

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

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FAO Malawi



# 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

# 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
- Most beneficiaries in Sub Saharan Africa rural, engaged in agriculture and work for themselves
- 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
  - Extend time horizon
- 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, EC

# 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)
- Perceptions on household economy and decision making, social networks, local community dynamics and operations via qualitative methods
- Local economy effects via LEWIE (GE) modeling



# Application to Malawi: Impact evaluation of the Social Cash Transfer Program (SCT)

- Administered by the Ministry of Gender, Children and Community Development (MoGCCD)
- Objective reduce poverty and hunger and to increase school enrollment rates
- Targets labour constrained and ultra poor households
- The transfer amount varies based on household size and number of children enrolled in primary and secondary school (from 1000 to 2400 Mk)
- Began as pilot in Mchinji district in 2006; expanded in 2009 to reach additional six districts (Chitipa, Likoma, Machinga, Mangochi, Phalombe and Salima).
- Program has gone to scale in Mchinji and Likoma and by 2012, had reached nearly 30,000 households. Further scale up in Salima and Mangochi scheduled to take place in 2013-2014

# PtoP role in SCT impact evaluation

- Provided technical advice to UNICEF in design and tender
- Household and individual level impacts via experimental impact evaluation (led by UNC and CSR)
  - Before and after household surveys (2013, 2015, 2015)
  - Impact analysis ready by mid 2015
- Perceptions on household economy and decision making, social networks, local community dynamics, targeting and operations via qualitative methods
  - One round by OPM and FAO (February, 2014)
  - Two rounds by UNC (2013 and 2015)
- Local economy effects via LEWIE (GE) modeling
  - UC Davis (May, 2014)

# Where are we in terms of evidence?

## Large increase in human capital

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

Qual field work reported  
investment in economic  
activities in Ghana,  
Kenya and Zimbabwe

# 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, Ghana and Zimbabwe

# 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, Kenya, Zimbabwe
    - 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

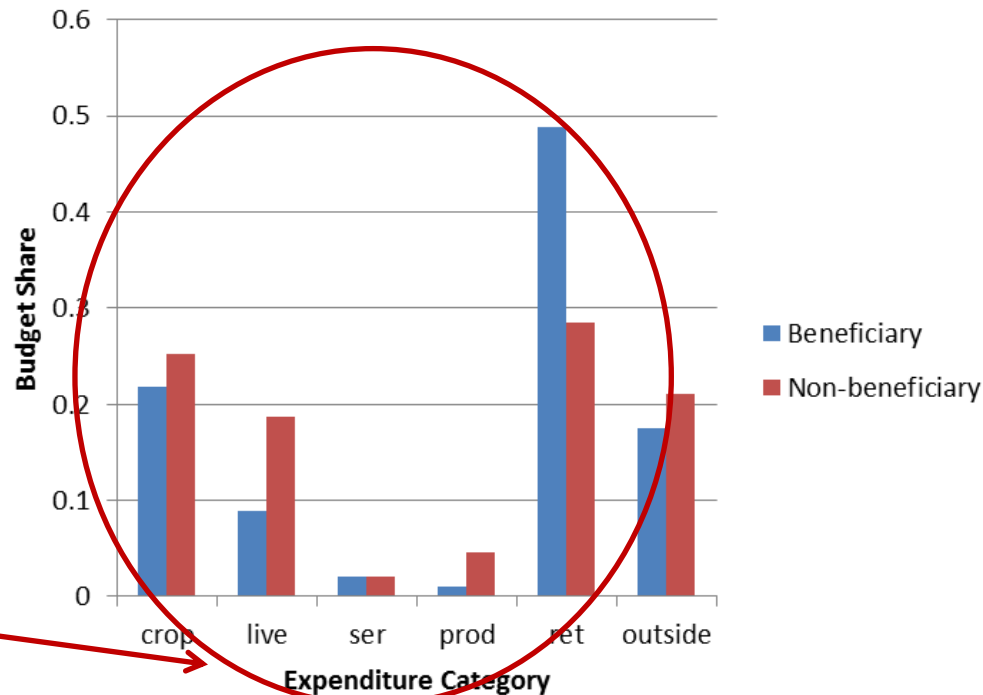
# How do local economy effects work?

