The role of social cash transfers in fostering economic activities

Benjamin Davis
Food and Agriculture Organisation of the UN

Presentation for session on "Productive Role of Safey Nets"
Building Resilient Safety Nets: Social Protection South-South Learning Forum
Addis Ababa
June 3, 2011

Productive Safety Nets and Unproductive Social Cash Transfers

- Perception that cash transfer only programs do not have economic impacts
  - Focus explicitly on food security, health and education
  - Targeted towards ultra poor, bottom 10%, labor constrained, elderly, infirm, etc
  - Beneficiaries primarily women
  - Separated from productive households as “direct support”
  - Often seen as welfare, charity, handout

Why should we expect economic impacts from SCT programs?

- Missing/poorly functioning markets
  - credit / savings, insurance, labor, goods and inputs
  - link consumption and production decisions at household level
    - particularly in context of subsistence agriculture
- Households are linked via
  - reciprocal relationships, social networks
  - economic exchanges

What can cash do?

- Relax credit/liquidity constraint
- Allow households to take some risk
- Relax pressure on informal social networks
  - facilitate beneficiary participation
  - non beneficiaries to redirect their resources
- Inject resources into local economies

Economic impacts come through three main channels

1. Improvement in human capital (long term)
2. Changes in household behavior
   - changes in labor allocation of household members
   - investment in productive activities/assets
     - crop/livestock production, non farm business
   - prevention of detrimental risk-coping strategies
     - distress sales of productive assets, children school drop-out, or risky income-generation activities
3. Via the local economy
   - transfers between beneficiary and ineligible households
   - effects on local goods and labor markets
   - multiplier effects

There is evidence, though scanty
Some examples

- Mexico (OPORTUNIDADES)
  - Positive spillover effects on non beneficiaries
  - Increased land use, livestock ownership, crop production, agricultural expenditures; greater likelihood of operating a microenterprise
    - Yet: agricultural households less likely to comply with conditionality—time conflict
- Malawi (SCT)
  - Among ultra poor, labor constrained households: increased agricultural investment/production, decreased ganyu, decreased child work off farm
    - Yet: increased child labor on farm

Why should we care?

1. Contribute to policy debate
   - Understand overall contribution of SCTs to poverty reduction (cost-effectiveness)
   - Address concerns about dependency and misuse of money
   - Establish SCT as promoting productive activities
     - Min of Finance types tend to favor
       - public works -- in which the community asset-building and benefits seem clearer, or
       - productive input subsidies – in which production and market stimulation take precedence

Why should we care?

2. Contribute to program design
   - Most programs not designed with productive dimension in mind
     - Miss potential synergies and constraints (eg, on farm labor demand, child labor)
   - Evidence on how households spend, invest, or save can help strengthen design and implementation
   - Social cash transfers increasingly looking for graduation strategies, “productive insertion of the beneficiaries” or welfare-to-work transitions
     - In much of Sub Saharan Africa, most income-generation will come from agricultural and rural non-farm activities.

So what is the big challenge?

- Most SCTs focus on poverty, health, education, nutrition
  - Accompanying impact evaluations tend to pay little attention to economic activities
  - Not enough data collected to carry out detailed analysis

But massive potential: most new CTs in SSA accompanied by rigorous impact evaluation

- Malawi SCT
  - Mchinji pilot, 2007-2009
  - Expansion, 2011-2013
- Kenya CT-OVC
  - Pilot 2007-2011
  - Expansion, 2011-2013
- Mozambique PSA
  - Expansion, 2008-2009
- Zambia
  - Kalombo pilot, 2005
  - Monze pilot, 2007-2010
  - Expansion and child grant, 2010-2013
- South Africa CSG
  - Retrospective and expansion, 2010-2013
- Ethiopia
  - PNSP, 2006-2010
  - Regional minimum social protection package, 2011-2013
- Ghana LEAP
  - Pilot, 2010-2012
- Lesotho, CSP
  - Pilot, 2011-2012
- Uganda, begins in 2011
- Zimbabwe, begins in 2011
- Tanzania, TASAF

One response to potential: From Protection to Production

- FAO –UNICEF project focusing on understanding the economic impacts of SCT (funded by DFID)
  - Working with 6-8 countries
- Part of the larger Transfer Project
  - Effort to support impact evaluation and experience sharing among SCT programs in sub Saharan Africa
  - Partnerships with government and national research institutes
  - Joint UNICEF, FAO, Save the Children and University of North Carolina

Strengthen data collection in ongoing impact evaluations in the region

- Design, pilot and supervise modules on economic activities, productive assets, social networks, shocks and climate change
  - Prototypes, and country specific
  - Two countries in the field
- Economic “linkages” questions throughout household questionnaire, as well as business enterprise survey, as input for local economy SAM/CGE models
- Integrate qualitative/quantitative design and methods

Provide evidence on economic impacts

- Analyze existing (more limited) data
  - Malawi, Kenya, Mozambique
- Analyze new data
  - Household economic decision making on productive activities and labor allocation; risk coping; time use and social networks using baseline and follow up data
  - Local economy impacts using baseline data, via simulation models
  - Integrate qualitative and quantitative findings

Increase capacity of program managers and policy-makers

As part of overarching Transfer Project

- Direct technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Input into policy process and ongoing program implementation
- Community of practice on impact evaluation
  - Network, website, face to face meetings, thematic capacity-building events
  - First meeting in Naivasha (January, 2011)

The Transfer Project

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

or

Google “The Transfer Project UNC”