

From Protection to Production: the impact of cash transfer programs on economic activities. An update

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What I will talk about today

- I. Behind the PtoP Story
- II. What is PtoP?
- III. Linking social protection and agriculture
- IV. Wither social protection and FAO?



Part I: Behind the PtoP Story

- Approximately half of the countries of Sub Saharan Africa have some kind of government run cash transfer program
 - And most others have multilateral/NGO run CT programs
- Some programs are national
 - Others scaling up
 - Some pilots beginning this year
- Most focus on rural poor



Wide range of designs

- Universal programs
 - Old age pensions, child grants
- Targeted programs
 - Focus on ultra poor, labor constrained
 - Focus on OVC and other specific vulnerabilities
 - Though slowly moving towards proxy means
- Cash for work for able bodied
 - Often explicitly linked to productive activities (PSNP, VUP, Somalia)
- Prominent role of community in targeting
- Unconditional (for the most part)
 - Soft conditions and strong messages



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



5 (+1) 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

- Investment in productive activities
 - Allocation of labor, inputs
- Accumulation of productive assets
 - Farm implements, land, livestock, vehicle, inventory
- Change in productive strategies
 - New crops, techniques
 - New line of products or services
 - New activities (off farm wage labor, migration?)



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” or “eat 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

- Significant injection of cash into local economy
- Multiplier effects on local goods and labor markets via economic linkages



5+1. 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



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
 - Multiplier effects
 - Social networks
- No studies on climate change adaptation



One challenge for the future: building the evidence base

- Why so few studies?
 - Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition
 - Accompanying impact evaluations pay little attention to economic/productive activities
 - Not enough data collected to carry out detailed analysis
 - True in both LAC and SSA
- But plenty of potential
 - In SSA and elsewhere



1st and 2nd generation cash transfer program impact evaluations in Sub Saharan Africa (20 in 14)

- Malawi SCT
 - Mchinji pilot, 2008-2009
 - Expansion, 2012-2013
- 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
- Sierra Leone
 - Pilot, 2011-2012
- 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, 2012-2014
- Tanzania, TASAF
 - Pilot, 2009-2012
 - Expansion, 2012-2014
- Niger
 - Begins in 2012



Regional effort on CT impact evaluation is coordinated by the **Transfer Project**

UNICEF, SCUK, UNC and FAO, in coordination with national governments and research partners

1. Regional learning, information exchange and network/ community of practice
 - Network, website, face to face meetings, thematic capacity-building events
 - First meeting in Naivasha (January, 2011)
 - Second meeting in Aberdares (February, 2012)
 - Third meeting next year
2. Technical assistance on design and implementation of impact evaluation and identification of research areas
3. Synthesis of regional lessons on program design and impacts



Part II: What is PtoP?

The From Protection to Production Project

- Within the Transfer Project, a focus on understanding economic impacts of cash transfer programs
 - PtoP formally works with government and development partners in 7 countries in SSA
 - Will provide support to any government administered CT who requests it
 - Mixed method approach
 - Integration of quantitative and qualitative methods
- Joint project with UNICEF-ESARO
- Primary funding from DFID (2011-2014)



PtoP feeds into better understanding of linkages between social protection and agriculture

- 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
- 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)
 - Link to graduation strategies, “productive insertion of beneficiaries” or welfare-to-work transitions