- 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.



# Almost all money is spent locally (Ghana LEAP)

Budget Shares By Household Group

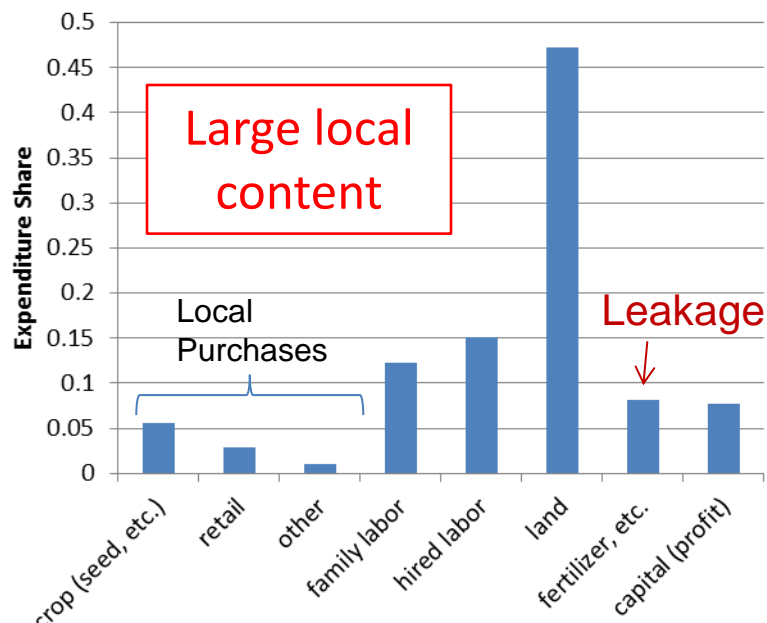


Households spend about 80% of their income inside the local economy

Beneficiaries and non beneficiaries spend money differently

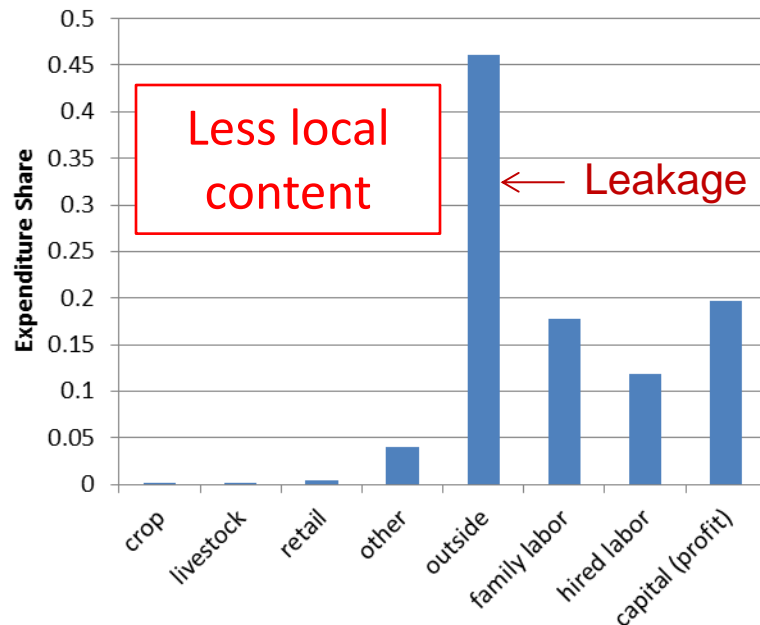
# These production activities buy inputs from each other, pay wages, and make profits

