



# THE ECONOMIC CASE FOR THE EXPANSION OF SOCIAL PROTECTION PROGRAMMES



## KEY MESSAGES

- Cash transfer programmes generate a broad range of social and economic impacts, including enhancing the economic and productive capacity of poor rural families.
- Results from rigorous impact evaluations in seven countries in sub-Saharan Africa have influenced the design of national programmes, while contributing to strategic decisions to expand coverage of social protection and the progressive move from donor-funded pilots to domestically-funded national strategies.
- Impact evaluations, embedded in national policy processes have contributed to strengthen the case for scale-up: building the credibility of an emerging sector, addressing public misconceptions linked with cash transfers, while supporting learning around programme design and implementation.
- The economic case has focused on highlighting the role of social protection not only as a social policy tool, but also as a strategic investment to enhance the economic and productive potential of the poor.
- The impact of social protection is highly dependent on its design and effective implementation.

# **SOCIAL PROTECTION** is increasingly recognized as a critical strategy for poverty reduction and inclusive growth. Both, the 2030 Agenda, as well as Agenda for Humanity, stress the critical role social protection can play in the fight against poverty and exclusion, but also as a component of resilience building. However, more than 70 percent of the world population, especially in rural areas, lack adequate coverage of social protection; and thus we are still far for achieving universal coverage goals. (ILO, 2014)

However, progressively, global and regional level commitments are translating into actions at country level: governments are defining national social protection policies and strategies, as well as allocating national budgets to the expansion and scale-up of social protection programmes, such as cash transfers. This is certainly the case for sub-Saharan Africa where only about 20 percent of the poorest receive social assistance.

This brief brings together the critical mass of evidence emerging from recent rigorous impact evaluations of government-run cash transfer programmes in seven countries in sub-Saharan Africa. These assessments have been developed under the Transfer Project/ From Protection to Production (PtoP) initiative, led by the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Children's Fund (UNICEF) in partnership with national governments and research organizations.

The evaluations used mixed methods, combining qualitative research, econometric analysis of quantitative evaluation data and general equilibrium modelling of local economy impacts. A critical contribution of this joint effort is the focus on the economic and productive outcomes of cash transfers on beneficiary households, as well as on the broader communities and economies in which they live. This evidence contributes to strengthen the economic case for the expansion of social protection programmes.

The economic case is based on **THREE CORE PILLARS**, supported by evidence presented in this brief:

## **HUMAN CAPITAL DEVELOPMENT**

Cash transfers reduce the economic barriers to access education, nutrition and health services, contribute to food security and dietary diversity, prevent child labour as well as address the economic and social drivers of HIV risk among adolescents. In this sense, cash transfer programmes contribute to enhancing the future productivity and employability of today's children and adolescents, once they reach working age.

## **ECONOMIC POTENTIAL OF THE POOR**

In addition to social impacts, access to predictable and regular transfers enhances the economic and productive capacity of even the poorest and most vulnerable people, supporting the ownership of assets, investment in more productive activities, improved risk management capacities and empowerment of communities.

## **STIMULATING LOCAL GROWTH**

Benefits expand beyond direct programme beneficiaries, reaching the wide community and generating multiplier impacts in the local economy.

Overall, evidence on economic and productive impacts contributes to demonstrating the positive economic impact of cash transfers and addressing concerns regarding dependency and labour disincentives and thus showing that social protection is an investment, and not a hand-out.

## BACKGROUND

During the past ten years, a growing number of sub-Saharan African governments have launched cash transfer programmes as part of their social protection strategies. Many of these programmes originated from a concern about vulnerable populations, often in the context of HIV/AIDS, and chronic food insecurity. This influenced the setting of objectives and targeting with an emphasis on the ultra-poor, labour-constrained, and/or households caring for orphans and vulnerable children (OVC). The majority of these programmes are unconditional and have been designed with strong participation of communities, with an effort to improve food security, health, nutritional and educational status, particularly of children.

Livelihoods of most beneficiaries are predominantly based on subsistence agriculture and rural labour markets and most live in places where markets, including of financial services (such as credit and insurance), are limited or do not function well. For this reason, access to predictable and regular transfers can help beneficiary households manage risks from shocks and stresses, as well as relax liquidity and credit constraints and address other market failures. This, in turn, can increase productive spending and investment, improve access to markets and stimulate local economies.

## THE EVIDENCE:

### ENHANCING THE ECONOMIC POTENTIAL OF POOR RURAL HOUSEHOLDS

#### AGRICULTURAL ACTIVITIES

Cash transfers programmes had a variety of impacts on household livelihood strategies, especially on agricultural activities. In Zambia, the Child Grant Programme (CGP) led to a 36 percent increase in the area of worked land as well as an increase in the use of agricultural inputs, including seeds, fertilizers and hired labour. The increase in input use led to an approximately 36 percent increase in the value of overall production, which was primarily sold in markets rather than consumed on farm. Moreover, the cash transfer produced an income multiplier at the household level—the increase in per capita consumption induced by the programme was 25 percent greater than the transfer itself. Overall the grants led to a stronger engagement of beneficiary households in capital investments for agricultural production and new economic activities.

