

Cash transfers and productive impacts: Evidence, gaps and potential

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Food and Agriculture Organization
of the United Nations



Why do livelihoods matter for social protection?

Example of social cash transfers in SSA

- Most beneficiaries in Sub Saharan Africa are rural, engaged in agriculture and **work for themselves**
 - >80% produce crops; >50% have livestock
- Most grow local staples, traditional technology and low levels of modern inputs
 - Most production consumed on farm
- Most have low levels of productive assets
 - few hectares of land, few animals, basic tools, few years of education
- Engaged on farm, non farm business, casual wage labour (ganyu)
- Often labour-constrained
 - Elderly, single headed household
- Large share of children work on the family farm
 - 50% in Zambia, 30% in Lesotho, 42% in Kenya

Reaching social goals requires sustainable livelihoods

- Beneficiaries 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
 - Household decisions about production and consumption linked
- “non separability” of production and consumption means that **social objectives are conditioned by livelihoods—and vice versa**
 - 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

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

- 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

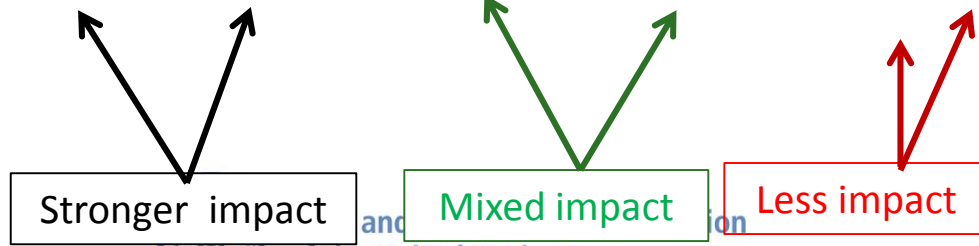
From Protection to Production

- Provide insight into how cash transfers can contribute to sustainable poverty reduction and economic growth at household and community levels.
- Key component of the **Transfer Project**
- Implemented by FAO and UNICEF in conjunction with partner governments
- Added value to impact evaluations of government-run social cash transfer programs in seven countries
 - Malawi, Ghana, Ethiopia, Lesotho, Zambia, Zimbabwe and Kenya
 - Zambia CG (24 month)
 - Zimbabwe household results not available yet (AIR reported)
- Initial funding from DFID (2011-2014), EU and FAO

Households invest in livelihood activities— though impact varies by country

	Zambia	Malawi	Kenya	Lesotho	Ghana	Ethiopia	Zimbabwe
Agricultural inputs	+++	+	-	++	+++ (1)	-/+	
Agricultural tools	+++	+++	NS	NS	NS		** (6)
Agricultural production	+++ (2)	++ (5)	NS	++ (3)	NS	++ (2)	** (7)
Sales	+++	+	NS	NS	--		
Home consumption of agricultural production	NS	+++ (4)	+++ (4)		NS		
Livestock ownership	All types	All types	Small	Pigs	NS	-- Small	Goats
Non farm enterprise	+++	--/++	+FHH -MHH	-	NS	--	++

- 1) Reduction hired labor
- 2) Overall value of production
- 3) Maize, sorghum and garden plot vegetables
- 4) Animal products
- 5) Male headed households
- 6) Particularly smaller households
- 7) Groundnut and roundnut planting



Many stories told in the qualitative fieldwork

Households invest in livelihood activities— Zambia impacts over time

	CG 24 month	CG 30 month	CG 36 month
Agricultural inputs	+++	+	NA
Agricultural tools	+++	+++	+
Agricultural production	+++	+++	NA
Sales	+++	NS	
Home consumption of agricultural production	NS	NS	
Livestock ownership	All types	All types	All types
Non farm enterprise	+++	++	++

Massive impacts. But efficient? And
who takes advantage?

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

adults	Zambia	Kenya	Malawi	Lesotho	Ghana	Ethiopia	Zimbabwe
Agricultural/casual wage labor	---	--- (1,2)	---	-- (2)	NS	--	
Family farm	+ (2)	++ (2)	++/-- (2)	++ (2)	+++		
Non farm business	+++	NS	++/-- (4)	+	NS	--	
Non agricultural wage labor	+++	NS	NS	NS	NS		
children							
Wage labor	NS	NS	---	NS	NS		-- (5)
Family farm	NS	--- (3)	++/-- (2)	--	NS	--	-- (6)

Tends to reduce child labor on farm

- 1) Positive farther away
- 2) Varies by age, gender
- 3) Particularly older boys
- 4) Varies by type of enterprise
- 5) Large hhs
- 6) Particularly girls, small hhs



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



Shift from casual wage labor to on farm activities— Zambia impacts over time

Adults	CG 24 month	CG 30 month	CG 36 month	
Agricultural/casual wage labor	- - -			
Family farm	+			
Non farm business	+++			
Non agricultural wage labor	+++			
Children				
Wage labor	NS (- -)	NS	NS	
Family farm	NS (++)	NS	NS	

Improved ability to manage risk

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

- Reduction in negative risk coping strategies—in almost all countries less likely to take children out of school
- Increase in savings, paying off debt and credit worthiness—though risk aversion

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

Improved ability to manage risk— Zambia impacts over time

	CG 24 month	CG 30 month	CG 36 month	
Negative risk coping				
Pay off debt	+++	+++	+++	
Borrowing	---	NS	NS	
Purchase on credit	NS			
Savings	+++			
Give informal transfers				
Receive informal transfers				

Zambia CG model allows beneficiaries to spend more money than value of transfer itself— a household level multiplier