## Crop Production Expenditures



Payments to factors

## Retail Activity Expenditures

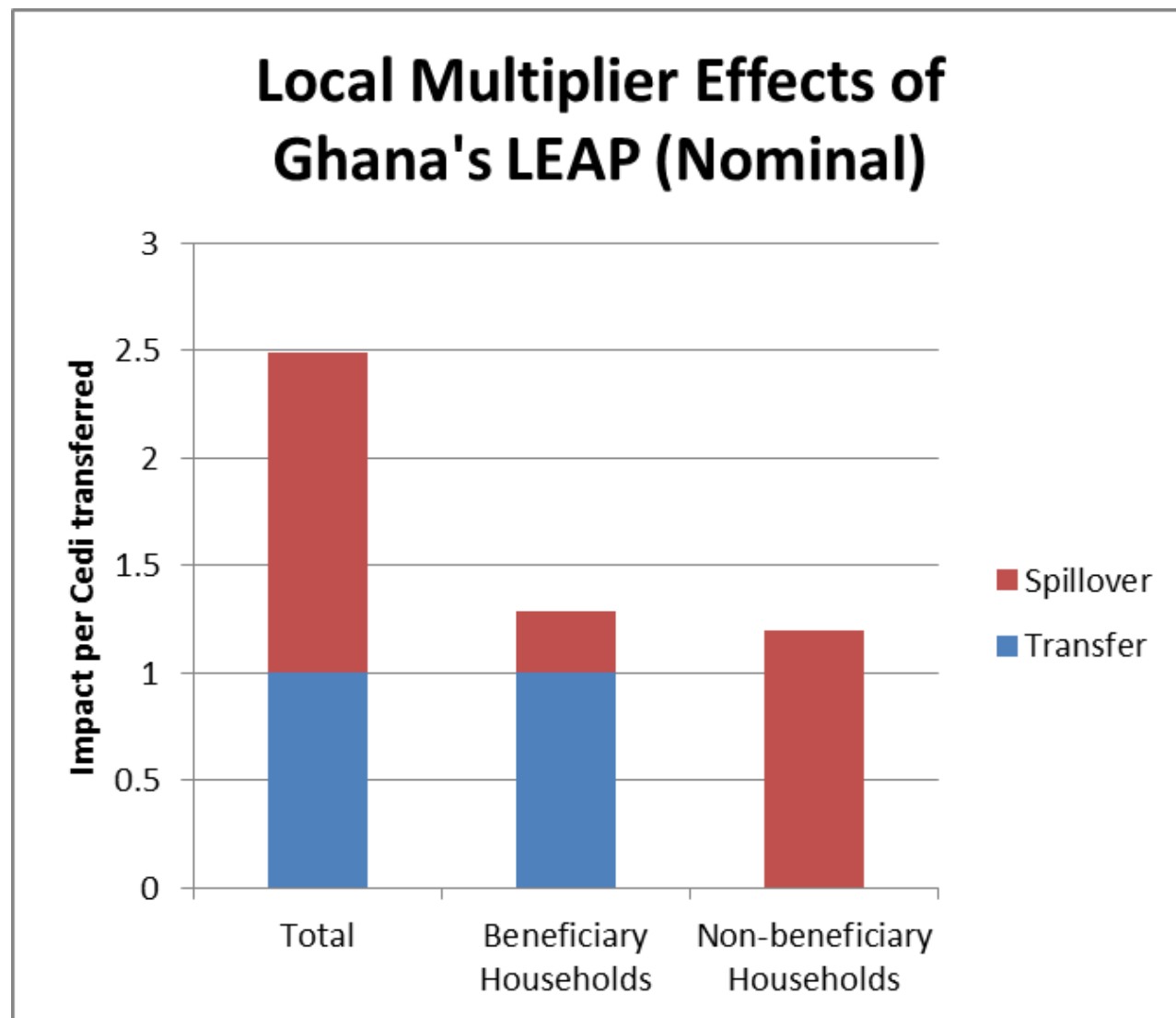


Payments to factors

