

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

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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

## .....to policy

- 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”

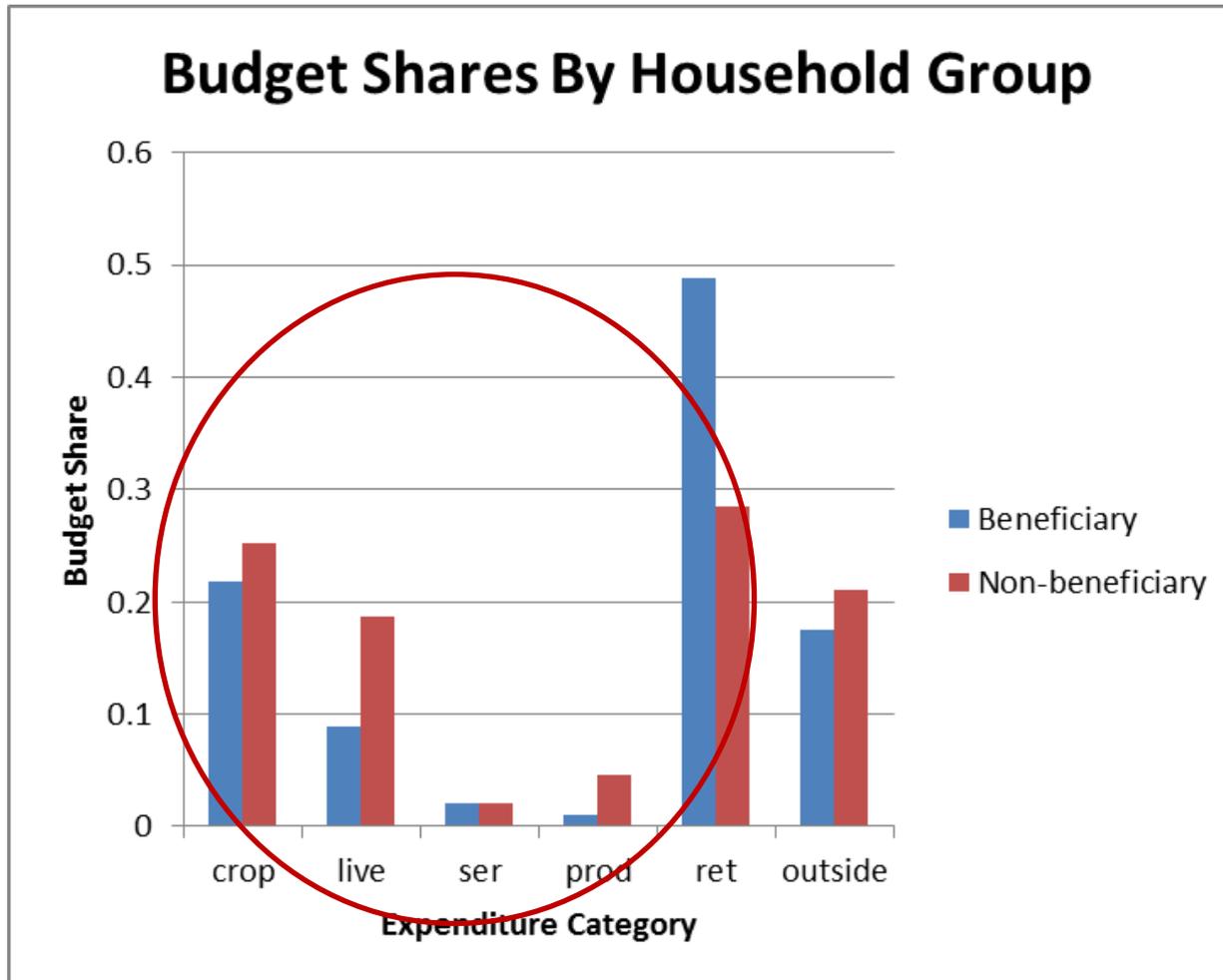
