

Economic and productive impacts of social protection in Africa

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Why do livelihoods matter for social protection?

- Most beneficiaries in Sub Saharan Africa are rural, engaged in agriculture and **work for themselves**
 - Zimbabwe: 88% produce crops; 75% have livestock
 - Kenya: 80% produce crops; 75% have livestock
 - Lesotho: 80% produce crops; 60% have livestock
- Most grow local staples, using traditional technology and low levels of modern inputs
 - Most production consumed on farm
- Most have low levels of productive assets
 - 1-2 hectares of agricultural land, a few animals, basic agricultural tools, few years of education
- Engaged on farm, non farm business, casual wage labour (ganyu/maricho)
- Large share of children work on the family farm

Reaching social goals requires sustainable livelihoods

- Work in context of multiple market failures in credit, insurance, etc
 - Constrain economic decisions in investment, production, labor allocation, risk taking
 - Short time horizon—imperative of meeting immediate needs
 - Lack of liquidity, difficult to manage risk
 - Decisions about production and consumption linked
- “non separability” of production and consumption means that **social objectives are conditioned by livelihoods**
 - Labor needs (adults and children), including domestic chores
 - Investment in schooling and health
 - Food consumption, dietary diversity and nutrition
 - Intra household decision making
 - Dynamic between men and women, old and young
- Ultimately, **reaching social goals requires sustainable livelihoods**

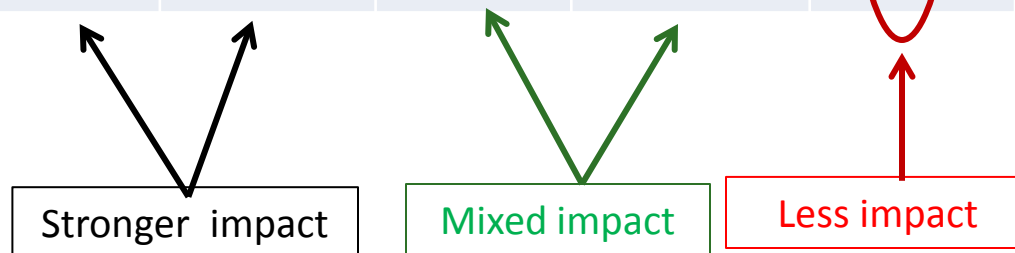
Social cash transfers targeted to poorest of the poor can have productive impacts

- Long term effects of improved human capital
 - Nutritional and health status; educational attainment
 - Labor productivity and employability
- 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
- Transfers can reduce burden on social networks and informal insurance mechanisms
- Infusion of cash can lead to multiplier effects in local village economy

Households invest in livelihood activities— though impact varies by country

	Zambia	Malawi	Kenya	Lesotho	Ghana
Agricultural inputs	+++		---	++	+++
Agricultural tools	+++	+++	NS	NS	NS
Agricultural production	+++		NS	++(1)	NS
Home production of food	NS	+++	+++		NS
Livestock ownership	All types	All types	Small	++(2)	NS
Non farm enterprise (NFE)	+++	NS	+FHH	NS	NS

- 1) Maize and garden plot vegetables
- 2) Pigs



Shift from casual wage labor to on farm and family productive activities

adults	Zambia	Kenya	Malawi	Lesotho	Ghana
Agricultural/casual wage labor	---	---	---	--	NS
Family farm	+++	+++	+++	NS	+++
Non farm business (NFE)	+++	+++		NS	NS
Non agricultural wage labor	+++	NS	NS	NS	NS
children					
Wage labor	NS	NS	---	NS	NS
Family farm	NS	--- (1)	+++	NS	NS

No clear picture on child labor (but positive impacts on schooling)

1) Particularly older boys

Shift from casual wage labour to family business—consistently reported in qualitative fieldwork

Improved ability to manage risk

	Zambia	Kenya	Malawi	Ghana	Lesotho
Negative risk coping			---		---
Pay off debt	+++			+++	NS
Borrowing	---	NS		---	NS
Purchase on credit	NS			NS	NS
Savings	+++	+++		+++	
Give informal transfers			NS	+++	+++
Receive informal transfers			---	NS	+++