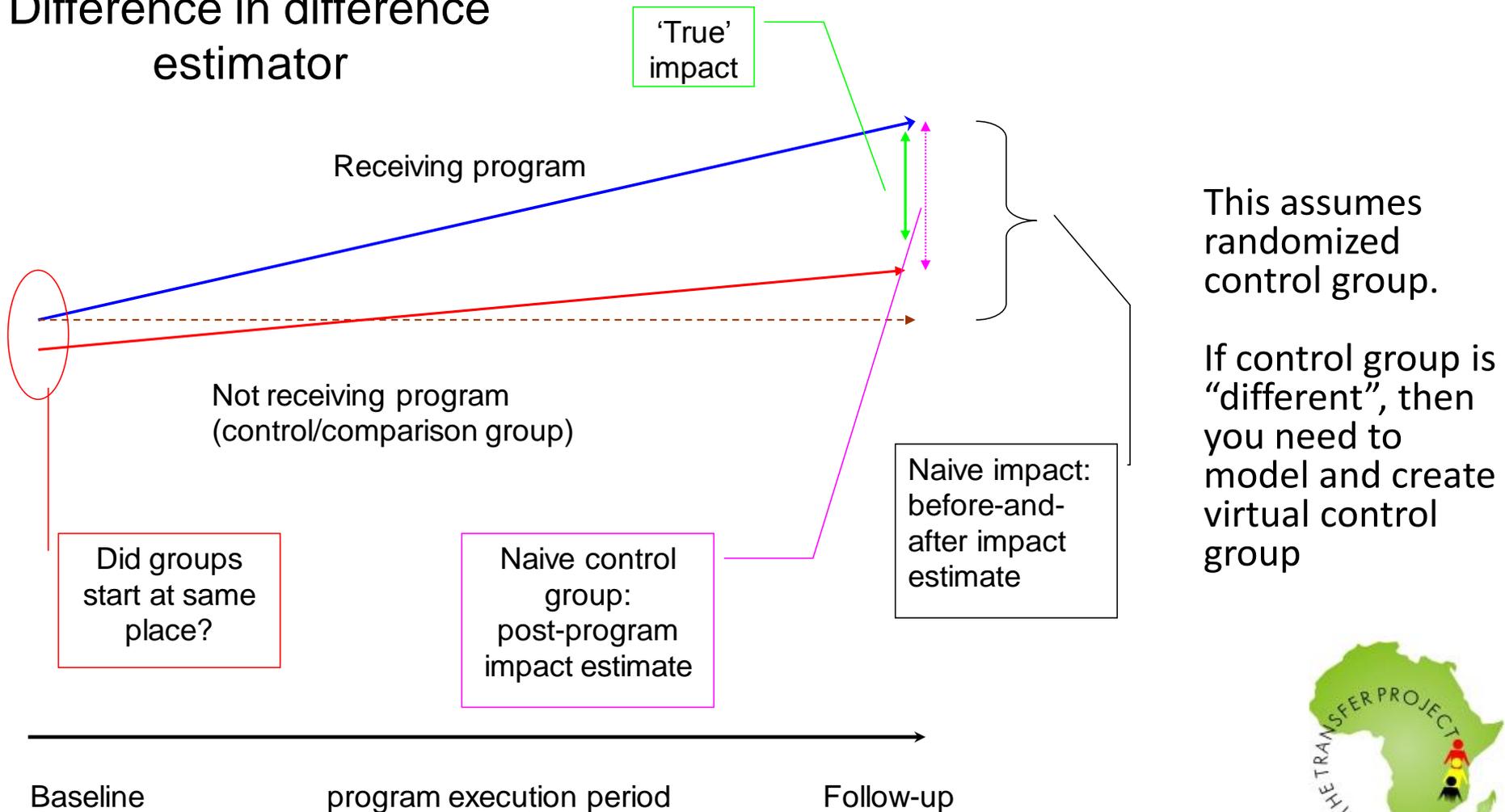
1. Analysis of household decision making

- Preparation of methodological guidelines and analytical work led by ESA
- Program impact on household decisions regarding:
 - Asset accumulation, productive activities and labor allocation
 - Risk coping strategies
 - Time use
 - Social networks/reciprocal exchange
 - Climate change adaptation
- Finance, design, pilot and supervise implementation of additional modules in household surveys



Household analysis takes advantage of (quasi) experimental design and panel data

Difference in difference estimator



Results from Malawi

SCT program targeted to ultra poor

- i. Increased investment in agricultural assets, including crop implements and livestock
- ii. Greater share of household consumption produced via own production
- iii. Decreased agricultural wage labor and child work off farm, and
- iv. Increased on farm activity by both adults and children