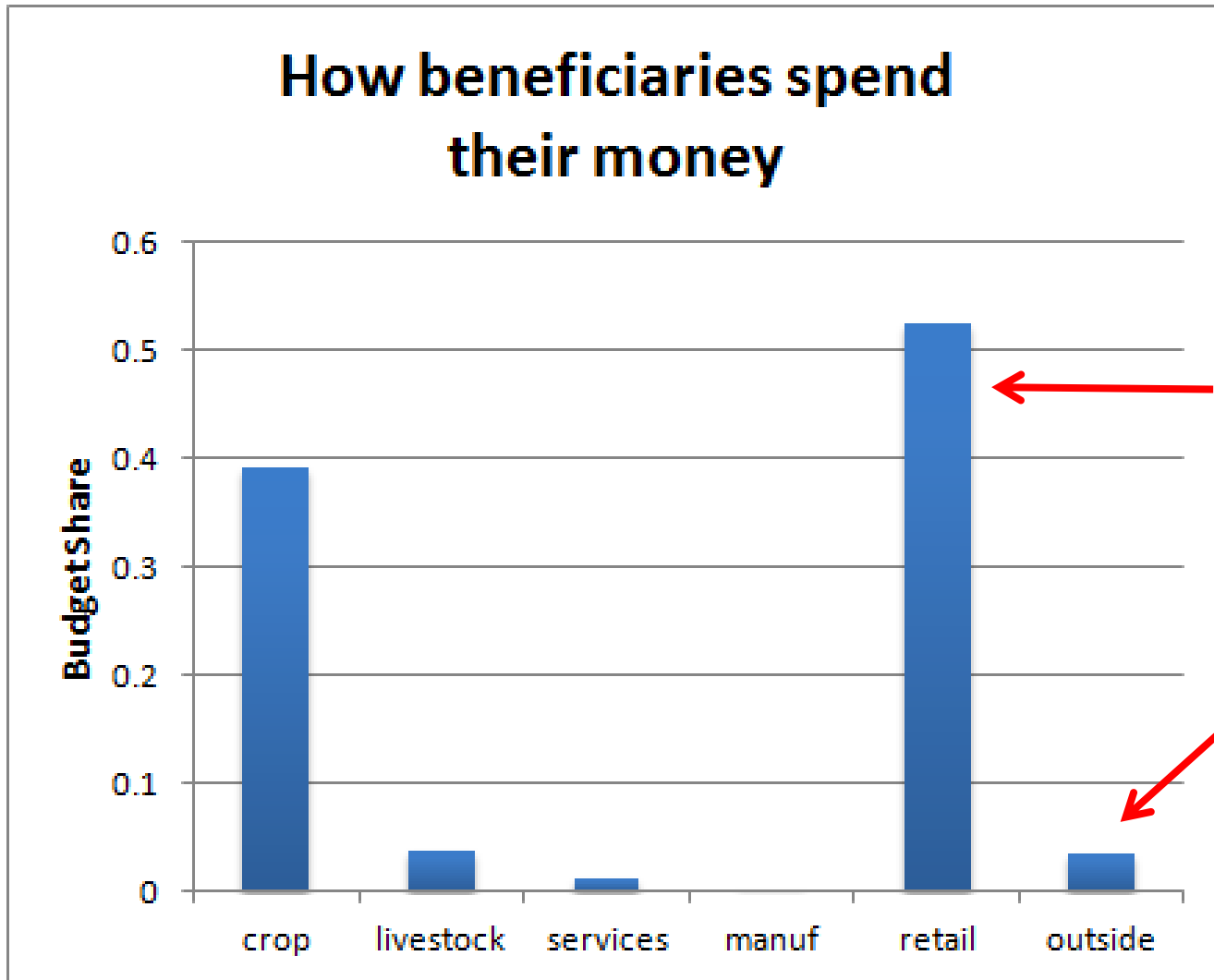
	CG
Annual value of transfer (A)	660
Savings	61
Loan repayment	27
Consumption	800
Livestock value	48
Productive tools value	50
Total spending (consumption + spending) (B)	986
Estimated multiplier (B/A)	1.49

Impacts are based on econometric results and averaged across all follow-up surveys. Estimates for productive tools and livestock derived by multiplying average increase (numbers) by market price. Only statistically significant impacts are considered.

Impacts beyond the beneficiary household: local economy income multipliers

- Transfer raises purchasing power of beneficiary households
- As cash spent, impacts spread to others inside the community, setting in motion income multipliers
- Purchases outside village shift income effects outside the community, potentially unleashing income multipliers there
- As program scaled up, transfers have direct and indirect (general equilibrium) effects throughout region.
- Three possible extremes:
 - Local supply expands to meet all this demand
 - Big local multiplier
 - Everything comes from outside the local economy
 - No local multiplier at all: 1:1
 - Local supply unable to expand to meet demand, and no imports
 - Inflation
- Have to follow the money
 - Surveys and LEWIE model designed to do this

