

# **From Protection to Production:** The Role of Cash Transfers in Fostering Broad-Based Rural Development

A joint FAO-ESA and UNICEF-ESARO research project

Presentation for the regional workshop on SCTs–  
September 2010, Maseru



# Cash transfers: which impacts?

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- ▶ Well documented impacts on **consumption, poverty, use of basic services**. Little impacts on adult LFP, some impact on child labor in developing countries.
- ▶ For large programs, impacts on **poverty and inequality** at national-level
- ▶ Short-term impacts: poverty alleviation (income/transfer effect)  
Long-term impacts: **human capital of children (?)** (more schooling in Ethiopia, Lesotho, Mozambique and Zambia)
- ▶ What about medium-term impacts on households?  
Disincentives to work, investments, insurance.
- ▶ What about meso-impacts at the community and regional levels? Price rises, networks, retail?



# Why do we expect economic impacts?

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- ▶ **Environments of absent / poorly functioning markets:**
  - ▶ credit / savings
  - ▶ insurance
  - ▶ goods and inputs
- ▶ **Links b/w consumption and production decisions at the hh-level**
  - ▶ consumption, market purchases and home time
  - ▶ participation in social networks
- ▶ **Injection of cash in small (sometimes not very open) economies**
  - ▶ benefits sometimes higher in total than central-local gvt benefits
  - ▶ potential for traders and producers



# Policy relevance – For programs (1)

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Address concerns about:

- ▶ **Welfare dependency**: can CTs enable hhs to strengthen their income-generating activities (instead of just mere hand-outs)? Part of “graduation” strategies?
- ▶ **Disincentives to work**: show which groups would reduce/increase their labor supply and why?
- ▶ Understand **heterogeneity of impacts**
- ▶ **Micro-foundations of paternalism**: “the poor may misuse their money”, understand behavior and priority-setting



# Policy relevance – For programs (2)

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Show second-round effects:

- ▶ **Community impacts:** document if non-beneficiaries can benefit and through which channels, understand how local markets function
- ▶ The “**graduation**/productive insertion” agenda: understand which complementary interventions would strengthen impacts / address constraints: micro-credit/insurance & savings, ag. extension, professional training, access to IDs/docs
- ▶ Build on the potential of the poor to **use their main asset:** labor.

**Especially relevant when resources are scarce,  
administrative capacity limited**

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# New evidence on impacts at the hh-level

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## ▶ Channel 1: Labor allocation

- ▶ Decrease in child labor (KE)
- ▶ Small effects on adult labor:
  - ▶ Transfer is not big enough to create disincentives
  - ▶ Decrease child labor means payments for school
  - ▶ Transitory income seen as a windfall
- ▶ Some decrease for some type of individuals : unpaid workers or workers in informal sector (Malawi)

## ▶ Channel 2: Investments

- ▶ MX: after 8 months in program, investments into farm animals, land and micro-entreprises
- ▶ NI: no impacts. Pent-up D? lack of economic opportunities?

## ▶ Channel 3: Risk-coping: avoiding detrimental strategies

- ▶ Beneficiaries better able to keep children in school and maintain access to health services, less likely to beg (Malawi)
- ▶ ET: PSNP helped protect against high food prices but not enough where rains failed too.



# New evidence on meso-impacts

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- ▶ **Channel 4: Transfers between beneficiaries and non-beneficiaries**
  - ▶ MW: 5% of transfers to relatives outside the home
- ▶ **Channel 5: Changes in goods and labor markets**
  - ▶ ET: unpredictable lump-sum transfers and slow response from traders or oligopoly power caused price rises
  - ▶ ET : anecdotal evidence on tightened day-wage labor
- ▶ **Channel 6: Multiplier effects**
  - ▶ MW: Dowa cash emergency transfer during lean season multiplier of 2.02 to 2.79 through increased sales of small and large traders and purchases of health and education services



# Proposed research activities

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- A. Understand methodological issues
- B. Add to the evidence on economic impacts
- C. Develop instruments to improve data quality, support new data collection
- D. Support program managers and policy-makers for design and implementation



# Proposed research activities (1)

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## A. Understanding methodological issues

- Critical review of hh models
- Critical review of community impacts
  - Comparison of impacts b/w SCTs and fertilizer subsidies

## B. Adding to the evidence on economic impacts

- Analyze existing data from on-going impact evaluations
  - Malawi Mchinji SCT,
  - Kenya OVC cash transfer
  - Mozambique Food Subsidy program
- Collect new data, in up-coming evaluations?



