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Complementing agricultural interventions with cash transfers: cases of Lesotho, Malawi and Zambia

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A basic question

**How can agriculture and social
protection complement each other in
supporting development of small family
farmers in Zambia?**



Supporting transformation through agricultural and social protection interventions

- Agriculture has a fundamental role to play in reducing poverty in Zambia since a large part of the poor are small family farmers that depend on agriculture
- Social protection also has a fundamental role to play in addressing risks and relieving liquidity constraints.
- However, the current policy debate makes limited but growing attempts to integrate agricultural and social protection policies.



Supporting transformation through agriculture and social protection policies

- Transformation involves shifts in emphasis in people's livelihoods, from hanging in at survival level (through low risk /low return subsistence activities) to stepping up (in higher risk / higher return commercial agricultural activities) to stepping out (from agriculture to higher return non-farm and often urban activities).
- Smallholder agricultural development and social protection policies can support this progression in livelihoods.



Agricultural interventions are needed – Why?

- Agricultural interventions necessary to address **structural constraints** that limit access to:
 - Natural resources
 - Inputs
 - Insurance
 - Credit
 - Information
 - Markets
 - Technologies
 - Producer organizations



But agricultural interventions are not sufficient for increasing productivity of small family farmers.....Why?

- Face risks and shocks (weather, health) and difficulties in accessing markets (credit, insurance, labour etc.)
- As a result they are risk averse and choose low risk-low return production activities
- Because of incomplete (credit, risk and labour) markets, production and consumption decisions are interdependent
 - Dedicate time to domestic chores & care giving or to working on the farm?
 - Send children to school or to work?
 - Produce cash crops, diverse foods or staple food?



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Social protection has productive impacts among small family farmers

- Long-term effects on improved human capital and thereby labour productivity and employability
- Increases on- and off-farm investment and production – beneficiaries invest more than the transfer size
- Helps households manage and take risks
- Influences labour choices, but does not reduce work effort



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Planting the seed of coherence between agriculture and social protection: examples in the region

Lesotho's “Linking Food Security to Social Protection (LFSSP)” programme



Linking Food Security to Social Protection (LFSSP) programme

- What: provide vegetable seeds and training on homestead gardening
- CGP is an **unconditional social cash** transfer targeted to poor and vulnerable households. Transfer value originally set at **360 LSL (\$36)** quarterly. From 2013 indexed to number of children (360-750LSL).
- To whom: 799 households eligible for the CGP
- Why: to improve the food security of poor and vulnerable households
- Rationale: two programmes, in combination, would result in stronger impacts as compared to each programme in isolation.



Impacts on homestead gardening harvests

- CGP alone encouraged the harvest of some vegetables. With few exceptions these overall increases appear to be driven by **labor unconstrained** households.
- In contrast, after implementation of the LFSSP, the **labor constrained** families achieved gains in homestead harvests. They were able to increase efforts in vegetable cultivation only after LSFPP assistance



From protection to production

- LFSSP had mainly protective objectives (hardly transformative or promotive). Aimed primarily at supporting hanging-in livelihoods by improving FSN and resilience. Imminent national upscale.
- Sustainable Poverty Reduction through Income, Nutrition and access to Government Services (**SPRINGS**)
- A **joint SP and livelihoods** program with a **high transformative potential** that addresses the factors that perpetuate poverty and vulnerabilities through
 - Community based savings and internal lending groups, with financial education;
 - Seeds packages and training materials for home gardens;
 - Participation in Wellbeing Days, coupled with access to health, nutrition, education, and protection services on a quarterly basis.



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Planting the seed of coherence between agriculture and social protection: examples in the region

Malawi's "Food Input Subsidy (FISP)" and "Social Cash Transfer (SCT)" programmes



The case of Malawi

- A Social Cash Transfers (SCT) programme and a Farm Input Subsidy Programme (FISP) have been implemented simultaneously;
- FISP acts directly on production decisions;
- SCT is a welfare intervention that acts directly on the consumption capability of their recipients.