# Improved ability to manage risk

- 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

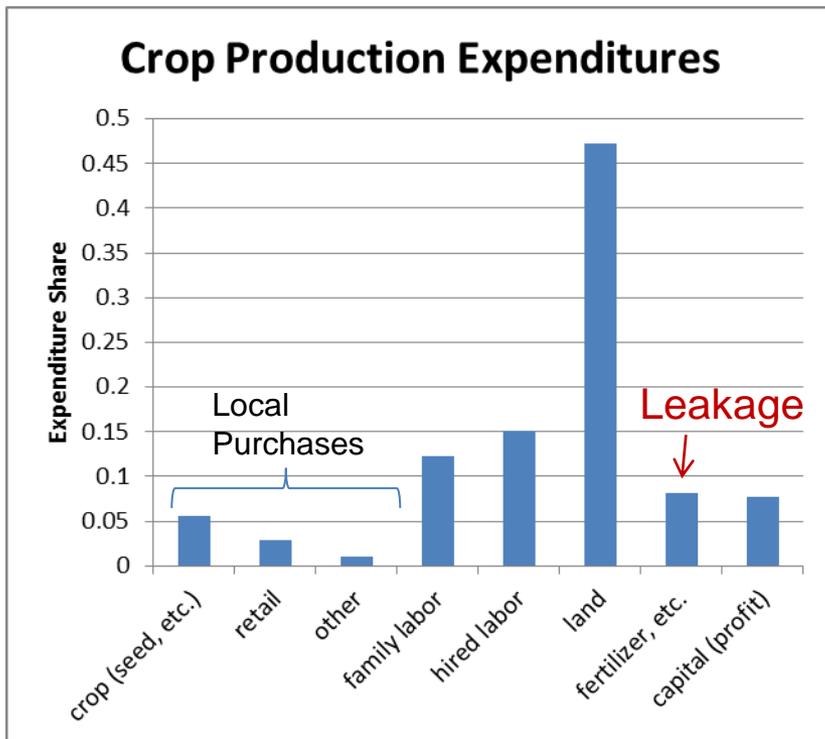
# How do local economy effects work?

- 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.

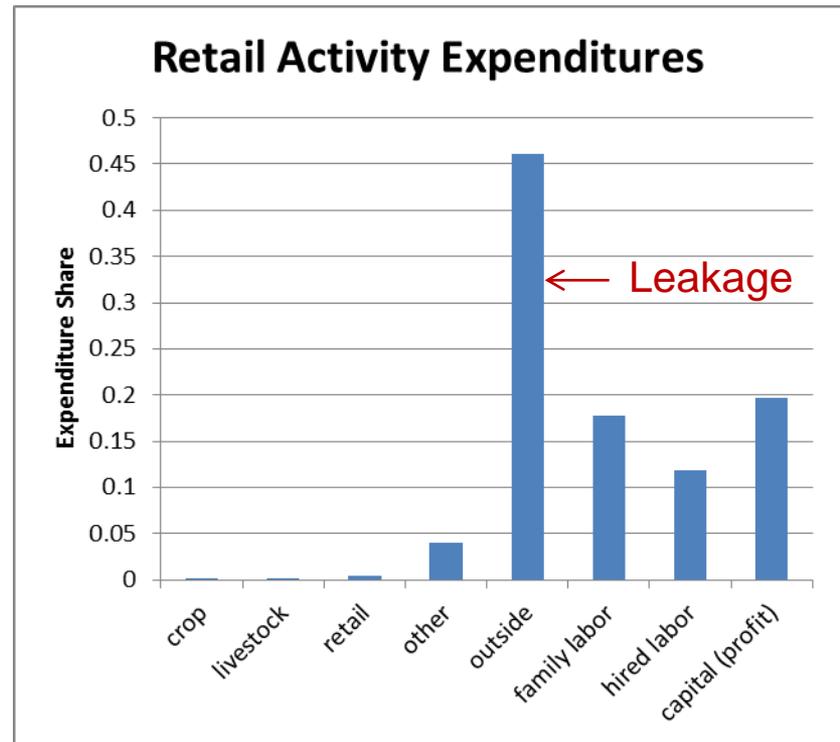
# Ghana: LEAP households spend about 80% of income inside the local economy



