

From Protection to Production: household and community-level impacts of cash transfer programs

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FAO and the Transfer Project

Implementing cash transfer and conditional cash transfer programs
in Sub Saharan Africa:
Second Community of Practice Meeting

October 1-5, 2012
Nairobi, Kenya



What is the Transfer Project

- Informal consortium of UNICEF, Save the Children UK, the University of North Carolina and FAO, in coordination with national governments and development and research partners in Sub Saharan Africa
- Objectives
 - **Provide evidence** on the effectiveness of cash transfer programs
 - **Inform** the development and design of cash transfer **policy** and programs
 - **Promote technical assistance and learning** across the continent on the design and implementation of cash transfer evaluations and research
- Two regional workshops in 2013



1st and 2nd generation cash transfer program impact evaluations in Sub Saharan Africa (19 in 13)

- Malawi SCT
 - Mchinji pilot, 2008-2009
 - Expansion, 2013-2014
- Kenya
 - CT OVC, Pilot 2007-2011
 - CT OVC, Expansion, 2012-2014
 - HSNP, Pilot 2010-2012
- Mozambique PSA
 - Expansion, 2008-2009
- Zambia
 - Monze pilot, 2007-2010
 - Child Grant, 2010-2013
- South Africa CSG
 - Retrospective, 2010
- Burkina Faso
 - Experiment, 2008-2010
- Ethiopia
 - PNSP, 2006-2010
 - Tigray SPP, 2012-2014
- Ghana LEAP
 - Pilot, 2010-2012
- Lesotho, CSP
 - Pilot, 2011-2013
- Uganda, SAGE
 - Pilot, 2012-2014
- Zimbabwe, SCT
 - Pilot, 2013-2015
- Tanzania, TASAF
 - Pilot, 2009-2012
 - Expansion, 2012-2014
- Niger
 - Begins in 2012



From prospective of productive impacts, two basic kinds of cash transfer programs in SSA

1. Productive safety nets

- Cash for work (building community assets)
 - Terracing, irrigation canals, markets, light posts, etc
- Combined with complementary livelihood programs
- Hybrid with direct support

2. Cash transfers

- Conditional cash transfers
 - Transfer conditional on schooling, health services
- Unconditional cash transfers
 - Often with strong message on schooling, health
- Sometimes combined with complementary livelihood programs



This presentation will focus on productive impacts of the cash component

1. Will talk about how to link these impacts from the cash component back to complementary interventions
2. Invite discussants and participants to talk about their experiences with both productive impacts and complementary interventions



With exception of public works, perception that cash transfer programs do not have productive impacts

- Focus explicitly on food security, health and education
- Targeted towards ultra poor, bottom 10%, labor constrained, elderly, infirm, children, etc, often seen as welfare, charity, handout



Cash transfers targeted to poorest of the poor can have productive impacts

- Beneficiaries predominately rural, most engaged in agriculture
- Most work for themselves
- Most face missing/poorly functioning markets (credit, insurance, etc) which constrain economic decisions
 - Transfers can relax some of these constraints



Agriculture is fundamental part of livelihoods of Kenya CT-OVC beneficiaries

- Large majority are agricultural producers
 - Over 80% produce crops; over 75% have livestock
- Most grow local maize and beans, using traditional technology and low levels of modern inputs
- Most have low levels of assets
 - 2.6 acres of agricultural land, few small animals, basic agricultural tools and low levels of education
- Only 16 percent used credit in 2011
- 1/4 of adults worked in wage labor, 1/3 in own non ag business, 1/5 private transfers
 - Women more in agricultural wage labour
 - Almost all wage labour is casual
- 42% of children worked on family farm



5 ways in which cash transfer programs have productive/economic impacts



1. Improve human capital

- Nutritional status
- Health status
- Educational attainment

enhance productivity

improve employability



Typically core objectives of CT programs
Underlying rationale for CCTs



2. Facilitate change in productive activities

By relaxing credit, savings and/or liquidity constraints—and/or constructing community assets