Preliminary results from Kenya

CT-OVC targeted to poor families with children

- i. Females participate less in wage labor, and males less intensively, particularly among chronically disabled
 - Though chronically disabled participate more in on farm activities
- ii. Wage labor intensity decreases with age
 - Though males more likely to work on farm with age
- iii. Large reduction in children's work on farm
 - Child labor off farm not very common
- iv. Modest impact on productive assets



2. Simulation of local economy impacts

- Preparation of methodological guidelines and analytical work led by Ed Taylor at UC Davis
- Joint funding and dissemination with World Bank



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

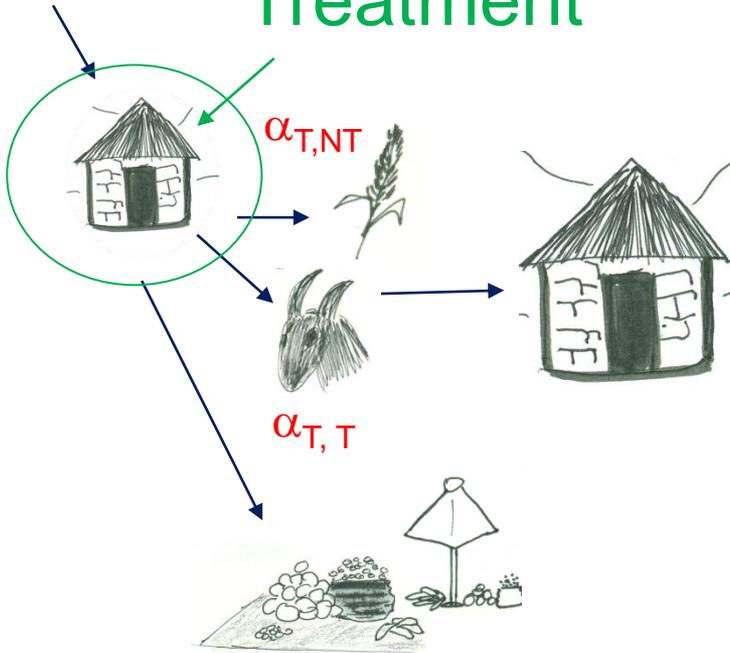


Control



Transfer

Treatment

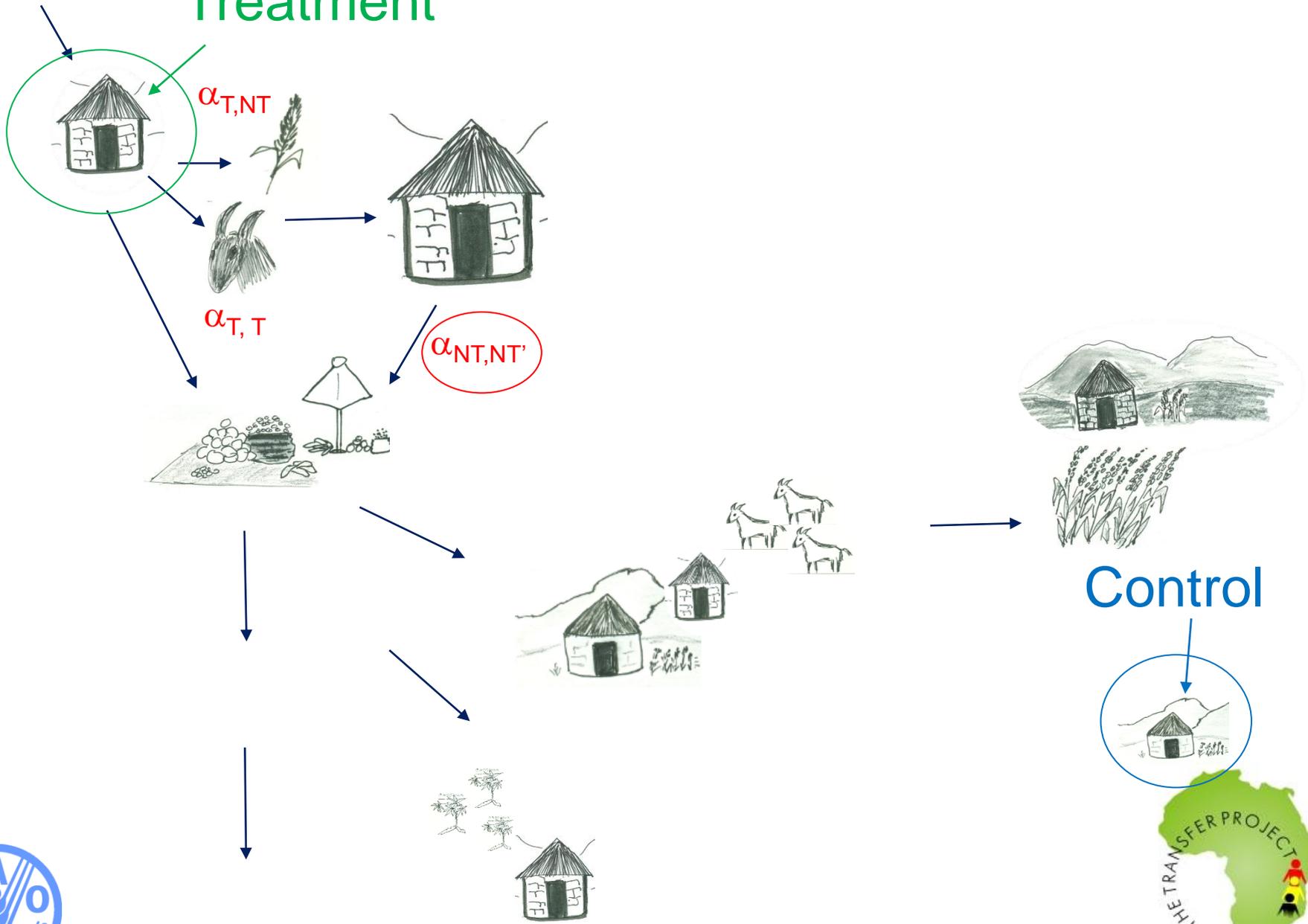


Control

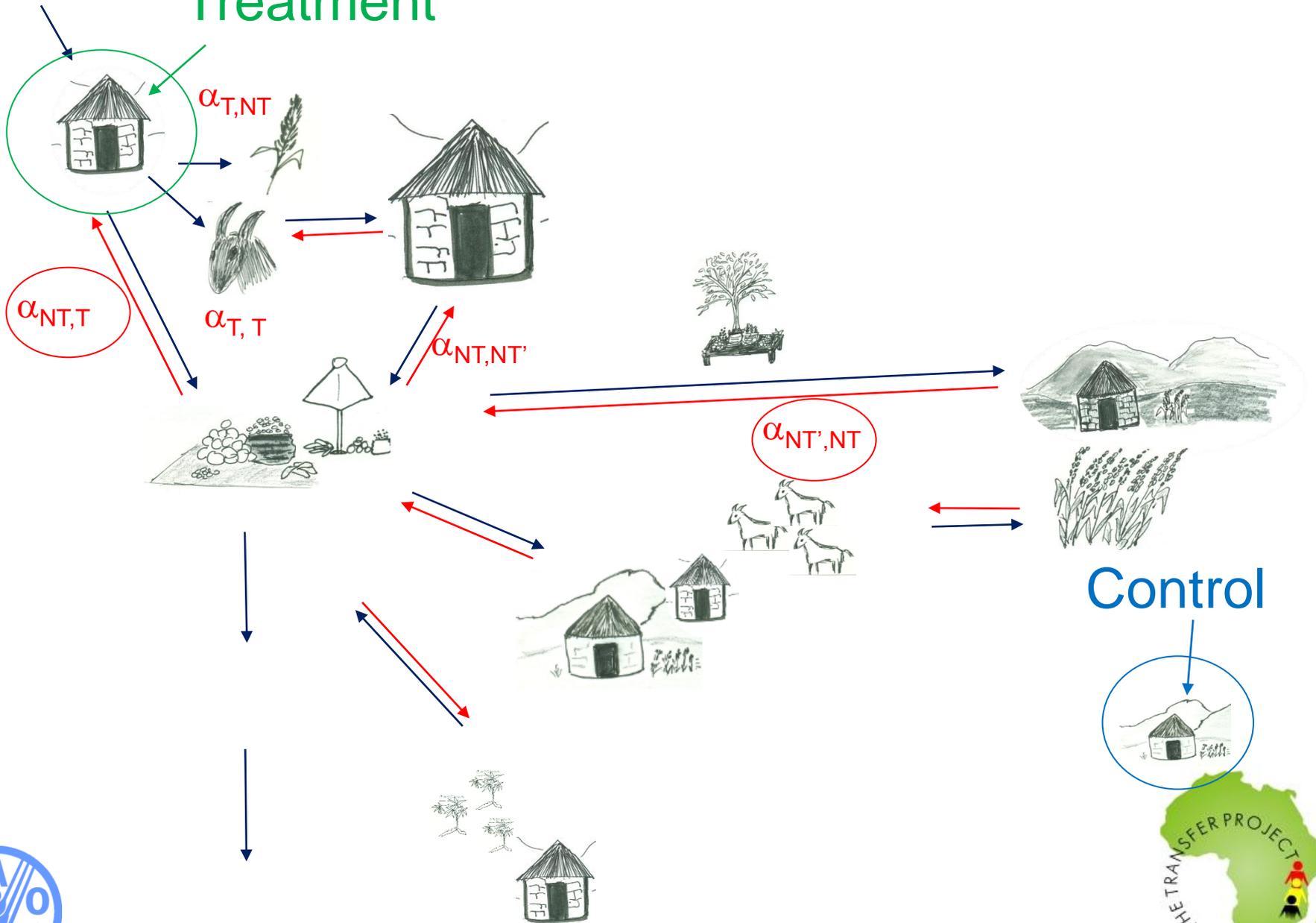


Transfer

Treatment



Treatment



Control



How do we calculate these indirect effects?

- General equilibrium effects are not captured in randomized impact evaluation