- Reduction in negative risk coping strategies
- Increase in savings, paying off debt and credit worthiness

Strengthened social networks

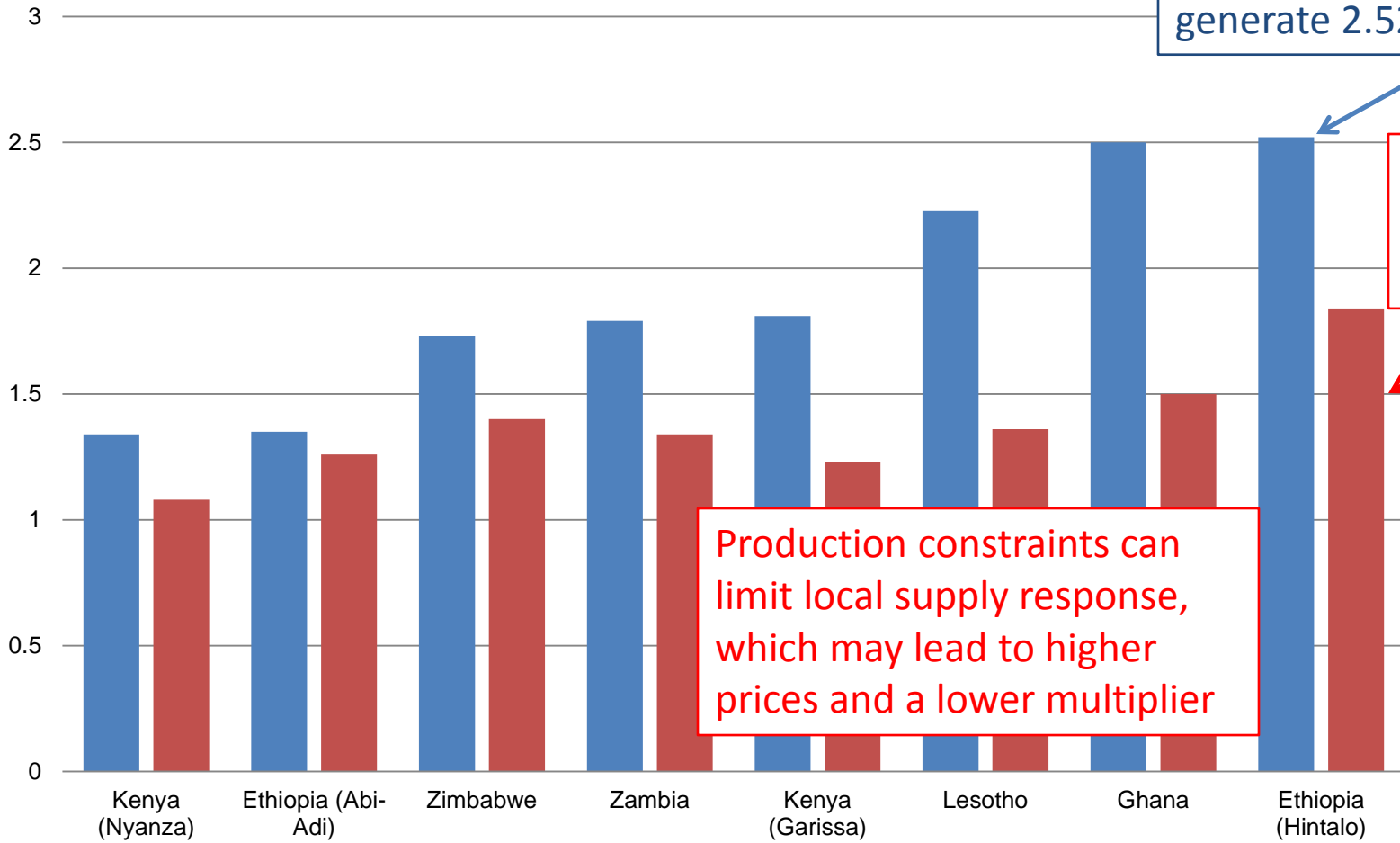
- In all countries, re-engagement with social networks of reciprocity— informal safety net
- Allow households to participate, to “mingle” again

