

**“From Protection to Production”
A joint FAO-UNICEF research
project on the economic impacts of
social cash transfers in rural areas**

Presentation to ES Division

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Bénédicte de la Brière and Katia Covarrubias

Outline

1. Background and policy relevance
2. Analytical activities
3. Some preliminary results in Kenya and Malawi
4. Work program

1. BACKGROUND

Social cash transfers: what are they?

- ▶ Public programs transferring cash to targeted groups of households
- ▶ Help protect poor hh by providing them w/ resources they need to maintain a minimum level of consumption. Can also help ensure livelihoods for the very poor and assist them in shocks
- ▶ Include needs-based social assistance, non-contributory pensions, disability transfers, family allowances, food stamps and CTs

Social cash transfers: what do they do?

- ▶ Effective at **reaching the poor**
- ▶ Positive impacts on **consumption** (child nutritional status, diet diversity, poverty)
- ▶ Long-term impacts on **human capital of children**
- ▶ Incentives for **increasing time in school not number of children**
- ▶ For **large programs**, impacts on **poverty and inequality at national-level**

Why do we expect economic impacts?

- ▶ Environments of absent / poorly functioning markets:
 - ▶ credit / savings
 - ▶ insurance
- Liquidity constraints**
- ▶ Links b/w consumption and production decisions at the hh-level
 - ▶ consumption, market purchases and home time
- ▶ Injection of cash in small (sometimes not very open) economies
 - ▶ potential for traders and producers but also price responses
- ▶ **What are medium-term impacts on households? work, investments, risk management?**
- ▶ What are meso-impacts at the community and regional levels? Price rises, networks, retail?

Policy relevance – For programs

Address concerns about:

- ▶ **Welfare dependency**: are CTs hand-outs or can they enable hhs to strengthen their income-generating activities?
- ▶ **Disincentives to work**: show which groups would reduce/increase their labor supply and why?

Understand how CTs fit:

- ▶ The “**graduation**/productive insertion” agenda: which complementary interventions would strengthen impacts / address constraints
- ▶ The **local development** agenda

Policy-relevance – For the FAO

- ▶ CT are **changing the environment in rural areas** (large injection of cash, not unlike remittances but differently targeted). Gains in living standards through transfers made sustainable through investments
 - ▶ Understand “protective” effects of **CTs as a response to the FFF crises** and potentially to increased variability and shocks due to **climate change**
- => **Bridge the two tracks** in the twin-track approach
- ▶ Building on ESA’s **comparative advantage in understanding rural hh economies**: RIGA project, synergies for climate change responses
 - ▶ Strategic objective G: “Enabling environments for markets to improve livelihoods and rural development”

2. PROPOSED ANALYTICAL ACTIVITIES

Proposed analytical activities (1)

A. Understanding methodological issues

- ▶ **Critical review of hh models:**
 - ▶ investment decisions in the presence of transfers (Gertler et al, 2007, Maluccio 2010, Todd et al. 2010, Angelucci and di Giorgio 2010)
 - ▶ labor allocation decisions (Teixeira, 2010, remittances)
 - ▶ responses to shocks (Maluccio 2005 and poverty traps literature)
 - ▶ participation in social networks (Schechter, 2007 and Angelucci and di Giorgio 2010)
- ▶ Empirical issues: (pseudo) panel datasets, quality of info on y and assets
- ▶ **Critical review of community impacts**
 - ▶ SAM and R-SAM methods (Taylor and collaborators, Davies and Davey, 2007, Cury and Leme, 2007, Zylberberg, 2008).
 - ▶ CGEs at state and municipal levels?
 - ▶ New micro-simulations on impacts of FFF crisis: on-going work in BR
- ▶ Empirical issues: suitability of hh surveys for community-level analysis (sample size), evidence on transaction and networks

Output: commissioned papers: methodological review, CT vs fertilizer subsidy simulation, local Bolsa-Familia

Effects to be discussed at a workshop in January 2011

Proposed analytical activities (2)