# Production activities buy inputs from each other, pay wages, and make profits



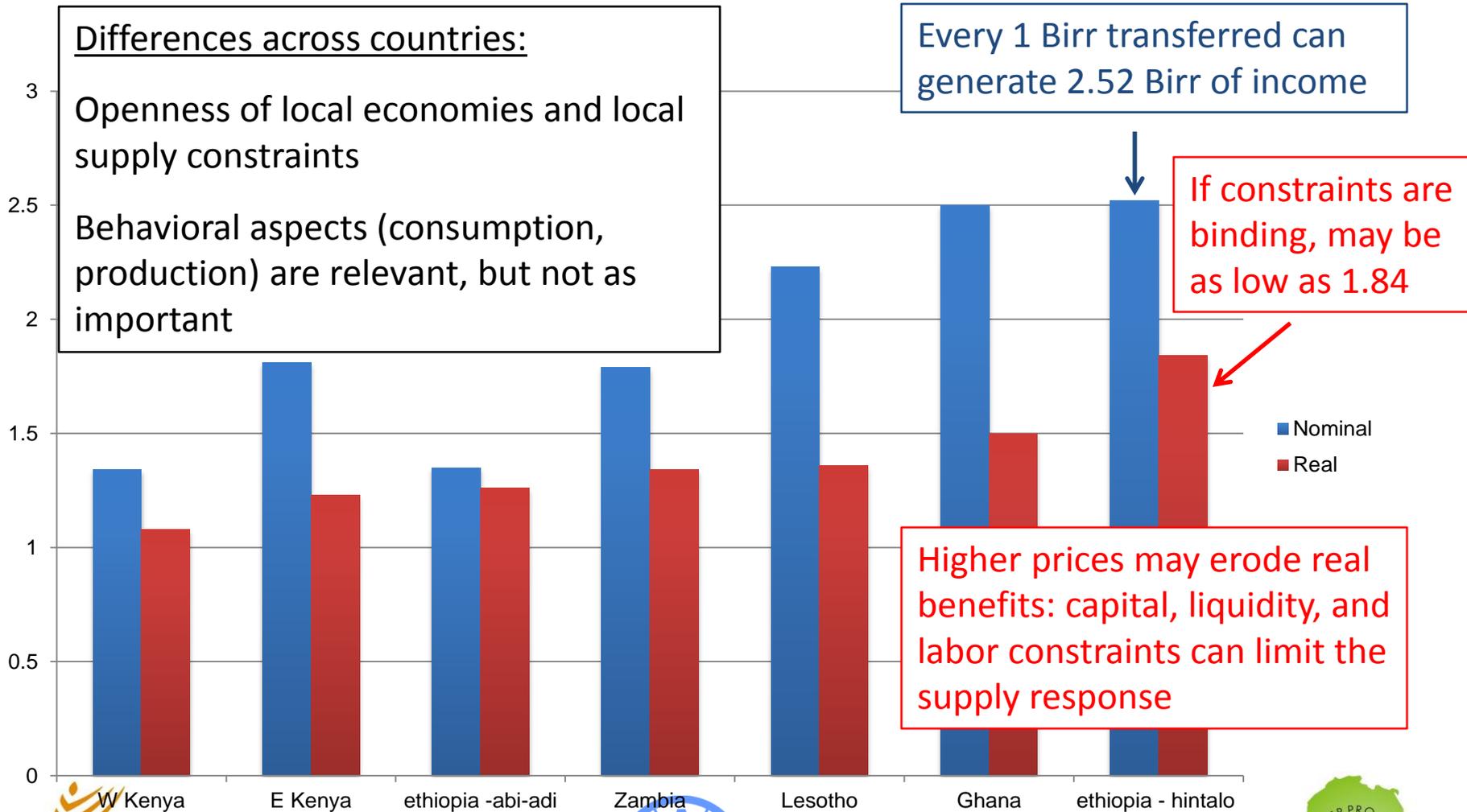
Payments to factors