Cash transfers lead to income multipliers across the region

Every 1 Birr transferred can generate 2.52 Birr of income

If constraints are binding, may be as low as 1.84

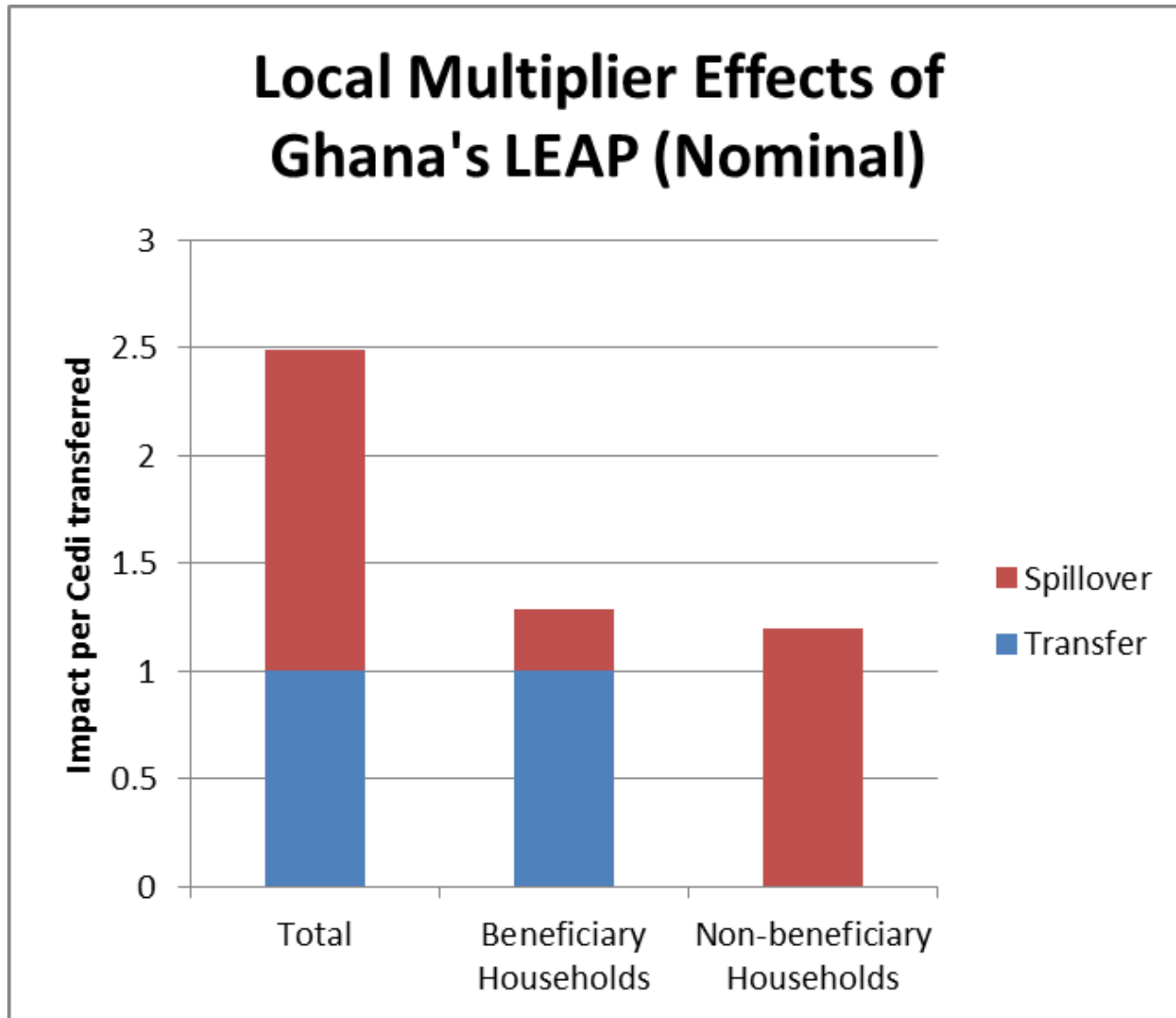
Production constraints can limit local supply response, which may lead to higher prices and a lower multiplier



