

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

Benjamin Davis
FAO, PtoP and Transfer Project

Scoping Conference
The Links between Social Inclusion and
Sustainable Growth in Africa

30 -31 October 2013

The Hague



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
- Program design and accompanying impact evaluations pay relatively little attention to economic/productive activities—livelihoods

Who are cash transfer beneficiaries in Sub Saharan Africa? An example from the Zambia CGP

- Over 95% of households are extremely poor; over 99% poor
- Almost 75% of expenditures spent on food
- Large families (over 5 members on average)
 - More than half children under 13
- 1/3 of children under 5 are stunted
- 1/3 of school aged children do not attend school; 22% are orphaned
- Over 80% of households produce crops
 - Most grow local staples, using traditional technology and low levels of modern inputs
- Most have low levels of assets
 - Half hectare of agricultural land, few small animals, basic agricultural tools and low levels of education
- Over half of all 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

- Long term effects of improved 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 social cash transfer programs
- Works with government and development partners in 7 countries in Sub Saharan Africa
 - **Ghana LEAP**, Ethiopia Tigray SCTP, Malawi SCT, **Kenya CT-OVC**, **Zambia CGP**, Zimbabwe HSCT and Lesotho CGP
 - Ongoing
- Joint with UNICEF
- Primary funding from DFID (2011-2015)



Main topics of study

- Impact of social 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 (experimental and non experimental)
 - **FAO , American University and University of North Carolina**
- Local economy effects via LEWIE (GE) modeling
 - **UC Davis**
- Perceptions on household economy and decision making, social networks, local community dynamics and operations via qualitative methods



– **OPM and FAO**



What have we found so far regarding social cash transfers in Sub Saharan Africa?

- PtoP results plus available information on social cash transfer programs

Large increase in human capital

- Dietary diversity
 - Zambia, Kenya and Malawi
- Food security
 - Zambia, Kenya, Malawi and South Africa
- Education
 - Increased grade completion and reduced repetition and absences, increased secondary school enrolment
 - Zambia, Kenya, Malawi, Ghana, South Africa
- Health care
 - Reduced morbidity (diarrhea), increased seeking of curative and preventative care
 - Zambia, Kenya, Malawi
 - Ghana: access to national health insurance
- Safer transition to adulthood for adolescents
 - Kenya, South Africa, Malawi (Zomba)

Reaching adulthood
with improved level
of human capital, long term
impact on development

Large increase in productive investment— though varies by program

- Zambia: an increase in
 - Investment in agricultural inputs
 - particularly for smaller households
 - Value of production, shift from cassava to maize/rice
 - Selling at market
 - 12 pp from 23% base
 - Livestock ownership
 - Ownership of non agricultural enterprise
 - 17 pp from 22% base
- Kenya and Malawi SCT (Mchinji): an increase in
 - Ownership of small livestock, agricultural tools
 - Share of household consumption of cereals, animal products and other foods produced via own production
 - Participation in nonfarm enterprises for female headed households—and decrease for male headed (Kenya)

- Ghana

- Little impact



Move on farm and into family productive activities

- Reduction in adult agricultural wage labor and increase in time spent on the family farm
 - 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
 - Malawi
 - Decrease in *ganyu* labor and Increase in on farm activity by adults
 - Kenya
 - Similar story, but more complicated
 - Ghana
 - Increase on own labor on farm
- Increase in non agricultural labor market participation
 - Zambia and South Africa CSG
- Allowed elderly and physically disabled to “rest”

Same story comes out strongly in qual field work in Malawi, Kenya and Ghana

But mixed results on child labor

- Kenya
 - Reduction in on farm activity for children
 - Particularly for boys (12 pp from 42%)
- South Africa
 - Reduction in child wage labor
- Malawi
 - Reduction in wage labor, increase in on farm activity
- Ghana
 - No impact, though positive impact reported in qualitative work
- Zambia
 - No impact