# Proposed research activities (3)

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- C. Developing instruments to improve data quality, supporting new data collection
  - Short and long versions of income / asset modules
  - Module on networks/transfers
  - Integrate qualitative/quantitative methods
  
- D. Supporting program managers and policy-makers for design and implementation
  - Make the research feed back into program operations



# Some preliminary findings – Kenya (1)

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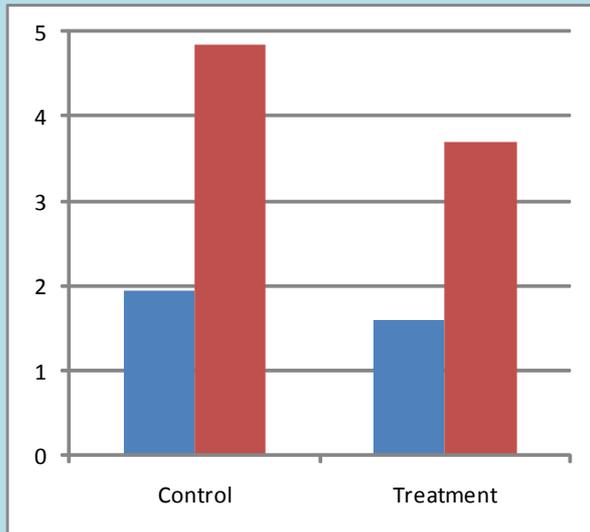
Previous analysis OPM

- ▶ Some decrease in child labor (less participation and less hours worked) among beneficiaries
- ▶ Beneficiary households are more likely to receive credit from teachers and shopkeepers and some report starting new businesses.
- ▶ Perception of multiplier effects for local businesses in intervention areas, even if some interviewees reported inflated transport and market prices on payday

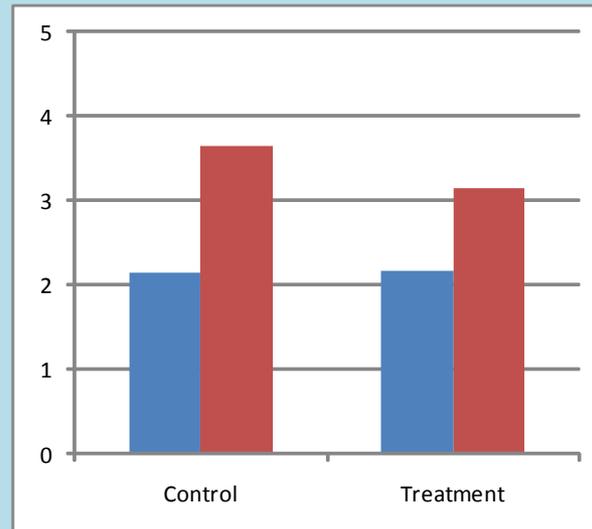


# Preliminary findings in Kenya (2)

Number of animals owned by control and treatment households



Baseline in 2007



First round in 2009

- ▶ Beneficiaries catch-up on goats and less likely to lose poultry
- ▶ More likely to own bicycles and fridges and may have been able to acquire land.

▶ Little information was available



# Some preliminary findings-Malawi (1)

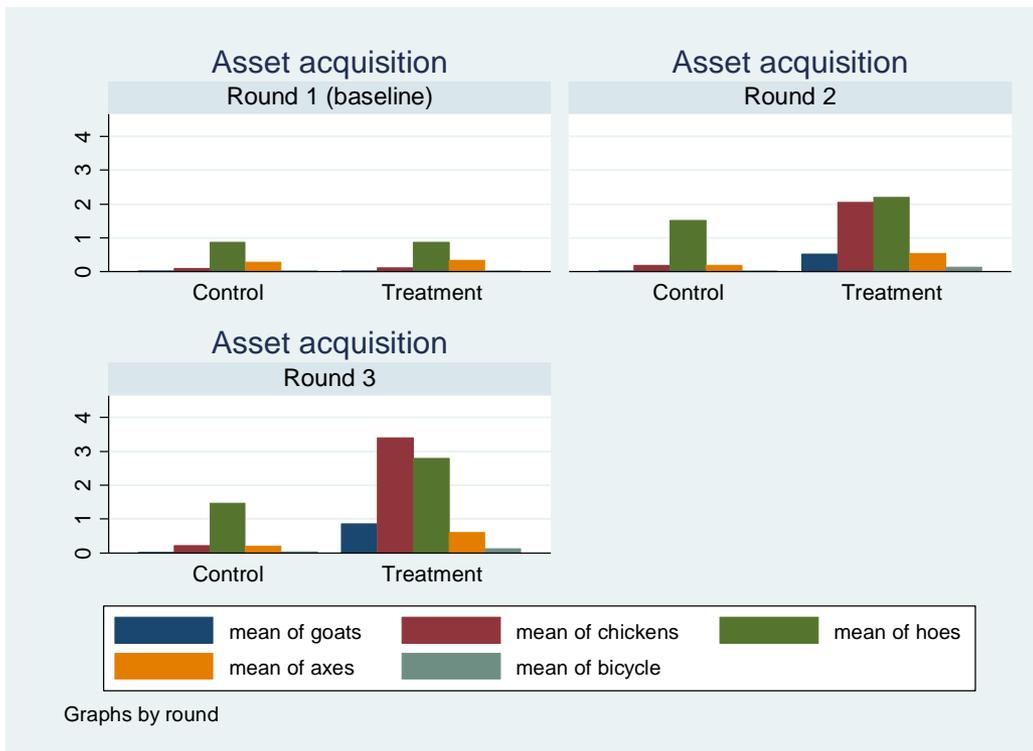
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Previous analysis Boston University