■ Nominal multiplier ■ Real multiplier



Nearly all the spillover goes to non-beneficiary households



What explains differences in impact?

	Crop	Livestock	NFE	Productive labor	Social Network
Zambia	yes	yes	yes	yes	
Malawi	yes	yes	no	yes	small
Kenya	no	small	yes	yes	
Lesotho	yes	small	no	no	yes
Ghana	no	no	no	small	yes

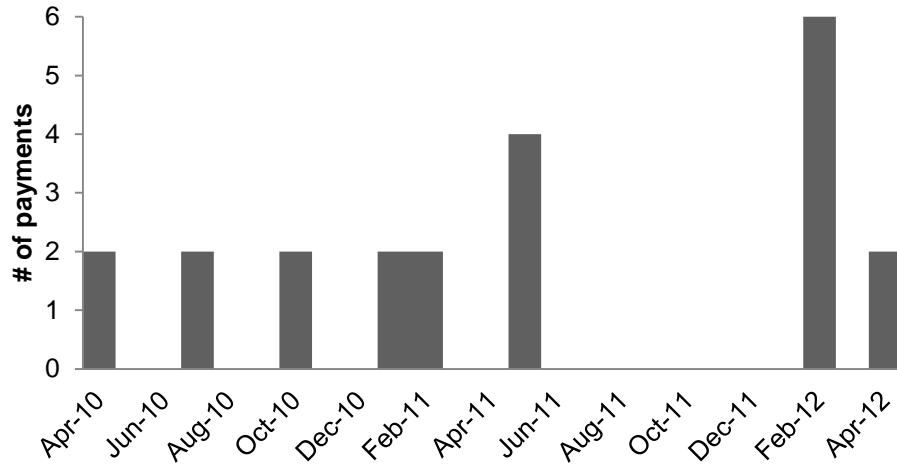


Predictability of payment

Lumpy and irregular



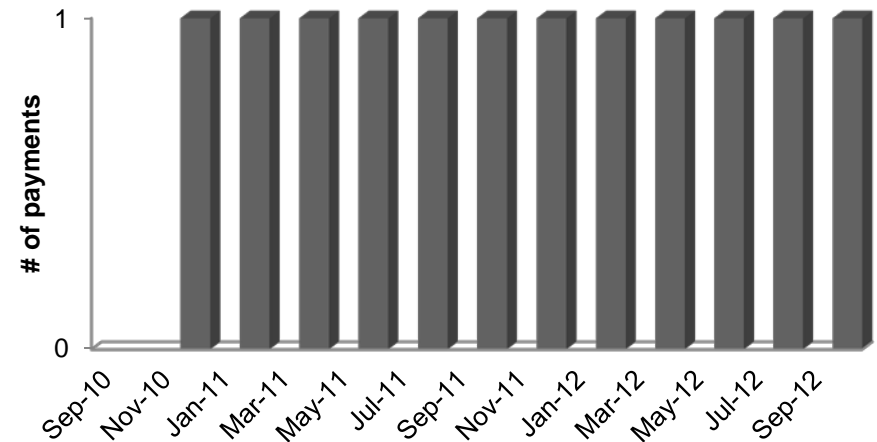
Ghana LEAP



Regular and predictable

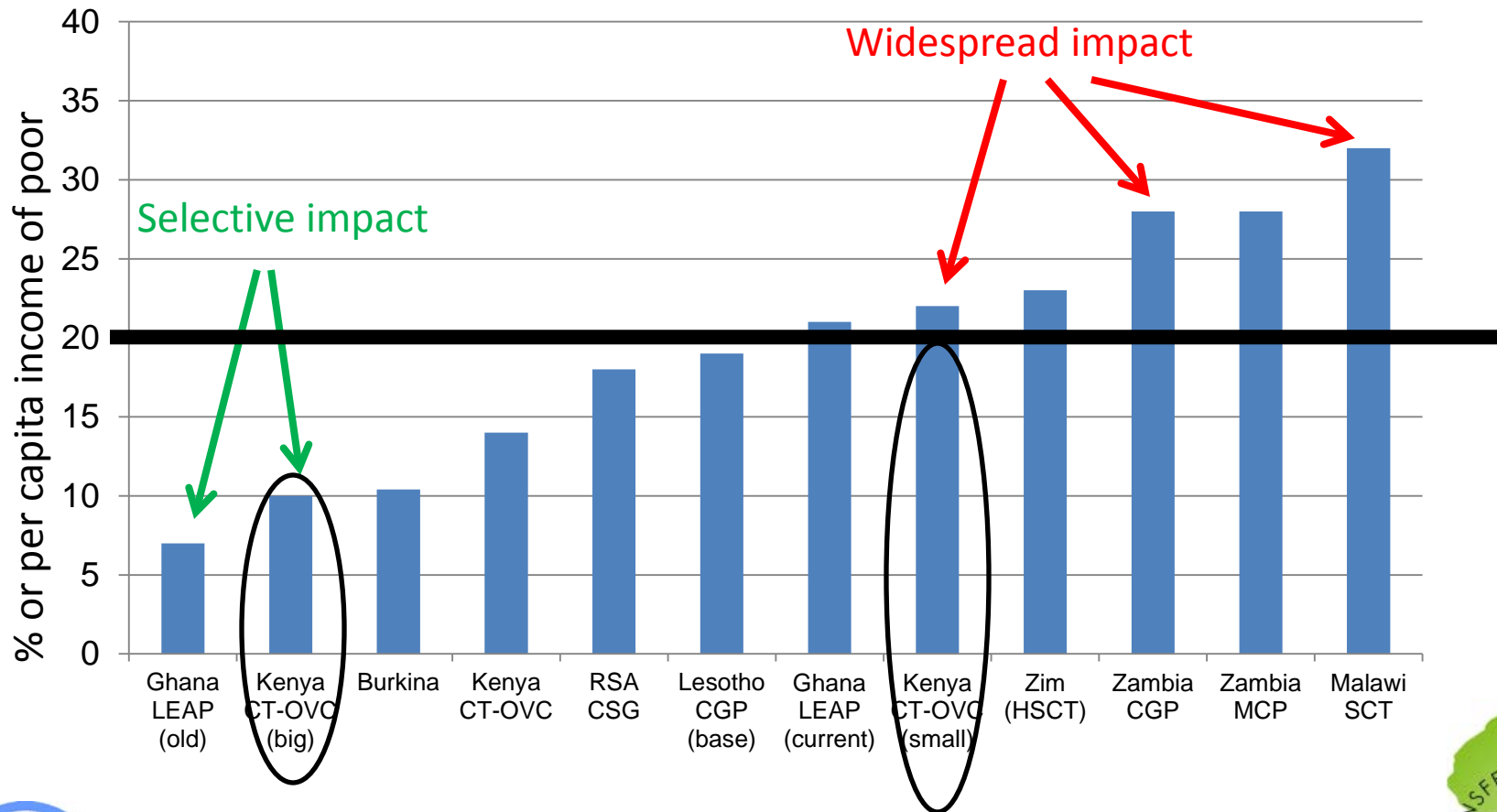


Zambia CGP



Regular and predictable transfers facilitate planning, consumption smoothing and investment