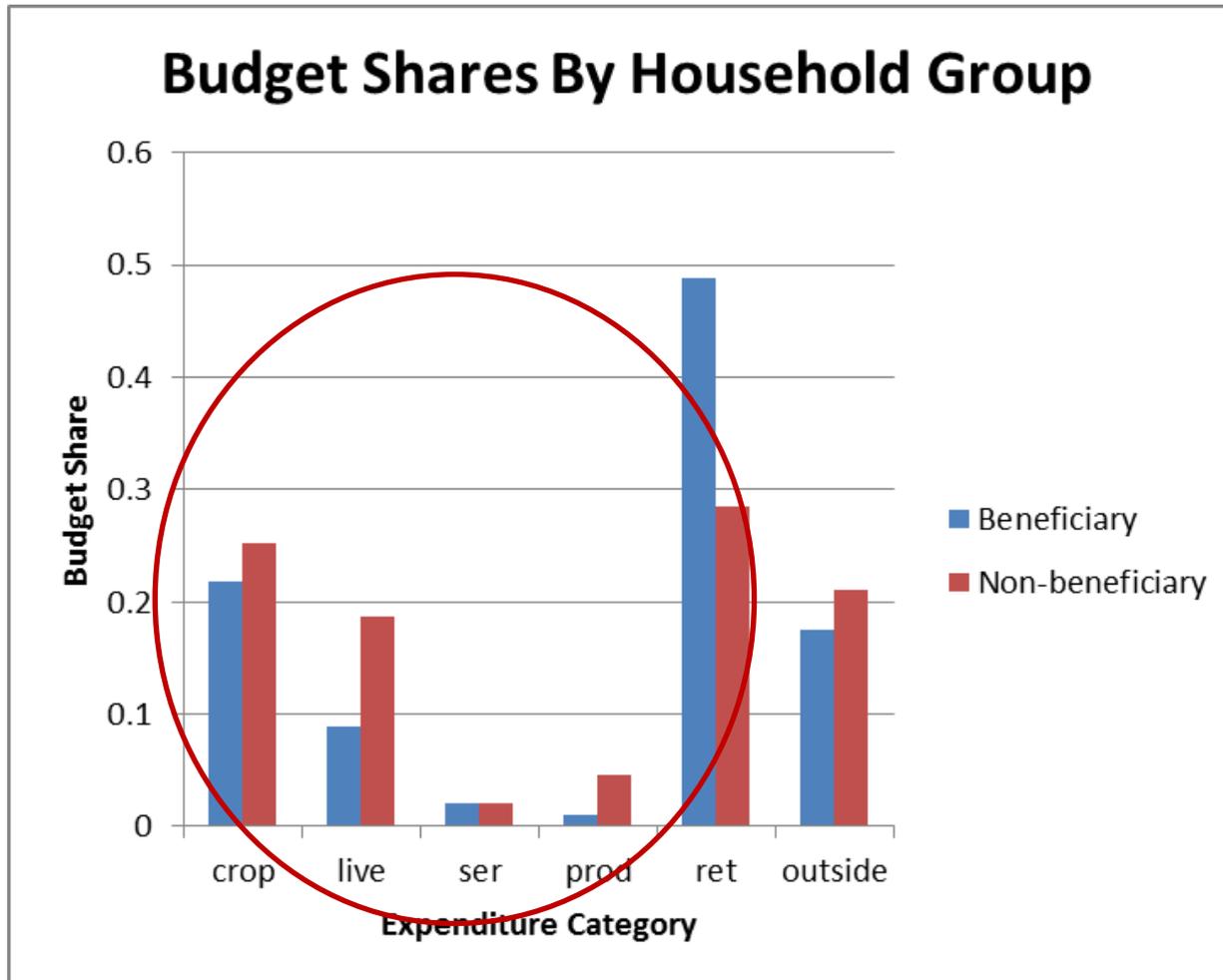
Improved ability to manage risk

- Reduction in negative risk coping strategies
 - Malawi (quant)
 - Reduction in begging (14 pp from 34%), children pulled from school
- Increase in savings, paying off debt and credit worthiness
 - Zambia (quant), Ghana (quant and qual), Lesotho and Kenya
 - Though often reluctant to increase debt
- Re-engagement with social networks, community activities
 - Ghana (quant and qual), Lesotho, Zimbabwe and Kenya
 - Allow to participate, to “mingle” again
- Some indication of reduced informal transfers
 - Zambia, Lesotho, Malawi
- Although targeting in some cases has contributed to tension
 - Kenya, Lesotho, Zimbabwe

