

From Protection to Production: The Role of Social Cash Transfers in Fostering Broad-based Economic Development

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the From Protection to Production Project, and
the Transfer Project

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Casablanca

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Why PtoP

- Political resistance to giving out cash
 - Ministries of Finance, more broadly
 - Perceived as expensive (given levels of poverty)
 - Concerns about dependency
 - Bad spending, unable and/or unwilling to graduate
- Most beneficiaries in Sub Saharan Africa are female, rural, engaged in subsistence agriculture and **work for themselves**

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

The PtoP project

- Provide insight into how cash transfers can contribute to sustainable poverty reduction and economic growth at household and community levels.
- Strategic partnership with UNICEF and regional and country level
- Added value to impact evaluations of government-run social cash transfer programs in seven countries
 - Malawi, Ghana, Ethiopia, Lesotho, Zambia, Zimbabwe and Kenya
 - Directly linked to programme implementation and feeding policy debate via UNICEF
- Key component of the **Transfer Project**
 - Focused on broader health, education, nutrition and well being results
 - Regional learning agenda
- Initial funding from DFID (2011-2014), EU and FAO

Mixed method approach

- Household and individual level impacts via econometric methods based on impact evaluation design
 - **FAO and AU, UNC, AIR, OPM**
- Local economy effects via CGE (LEWIE) modeling
 - **UC Davis**
- Perceptions and experiences on household economy and decision making, social networks, local community dynamics and operations via qualitative methods (all except Zambia)
 - **OPM and FAO**



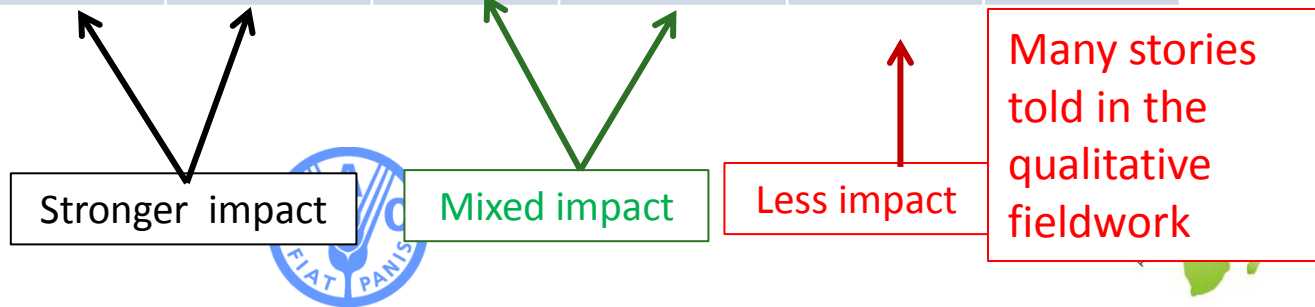
Results so far



Households invest in livelihood activities— though impact varies by country

	Zambia	Malawi	Kenya	Lesotho	Ghana	Tanz
Agricultural inputs	+++		-	++	+++ (1)	
Agricultural tools	+++	+	NS	NS	NS	
Agricultural production	+++ (2)	+++	NS	++ (3)	NS	
Sales	+++		NS	NS	--	
Home consumption of agricultural production	NS		+++ (4)		NS	NS
Livestock ownership	All types	All types	Small	Plgs	NS	Small
Non farm enterprise	+++	+++	+FHH -MHH	-	NS	

- 1) Reduction hired labor
- 2) Overall value of production; reduction in cassava
- 3) Maize, sorghum and garden plot vegetables
- 4) Animal products



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

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

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

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



- 1) Positive farther away
- 2) Varies by age, gender
- 3) Particularly older boys
- 4) Mchinji study
- 5) No impact on time use; labor not reported

Improved ability to manage risk

	Zambia	Kenya	Malawi	Ghana	Lesotho	Tanz
Negative risk coping			---		---	
Pay off debt	+++		NS	+++	NS	
Borrowing	---	NS	NS	---	NS	NS
Purchase on credit	NS		---	NS	NS	
Savings	+++	+++		+++	NS	++ poorest
Give informal transfers			NS	+++	+++	
Receive informal transfers			NS	NS	+++	
Remittances			NS	NS	---	NS (1)
Trust (towards leaders)						++

1) Mixes remittances and informal transfers



- Reduction in negative risk coping strategies
- Increase in savings, paying off debt and credit worthiness—risk aversion
- Some instances of crowding out



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

Broad range of impacts

(though variation across countries)