Bigger transfer means more impact



Demographic profile of beneficiaries

More labour-constrained

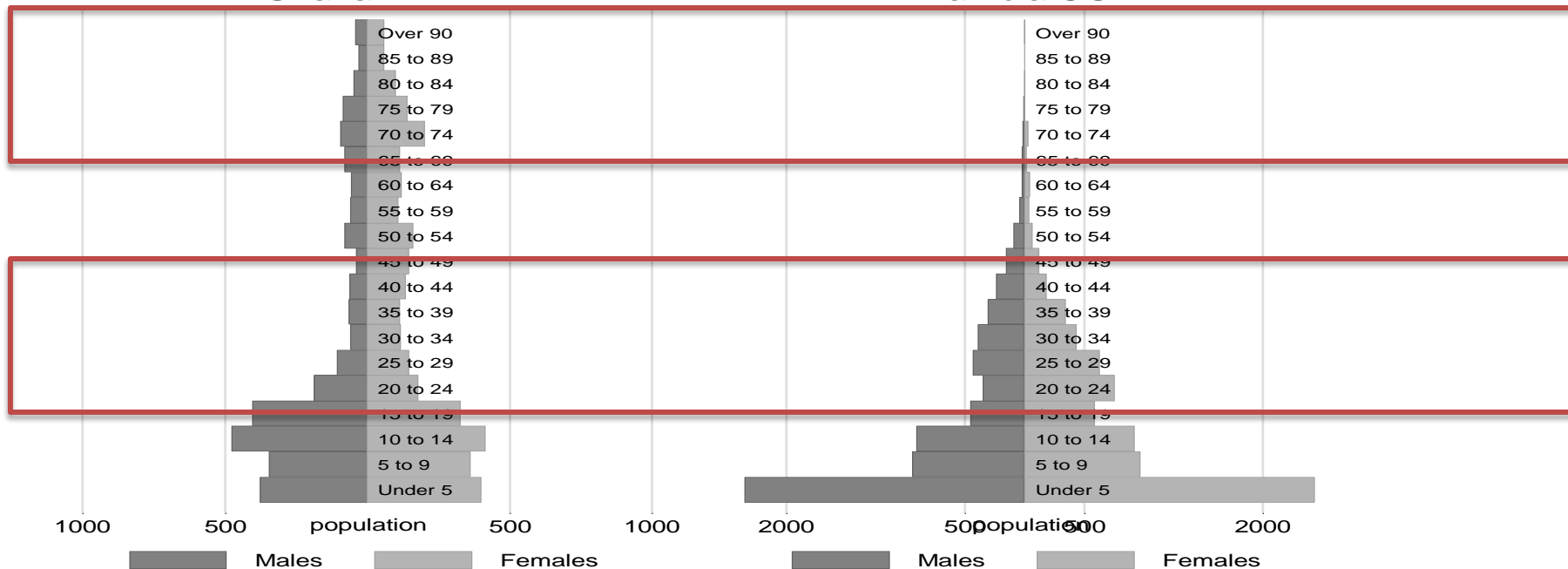


More able-bodied



Ghana LEAP

Zambia CGP



Economic context matters

- Vibrant and dynamic local economy?
- Opportunities awaiting if only a bit more liquidity?