- Accumulation of productive assets
 - Farm implements, land, livestock, inventory
- Investment in productive activities
 - Allocation of labor (adults and children), inputs
- Change in productive strategies
 - New crops, techniques
 - New line of products or services
 - New activities (retail, food preparation, etc)



3. Better ability to deal with risk and shocks

By providing insurance via regular and predictable CTs

- Avoid detrimental risk coping strategies
 - Distress sales of productive assets, children school drop-out, risky income-generation activities
- Avoid risk averse production strategies
 - “Safety first”
- Increase risk taking into more profitable crops and/or activities
 - Specialization or diversification
 - Higher value crops or migration



4. Relieve pressure on informal insurance mechanisms

By regular and predictable CTs to the poorest and most vulnerable

- Reduce burden on social networks
 - Local networks of reciprocal relationships
 - In SSA, often weakened and over burdened in context of HIV/AIDS
- Rejuvenate social networks
- Allow beneficiaries to participate in social networks
- Allow non beneficiaries to redirect their resources



5. Strengthen the local economy

By injecting relatively large amounts of cash into a local economy, and/or building community assets

- Multiplier effects on local goods and labor markets via economic linkages
- Public works: creation of public goods/assets

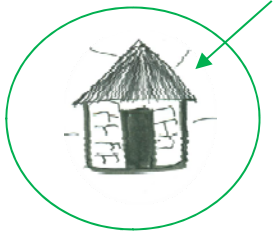


How do local economy effects work?

- Immediate impact of transfer will raise purchasing power of beneficiary households.
- As beneficiary households spend cash, impacts immediately spread outside beneficiary households to others inside and outside treated villages.
- Trade and purchases within village may set in motion income multipliers inside treated villages.
- Periodic markets and purchases outside village will shift income effects to non-treated villages, potentially unleashing income multipliers there.
- In longer run, as program is scaled up, transfers will have direct and indirect (or general equilibrium) effects throughout the region of implementation.

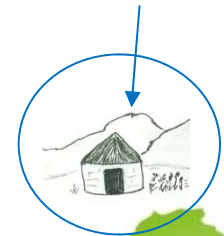


Treatment

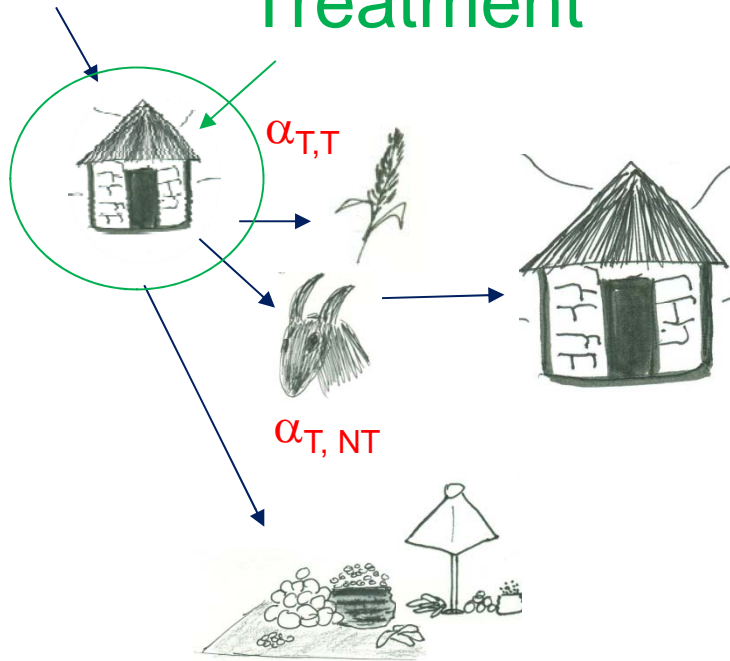


How do local
economy effects
work?