B. Adding to the evidence on economic impacts

- ▶ Analyze [existing data from rigorous impact evaluations in Eastern and Southern Africa](#) (use RIGA methodology):
 - ▶ Very vulnerable hh (OVC, extreme poor), community-targeting,
 - ▶ [Malawi Social Cash Transfer, M'chinji pilot](#) baseline March 2007, 1st round Sept 2007, 2nd round March 2008 Community-level randomization , 800 hh. Baseline of the national expansion planned for 2011
 - ▶ [Kenya OVC cash transfer](#), baseline 2007, 1st round 2009, 2nd round planned 2011. Community-level randomization, 2255 hh (8 districts)
 - ▶ [Mozambique Food Subsidy program](#), baseline 2008, 1st round 2009, program expansion, 2676 hh (11 districts)
 - ▶ [Zambia cash transfers](#): Monze baseline 2007, 1st round 2010 (now). Expansion: baseline 2010.
 - ▶ [Lesotho child grant program](#): baseline 2010, [Ghana LEAP](#) : baseline 2010, 1st round 2012
 - ▶ [Ethiopia: SP minimum package in 4 provinces](#) baseline planned 2011, [South Africa](#): child grant

Outputs: One comparative paper presented at AEC October 2010 (Kenya and Malawi), country case papers under preparation for KE, MA, and MZ, one paper about optimal transfer size and structure in Kenya, a commissioned paper on fertility impacts.

Proposed analytical activities (3)

C. Developing instruments to improve data quality, supporting new data collection

- ▶ Short and long versions of income / asset modules
- ▶ Module on networks/transfers
- ▶ Integrate qualitative/quantitative methods, hh/community

Outputs: new/strengthened modules in planned hh surveys Malawi 2nd round 2011, Kenya 2nd round 2011, Zambia baseline 2010, Lesotho child grant baseline 2010/11

D. Supporting program managers and policy-makers for design and implementation

- ▶ Direct TA for quality data collection and analysis
- ▶ Participation in policy discussions, workshop and conferences (academics, practitioners and policy-makers) in country (Kenya) and regionally

3. SOME PRELIMINARY RESULTS IN KENYA AND MALAWI

Data and Methods

- ▶ Use **quasi-experimental** data from:
 - ▶ Malawi Social Cash Transfer, M'chinji pilot baseline March 2007, 1st round Sept 2007, 2nd round March 2008. 800 hh.
 - ▶ Kenya OVC cash transfer, baseline 2007, 1st round 2009, 2nd round planned 2011. 2255 hh (8 districts)
 - ▶ Community-level randomization + community-based targeting. Targeting successful (Handa et al., 2010)
- ▶ Ensure that control and treatment households are similar at baseline (**matching**)
- ▶ Estimate **difference-in-differences** between treatment hh and control hh
- ▶ Analyze separately by age and gender of hh head and by hh size

Preliminary findings – Kenya (1)