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FISP

- Initiated in 2005-2006;
- Targeted approximately 50% of farmers to receive fertilizers for maize production;
- Programme, in theory, targets small family farmers who are resource-poor but own a piece of land;



SCT

- The Social Cash Transfer Programme (SCT) is an unconditional cash transfer
- Targeted to ultra-poor and labour-constrained households.
- The size of the transfer to each household depends on the number of household members and their characteristics



Impact on total consumption

- FISP and SCT are **complementary** instruments in increasing total expenditure, meaning that those that receive both programs increase consumption expenditure more than those who receive either.
- The combined application of FISP and SCT creates **synergic effects**: the size of the impact on those benefiting from both the FISP and the SCT is larger than the sum of the impacts of getting either of the two programs in isolation
- Most of the change in expenditure (85%) is due to the effect of the SCT and the remaining 15% is due to the FISP.



Impact on value of production

- SCT and FISP are **complementary** instruments in increasing production
- **Synergic effects** for those benefiting from both the SCT and the FISP as the impacts are larger than the sum of the impacts of getting either of the two programs in isolation
- Three quarters of the change in the value of production is due to the effect of the FISP, and the SCT accounts for the remaining 25% of the increase.



Summary of Results

- FISP and SCT play complementary roles
- Overlaps are not necessarily duplications. They can create **complementarities** and **synergic effects**, especially for farm production. For small family farmers, SCT increases the **transformative impact** of FISP.



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Planting the seed of coherence between agriculture and social protection: examples in the region

Zambia's "Child Grant" programme



The Zambia Child Grant (CG) model of the SCT in a nutshell

- **Objective:** alleviating poverty among the poorest and block its intergenerational transmission
- **Targeting mechanism:**
 - *Categorical:* reaching any household with a child under 5
- Payments **unconditional** and **flat**, ie regardless of household size (55,000 Zambian kwacha, increased to 60,000 in 2013)
- Baseline conducted in 2010, follow-up in 2012



Evidence from impact evaluation

- Child Grant model had positive impacts on agriculture (AIR, 2013;2014; Daidone et al., 2014)
- Impacts large and significant, especially for livestock accumulation and investment in crop inputs
- Labour supply switched from off-farm casual labour to on-farm agriculture and off-farm non agricultural businesses. Clear example of how SP can help agricultural transformation by spurring employment and business opportunities



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How did the Child Grant contribute to market participation?



Commercialization by small family farmers

- Little or no connection to output and input markets.
- High costs to move out of self sufficiency.
- What is holding them back from participating in market exchange?



Barriers to trade

- Food self-sufficiency as insurance mechanism
- Food security concerns
- Lack of liquidity to invest in storage facilities
- Transaction costs

Transaction costs

- The observable and unobservable costs associated with arranging and carrying out a market transaction
- Tend to be household specific, stemming from differential access to assets, market information and infrastructure



MARKET





Role of cash transfers

- The extra income offered by CTs may be used by farmers to cover transaction costs and overcome entry barriers to goods markets.
 - Covering transportation costs
 - Allowing farmers to purchase communication tools and services. These entail better and timely access to market information
 - Enhancing the social status of the beneficiary in the community fostering access to local social networks in which ideas and information are exchanged
 - Buying membership in formal marketing and farming organizations



Summary of Results

- **Output markets:** increase in the share participating as a seller by 12.7 percentage points (pp) and in the amount sold by 202,000 ZMK.
- **Input markets:** increase in the share participating as buyers only by 8.3 pp. Increase in quantity purchased not statistically significant.



Take-away message: articulating agriculture and social protection

- Need agricultural interventions that reach and benefit small family farmers
- Social protection interventions can enhance the transformative potential of agricultural interventions
- National Social Protection Policy and National Agricultural Policy offer opportunities for bringing together agriculture and social protection



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THANK YOU!