

# Cash transfer programs in SSA: recent developments and implications for climate change adaptation

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# Massive expansion of government-run cash transfers in SSA (partial list)

Old age pensions	Child grants	Pov/community based targeting	Combo/community based targeting
Lesotho (80,000)	Namibia (108,000)	Malawi (26,000 hhs and scaling up)	Rwanda (143,000 ind and scaling up)
South Africa (2.6 million)	South Africa (10 million)	Zambia (9,000 hhs; scale up to 22,000)	Ethiopia (PNSP 1.6 million hhs; BOLSA 8,000)
Namibia (115,000)	Zambia (begin 2010; will scale up to 33,000 hhs)	Tanzania (10,000 hhs in pilot)	<b>Pilots on the way</b>
Botswana (91,000)	<b>OVC/community based targeting</b>	Kenya Hunger Safety Net (scaling up to 60,000 hhs)	Zimbabwe (pilot begin 2011, 55000 by 2014)
Swaziland (60,000)	Kenya OVC (100,000; scale up to 300,000 by 2013)	Mozambique (170,000 hhs)	Uganda (pilot begin 2011, 65000 by 2015)
Zambia (4,700 hhs in pilot)		Lesotho (1,000 hhs in pilot; scale up to 10,000 by 2011)	Ethiopia (Minimum social protection package, pilot begin 2011)

# Cash transfers in SSA: Universal programs

- Universal old age pensions
  - South Africa, Namibia, Botswana, Swaziland, Lesotho
  - (and pilots in Zambia, Kenya, Uganda, .....
- Near universal child grants
  - South Africa (poverty), Namibia (OVC)
  - Pilot in Zambia

→ With exception of pilots, these tend to be nationally owned and domestically funded



# Cash transfers in SSA: Targeted programs

- Poverty targeted (community) grants for OVC
  - Kenya, Lesotho (1<sup>st</sup> phase)
- Poverty targeted (community) household grants
  - Malawi, Zambia, Zimbabwe, Liberia
    - Ultra poor, labor constrained
  - Ethiopia, Rwanda, Zimbabwe
    - Direct assistance for labor constrained poor
    - Cash/food for work for non labor constrained poor
    - Graduation into productive activities
  - Mozambique
    - Incapacitated, primarily elderly (plus means test)
  - Ghana, Tanzania, Lesotho (2<sup>nd</sup> phase)
    - Verification with proxy means
- Experimenting with different options
  - Kenya HSNP
    - Community, dependency ratio, old age
  - Uganda
    - Community, old age
  - Ethiopia
    - Minimum package



# What's different about cash transfers in SSA---context

Risk and  
vulnerability



- HIV/AIDS
  - Economic and social vulnerability
- More widespread poverty
- Continued reliance on subsistence agriculture
  - Exit path from poverty is not necessarily through the labor market
  - Risky, risky, risky

Weak institutional  
context



- Less fiscal space---donors play a stronger role
  - Dependent on bilateral, multilateral support
- Still missing consensus among national policy makers
- Weaker institutional capacity to implement programs
- Weaker service supply



# What's different about cash transfers in SSA---design

- Universality
  - Old age pensions
  - Child grants
- Focus on ultra poor, labor constrained
- Unconditional (for the most part)
  - Soft conditions and strong messages
- Prominent role of community in targeting
- Focus on OVC and other specific vulnerabilities



# 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, etc
- Beneficiaries primarily women
- Separated from productive households as “direct support”
- Often seen as welfare, charity, handout



# Why should we expect economic or behavioral impacts from SCT programs?

- Predictable and regular cash transfers address two central market failures common to SSA
  - credit
  - insurance
- Market failure links consumption and production decisions at household level
  - particularly in context of subsistence agriculture
- Households are linked via
  - reciprocal relationships, social networks
  - economic exchanges





# 5 ways in which cash transfers influence climate change adaptation

All related to increasing resilience and  
reducing vulnerability



# 1. Improve human capital

- Nutritional status
- Health status
- Educational attainment



Typically core objectives of CT programs



## 2. Facilitate change in productive activities

- Investment in productive activities
  - Increase labor, input use
- Accumulation of productive assets
  - Farm implements, land, livestock
- Change in productive strategies
  - New crops, techniques
  - Whether from perceived climate change, new opportunities, or whatever