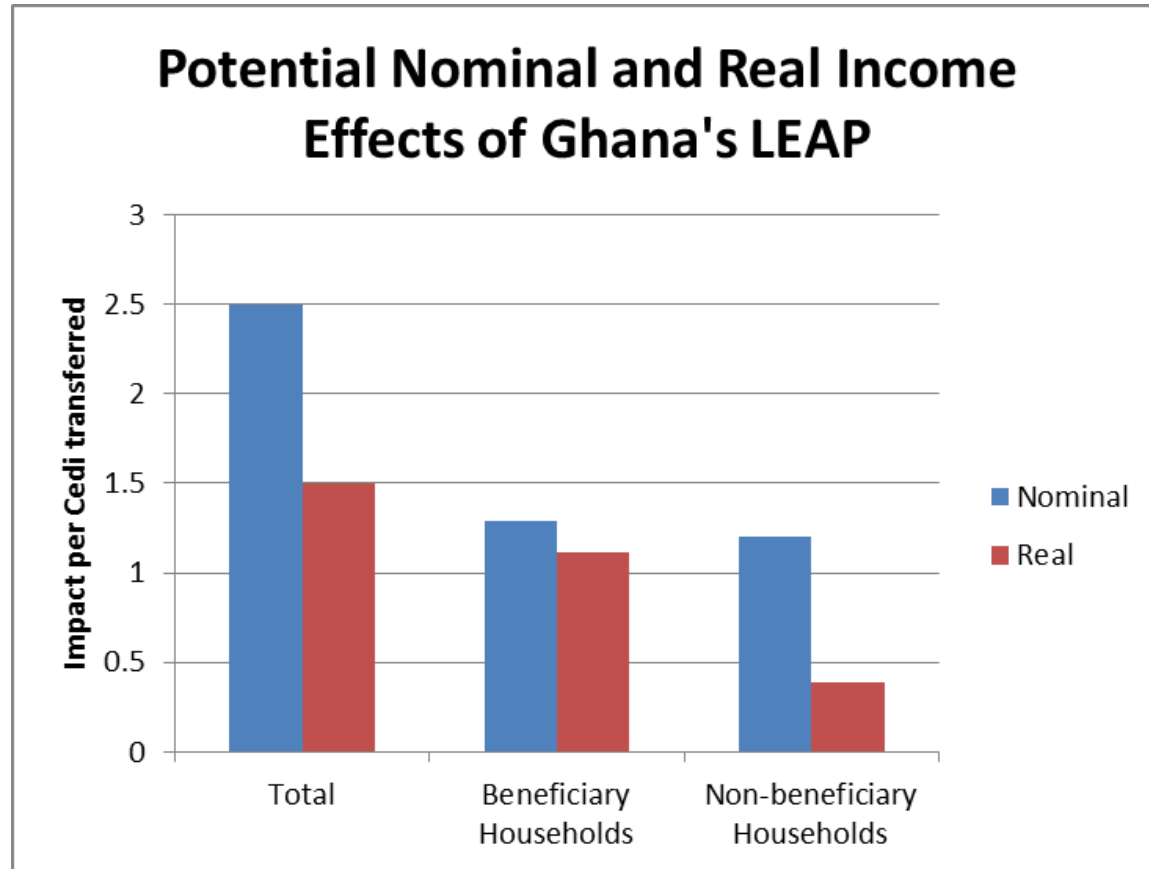
# LEAP creates significant potential pillovers

For each Cedi transferred local income increases by 2.5 Cedi (90% CI: 2.38-2.65)