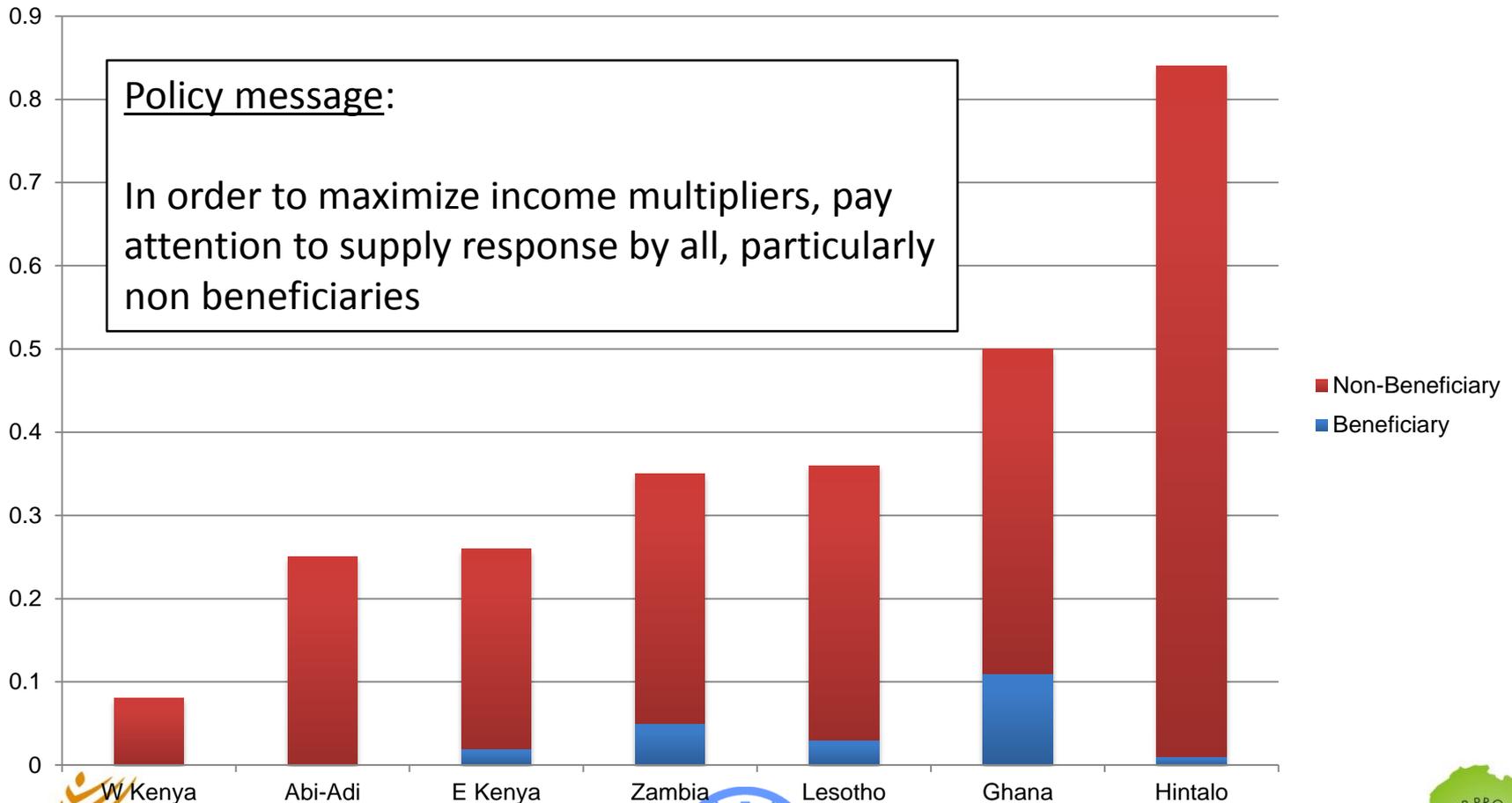
Payments to factors

These expenditures start a new round of income increases

