From Protection to Production: the impact of social cash transfers on local economic development in Africa

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Lunchtime Seminar

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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 are pilots

• Variety of designs

• Most focus on rural poor
Accompanied by rigorous impact evaluations

• 19 ongoing, or recently completed, rigorous impact evaluations in 13 countries of Sub-Saharan Africa

• Regional effort on cash transfer impact evaluation coordinated by the Transfer Project
  – UNICEF, SCUK, UNC and FAO, in coordination with national governments and research partners
  – Regional learning, technical assistance and synthesis of regional lessons
Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition

- Most programs with origins in the social sector
  - Exception: PSNP, VUP
- Consistent evidence of positive impacts on food security, health and educational outcomes
- Program design and accompanying impact evaluations pay relatively little attention to economic/productive activities—livelihoods
Most cash transfer beneficiaries work for themselves: example of Kenya CT-OVC

- 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
Why do livelihoods matter for social cash transfers?

• Missing/poorly functioning markets link production and consumption activities
  – Credit, insurance, labor and input market failures
  – Constrain economic decisions in investment, production, labor allocation, risk taking
    • “Safety first”, short time horizon, etc
• “non separability” means social objectives conditioned by livelihoods
  – Labor allocation (adults and children), including domestic chores
  – Investment in schooling and health
  – Food consumption, dietary diversity and nutrition
  – Intra household decision making
    • Dynamic between men and women, old and young
Social cash transfers targeted to poorest of the poor can also have productive impacts

• Human capital
  – Nutritional and health status; educational attainment
  – Labor productivity and employability
• Transfers can relax some of constraints brought on by market failure (lack of access to credit, insurance)
  – Helping households manage risk
  – Providing households with liquidity
• Transfers can reduce burden on social networks and informal insurance mechanisms
• Infusion of cash can lead to multiplier effects in local village economy
What is PtoP?
The From Protection to Production Project

- Within the Transfer Project, a focus on understanding economic impacts of cash transfer programs
- Works with government and development partners in 7 countries in Sub Saharan Africa
  - Ghana, Ethiopia, Malawi, Kenya, Zambia, Zimbabwe, and Lesotho
- Joint with UNICEF
- Primary funding from DFID (2011-2015)
Main topics of study

• Impact of cash transfer programs on
  – Household and individual level productive decisions (or livelihoods)
    • Investment/change in productive activities (agricultural and non agricultural)
    • Labor supply on and off farm and domestic activities
  – Risk coping strategies
  – Social networks
  – Community dynamics
  – Local economy income multiplier

• Role of program implementation in mediating these impacts
Mixed method approach

- Household and individual level impacts via econometric methods based on impact evaluation design
  - FAO and AU, UNC
- Local economy effects via LEWIE (CGE) modeling
  - UC Davis
- Perceptions on household economy and decision making, social networks, local community dynamics and operations via qualitative methods
  - OPM and FAO
What do we actually do: Link research activities

- Preparation of methodological guidelines
- Finance, design, pilot and supervise implementation of
  - Business enterprise survey,
  - Additional modules in household surveys, and
  - Qualitative field work
- Provide technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Prepare and distribute analytical outputs
  - Integrating mixed method approach in national studies
  - Cross country studies
Prepare and distribute research and policy briefs
Integrate analysis into national, regional and global policy processes
• Via UNICEF, World Bank and DFID
• Support the Transfer Project community of practice on impact evaluation
• Support the World Bank-UNICEF community of practice on cash transfer programs in Sub Saharan Africa
What have we found so far?
Large increase in productive investment—though varies by program

• Zambia CGP
  – Increase in investment in agricultural inputs
    • particularly for smaller households
  – Increase in value of production, shift from cassava to maize/rice
  – Increase in selling at market
    • 12 pp from 23% base
  – Increase in livestock ownership
  – Increase in ownership of non agricultural enterprise
    • 17 pp from 22% base