Zambia: CG beneficiaries spend most of their money in the local economy

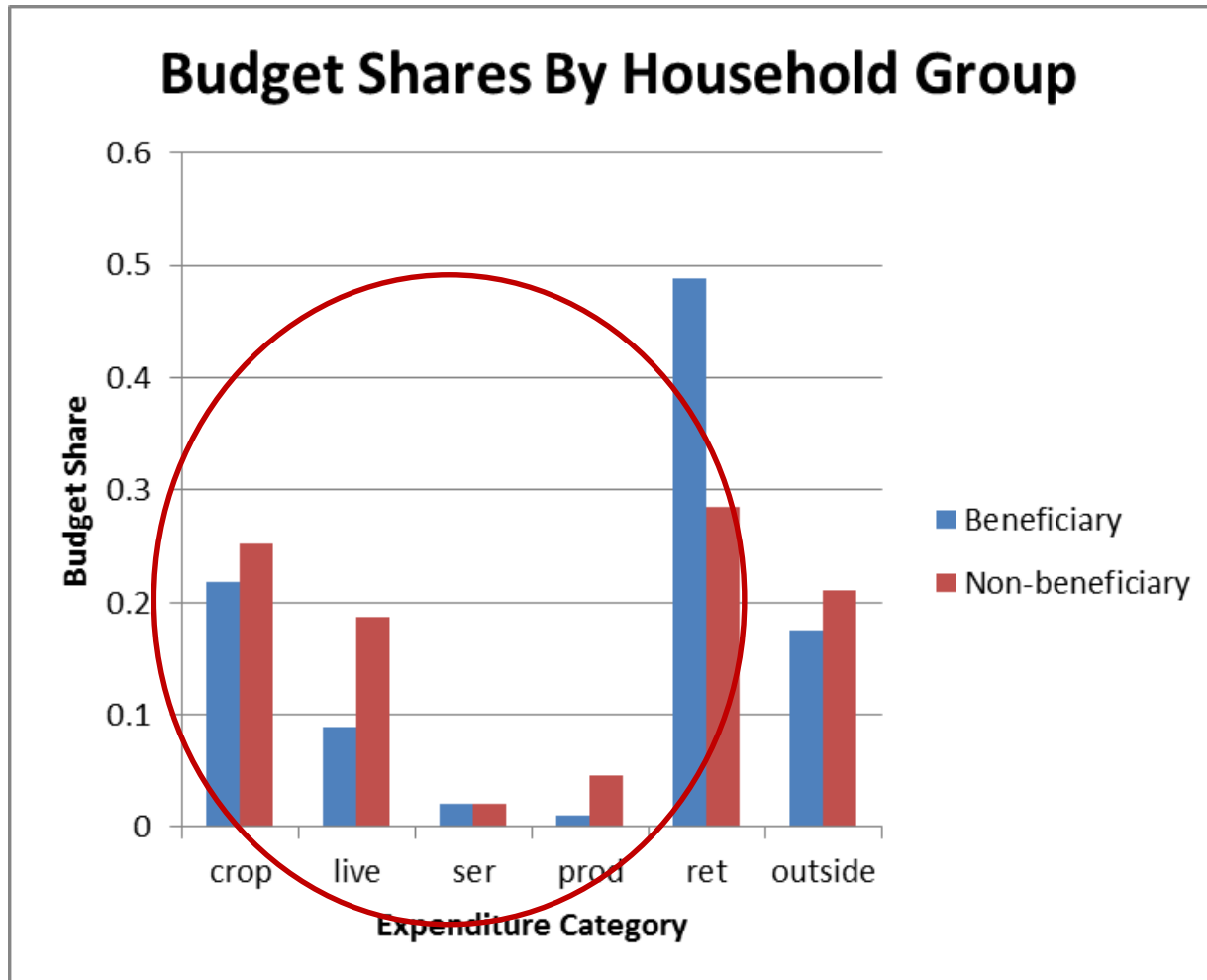


Over 50% spent at retail outlets

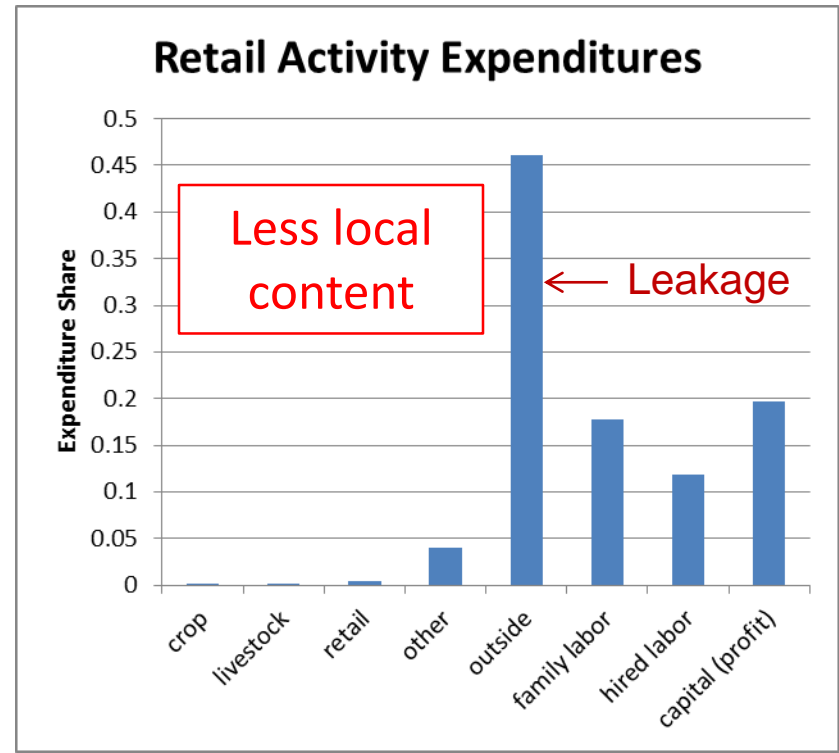
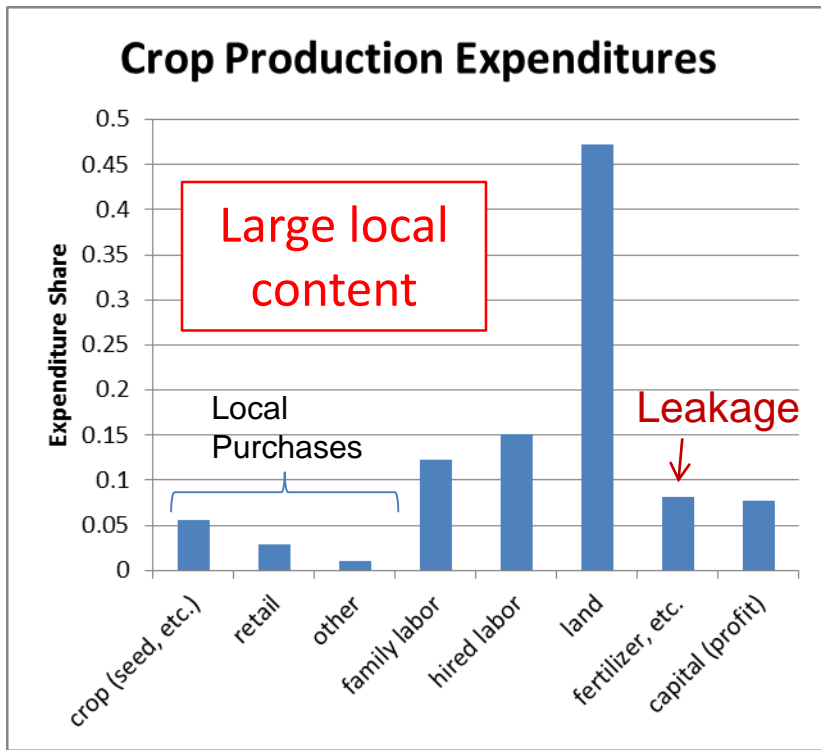
Very little spent outside the community