# Cash transfers can lead to large income multipliers



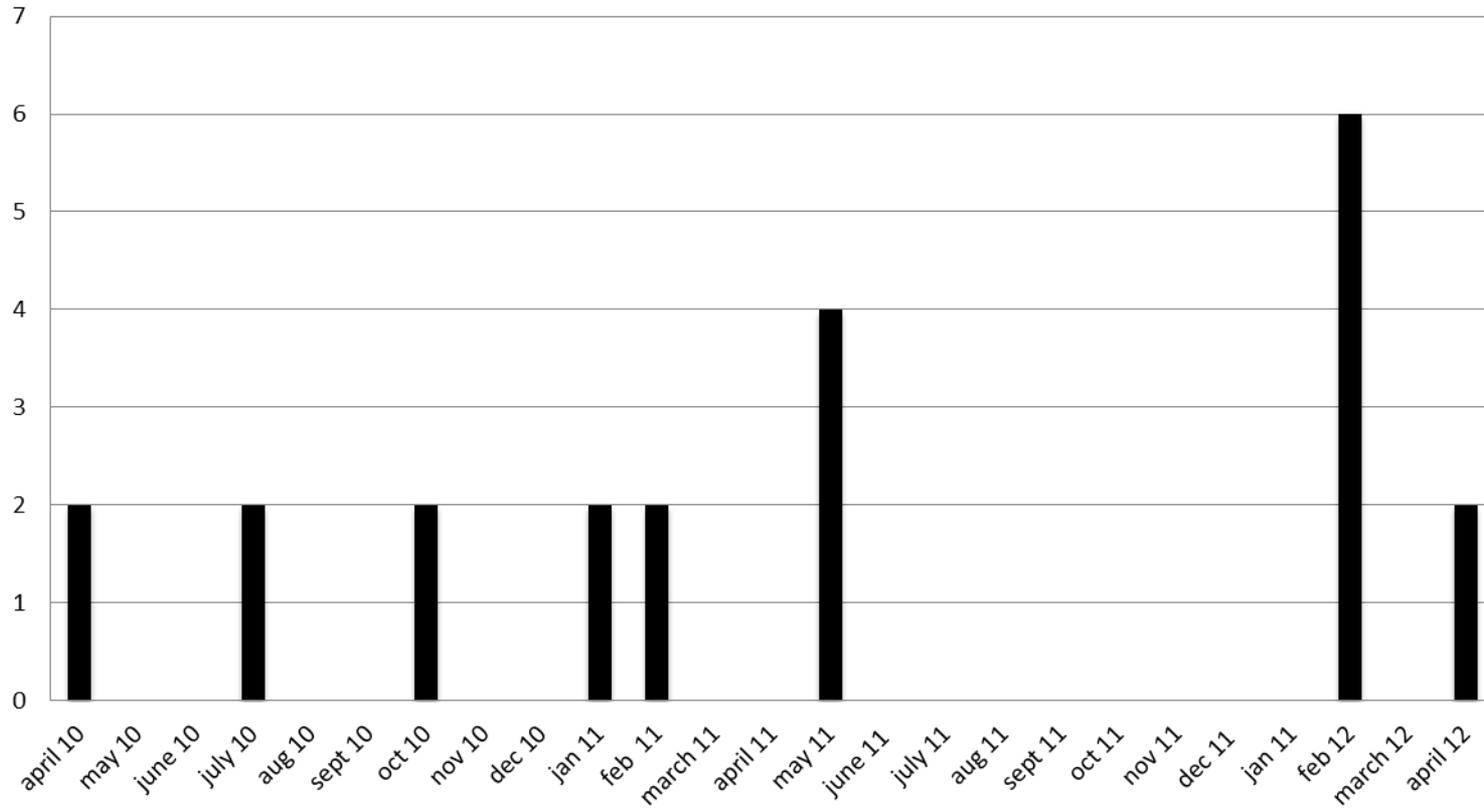
# Nearly all the spill over goes to non beneficiary households