- ▶ In one village group: Beneficiaries spend on average 5 percent of their transfers on non-SCT family members who do not live in the household (gifts, loans and hiring of labor).
- ▶ Beneficiaries seem less likely to resort to begging and theft.
- ▶ Survey of a sample of the different traders to assess the impact of the cash transfer on their operations.
  - ▶ Steadier sales even during the rainy/hungry season and growth in profits.
  - ▶ Payment days have become market days and business stock in expectation of heightened sales during those days.
  - ▶ More willing to lend to SCT beneficiaries, on the grounds that the transfers provide regular income. However, program implementation issues may jeopardize this strategy (when payments get delayed)

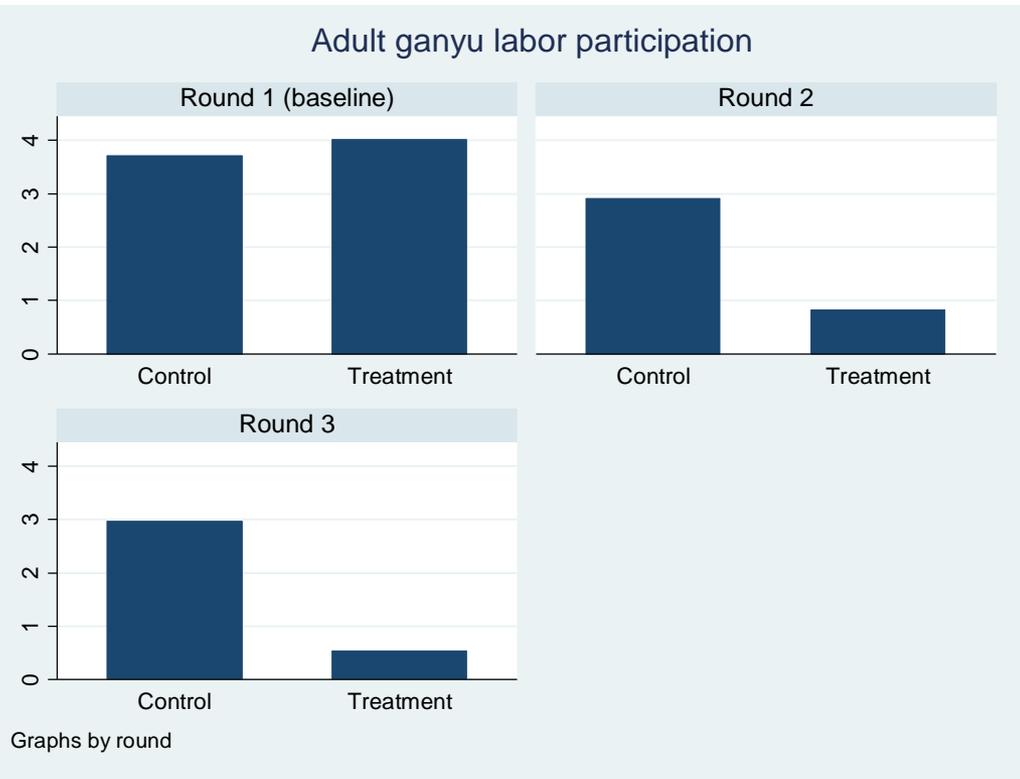


# Preliminary findings in Malawi (2)



- ▶ Beneficiaries more likely to acquire hoes, axes (and bicycles)
- ▶ Beneficiaries more likely to acquire chickens and goats

# Preliminary findings in Malawi (3)



- ▶ Beneficiaries decrease ganyu labor
- ▶ Beneficiaries more likely to hire in (especially labor constrained)
- ▶ At the same time, options for labor outside home have fallen in the district (both for control and treatment hh)

▶ What else are they doing?



# We would appreciate your guidance on:

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- ▶ **Scope and relevance**
  - ▶ Are these issues relevant for your programs?
  - ▶ Gender issues?
- ▶ Existing data from other programs
- ▶ On-going work/analysis in your countries that we would benefit from/complement

**Thank you!**

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