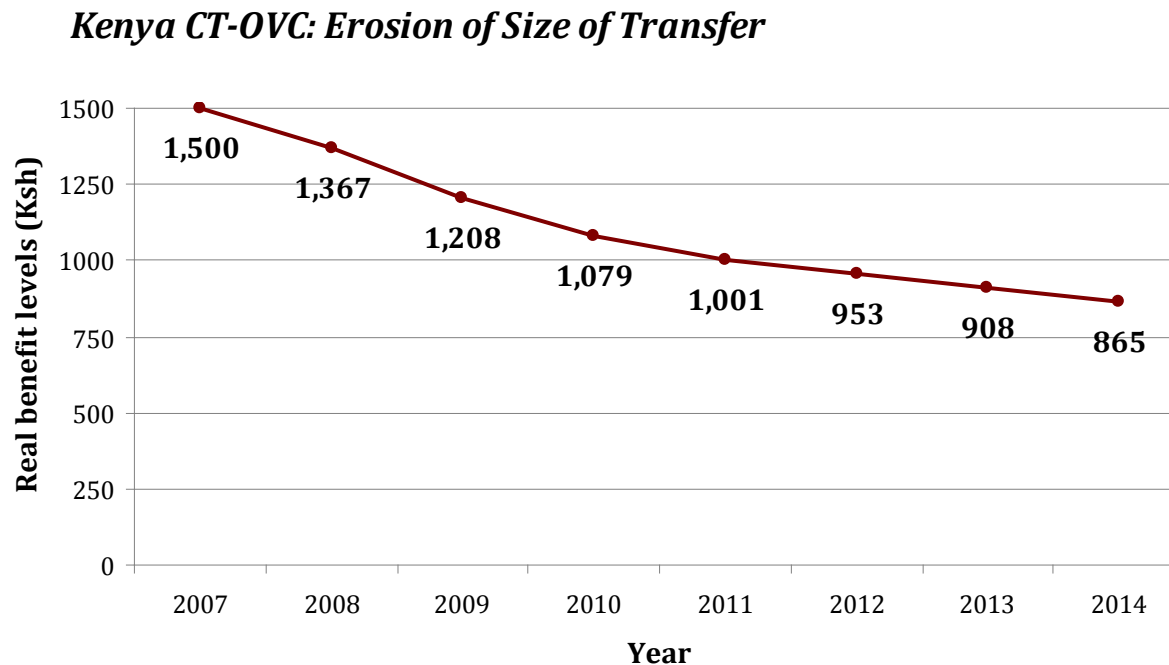
- ▶ Beneficiaries purchase **bed sheets, radio, mosquito nets** ...
- ▶ ... but beneficiaries do not buy animals or land. **Is that the crisis?** The survey includes no information on tools nor ag. inputs
- ▶ Paid work among **younger children** decreases in beneficiary households, both in share and number of hours worked
- ▶ Agricultural **self-employment** seems to become less frequent

Preliminary findings – Kenya (2)

- ▶ Male-headed hh more likely to **buy land** than female headed but spend less on health and mosquito nets. Female-headed more likely to **start a business?**
- ▶ Children more vulnerable in large hh. Large hh **buy less durables** but program helps decrease younger children work.
- ▶ Elderly hh have more durables to start and buy less of them, however they spend more on **children's education and health.**

Preliminary findings - Transfer value – Kenya (3)

Transfer lost 30% of its real value from 2007 to 2010, as its nominal value remained constant at 1,500Ksh/month



Analysis in Ethiopia in 2008 has shown that this loss matters for beneficiaries' livelihood impacts

Preliminary findings - Transfer value – Kenya (4)

Significantly larger impact on expenditures for households with 1-4 members.

However, we know poorest households tend to be the largest => simulations of different transfer amounts and structure

Impact in Expenditures: FAO Results

<i>Indicator</i>	<i>Household Size</i>			
	Overall	1-4	5-7	8+
	D in D	D in D	D in D	D in D
Monthly consumption per adult equivalent (Ksh)	275 ***	431 ***	150 ***	72 ***
Monthly food expenditures per adult equivalent (Ksh)	227 ***	268 ***	178 ***	91 ***
Monthly health expenditures per capita (Ksh)	15 ***	27 ***	9 ***	3 ***
Monthly education expenditures per child (Ksh)	41 ***	52 ***	76 ***	-17 ***

P-values for mean-difference test, significant at 10%; ** significant at 5%; *** significant at 1%; "ns" not significant.

Data source: CT-OVC Evaluation Household Survey 2007& 2009. Matching uses 5 nearest neighbors.

Variable transfer structure necessary to correspond with household size

Preliminary findings - Transfer value – Kenya (4)