In Lesotho, the Child Grants Programme also increased crop input use and expenditures, including an eight percentage point boost in the share of households using pesticides (from a base of 12 percent). As in Zambia, the increase in input use led to an increase in maize production and, for labour constrained households, in sorghum production, as well as in the frequency of garden plot harvest. In Zimbabwe, the Harmonized Social Cash Transfer (HSCT) led to an increase in expenditure on fertilizers and in the share of households producing groundnuts,

while in Malawi the Social Cash Transfer Programme (SCTP) facilitated an increase in both maize and groundnut output. In both Kenya and Malawi, the cash transfer increased family food consumption obtained from home production.

In almost all programmes, cash transfers led to an increase in the ownership of livestock. This ranged from impacts on all types of animals, large and small, in Zambia and Malawi, to small animals in Kenya, Lesotho and Zimbabwe. Similarly, Ethiopia, Malawi, Zambia and Zimbabwe have experienced an increase in the purchase of agricultural tools.

#### IMPACTS ON LABOUR SUPPLY

Along with the increase in agricultural activities, the programmes also affected labour reallocation within and outside the household, without reducing total labour supply. Specifically, a reduction in casual agricultural labour – activity of last resort for many poor households – was common to most countries. The shifts from agricultural wage labour to on farm activities were consistently reported in all countries. In Zambia particularly, this was offset by an increase in on-farm labour, as well as by increases in non-farm businesses. Families in Malawi, Kenya and Zimbabwe have also increased their engagement in non-farm business as a result of the transfers received.

The evidence also shows that cash transfers reduce child participation on family farms of beneficiary households. Participation in family farming decreased overall in Kenya and Lesotho, for younger children in Ethiopia and for girls in Zimbabwe.

#### GENDER AND WOMEN ECONOMIC EMPOWERMENT

Cash transfers offer also a great potential for the economic and social empowerment of women. Access to cash can enable women's autonomy in some economic decisions, promote their social and financial inclusion, increase their ability to start small businesses and improve their labour status.

Impact evaluations of cash transfers indicate that these help promote women's economic advancement in agriculture. For instance, as a result of the Child Grants Programme in Lesotho, girls aged 13-17 are 24 percentage points more likely to be enrolled in school and 32 percentage points less likely to miss classes. Moreover, in Kenya and Malawi, transfers are helping women acquire productive assets and small livestock.

In Malawi cash transfers led to changes in female beneficiaries' sources of income, with less casual agricultural (*ganyu*) labour being done and much more engagements in income generating activities, such as selling food and vegetables at local markets and setting up small businesses.

#### IMPACTS ON RISK-COPING STRATEGIES

Evidence is also showing that cash transfers have improved families' capacities to better manage risk. Households diversified their income generating activities by increasing their engagement in non-farm businesses, in Zambia and Zimbabwe, or switching

types of non-farm business, in Malawi. The programmes, in Malawi, Ethiopia and Lesotho, reduced the number of families who opted for negative risk coping strategies such as distress sales of assets, begging or changing eating habits. Fieldwork also found that in almost all countries, households were less likely to take their children out of school.

Moreover, the cash transfer programmes allowed households to be seen as more financially trustworthy and especially in Ghana and Malawi transfers led to debt repayments and reduction in loans. In addition, cash transfers in general reinforced existing social networks and community engagement increasing the participation of the poorest households in these critical community social networks.

### GENERATING MULTIPLIER IMPACTS IN THE LOCAL ECONOMY

The evidence generated across these seven case studies showed that in addition to generating economic and productive impacts for beneficiary households, the transfer also affected production in non-beneficiary households through market spillovers. In other words, when beneficiaries receive cash and spend it, the transfer's impacts are then transmitted from the beneficiary household – who demand goods and services – to others inside and outside the local economy, often to households not eligible for the cash transfer, who tend to own most of the local businesses.

These income multipliers are measured via an innovative village economy model, called the LEWIE (local economy-wide impact evaluation) model. LEWIE models constructed for the cash transfer programmes in Kenya, Lesotho, Ghana, Malawi, Zambia, Zimbabwe and Ethiopia generated nominal income multipliers ranging from 2.52 in Hintalo-Wajirat in Ethiopia to 1.34 in Nyanza, Kenya. That is, for every *Birr* transferred by the programme in Hintalo-Wajirat, up to 2.52 *Birr* in income can be generated for the local economy. However, when credit, capital and other market constraints limit the local supply response, the increase in demand brought about by the cash transfer programme may lead to increased prices, and consequently a lower income multiplier.

*The spillover impacts further reinforce the case for social protection expansion: social protection is not only allowing poor and vulnerable families to improve their wellbeing and livelihood development, but more so, to contribute to stimulate and strengthen local economic growth via trade and productive linkages.*

### IMPLEMENTATION MATTERS

A key lesson learned across all seven countries is that social and economic impacts depend on effective design and implementation. A number of factors help to explain the differences in results across countries: regularity, predictability, transfer size, demographic profile.