- Beneficiaries are happier and more confident
 - People with hope more likely to invest in future
- Increased food security (access and quality)
- Improvement in different aspects of child welfare
 - Increased school enrolment
 - Reduction in morbidity (diarrhea/illness)
 - Increased access to shoes, clothing, birth registration, vaccination
- Safe-transition of adolescents into adulthood
 - Reduction in transactional sex, sexual debut, pregnancy



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	yes	yes	no
Kenya	no	small	yes	yes	
Lesotho	yes	small	no	no	yes
Ghana	no	no	no	small	yes

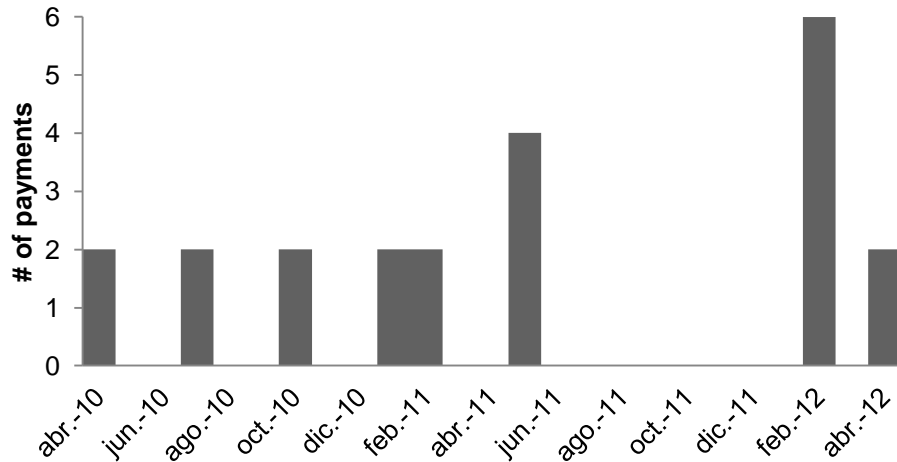


Predictability of payment

Lumpy and irregular



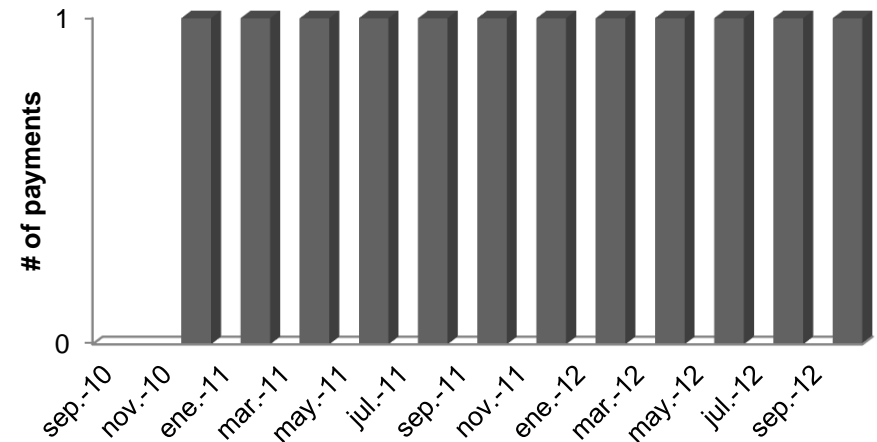
Ghana LEAP



Regular and predictable

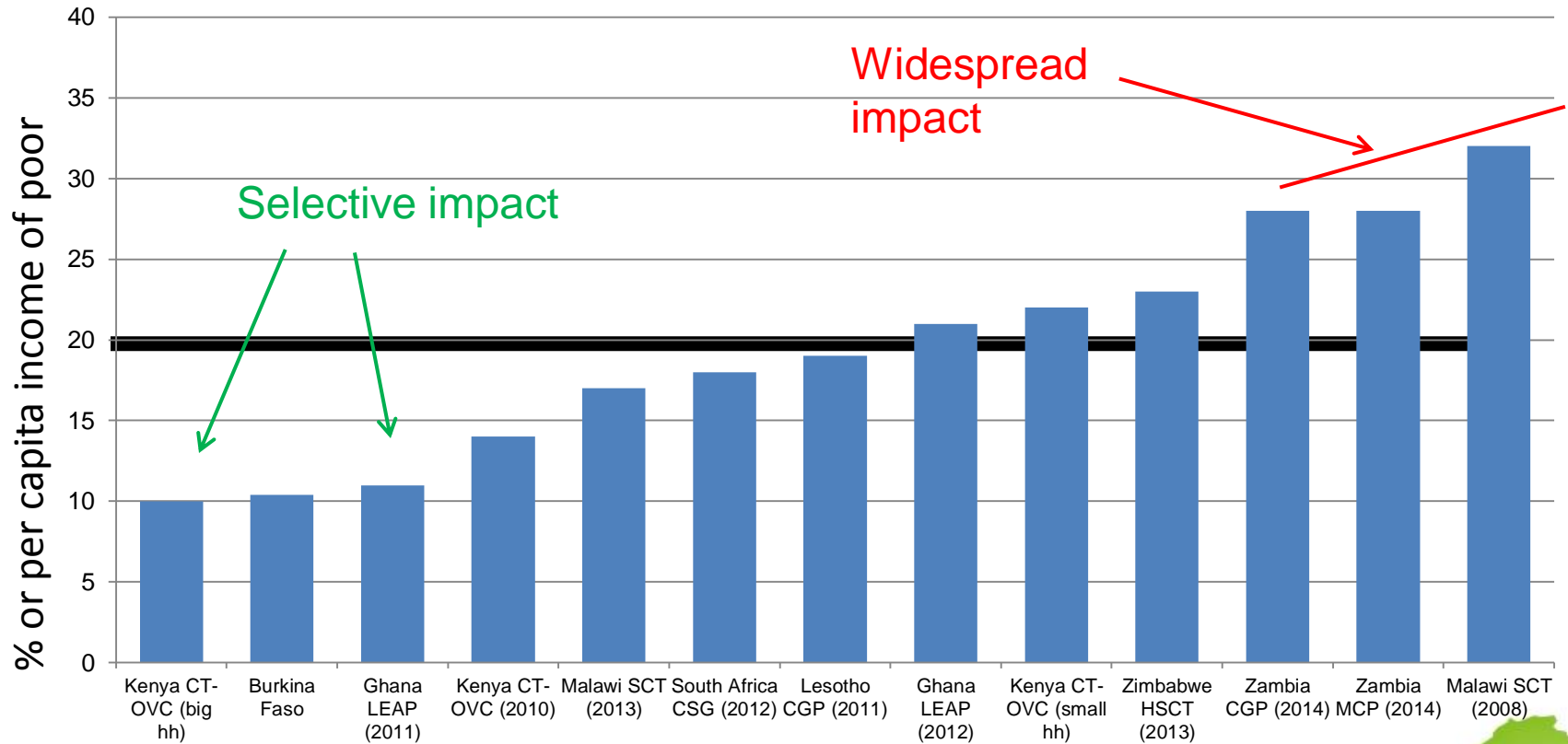


Zambia CGP



Regular and predictable transfers facilitate planning, consumption smoothing and investment