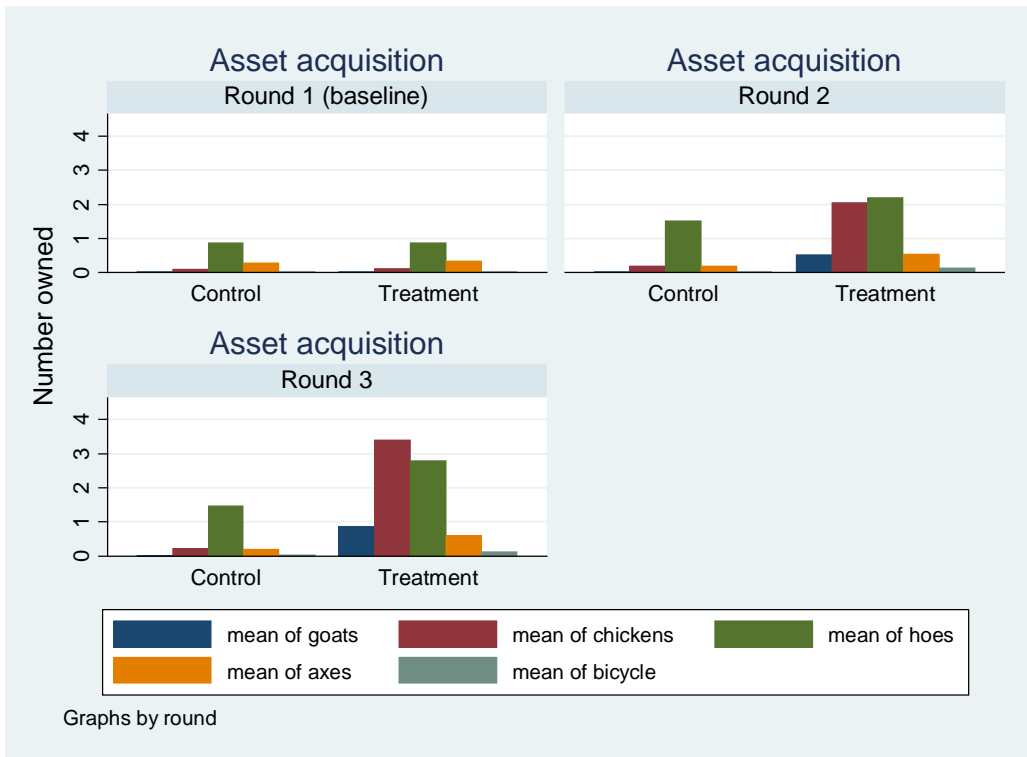
Transfer composition

- Larger impacts observed when transfer has two components: one fixed per household and one according to number of children

Implications

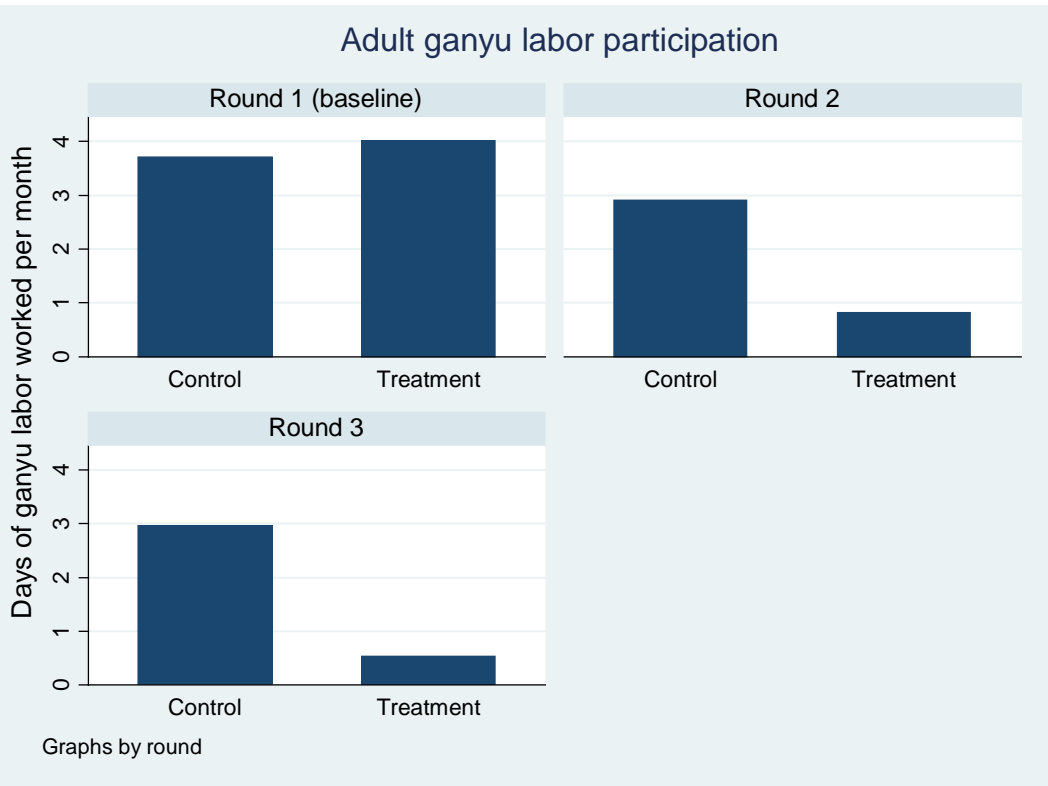
- More complicated administratively and politically
- Incentives for fertility and household composition (e.g. rural pensions in South Africa)
- Important if child poverty (and other child outcomes) is considered