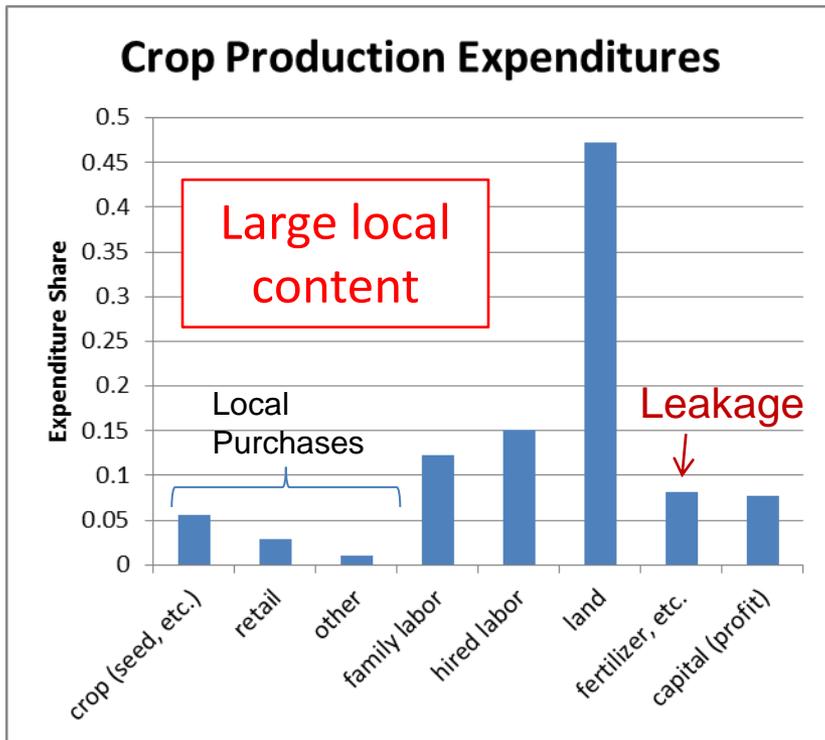
How do local economy effects work?

- 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.

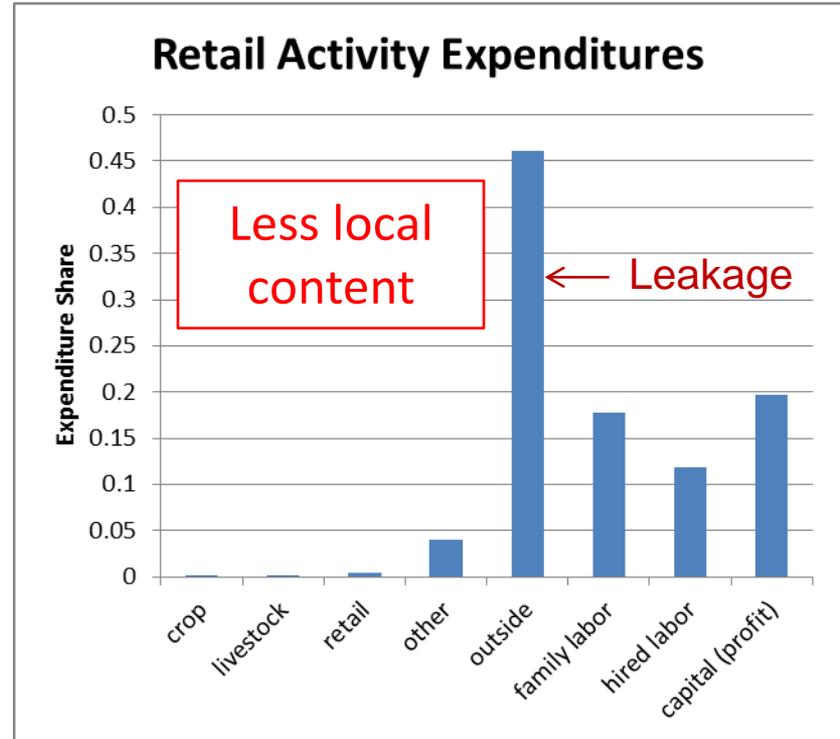
Ghana: LEAP households spend about 80% of income inside the local economy