Control



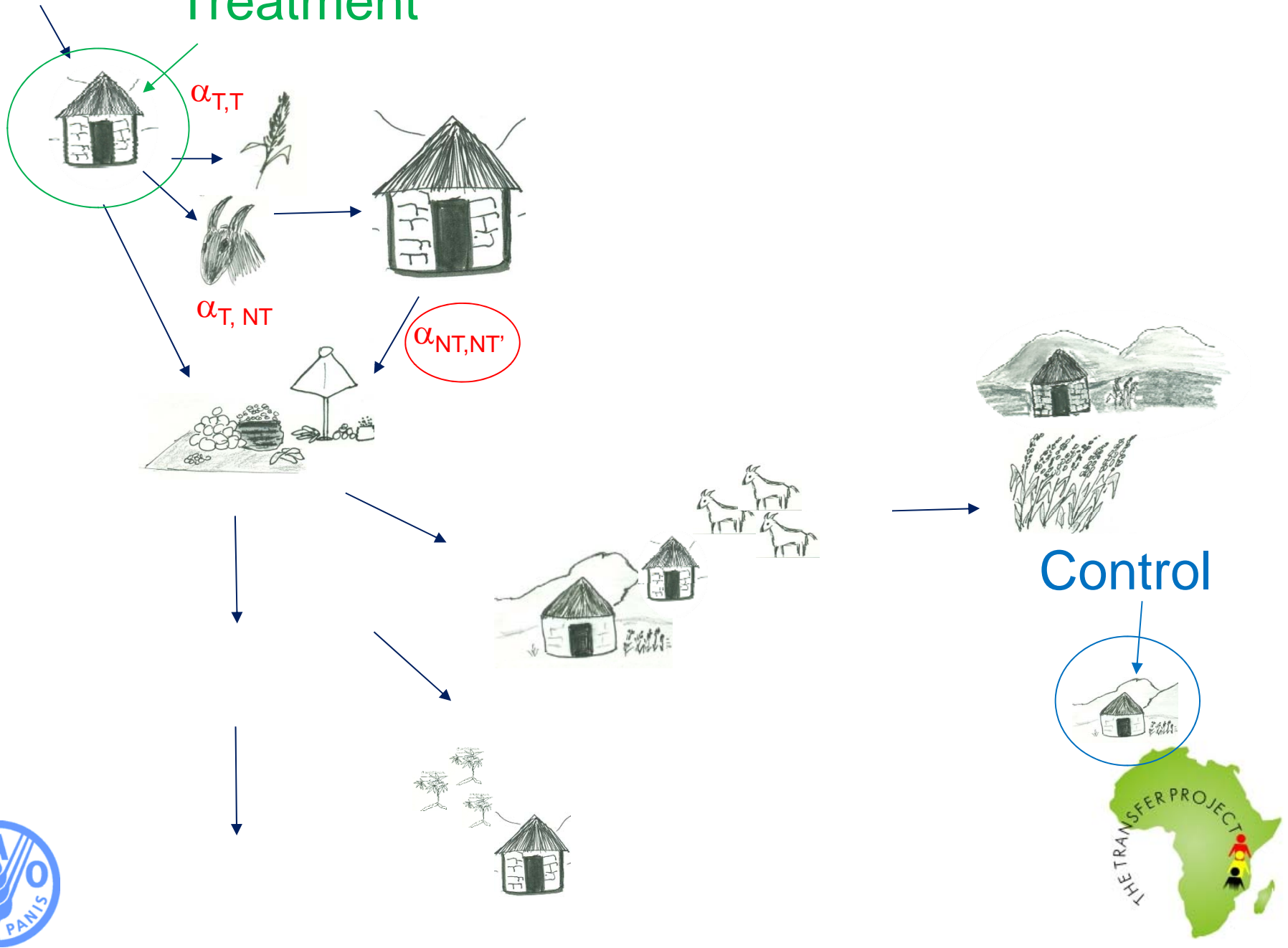
Transfer Treatment



Control