Ghana: LEAP households spend about 80% of income inside the local economy



These production activities buy inputs from each other, pay wages, and make profits



Payments to factors

Payments to factors

Data from Ghana

These expenditures start a new round of income increases

Simulated income multiplier of the Ghana LEAP programme

MAX

Every 1 Cedi transferred can generate 2.50 Cedi of income

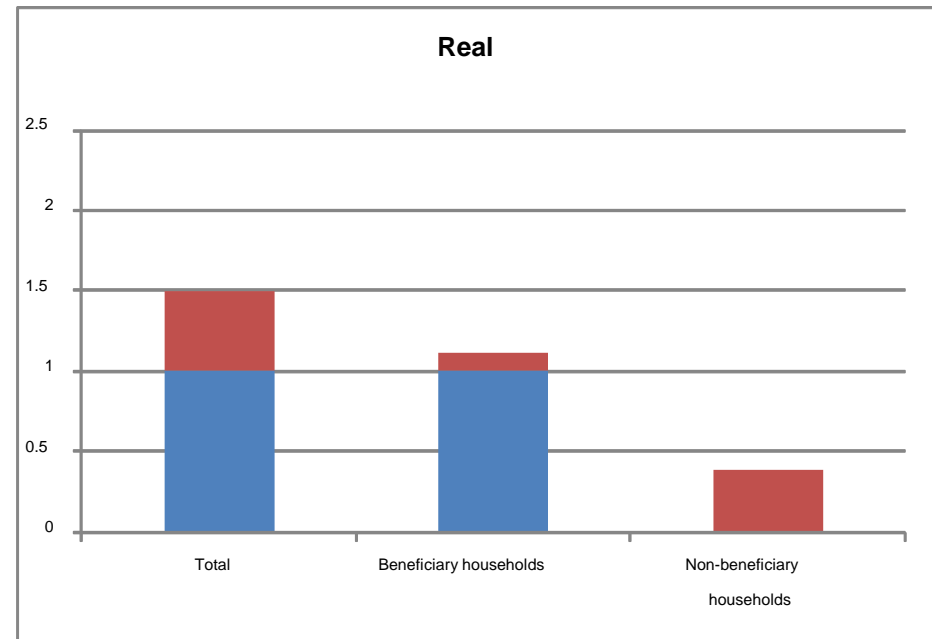
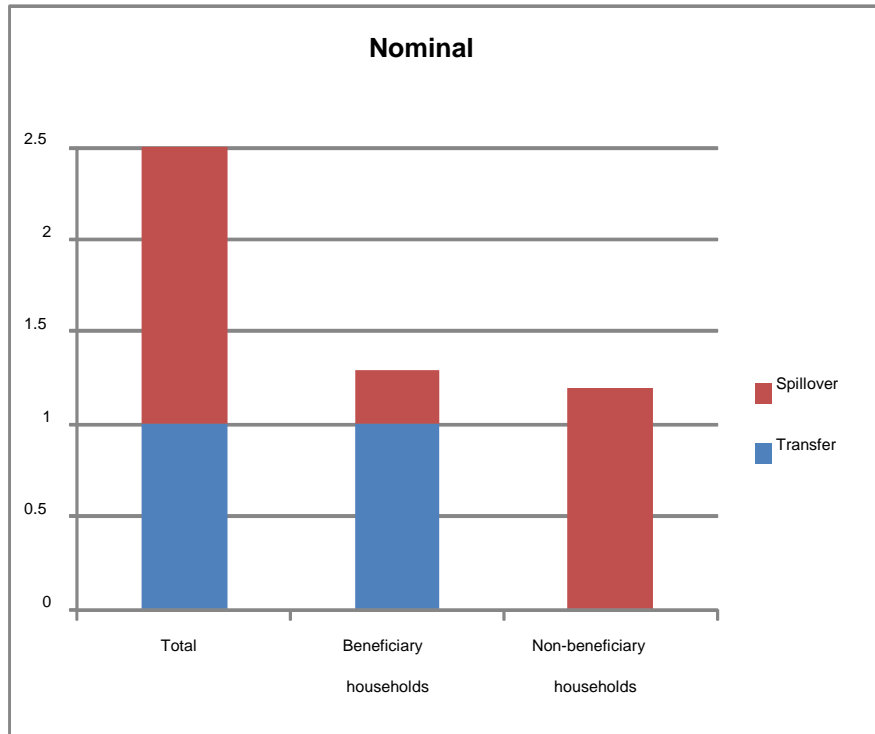
Production constraints can limit local supply response, which may lead to higher prices and a lower multiplier