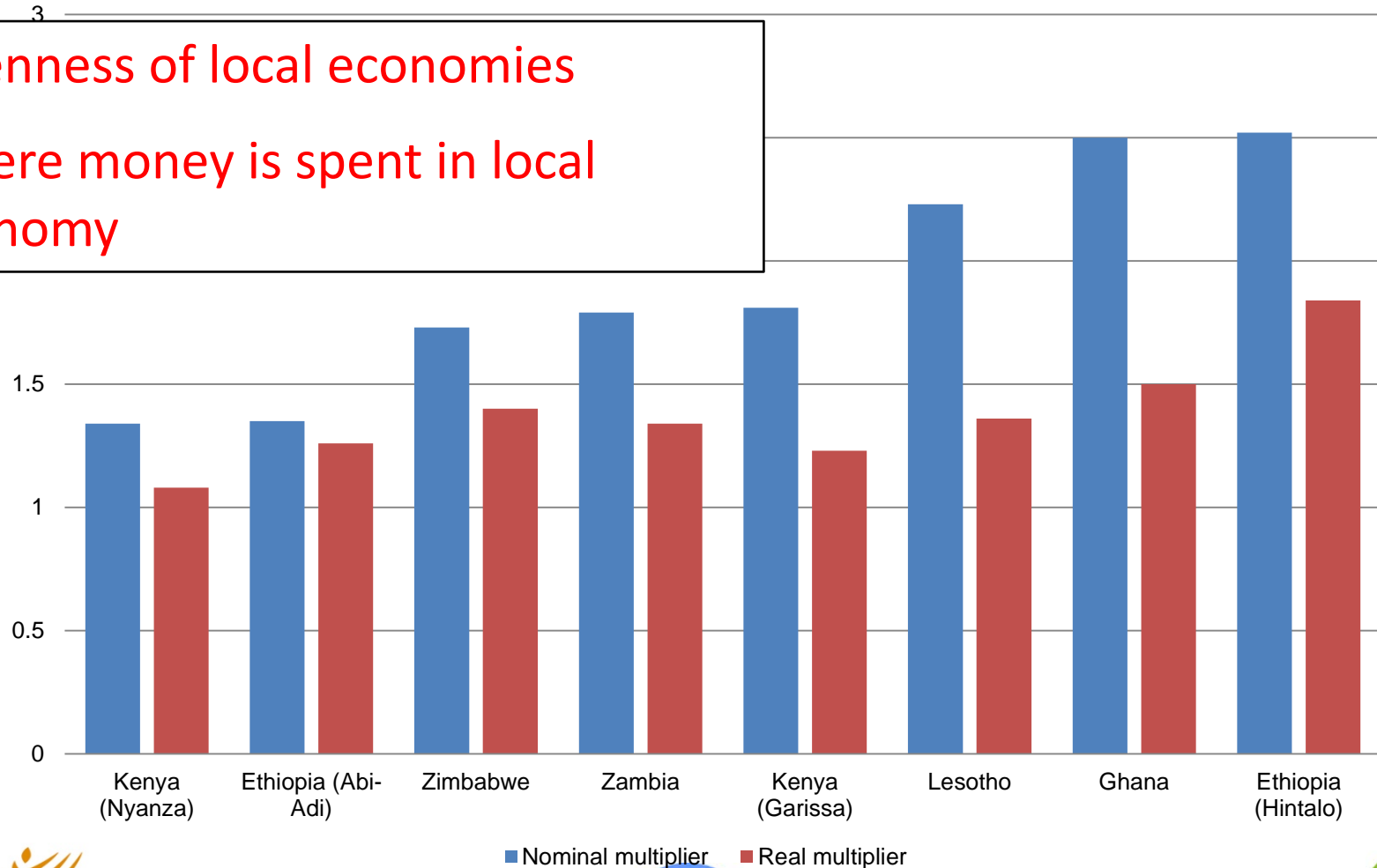
Programme messaging matters

- Messaging in unconditional programmes affects how households spend the transfer
- Lesotho: CGP transfer combined with Food Emergency Grant
 - Instructed to spend on children (shoes and uniforms)
 - Instructed to spend on agricultural inputs
 - **And they did!!**

Size of income multiplier varies by country and context

Openness of local economies

Where money is spent in local economy



Beneficiaries are hard working and are responsible for their own income generation and food security

How can cash transfers be better linked to livelihoods?

1. Ensure regular and predictable payments
2. Link cash transfers to livelihood interventions
3. Consider messaging—it's ok to spend on economic activities
4. Consider expanding targeting to include households with higher potential to sustainably achieve self-reliance
 - including able-bodied labour

But keeping in mind potential conflicts and synergies with social objectives

Agriculture, livelihood interventions play important part in social protection systems

- Reaching social objectives and reducing vulnerability require sustainable livelihoods
- 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

Our websites

From Protection to Production Project

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

The Transfer Project

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