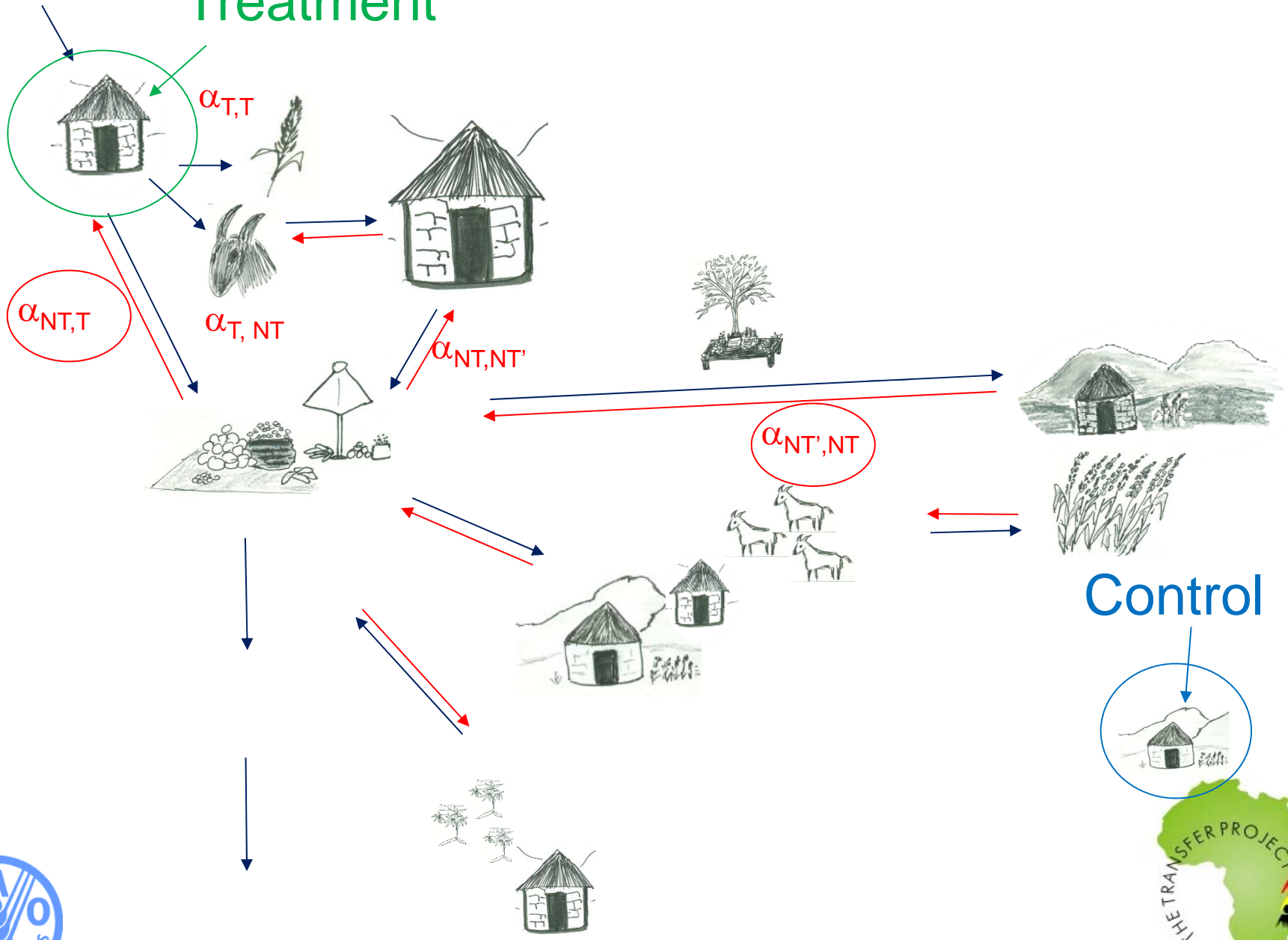


Transfer Treatment



Transfer