Nearly all the spillover goes to non-beneficiary households



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



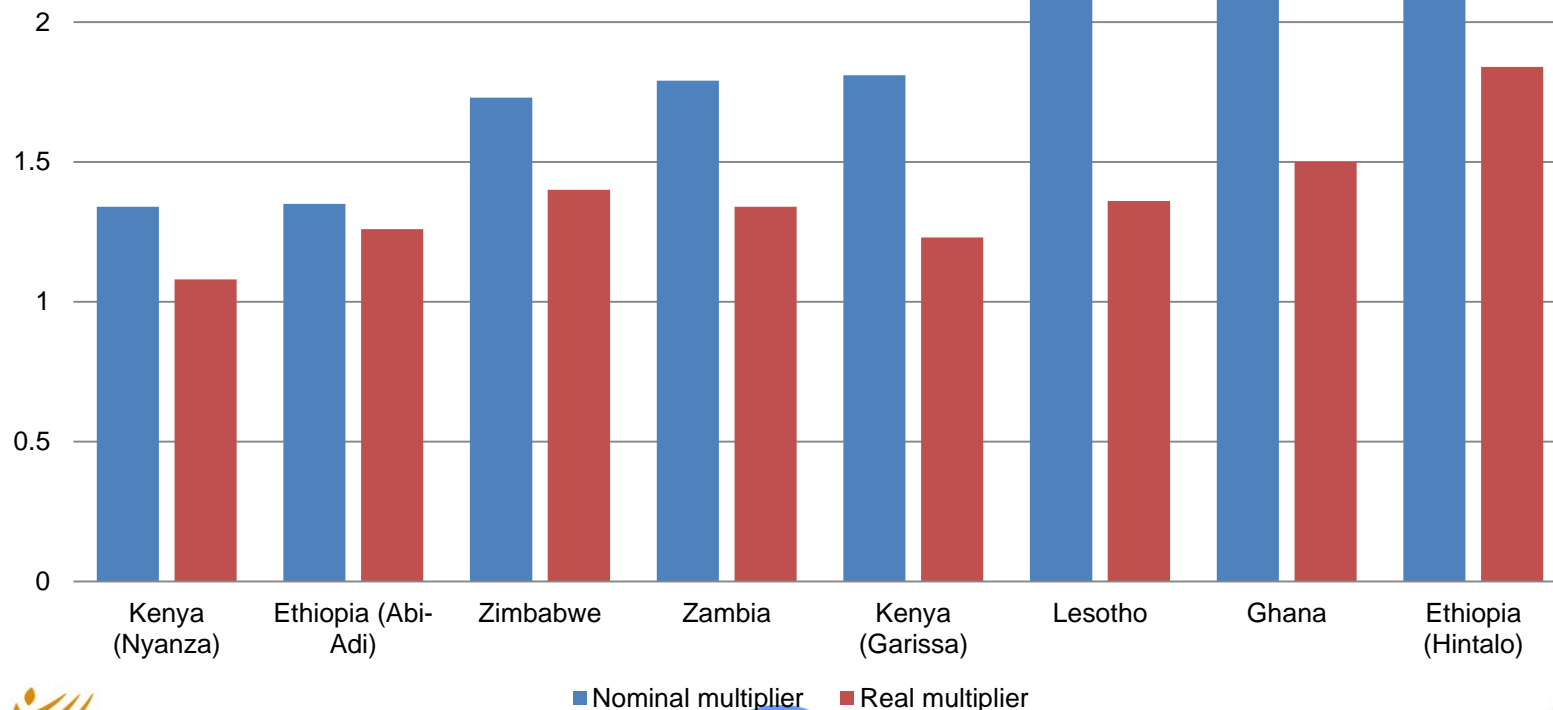
If supply response is constrained, real income multiplier can be as low as 1.50

# Size of income multiplier varies by context

Differences across countries:

Openness of local economies

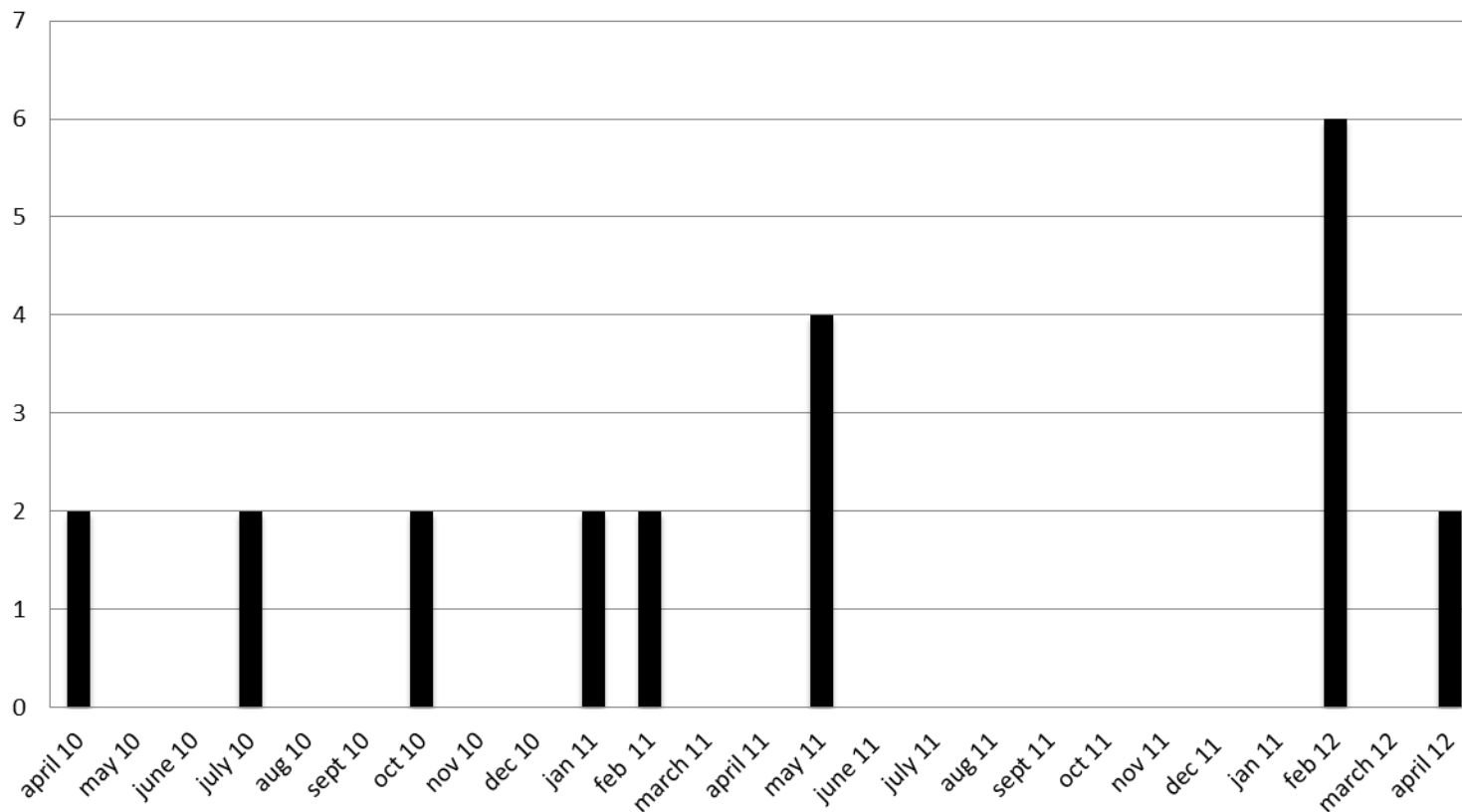
Where money is spent in local economy



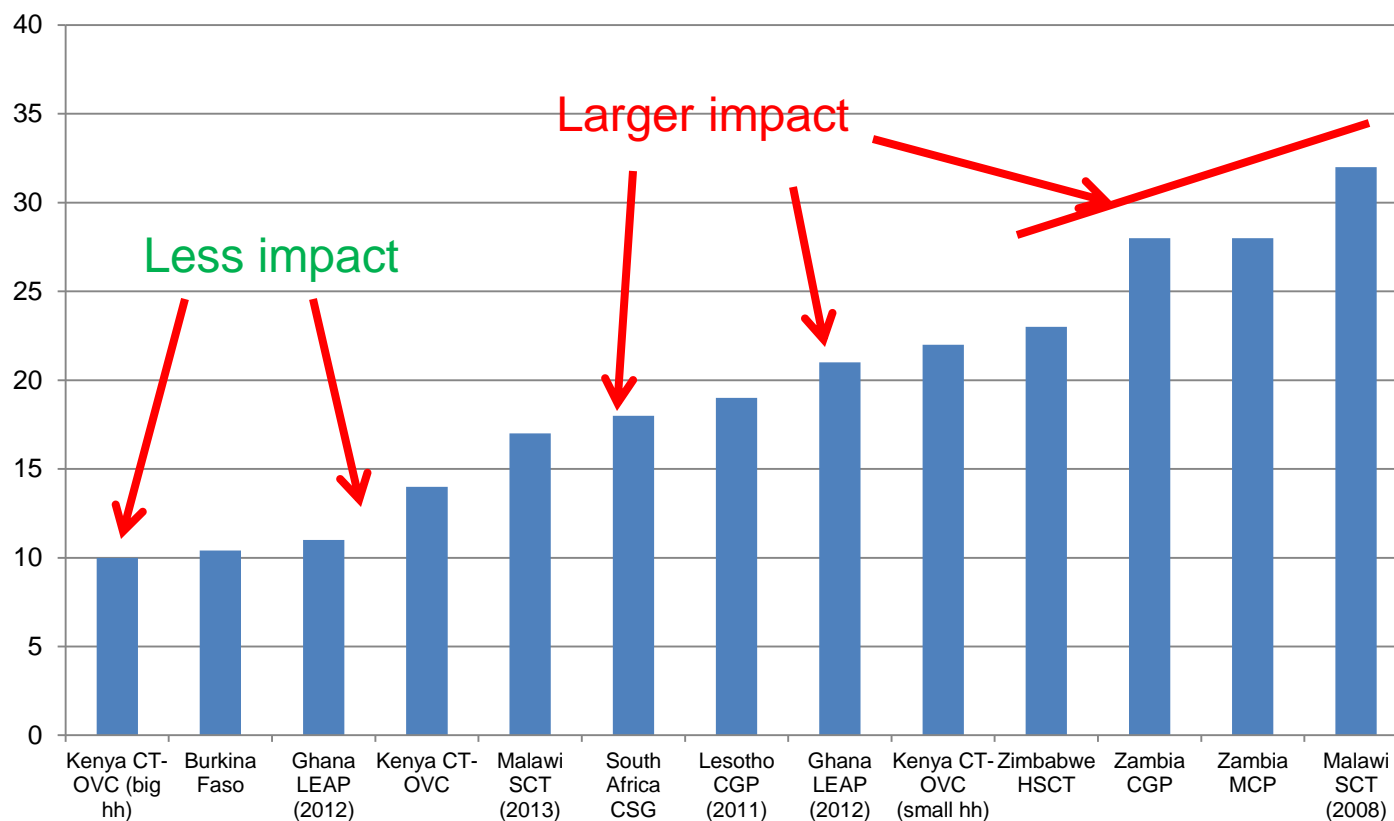
# Explaining differences in impact across countries and households

- Demographic profile of beneficiary households
  - Available labor: OVC? Households with young children?
- Relevance of messaging and soft conditions on social spending
- Access to productive assets
- Relative importance of subsistence agriculture, diversity of the local economy, nature of market constraints
- Coordination with other interventions

# Regularity of payments: sporadic and lumpy LEAP



# Size of transfer relevant for impact across range of indicators





# Cash transfers needs to be part of a rural development strategy

- Cash transfer programmes cannot replace sector economic development strategy, nor do they constitute a motor of growth in and of themselves
- Almost three quarters of economically active rural population are smallholders, most producing own food
- 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
- Social protection and agriculture need to be articulated as part of strategy of rural development
  - Link to graduation strategies

# The role of FAO

- Interface between social protection, food and nutrition security, agriculture and livelihoods
- Our work focuses on supporting government and partners in
  - Maximizing synergies between social protection and agricultural policies
  - Articulating coordinated strategy for rural development
- This involves
  - Developing capacities, policy and programming advice, facilitating policy dialogue, generating actionable knowledge, and developing analytical and policy tools

# Programmed PtoP policy activities in Sub Saharan Africa for 2014/15

- Under SO3, joint with RAF and UNICEF
- Support process of policy dialog on coordination of social protection and agriculture policy
  - Regional
  - Country
- Produce material to guide policymakers on linking social protection and agricultural development programmes

# Our websites

From Protection to Production Project

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

The Transfer Project

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

