

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

Benjamin Davis
ESA, PtoP and the Transfer Project

TCI Investment days
Session: Social protection, transfers and food security
December 17-18, 2012



The rise of cash transfers in Sub Saharan Africa

- 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



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

- Beneficiaries in Sub Saharan Africa predominately rural, most engaged in agriculture
 - Most work for themselves
- Transfers can relax some of constraints brought on by market failure in credit and insurance
- Infusion of cash can lead to multiplier effects in local village economy
- Transfers can reduce burden on social networks and informal insurance mechanisms



For example, 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
 - few 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 casual wage labor, 1/3 in own non ag business, 1/5 private transfers
- 42% of children worked on family farm



Relatively little evidence on productive impacts

- Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition
- Accompanying impact evaluations pay little attention to economic/productive activities



What is PtoP?

The From Protection to Production Project

- Focus on understanding economic impacts of cash transfer programs
 - PtoP formally works with government and development partners in 7 countries in Sub Saharan Africa
 - Adds value to ongoing impact evaluations
 - Mixed method approach
- Joint with UNICEF-ESARO
- Primary funding from DFID (2011-2014)
- Under umbrella of Transfer Project



1. Analysis of household decision making

- Via impact evaluation design, program impact on household decisions regarding:
 - Asset accumulation, agricultural and non agricultural productive activities and labor allocation/supply
 - Risk coping strategies
 - Social networks/reciprocal exchange
- Finance, design, pilot and supervise implementation of additional modules in household surveys
- Preparation of methodological guidelines and analytical work led by ESA



Results from Kenya

CT-OVC targeted to poor families with children

- i. Increased ownership of small livestock
- ii. Geater share of household consumption of cereals, animal products and other foods produced via own production
 - Particularly for smaller and female-headed households
- iii. Increased participation in nonfarm enterprise for female headed households
- iv. Mixed results on labor supply
 - Strong reduction in on farm child labor



2. Simulation of local economy impacts

- Construct village CGE models for cash transfer program areas
 - Capture social and economic structure of village/local economy, including types of households
 - Simulate impact of cash transfer on local economy
- 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, setting in motion income multipliers
- 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.
 - General equilibrium effects are not captured in randomized impact evaluation



Results from Lesotho

		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;
Assumptions on market structure come from qualitative fieldwork and expert opinion



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
 - And definition of local economy
- Constraints on supply response by local producers and traders



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



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



Towards including the productive dimension in cash transfer programs

- Measuring success of cash transfer programs does not depend on productive impacts—not part of original 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



Towards including the productive dimension in cash transfer programs

- Contribute to program design
 - Implications for “social” side: you cannot separate from livelihoods
 - Labor allocation (adults and children), including domestic chores and care giving
 - Intra household decision making
 - Investment in schooling and health
 - Food consumption, dietary diversity and nutrition
 - Confront potential synergies and constraints
 - CTs will not themselves necessarily lead to large productivity gains, but can contribute
 - Through health and education
 - Liquidity and reducing risk
 - Combined with complementary programs
 - Link to graduation strategies



Towards including the productive dimension in cash transfer programs

- Contribute to policy debate
 - Understand overall contribution of CT programs to poverty reduction in short and long term
 - Political economy: more support for CT programs
 - Articulation as part of rural/agricultural development strategy
 - Bring together sectoral ministries (Ethiopia)
 - Social protection and cash transfers will not reduce poverty by itself
 - Centrality of improving small holder productivity
 - In most of Sub Saharan Africa, for foreseeable future, exit from poverty not through formal wage labor, as in LAC



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 into a social protection organization
 - Partnerships as organizing principle
- Our niche
 - 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



Our websites

From Protection to Production Project

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

The Transfer Project

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



PtoP country timelines

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



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



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
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