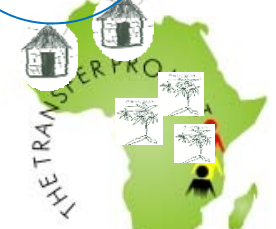
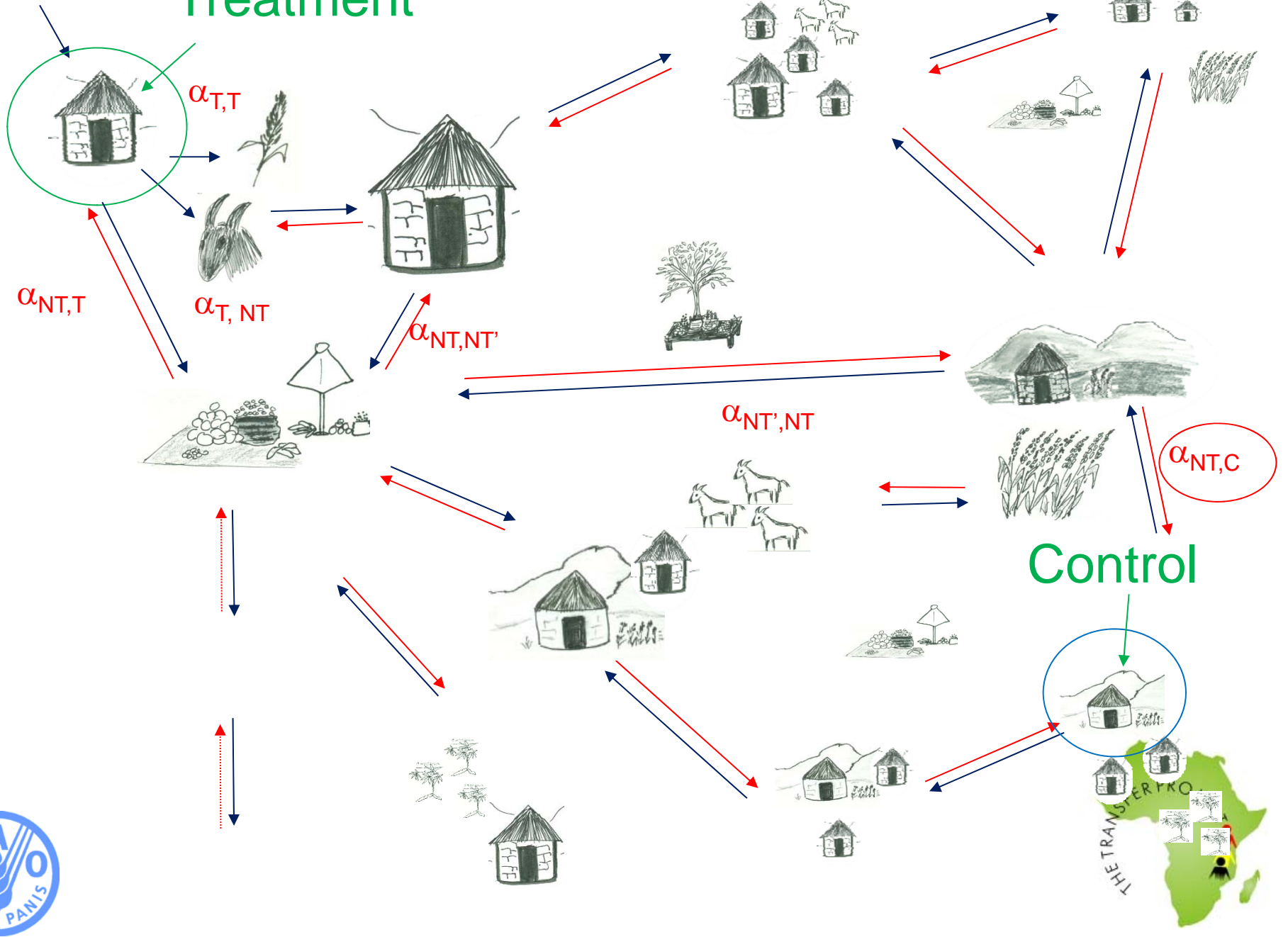
Treatment