- **REGULAR AND PREDICTABLE** transfers facilitate planning, consumption smoothing and investment. Households that receive irregular and unpredictable transfers, such as was the case in Ghana, are likely to spend the money differently. As a result, families in Ghana were not able to plan their investment and this led to fewer impacts directly on productive activities and livestock ownership.
- The **AMOUNT OF THE TRANSFER** matters. Transfer values should be large enough to make a difference to families' incomes. The size of the transfer as a share of *per capita* consumption of beneficiary households ranged from 7 percent in Ghana to almost 30 percent in Zambia, which directly affected the programmes' outcomes. In Zambia, the CGP achieved far greater results on productive activities than the LEAP in Ghana especially because of the bigger size of the grants.
- The **DEMOGRAPHIC PROFILE** of beneficiary households – and particularly the availability of labour capacities – also matters. Most of the cash transfer programmes included in this brief, by design, have a large proportion of labour constrained households, which affects the nature of economic activities a household can employ. The CGP in Zambia was the exception, with a target population of young families, with available labour. Finally, differential access to productive assets besides labour, the nature of local markets, the effectiveness of local committees in implementing a given programme, and the nature of messaging associated with the transfers, all play a role in determining the impacts of the programme. Differences in the size of the multiplier among countries, and among areas within countries, are driven by the openness and structure of the local economy, where money is spent in the local economy and the intensity of the supply of goods produced within the local economy.





## LESSONS LEARNED AND POLICY IMPLICATIONS:

### BUILDING THE ECONOMIC CASE FOR THE EXPANSION OF SOCIAL PROTECTION

Evidence coming from country-level impact evaluations has contributed to increase the understanding among policy makers of social protection as an effective measure to combat hunger, reduce poverty and foster rural development. The evidence shows that cash transfer programmes can generate a broad range of impacts, including on the productive and economic activities of both beneficiary and non-beneficiary households in the communities where they are implemented. This provides a comprehensive perspective (social and economic impacts) and enhances the case to scale-up these programmes as a strategy to contribute to poverty reduction, as well as inclusive growth.

The evidence has also helped to address some of the policy concerns and misconceptions regarding cash transfer and dependency. In other words, results show that contrary to creating disincentives to labour or willingness to generate productive activities, regular transfers provided poor households with the opportunity to enhance their livelihoods and increase their ability to contribute to their local development- investing in productive activities and, re-entering social networks. Cash transfer were not only able to protect families from falling deeper into poverty, acting as a short-term safety net, but also as a means of promoting farm and household-level production gains.

Cash transfers and other social protection measures have proven successful in reducing hunger and poverty, in meeting basic consumption needs and in reducing some of the market failures faced by the small family farmers benefiting from the programmes. But cash transfers alone cannot address all of these constraints and move sustainably people out of poverty. For example, bringing social protection and agricultural interventions together can promote growth in smallholder productivity by addressing structural constraints that limit poor households' access to land and water resources, inputs, financial services, advisory services and markets. Cash transfers can be linked to livelihood interventions and thus potentially serve as an important complement to a broader rural development agenda, including a pro-poor growth strategy focusing on agricultural transformation.

Building the economic case for social protection is a concrete contribution to country-level policy discussions and actions around expanding coverage of social protection, developing social protection systems (Sustainable Development Goal Target 1.3), and allocating domestic investment for expansion in countries.

In countries such as Ghana, Kenya, Lesotho and Zambia many factors provided a strong case for national policy makers to promote scale-up: the combination of solid and rigorous evidence; broad range of social and economic impacts; a methodology that prioritized generating evidence as part of national policy processes; political champions at country level; support and coordination by development partners such as UNICEF and FAO; and the development of a learning agenda with diverse products released at critical policy moments.

## THE PROGRAMMES

COUNTRY	CASH TRANSFER PROGRAMME	BASELINE	FOLLOW-UP	NUMBER OF HOUSEHOLDS COVERAGE	INCIDENCE ON POVERTY LINE
<b>ETHIOPIA</b>	Tigray Minimum Social Protection Package*	2012	2014	3 700 households	n.a.
<b>GHANA</b>	Livelihood Empowerment Against Poverty (LEAP)	2010	2012	147 000 households (45 000 additional households to be enrolled in Sept 2016)	33%
<b>KENYA</b>	Cash Transfers for Orphans and Vulnerable Children (CT-OVC)	2007	2009, 2011	363 000 households	41%
<b>LESOTHO</b>	Child Grants Programme (CGP)	2011	2013	30 000 households	32%
<b>MALAWI</b>	Social Cash Transfer (SCT)—Expansion	2013	2014	170 000 households	7%
<b>ZAMBIA</b>	Social Cash Transfer (SCT) programme	2010	2012, 2013, 2014	242 000 households	23.2%
<b>ZIMBABWE</b>	Harmonized Social Cash Transfer (HSCT)	2013	2014, 2015	55 509 households	17.5%

\* Specific pilot in Tigray region. The flagship social protection programme in Ethiopia, the Productive Safety Net Programme (PSNP) cover almost 8 million beneficiaries.

## References

All country reports and briefs focusing on the economic and productive impacts can be found on FAO From Protection to Production (PtoP) project website: <http://www.fao.org/economic/ptop/publications>

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