- Insert economic linkages questions throughout household questionnaire
 - To/from whom and where
- Implement business enterprise surveys in program communities
- Construct village SAM/CGE models for cash transfer program areas
 - Simulates impact of cash transfer on local economy
 - Captures social and economic structure of village/local economy, including types of households



Preliminary 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%



Multiplier effect of treatment in treated villages: 1.23

	Maloti	Multiplier	Share of total benefits
<u>Treated only transfer</u>	3,310,560		
total income, treated	3,413,201	1.03	0.84
total income, ineligible	671,181	0.20	0.16
total income	4,084,382	1.23	



Scaled up multiplier effect: 2.43

	Maloti	Multiplier	Share of total benefits
<u>Scaled up transfer</u>	6,556,320		
total income, eligible	7,776,823		0.49
total income, ineligible	8,180,450		0.51
total income	15,957,273	2.43	

regional linkages magnify the indirect impacts of expanded program



Ex ante validation

- What if:
 - Local supplies are perfectly inelastic
 - i.e., no production response

(Constrained multiplier analysis)



Constrained multiplier, treated only (from 1.23 to 1.17)

	<u>crop production constrained</u>		
	Maloti	Multiplier	Share of total benefits
<u>Treated only transfer</u>			
total income, treated	3,383,468	1.02	0.87
total income, ineligible	484,606	0.15	0.13
total income	3,868,074	1.17	



Constrained multipliers, scaled up (from 2.43 to 1.84)

crop production constrained

	Maloti	Multiplier	Share of total benefits
Scaled up	6,556,320		
total income, eligible	7,239,140		0.60
total income, ineligible	4,820,339		0.40
total income	12,059,479	1.84	

Since regional linkages magnify the indirect impacts of expanded program, constrained production reduces GE effect more



3. Community dynamics

- Implement qualitative field work in each country at community level
- Focus on economic activities, social networks and operations
- Integration with quantitative analysis
- Preparation of methodological guidelines, field work and analysis led by OPM



Preliminary results from 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, PtoP aims to increase capacity of program managers and policy-makers