Control



Transfer Treatment



Together, facilitate climate change adaptation

- All five pathways related to **increasing resilience** and **reducing vulnerability** at the level of the household, community and local economy
 1. Human capital formation
 2. Change/adaptation in productive activities
 3. Better ability to deal with risk
 4. Reduced pressure on informal insurance networks
 5. Strengthened resilience of the local economy



climate change adaptation



Why is it important to understand productive impacts

- Contribute to policy debate
 - Understand overall contribution of CT programs to poverty reduction (cost-effectiveness)
 - Political economy: more support for CT programs
 - Articulation as part of rural development strategy
 - Bring together sectoral ministries
- Contribute to program design
 - Most programs not designed with productive dimension in mind
 - Evidence on how households spend, invest, or save can help strengthen design and implementation
 - Confront potential synergies and constraints (eg, child labor)
 - Complementary programs—what and to whom?
 - Link to graduation strategies, “productive insertion of beneficiaries”, welfare-to-work transitions, “gradstitutions”



What does the evidence say?

- Lots of evidence on human capital
 - Poverty, food security and food consumption
 - Nutrition, health and education
- Relatively few studies on risks and shocks
- Very few studies on
 - Productive activities
 - Mexico, Paraguay, Nicaragua, Kenya, Malawi, Ethiopia—but skimpy
 - Social networks
 - Mexico
 - Multiplier effects
 - Malawi, Kenya, Lesotho, Brazil
 - Climate change adaptation
 - Nicaragua
 - Cash plus complementary interventions
 - Ethiopia PSNP



Why so little information?

- Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition
- Accompanying impact evaluations have paid little attention to economic/productive activities
- Not enough data collected to carry out detailed analysis
 - True in both LAC and Sub Saharan Africa

→ But no longer!



What is PtoP?

The From Protection to Production Project

- Understanding economic impacts of cash transfer programs
 - PtoP formally works with government and development partners in 7 countries in Sub Saharan Africa
- Joint project with UNICEF-ESARO
- Primary funding from DFID (2011-2014)



Mixed method approach

1. Household and individual level impacts via econometric methods
 - **FAO**
2. Local economy effects via SAM/CGE (LEWIE) modeling
 - **UC Davis**
3. Perceptions on household economy and decision making, social networks and local community dynamics via qualitative methods
 - **OPM**



Our activities

- Direct technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Preparation of methodological guidelines
- Finance, design, pilot and supervise implementation of “productive dimension” of field surveys
 - business enterprise survey,
 - additional modules in household surveys, and
 - qualitative field work (plus implementation)
- Prepare and distribute analytical outputs
 - Integrating mixed method approach in national studies
 - Cross country studies
- Facilitate analysis into national, regional and global policy processes



Household and individual level impacts

Malawi SCT program targeted to ultra poor

- Increased investment in agricultural assets, including crop implements and small livestock
- Improved dietary diversity, and greater share of household consumption produced via own production
- Decreased adult agricultural wage labor and increased on farm activity
 - for households with able bodied labor
- Decreased child work off farm, and increased on farm activity
- Reduction in negative risk coping mechanisms (begging, pulling children out of school)



Kenya CT-OVC targeted to poor families with children

- Increased ownership of small livestock, particularly for both smaller and female-headed households
- Increased share of own production in consumption of cereals, animal products and other foods, with larger impact for smaller and female-headed households
- Decreasing intensity of wage labor—but concentrated among chronically ill—and increasing intensity of own farm labor
 - Reduced engagement in casual labor market as option of last resort; particularly for women, permitted expansion of own farm production and more time to domestic responsibilities
- Large reduction in children’s work on farm
- Increased participation in nonfarm enterprise for female headed households