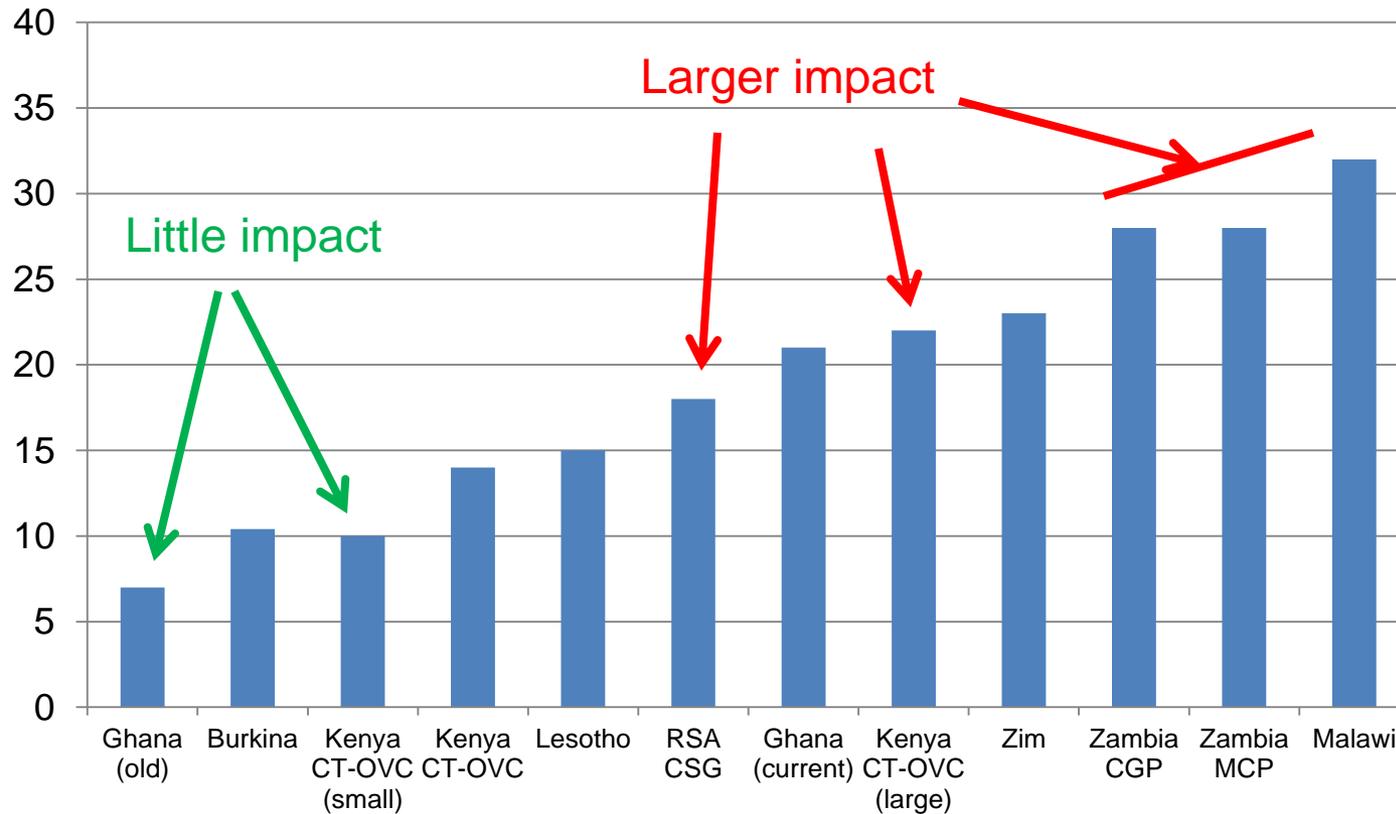
# Explaining differences in impact across countries and households

- 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



# 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?

	household level analysis	local economy analysis	qualitative analysis
Ghana LEAP	Draft	Final	Final
Kenya CT-OVC	Final	Final	Final
Lesotho CGP	2013	Final	Final
Ethiopia SCTP	2014	Draft	2014
Zimbabwe HSCT	2015	2014	Final
Malawi SCT	2015	2014	2014
Zambia CGP	Draft	Draft	NA
Cross country	2015	2014	2014

- 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>