When constraints are binding, every 1 Cedi transferred can generate 1.50 Cedi of income

MIN

Income multiplier		Base model
Nominal (CI)	2.50 (2.38 – 2.65)	
Real (CI)	1.50 (1.40 – 1.59)	

Nearly all the spillover goes to non-beneficiary households

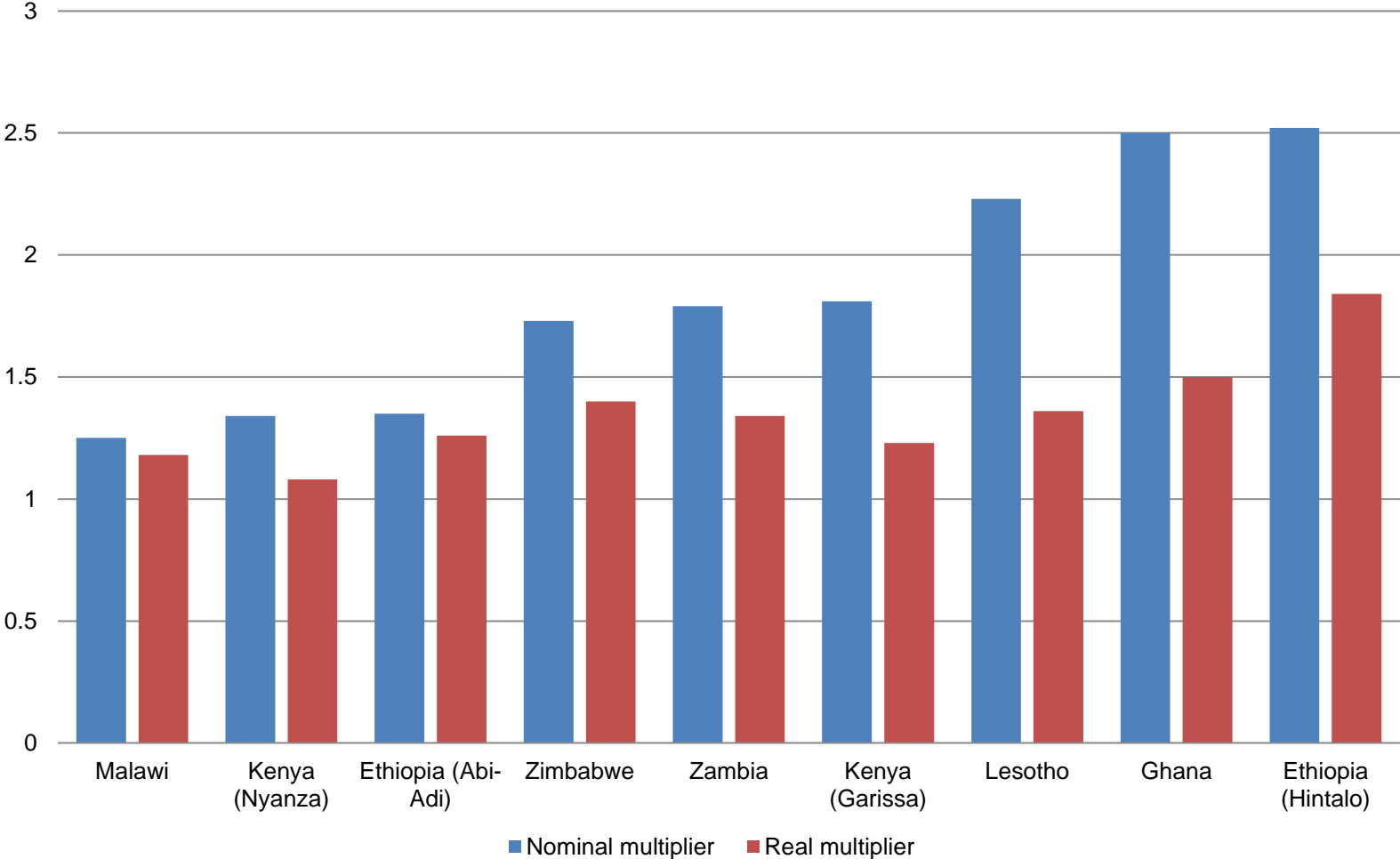


¾ of increase in value of production goes to non beneficiary households

Production multiplier for:	Beneficiary	Non beneficiary
Crop	0.05	0.22
Livestock	0.02	0.15
Retail	0.24	0.54
Services	0.02	0.08
Other Production	0.01	0.04
TOTAL	0.34	1.03

For every 1 Cedi transferred to beneficiary households, the value of production earned by non beneficiary households increases 1.03 Cedi

Income multiplier is greater than 1 in every country



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Why?