Ethiopia Productive Safety Net Program (PSNP)

- Households with access to both PSNP as well as complementary packages of agricultural support were more likely to
 - be food secure
 - borrow for productive purposes
 - use improved agricultural technologies
 - operate their own nonfarm business activities
 - have higher grain production and fertilizer use



Local economy impacts

Results from Lesotho

What happens when a
beneficiary household
receives a transfer?

It spends it on:

Sector	HHY_A
Crops	18.8%
Livestock	2.9%
Village Retail	30.4%
Village Services	10.1%
Other Production	1.0%
Hired Male Labor	0.1%
Hired Female Labor	0.0%
Transfers to Other Households	1.0%
Purchases in ZOI	22.8%
Labor hired in ZOI	0.2%
Transfers to ZOI	1.2%
Rest of Lesotho	0.4%
Rest of World	11.2%
Total	100.0%



Effect on Total Income

	Multiplier	Level Change
Total Income		
Nominal	2.23	7.38 million
(CI)	(2.08 - 2.44)	(6.89 - 8.06)
Real	1.36	4.5 million
(CI)	(1.25 - 1.45)	(4.15 - 4.80)

Total value of transfer: 3.3 million Maloti

Divergence between nominal and real values due to land and capital supply constraints



Effect on Household Incomes

Beneficiary (24%)	Multiplier	Share of total benefits
nominal	1.15	
real	1.03	76%
Non beneficiary (76%)		
nominal	1.08	
real	0.33	24%

Total real multiplier = 1.36



Effects on Value of Production

Production multiplier for:	Beneficiary	Non beneficiary
Crop	0.03	0.15
Livestock	0.02	0.26
Retail	0.07	0.52
Services	0	0.08
Other Production	0	0
TOTAL	0.13	1.01

For every 1 Maloti transferred to beneficiary households, the value of production earned by non beneficiary households increases 1.01 Maloti

$$\frac{1.01}{0.13 + 1.01} = 89\%$$



Alternative market structure scenarios

	Final scenario	Alternative 1	Alternative 2
Elasticity of labor supply	High	Low	Low
Liquidity constraint on purchased inputs	off	off	on
Total Income multipliers			
Real	1.36	1.14	1.02
(CI)	(1.25- 1.45)	(1.08- 1.20)	(0.94- 1.09)

Keeping constraints on land and capital



Magnitude of local economy effects depends on

- Size of transfer and share of households receiving transfer
 - How much of transfer is spent on goods and services produced within community
 - Constraints on supply response by local producers
- To maximize income multiplier, consider complementary programs for non beneficiaries as well



3. Community dynamics

Ghana LEAP program targeted to poor households

- i. Food, education and health top priority, then investment in farming
- ii. Lumpier payments encourage investment
- iii. Increased access to credit, but not always used
- iv. Beneficiaries able to re-enter social networks
 - They can contribute more, enhancing risk sharing and expanding coping mechanisms
 - Broadens social capital base
- v. Local economy stimulated
 - More diversified goods available, enhanced labor market



Finally, latest on country timelines

	household level analysis	local economy analysis	qualitative analysis
Kenya CT-OVC	Jul-12	Jul-12	Oct-12
Lesotho CGP	Feb-14	Jul-12	Feb-13
Malawi SCT	Sep-14	Sep-13	Aug-13
Ghana LEAP	Dec-12	Dec-12	Jul-12
Ethiopia SCTP	Dec-12	Mar-13	?
Zambia CGP	Mar-13	Apr-13	NA
Zimbabwe HSCT	Jul-14	Jul-13	Feb-13
Cross country	Dec-14	Oct-13	Oct-13



Our websites

From Protection to Production Project

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

The Transfer Project

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

