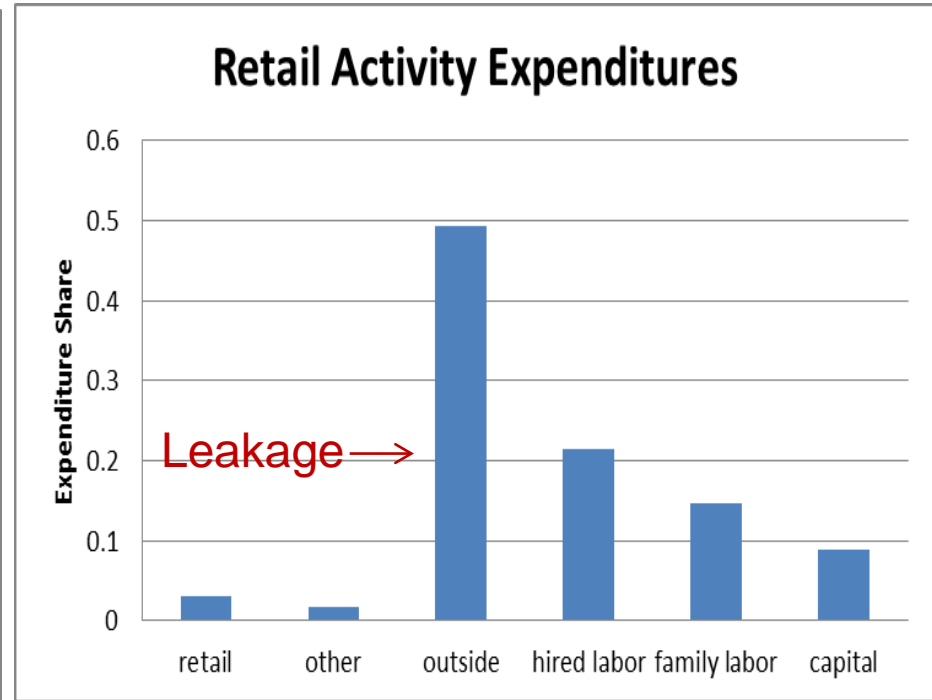
Production multipliers are concentrated in retail sector