What explains differences in household-level impact across countries?

	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
Zimbabwe	yes	small	yes		yes
Ethiopia	yes	no	no	no	no
Ghana	no	no	no	small	yes

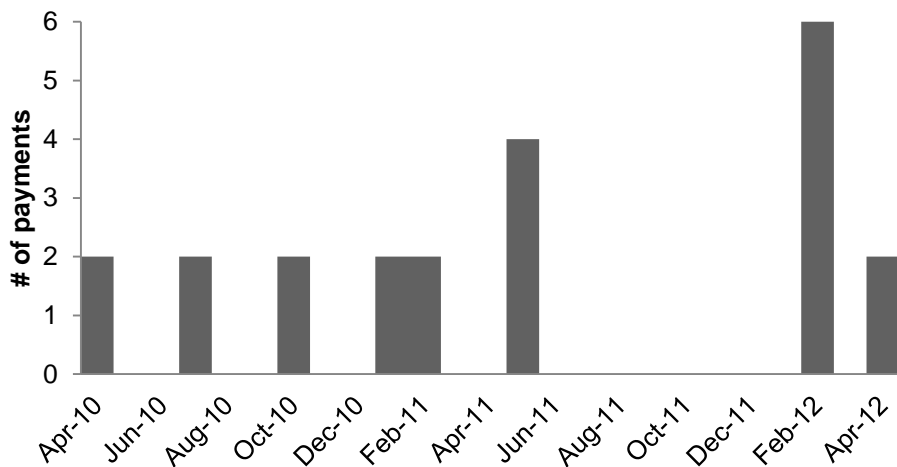


Predictability of payment

Lumpy and irregular



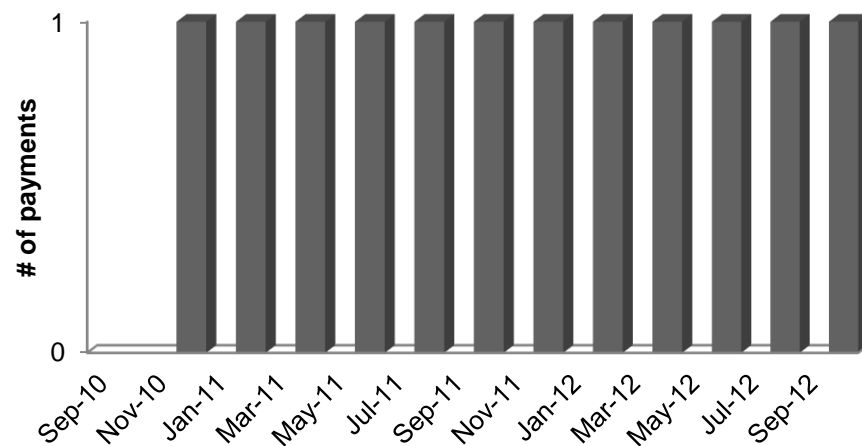
Ghana LEAP



Regular and predictable

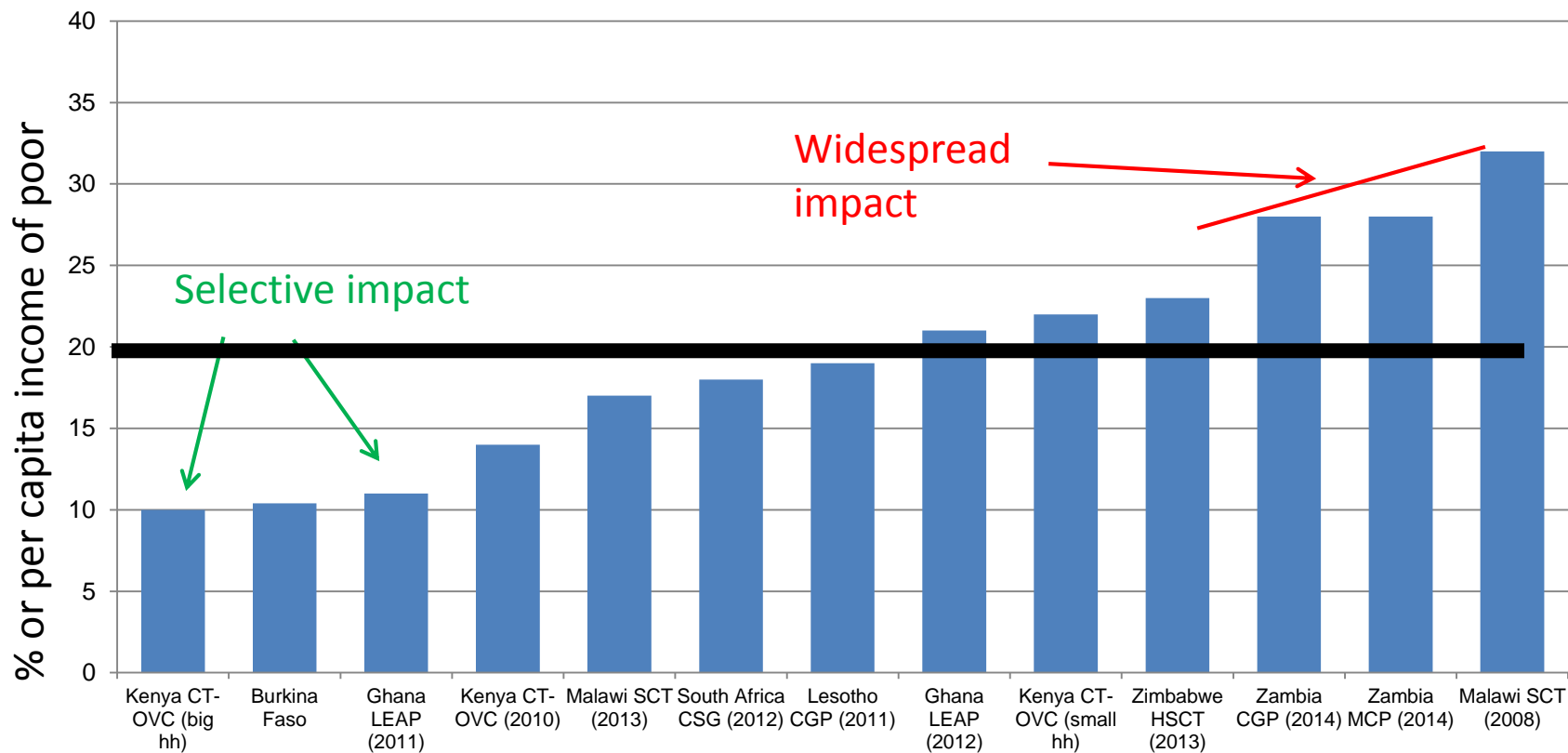


Zambia CGP



Regular and predictable transfers facilitate planning, consumption smoothing and investment