### 3. Better ability to deal with risk and shocks

- Avoid detrimental risk coping strategies
  - Distress sales of productive assets, children school drop-out, risky income-generation activities
- Avoid risk averse production strategies
  - Safety first
  - Increase risk taking into more profitable crops and/or activities
    - Specialization or diversification
      - Higher value crops or ..... migration



## 4. Relieve pressure on informal insurance mechanisms

- Reduce burden on social networks
  - Local networks of reciprocal relationships, often weakened and over burdened in context of HIV/AIDS
- Allow beneficiaries to participate in social networks
- Allow non beneficiaries to redirect their resources



## 5. Improve resilience of local economy

- Significant injection of cash into local economy
- Positive effects on local goods and labor markets via local economic linkages
  - Multiplier depends on level of integration



# Yes we have evidence (LAC and emerging SSA)

- Tons on
  - Poverty
  - Food security and food consumption
  - Nutrition
  - Health
  - Education
- Emerging evidence on
  - Risk and shocks
  - Social networks
  - Productive activities
  - Multiplier effects
    - Input subsidy and cash transfers
- Almost nothing on
  - Climate change adaptation



# Why should we care: contribution to program design

- Most programs not designed with productive dimension or climate change in mind
  - Miss potential synergies and constraints
  - Evidence on how households spend, invest, or save transfers can help strengthen design and implementation
- Cash transfer programs increasingly looking for graduation strategies, “productive insertion of the beneficiaries” or welfare-to-work transitions
  - In much of Sub Saharan Africa, most income-generation will come from agricultural and rural non-farm activities
  - Adaptation to climate change fundamental





# So what is our big challenge, in terms of research and linking to policy?

- Most cash transfer programs focus on poverty, health, education, nutrition
  - Accompanying impact evaluations tend to pay little attention to
    - Economic activities
    - Risk preferences
    - Social networks and informal insurance
    - Climate change
  - Not enough data collected to carry out detailed analysis



# But massive potential in SSA: most new CTs accompanied by rigorous impact evaluation

- Malawi SCT
  - Mchinji pilot, 2007-2009
  - Expansion, 2011-2013
- Kenya CT-OVC
  - Pilot 2007-2011
  - Expansion, 2011-2013
- Mozambique PSA
  - Expansion, 2008-2009
- Zambia
  - Kalombo pilot, 2005
  - Monze pilot, 2007-2010
  - Expansion and child grant, 2010-2013
- South Africa CSG
  - Retrospective and expansion, 2010-2013
- Ethiopia
  - PNSP, 2006-2010
  - Regional minimum social protection package, 2011-2013
- Ghana LEAP
  - Pilot, 2010-2012
- Lesotho, CSP
  - Pilot, 2011-2012
- Uganda, begins in 2011
- Zimbabwe, begins in 2011
- Tanzania, TASAF



# One response to potential: From Protection to Production

- FAO –UNICEF project focusing on understanding the economic impacts of CT (funded by DFID)
- Part of the larger **Transfer Project**
  - Effort to support impact evaluation and experience sharing among SCT programs in sub Saharan Africa
  - Partnerships with government and national research institutes
  - Joint UNICEF, FAO, Save the Children and University of North Carolina



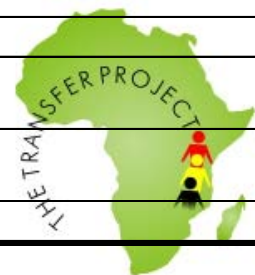
# Strengthen data collection in ongoing impact evaluations in the region

- Design, pilot and supervise specific modules
  - Economic activities
  - Labor allocation
  - Productive assets
  - Social networks
  - Shocks
  - Risk preferences
  - Changes in agricultural practices
- Combine with qualitative methods




# Changes in agricultural practices (Lesotho)

		HH19 Q1	HH19 Q2	
		Have you made any of the following changes in your farming and livestock practices in the <b>last 12 months</b> ?	Why have you made these changes? <i>(2 options possible)</i>	
		01 Yes 02 No ► <b>Next item</b> 97 Not Applicable ► <b>Next item</b>	01 Changes in climate 02 More profitable/ increase yield 03 Labor saving 04 Improve quality of land	05 Want to spread risk 06 Was advised 07 Other
<p>◆ <b>Interviewer:</b> if household has no farming activity ► <b>LIVESTOCK</b></p>	<p><b>Farming activity</b></p>	1) Change crop variety		
		2) Change crop type or introduce new crop		
		3) Change planting dates		
		4) Change amount of land under production		
		5) Implement soil and water conservation		
		6) Mix crop and livestock production		
		7) Build trenches or diversion ditch		
		8) Practice zero or minimum tillage		
		9) Use cover crops/incorporation of crop residue		
		10) Change fertilizer or pesticide application		
		11) Plant trees		



# Risk preferences (Lesotho and Kenya)

I am now going to read some hypothetical situations where you need to imagine that someone offers you some money without this implying any commitment, debt or obligation for you.