Leakages to outside local economy reduce the multiplier



Payments to factors

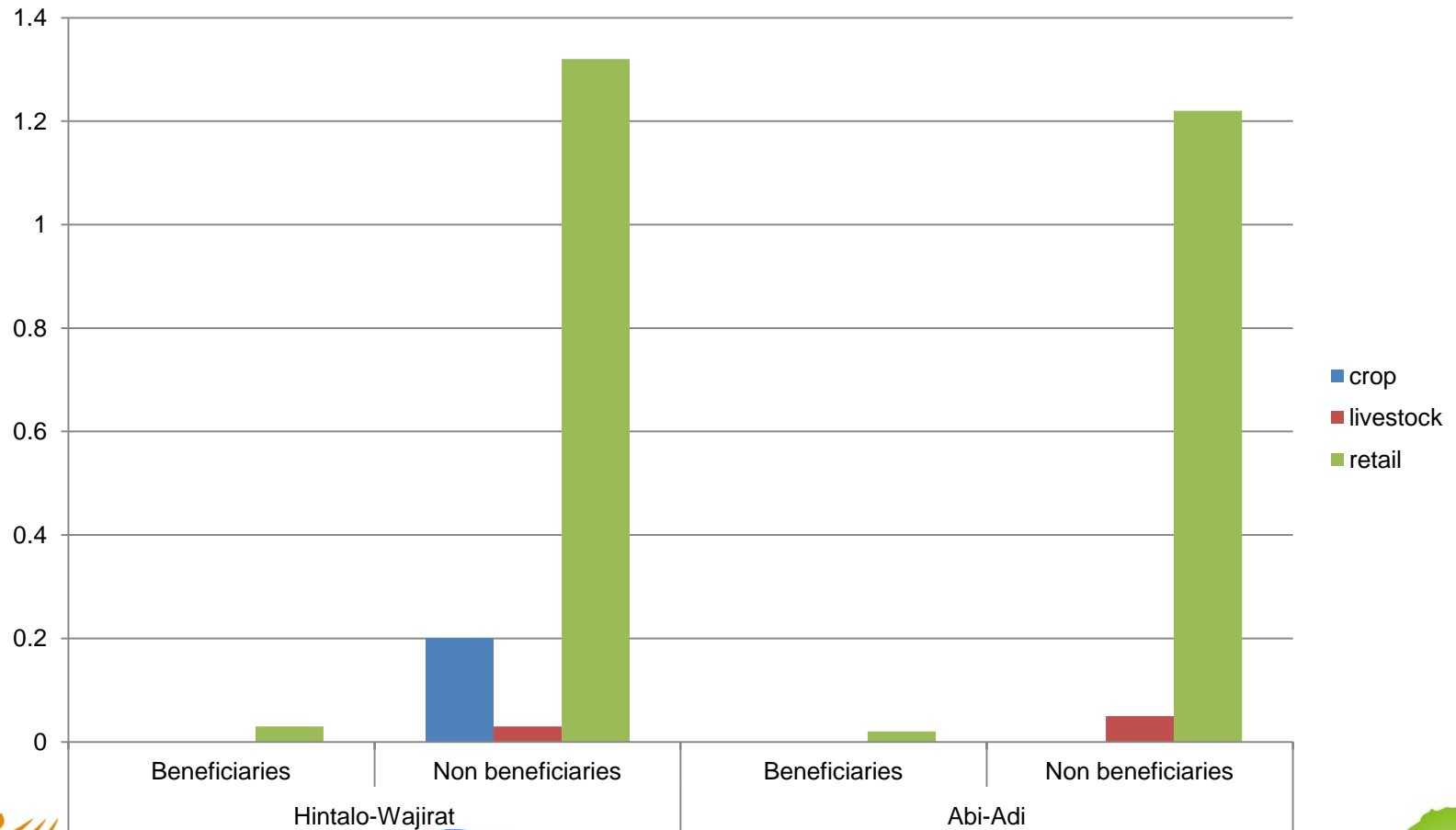


Payments to factors

Leakages are greater in the retail sector

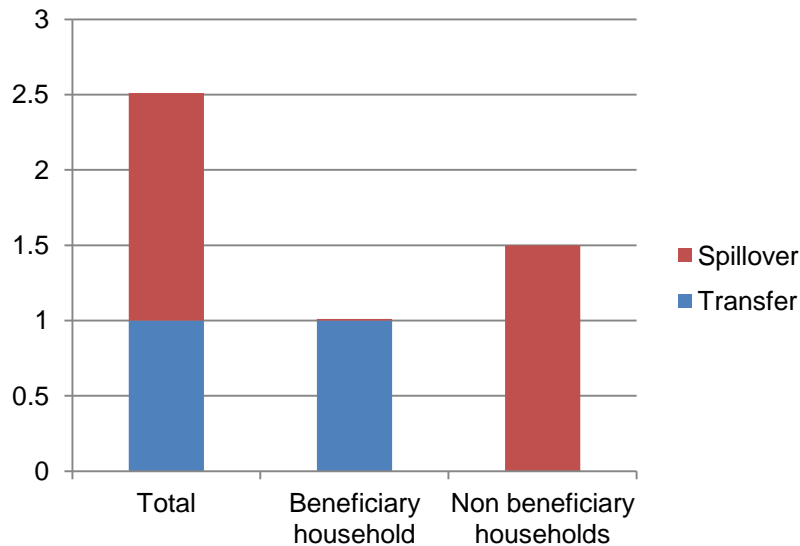


Most production multipliers occur with non beneficiaries

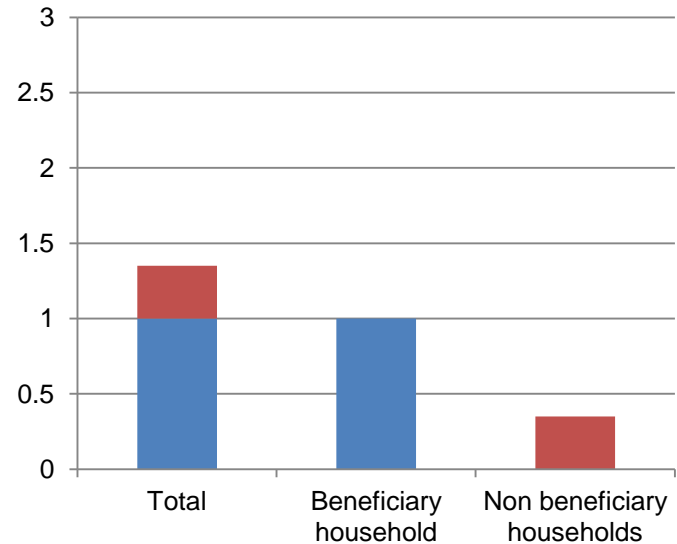


Thus most of income spillover accrues to non beneficiaries

Hintalo-Wajirat



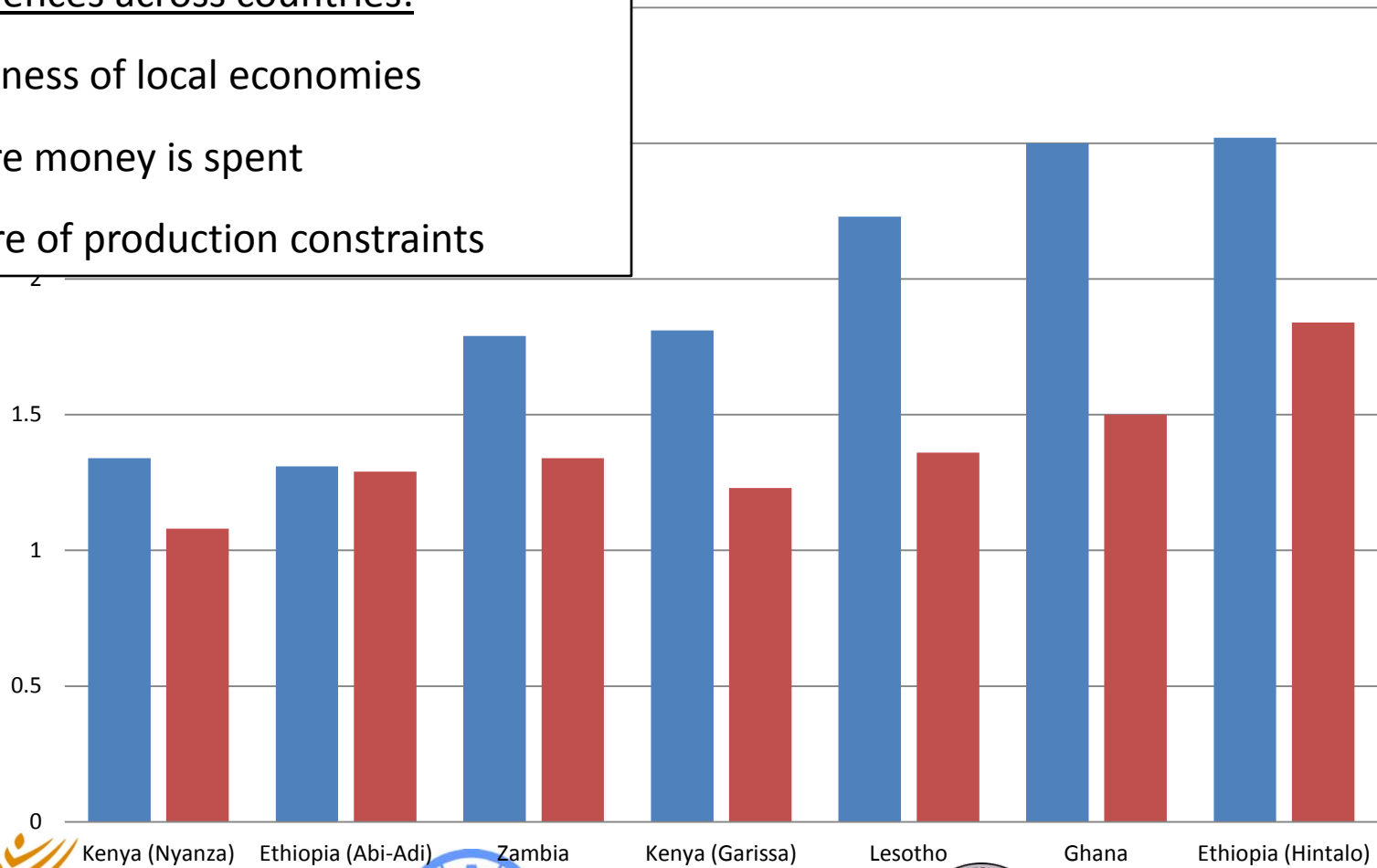
Abi-Adi



Size of income multiplier varies by context across and within countries

Differences across countries:

- Openness of local economies
- Where money is spent
- Nature of production constraints



■ Nominal multiplier ■ Real multiplier



Good News

- The economic impacts of social cash transfers are likely to significantly exceed the amount transferred. Large Multipliers.
- Most of the Productive Impact is in the Non-beneficiary Households, increasing their income.
- Non-beneficiaries should also be interested in seeing the transfer programs continue—and expand.



But There's a Catch

- Local supply has to respond to meet the new demand
- If it does not, there will be inflation
- Capital, liquidity, and labor constraints can limit the supply response
- Complementary Interventions may be needed to make sure this happens
- ...and it may be necessary to target productive programs to the non-beneficiary households, too



Towards linking livelihoods and cash transfer programs

- Measuring success of cash transfer programs does not depend on productive impacts—not part of original objectives
- Maximizing economic impacts should not come at the expense of social 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
 - Potentially large impacts on the local economy
- Social protection and agriculture should be articulated as part of strategy of rural development

Our websites

From Protection to Production Project

<http://www.fao.org/economic/PtoP/en/>

The Transfer Project

<http://www.cpc.unc.edu/projects/transfer>