These 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 have large income multiplier effects

Ghana LEAP Program

		Multiplier
Total Income		
	Nominal	2.50
	(CI)	(2.38 - 2.65)

Every 1 Cedi transferred can
generate 2.50 Cedis of income

Production constraints can limit supply response, which may lead to higher prices and a lower multiplier

Ghana LEAP Program

		Multiplier
Total Income		
	Nominal	2.50
	(CI)	(2.38 - 2.65)
	Real	1.50
	(CI)	(1.40 - 1.59)

If supply response is constrained, real income multiplier can be as low as 1.50

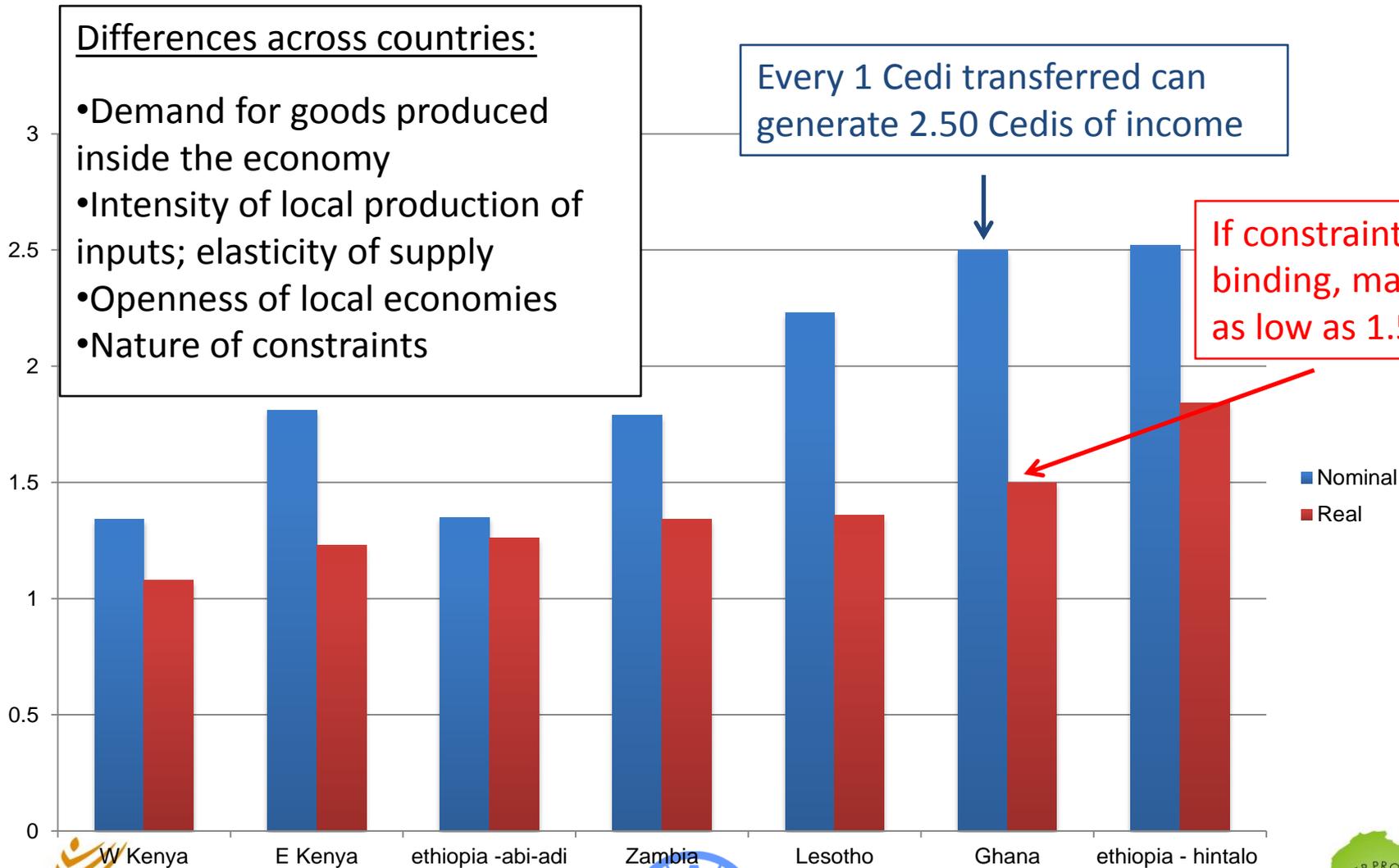
Income multiplier varies by context

Differences across countries:

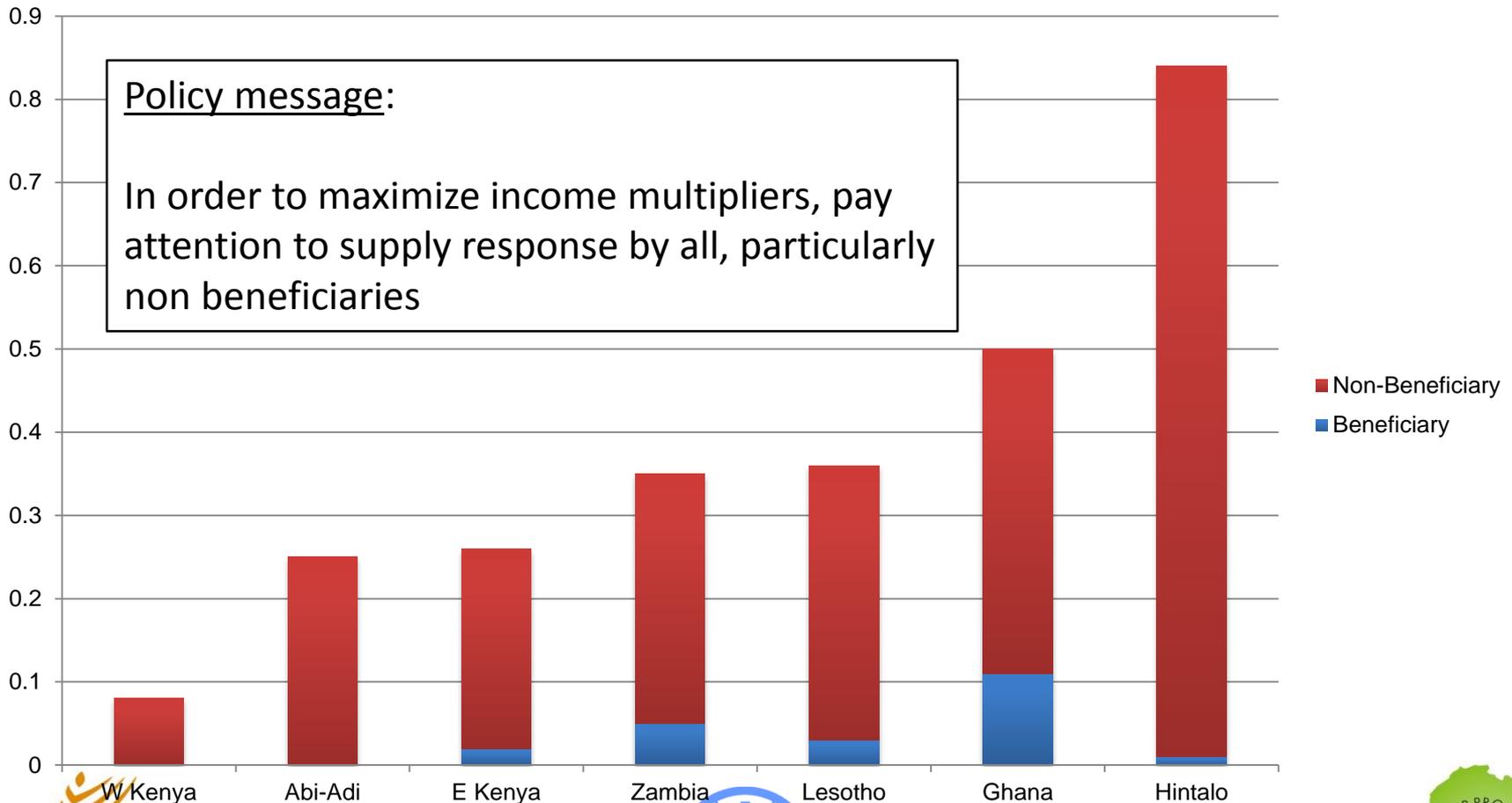
- Demand for goods produced inside the economy
- Intensity of local production of inputs; elasticity of supply
- Openness of local economies
- Nature of constraints