Preliminary findings - Malawi (1)



- Beneficiaries more likely to acquire hoes, axes (and bicycles)
- Beneficiaries more likely to acquire chickens and goats

Preliminary findings - Malawi (2)



➤ What are they doing? Working on their plots with their tools

- Beneficiaries decrease ganyu labor
- Beneficiaries more likely to hire in (especially labor constrained)
- Children miss less days of school and less likely to work outside (except in lean season)

Preliminary findings - Malawi (3)

- **Female-headed more vulnerable.** Male-headed more likely to buy tools, bicycles and chicken while female-headed more likely to buy goats and consume.
- Even **larger hh buy tools**
- **Elderly hh are very vulnerable:** while smaller, they include more disabled and elderly dependents. **Not able to invest** in durable goods and small animals. **Decrease in private gifts**

Summary of findings to date:

- ▶ Preliminary economic impacts:
 - ▶ Decrease in some **child labor**
 - ▶ Decrease in **daily ag. labor** but probably more work on-farm in Malawi (tools)
 - ▶ More likely if transfers are **larger**
- ▶ **Different impacts** according to gender and age of hh head and hh size:
 - ▶ Barriers to investment in agriculture among female-headed hh?
 - ▶ **Life-cycle vs old-age poverty** among older hh
 - ▶ Transfer linked to number of children may enable larger hh to invest too
- ▶ More information needed on assets and income-generation, impact of the 2008 crisis



4. WORK PROGRAM

Partnerships - External

- Joint program **UNICEF-ESARO and FAO**: component of “Transfer project”(UNICEF-Save the Children UK)
<http://www.cpc.unc.edu/projects/transfer>
 - Other partners include University of North Carolina and UNDP IPC in Brasília
- World Bank **LSMS team** (agriculture and y) and country teams (Kenya, Ghana)
- National and regional partners: implementing agencies
 - In discussion with **AfDB SP** team
- Fund-raising with **DFID** (focus on Africa)

Partnerships – Internal

- Country programs
 - Great [support from country teams](#) (Lesotho, Zambia)
- Within ES:
 - [ESW](#): CTs predominantly given to women, early results show differences b/w male and female-headed hh, for girls and boys' work. Ana Paula de la O just joining ESW
 - [EST](#): building bridges with the work on Smallholders, CGE/SAM modelling, comparisons w/ fertilizer subsidy?
 - [ESS](#): potential to strengthen capacity for data collection on agricultural incomes?

Schedule of Activities:

- May 2010 – End 2013
- Phase 1: Launching the program
 - Regional workshop in Lesotho September 2010
 - AEC conference October 2010
 - Methodology workshop in Kenya Jan 2011 (KE, MA, MZ country cases)
- Phase 2: Widening the analysis
 - New modules on income and social networks
 - Field work baselines Lesotho, Zambia late 2010
 - Field work Kenya (4 years), Malawi, Ethiopia in 2011/13
 - Field work rounds 1 Ghana, South Africa, LS, ZA in 2012
 - Community-level analysis with CGE/SAMs
 - Qualitative work on social networks and relationship with traders

Thank you!



SCT and HIV/AIDS (Kenya)
(from Yablonski (2010))



Intervention household with new house and
tobacco leaves drying (Malawi)
(from Miller, Tsoka, Reichert (2008))