• Kenya CT-OVC and Malawi SCT (Mchinji)
  – Increase in ownership of small livestock, agricultural tools
  – Greater share of household consumption of cereals, animal products and other foods produced via own production
  – Increase in participation in nonfarm enterprises for female headed households—and decrease for male headed (Kenya)

• Ghana LEAP
  – Little impact
Moving on farm and into family productive activities

• Zambia
  – Decrease in participation and intensity of agricultural wage labor
    • particularly for women (17 pp to 29%; 12 days fewer to 19)
  – Increase in on farm and non agricultural enterprise labor
  – Small increase in non agricultural wage labor
  – No impact on child labor

• Malawi SCT (Mchinji)
  – Decrease in *ganyu* labor and child work off farm
  – Increase in on farm activity by both adults and children

• Kenya CT-OVC
  – Decrease in agricultural wage labor
  – Reduction in on farm activity for children
    • Particularly for boys (12 pp from 42%)

• Zimbabwe HSCT (qualitative)
  – Move from *maricho* casual wage labor into family farm
  – Allowed elderly and physically disabled to “rest”
Improved ability to manage risk

- Increase in savings and paying off debt
  - Zambia (quant), Ghana (quant and qual) and Kenya
- Increase in credit worthiness
  - Ghana and Lesotho
- Re-engagement with social networks, community activities
  - Allow to participate, to “mingle” again
  - Ghana (quant and qual), Zimbabwe and Kenya
- Although targeting in some cases has contributed to tension
  - Kenya, Lesotho, Zimbabwe
- Some indication of reduced informal transfers
  - Zambia, Lesotho
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.
Ghana: LEAP households spend about 80% of income inside the local economy
Production activities buy inputs from each other, pay wages, and make profits.

Payments to factors start a new round of income increases.
Cash transfers can lead to large income multipliers

Differences across countries:

Openness of local economies and local supply constraints

Behavioral aspects (consumption, production) are relevant, but not as important

Every 1 Birr transferred can generate 2.52 Birr of income

If constraints are binding, may be as low as 1.84

Higher prices may erode real benefits: capital, liquidity, and labor constraints can limit the supply response

Nominal
Real
Nearly all the spill over goes to non beneficiary households

Policy message:
In order to maximize income multipliers, pay attention to supply response by all, particularly non beneficiaries
Explaining differences in impact across countries and households

• Demographic profile of beneficiary households
  – Available labor: OVC? Households with young children?
• Access to productive assets
• Importance of subsistence agriculture, diversity of the local economy, nature of market constraints
• Where money is spent in local economy and structure of local economy
  – Demand for goods produced inside the economy
  – Intensity of local production of inputs; elasticity of supply
• Relevance of messaging and soft conditions on social spending
Regularity of payments: sporadic and lumpy LEAP
Size of transfer relevant for impact across range of indicators

![Bar chart showing the size of transfer relevant for impact across a range of indicators. The chart compares different countries, including Ghana (old), Burkina, Kenya CT-OVC (small), Kenya CT-OVC, Lesotho, RSA, CSG, Ghana (current), Kenya CT-OVC (large), Zim, Zambia CGP, Zambia MCP, and Malawi. The chart indicates larger and little impact.](chart.png)
Towards linking livelihoods and 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
Linking livelihoods and cash transfer programs

• Contributes 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 sector ministries
Linking livelihoods and cash transfer programs

- Contribute to program design
  - Most programs not designed considering productive dimension
    - Evidence on how households spend, invest, or save can help strengthen design and implementation
    - Confront potential synergies and constraints
  - CTs will not themselves lead to large productivity gains, but can contribute
    - Through health and education
    - Combined with complementary programs
  - Link to graduation strategies, “productive insertion of beneficiaries”, welfare-to-work transitions
Where is PtoP now?

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- Ongoing outputs: reports, policy and research briefs, videos and peer-reviewed journal publications
Our websites

From Protection to Production Project
http://www.fao.org/economic/PtoP/en/

The Transfer Project
http://www.cpc.unc.edu/projects/transfer