Every 1 Cedi transferred can generate 2.50 Cedis of income

If constraints are binding, may be as low as 1.50



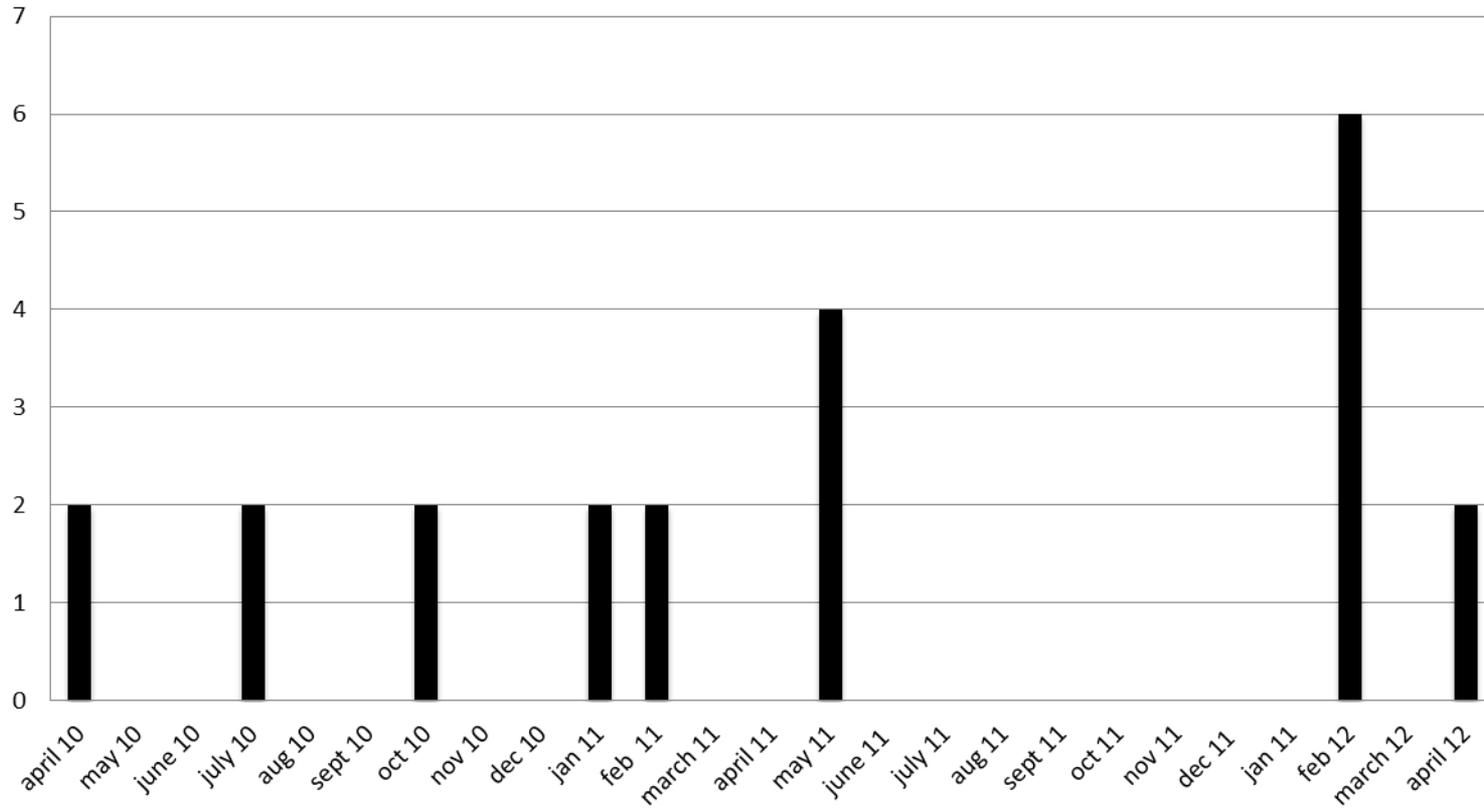
Non beneficiary households gain most of the income multiplier