- Direct technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Input into policy process and ongoing program implementation
- Supporting the Transfer Project community of practice on impact evaluation



Partnerships

Guiding principle:

piggy-back on/add value to existing impact evaluations

- Under the umbrella of the “Transfer Project”
- Strong partnership with Government and UNICEF country offices currently implementing impact evaluations
 - Plus DFID and World Bank country teams
- Collaboration with independent external evaluators (international firms and national research institutions)
- EU/FAO on social protection and food security policy and capacity building
- FMM on governance and targeting
- World Bank on local economy effects
- IPC-IG (UNDP) on global studies/policy briefs
- 3ie on diffusion and country level funding



Latest on country timelines

	household level analysis	local economy analysis	qualitative analysis
Kenya CT-OVC	Jul-12	Jul-12	Sep-12
Lesotho CGP	Feb-14	Jul-12	Nov-12
Malawi SCT	May-14	May-13	Jun-13
Ghana LEAP	Dec-12	Oct-12	Jul-12
Ethiopia SPP	Dec-12	Nov-12	NA
Zambia Child Grant	Mar-13	Apr-13	NA
Zimbabwe SCT	Nov-13	Feb-13	May-13

Exploring possibility of similar project in LAC



Part III: Linking social protection and agriculture

- Social protection as support to small holder agriculture
- Agricultural interventions with a social protection function
 - Input subsidies, weather insurance, purchase programs, etc
- Often same space, same beneficiaries
 - Synergies and constraints
- The need to articulate in a strategy for rural development



Part IV: Wither social protection and FAO?

- FAO has a role in social protection
 - Though we will rarely be the lead player
 - And we should not remake ourselves like WFP or UNDP into a social protection organization
- Our niche is the intersection of social protection, food and nutrition security and agricultural development—at the country, regional and global level
 - Technical and policy assistance, and sometimes implementation
 - CT policy paper good first step to understanding our role



Some next steps for FAO

- TCE finish CT policy paper and operations manual and discuss throughout FAO
- ESA to draft methodological guidelines on design and implementation of social protection and agricultural development programs that maximize sustainable livelihoods and reduction of hunger
 - And develop training program to use it
- Other divisions are preparing papers with their take on social protection
- Ultimately someone will need to prepare a FAO position paper on social protection
- Build more capacity and obtain resources to carry social protection work forward



Our websites

From Protection to Production Project

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

The Transfer Project

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



Main evaluation topics in the 1st generation

1. Food security and consumption
2. Health: use of services, morbidity, nutritional status
3. Education: enrollment, attendance, age of entry to school
4. Targeting



What's new in the 2nd generation

1. Mitigation of HIV risk
 - a. Sexual behavior and perceptions
2. Psycho-social status (PSS), mental health, preferences
3. Conditionality
4. Productive activities and economic growth
 - a. Household and community level
 - b. Simulation modeling
5. Networks of reciprocal exchange



Partial list of government-run cash transfers in SSA

Old age pensions	Child grants	Poverty, OVC, labor constrained	
Lesotho (80,000)	Namibia (108,000)	Malawi (26,000 hhs and scaling up)	Kenya OVC (100,000; scale up to 300,000 by 2013)
South Africa (2.6 million)	South Africa (10 million)	Zambia (9,000 hhs; scale up to 22,000)	Zimbabwe (pilot begin 2011, 55000 by 2014)
Namibia (115,000)	Zambia (begin 2010; will scale up to 33,000 hhs)	Ghana (45,000 hhs)	Uganda (pilot begin 2011, 65000 by 2015)
Botswana (91,000)	Direct transfers plus cash for work	Kenya Hunger Safety Net (scaling up to 60,000 hhs)	Ethiopia (Min social protection package, pilot begin 2011)
Swaziland (60,000)	Rwanda (143,000 ind and scaling up)	Mozambique (170,000 hhs)	Tanzania (10,000 hhs)
Zambia (4,700 hhs in pilot)	Ethiopia (PNSP 1.6 million hhs; BOLSA 8,000)	Lesotho (1,000 hhs in pilot; scale up to 10,000 by 2011)	