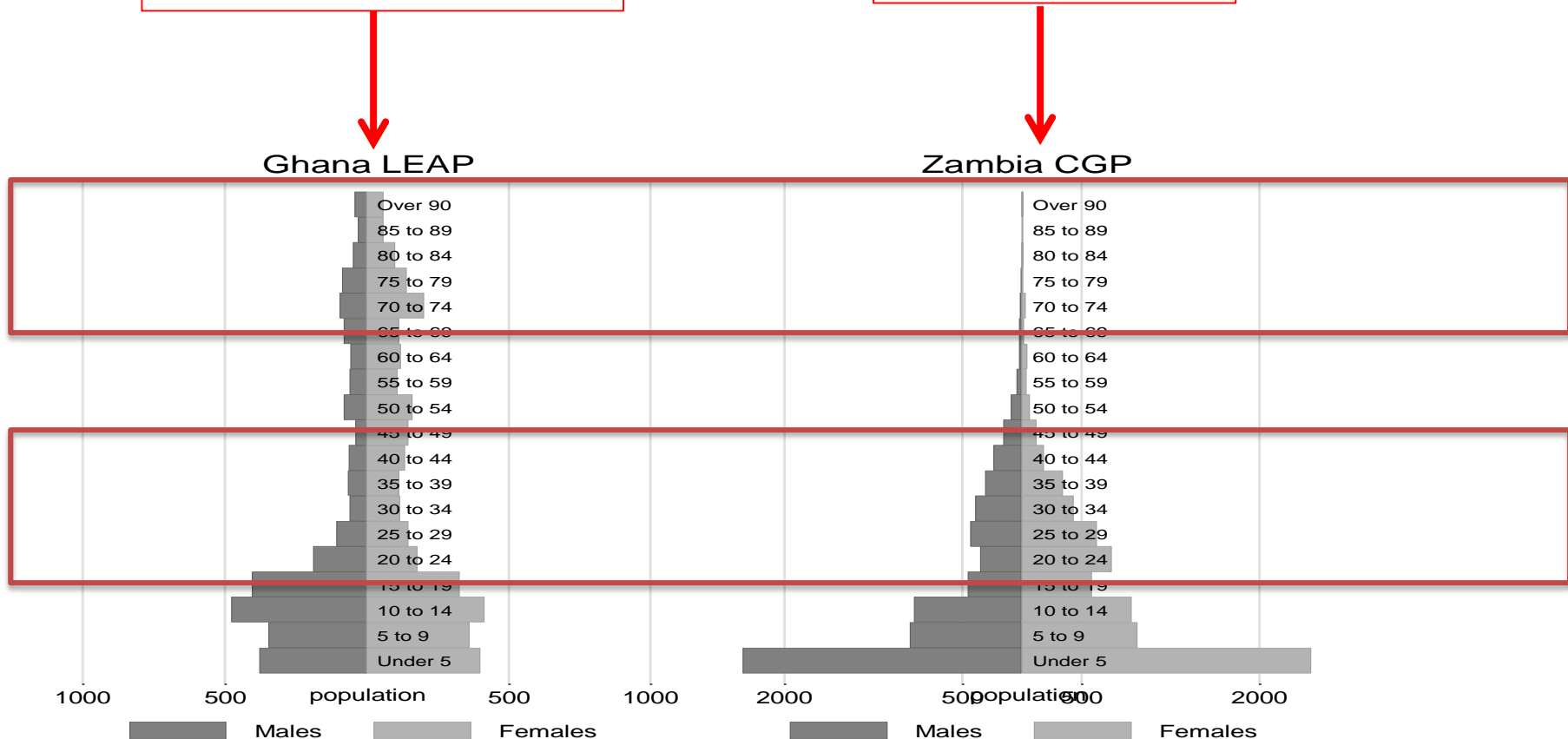
Bigger transfer means more impact



Demographic profile of beneficiaries

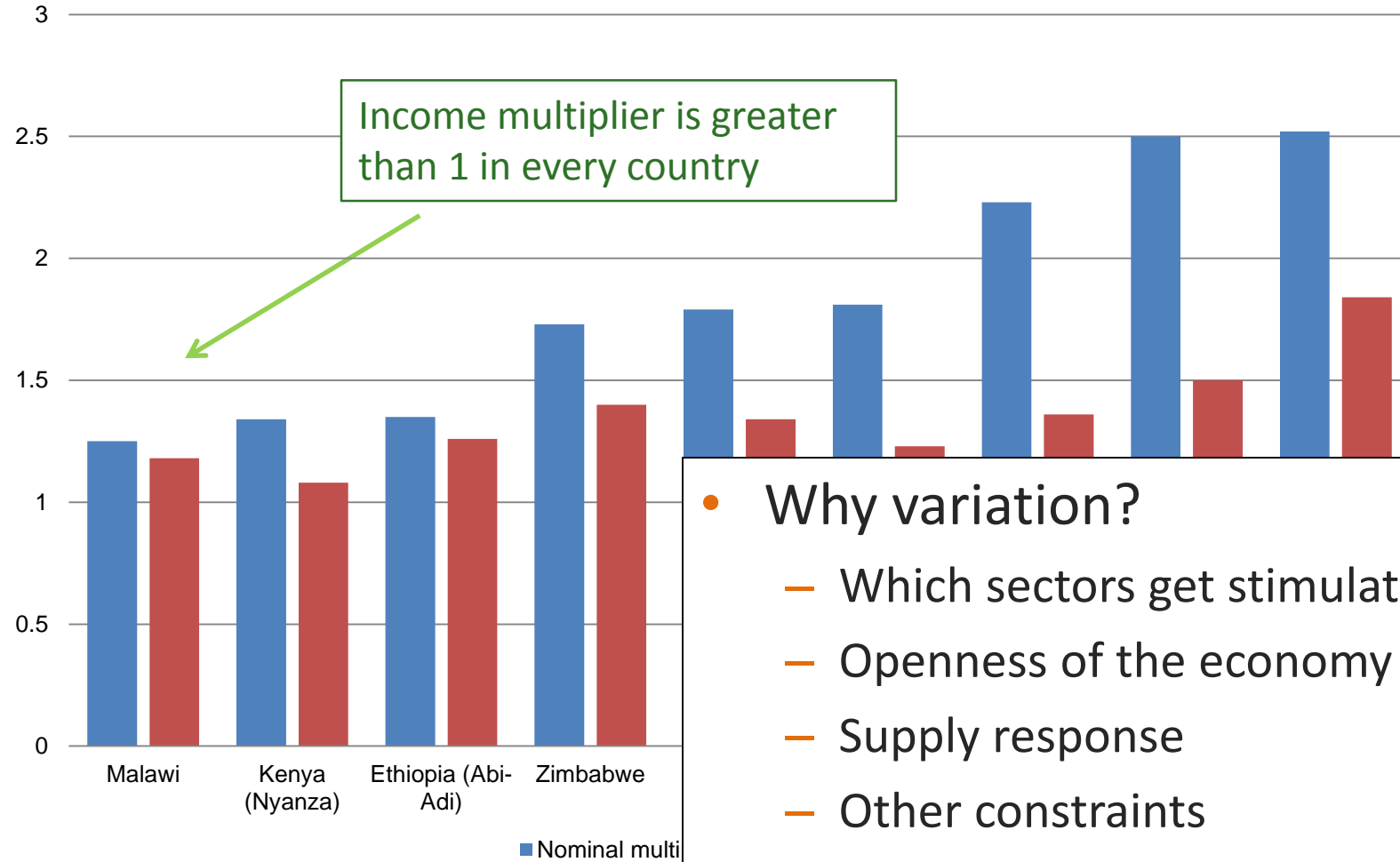
More labour-constrained,
older children

More able-bodied,
younger children



- Access to public services, such as extension, health or education
- Differential access to assets
 - Besides labour, those with a bit more land, access to other agricultural assets, and/or receiving complementary intervention
- Economic context
 - Vibrant and dynamic local economy?
 - Opportunities awaiting if only a bit more liquidity?
- Effectiveness of local committees
 - Important role in suggesting options for beneficiaries, facilitating programme operations
- Programme messaging matters
 - Messaging in unconditional programmes, as with conditions in CCTs, affects how households spend the transfer

Size of income multiplier varies by country and context



- Why variation?
 - Which sectors get stimulated
 - Openness of the economy
 - Supply response
 - Other constraints

What can we conclude from the evidence?

- SCT is not a handout—it does not create dependency
 - Influences labour choices, but does not reduce work effort
 - Beneficiaries work differently, not less. They create more income than they receive
 - No evidence of increased fertility or alcohol consumption
 - Potential for graduation
- Wide range of impacts across many domains—but depends on implementation and other factors
 - Programs are scalable, allow other programs to ‘layer on’ services to leverage cash depending on objectives, including livelihoods
- SCT is transformative, contributing to both protective and development outcomes and increasing resilience
 - Improves human capital
 - Provides certainty
 - Relieves liquidity constraints, allows households to engage more in productive activities
- We cannot separate livelihoods from consumption from social objectives

Articulating social protection and agriculture as part of a strategy of rural development

- Despite proven effectiveness, social protection is not a magic bullet
 - Cannot address all constraints faced by rural households
- Almost three quarters of economically active rural population in Sub Saharan Africa are smallholders, most producing own food
- Small holder agriculture as key for rural poverty reduction and food security
 - Relies on increased productivity, profitability and sustainability of small holder farming
- Since majority of the poor depend on agriculture for livelihoods and food security, agricultural programmes necessary to address structural constraints
- Addressing chronic poverty and food insecurity requires a long-term, predictable package of social protection and complementary measures
 - Including livelihoods and food production
- Social protection and agriculture programmes together build resilience

Our websites

From Protection to Production Project

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

The Transfer Project

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