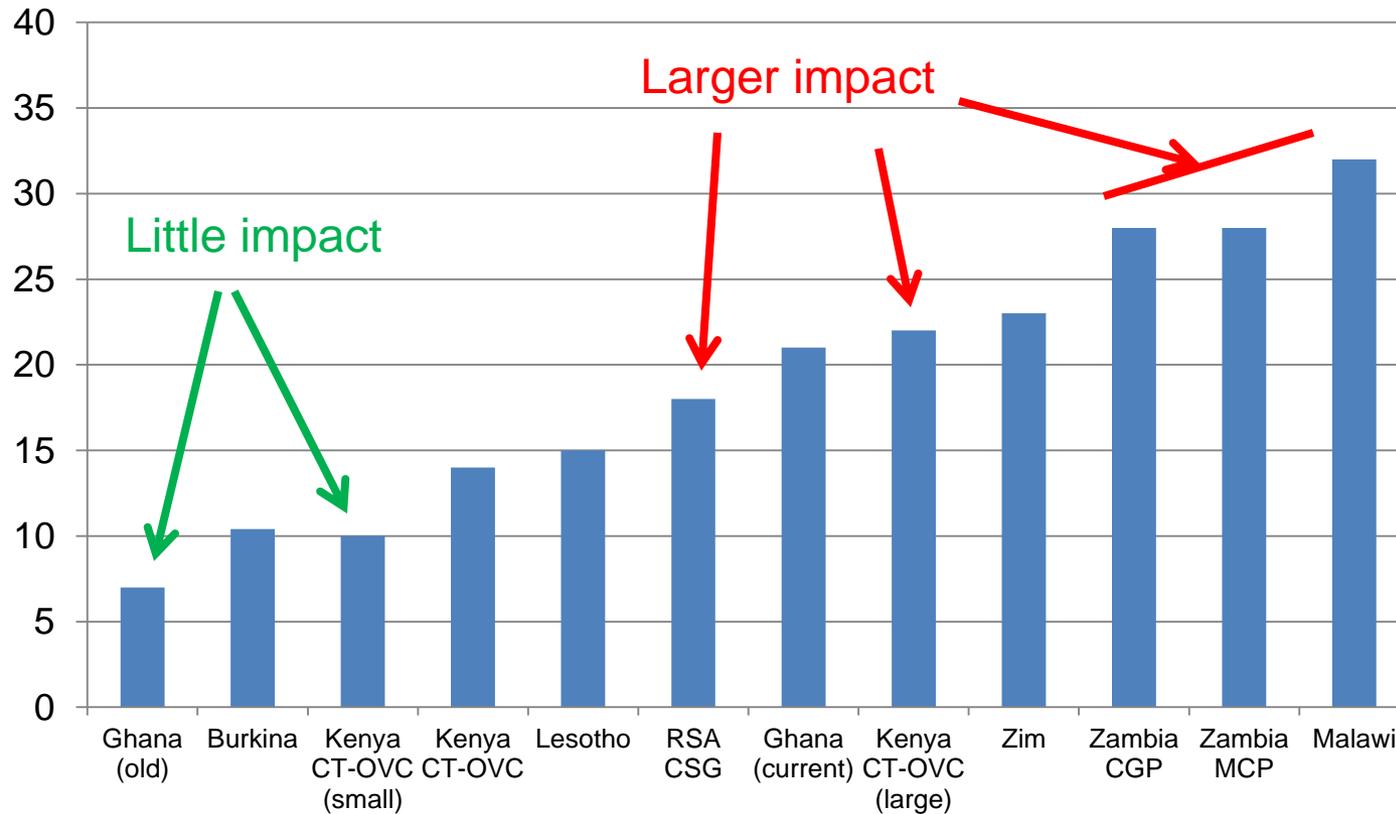
Explaining differences in impact across countries and households

- 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
- 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
- Maximizing economic impacts should not come at the expense of social 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

- 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

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
 - Cash transfer programs cannot replace sector economic development strategy
 - Small holder agriculture as key for rural poverty reduction and food security in Sub Saharan Africa
 - Relies on increased productivity, profitability and sustainability of small holder farming

Our websites

From Protection to Production Project

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

The Transfer Project

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



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