HH14 Q1	<p>Imagine that you need to choose between the following two alternatives:</p> <p><b>01:</b> Receive <b>M 500</b></p> <p><b>02:</b> <u>Toss a coin</u> and if it is tails you receive <b>M 1,000</b> but if it is heads you don't receive anything</p> <p>Which alternative would you chose?</p>	<p>01</p> <p>02 ► HH14 Q4</p>	
HH14 Q2	<p>Now imagine that you need to choose between the following two alternatives:</p> <p><b>01:</b> Receive <b>M 300</b></p> <p><b>02:</b> <u>Toss a coin</u> and if it is tails you receive <b>M 1,000</b> but if it is heads you don't receive anything</p> <p>Which alternative would you chose?</p>	<p>01</p> <p>02 ► HH14 Q4</p>	
HH14 Q3	<p>Now imagine that you need to choose between the following two alternatives:</p> <p><b>01:</b> Receive <b>M 100</b></p> <p><b>02:</b> <u>Toss a coin</u> and if it is tails you receive <b>M 1,000</b> but if it is heads you don't receive anything</p> <p>Which alternative would you chose?</p>	<p>01</p> <p>02</p>	
HH14 Q4	<p>Again imagine that someone wants to give you some money, without implying any commitment, debt or obligation for you, but imagine that you have two choose between the following two alternatives:</p> <p><b>01:</b> Receive <b>M 1,000</b> now</p> <p><b>02:</b> Receive <b>M 1,050</b> <u>in a month</u></p> <p>Which alternative would you chose?</p>	<p>01</p> <p>02 ► Next Section</p>	
HH14 Q5	<p>Now imagine that you need to choose between the following two alternatives:</p> <p><b>01:</b> Receive <b>M 1,000</b> now</p> <p><b>02:</b> Receive <b>M 1,200</b> <u>in a month</u></p> <p>Which alternative would you chose?</p>	<p>01</p> <p>02 ► Next Section</p>	
HH14 Q6	<p>Now imagine that you need to choose between the following two alternatives:</p> <p><b>01:</b> Receive <b>M 1,000</b> now</p> <p><b>02:</b> Receive <b>M 1,500</b> <u>in a month</u></p> <p>Which alternative would you chose?</p>	<p>01</p> <p>02 ► Next Section</p>	



# Countries and programs

- **Lesotho Child Grant Program**
  - baseline 2011, 1<sup>st</sup> round 2012
- **Kenya CT-OVC**
  - 2<sup>nd</sup> round 2011
- **Ethiopia Tigray Minimum Social Protection package**
  - baseline 2011, 1<sup>st</sup> round 2012
- **Malawi SCT expansion**
  - baseline 2011, 1<sup>st</sup> round 2012
- **Ghana LEAP**
  - baseline 2010, 1<sup>st</sup> round 2012
- **Zimbabwe SCT**
  - baseline 2011, 1<sup>st</sup> round 2012
- **Zambia SCT (informally)**
  - baseline 2010, 1<sup>st</sup> round 2012



# Provide evidence on economic impacts

- Analyze existing (more limited) data
  - Malawi, Kenya, Mozambique
- Analyze new data
  - Household economic decision making on productive activities and labor allocation; risk coping; climate change adaptation; time use and social networks using baseline and follow up data
  - Local economy impacts using baseline data, plus business enterprise survey, via simulation models
- Integrate qualitative and quantitative findings





# Increase capacity of program managers and policy-makers

## As part of overarching Transfer Project

- Direct technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Input into policy process and ongoing program implementation
- Community of practice on impact evaluation
  - Network, website, face to face meetings, thematic capacity-building events
  - First meeting in Naivasha (January, 2011)



# Conclusions

- Cash transfers are not a magic bullet, from any policy perspective
  - Need to be accompanied by other policies
- But if credit/insurance market failures not addressed, households will be limited in ability to adapt to climate change—or any other risk
  - Cash transfers one way to address these failures



# The Transfer Project

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

or

Google “The Transfer Project UNC”