Bigger transfer means more impact



Demographic profile of beneficiaries

More labour-constrained

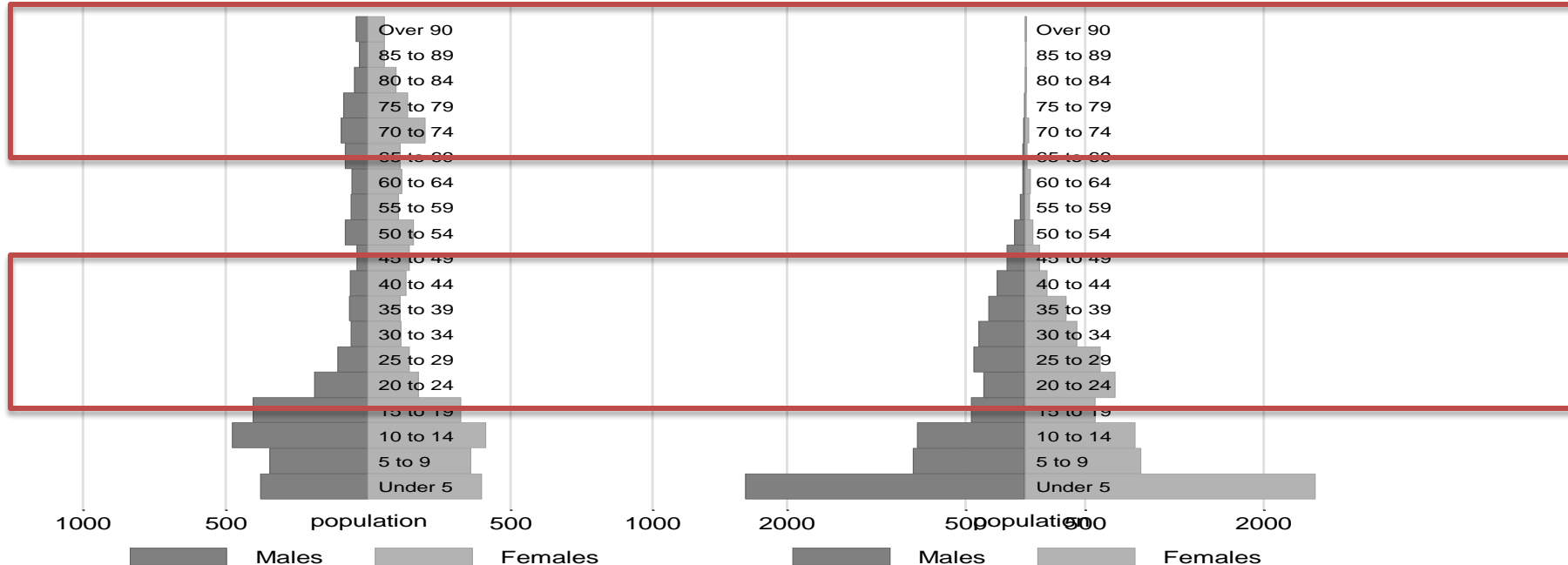


More able-bodied



Ghana LEAP

Zambia CGP



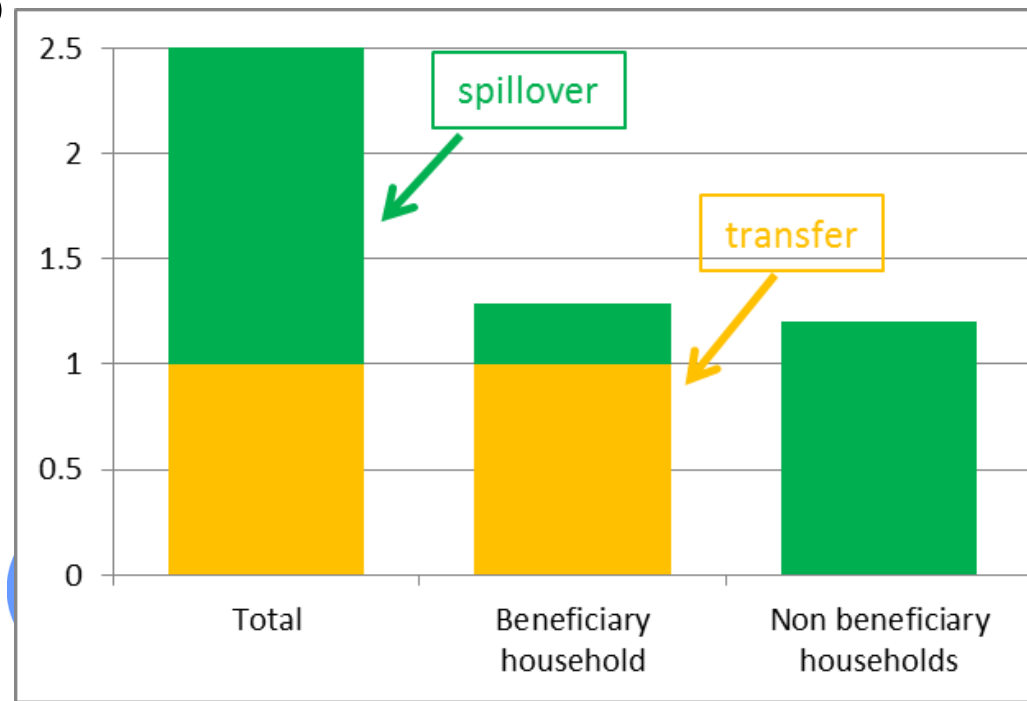
- Differential access to assets
 - Besides labour, those with a bit more land, access to other agricultural assets, and/or receiving complementary intervention
 - Story often repeated in qualitative field work
- Economic context matters
 - Vibrant and dynamic local economy?
 - Opportunities awaiting 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

Impacts beyond the beneficiary household: local economy income multipliers

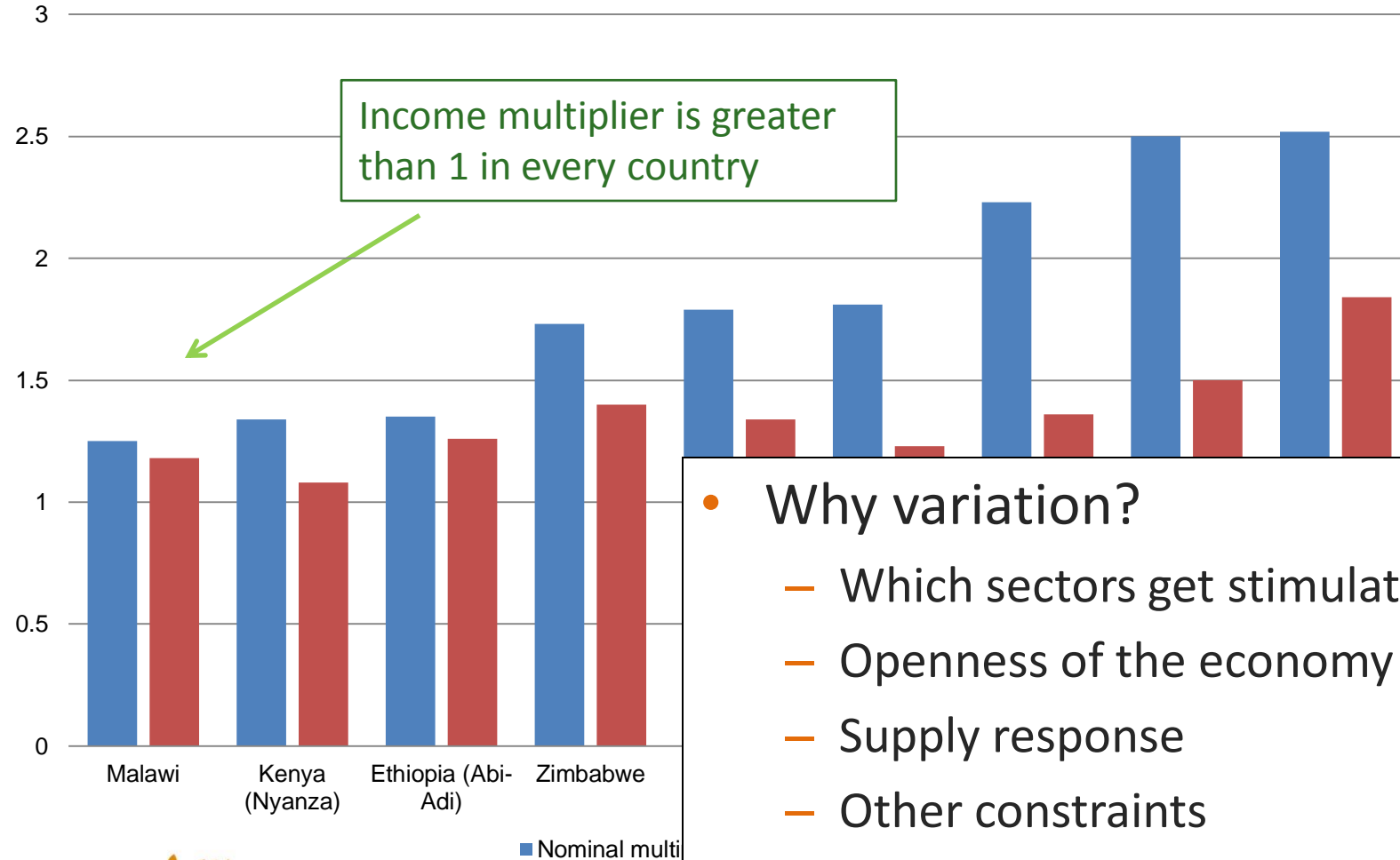
- Transfer raises purchasing power of beneficiary households
- As cash spent, impacts spread to others inside the community, setting in motion income multipliers
- Purchases outside village shift income effects outside the community, potentially unleashing income multipliers there
- As program scaled 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

Simulated income multiplier of the Ghana LEAP programme

- 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
- Nearly all the spillover goes to non beneficiary households



Size of income multiplier varies by country and context



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

Impact of PtoP on policy and programmes (1)

- Concrete and immediate implications for programme implementation
 - Dialogue on targeting; types/size of transfers, messaging
 - Importance of timing, sequencing, layering of interventions
 - Focus on productive inclusion (CT CoP)
- With Transfer Project, changed national policy narrative on cash transfers
 - Zambia, Ghana, Lesotho and Kenya—as documented in forthcoming Transfer Project book
 - Opened to broader audience—particularly ministries of finance, presidency (language and issues they are interested in)
 - Countered dependency criticism
 - Beneficiaries responsible for generating their own income and food security; money not wasted
 - Social protection as development instead of simply assistance
 - Credibility of cash transfers and larger social protection agenda
 - Serious at being effective; creating confidence

Our websites

From Protection to Production Project

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

The Transfer Project

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

