‘From protection to production’: Do social cash transfer programmes promote agricultural activities and livelihoods?

Solomon Asfaw, PhD
FAO of the United Nations, Rome

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Outline

1. Background of CT in SSA
2. Why do we expect productive impact?
3. What does the evidence say?
   - Direct impacts
   - Indirect impacts (spill-over)
4. Final remark
Expansion of cash transfer programs in Sub-Saharan Africa

- Approximately half of the countries of SSA have some kind of government-run CT program
  - And others have multilateral/NGO-run CT programs

- Some programs are national
  - Others scaling up
  - Some pilots beginning this year

- Beneficiaries predominately rural, most engaged in agriculture
What’s particular about cash transfers in SSA--context

- HIV/AIDS
  - Economic and social vulnerability
- Widespread poverty
- Continued reliance on subsistence agriculture and informal economy
  - Exit path from poverty is not necessarily through the labor market
  - Less developed markets and risk, risk, risk
- With exception of Southern Africa, less fiscal space---donors play a strong role
- Still missing consensus among national policy makers
- Weak institutional capacity to implement programs
- Weak supply of services (health and education)
Wide range of designs

- Universal programs
  - Old age pensions, child grants

- Targeted programs
  - Focus on ultra poor, labor constrained; OVC and other specific vulnerabilities

- Cash for work for able bodied

- Prominent role of community in targeting

- Unconditional (for the most part)
  - “Soft” conditions and strong messages
A few cash transfer programs are explicitly linked to productive activities

- Public works focused on agricultural rehabilitation (Somalia), or with complementary agricultural packages (Ethiopia PSNP) or small business loans (Rwanda VUP)
- CCT, with complementary vocational training or small business grants (Atención a Crisis)
- With exception of these programs, perception that cash transfer programs do not have economic impacts
Yet unconditional cash transfer programs targeted to poorest of the poor can have productive impacts.

5 (+1) ways in which cash transfer programs have productive/economic impacts and lead to improved resilience.
1. Improve human capital

- Nutritional status
- Health status
- Educational attainment

Typically core objectives of CT programs
Underlying rationale for CCTs in LAC

enhance productivity
improve employability
2. Facilitate change in productive activities

By relaxing credit, savings and/or liquidity constraints—and/or constructing community assets

- Investment in productive activities
  - Allocation of labor, inputs
- Accumulation of productive assets
  - Farm implements, land, livestock, vehicle, inventory
- Change in productive strategies
  - New crops, techniques
  - New line of products or services
  - New activities (off farm wage labor, migration?)
3. Better ability to deal with risk and shocks

By providing insurance via regular and predictable CTs

- Avoid detrimental risk coping strategies
  - Distress sales of productive assets, children school drop-out, risky income-generation activities

- Avoid risk averse production strategies
  - “Safety first” or “eat first”

- Increase risk taking into more profitable crops and/or activities
  - Specialization or diversification
    - Higher value crops or ..... migration
4. Relieve pressure on informal insurance mechanisms

By regular and predictable CTs to the poorest and most vulnerable

- Reduce burden on social networks
  - Local networks of reciprocal relationships
    - In SSA, often weakened and overburdened in context of HIV/AIDS

- Rejuvenate social networks

- Allow beneficiaries to participate in social networks

- Allow non-beneficiaries to redirect their resources
5. Impacts beyond the beneficiary household: local economy income multipliers

- Transfer raises purchasing power of beneficiary households
- As cash spent, impacts spread to others inside and outside treated villages, setting in motion income multipliers
- Purchases outside village shift income effects to non-treated villages, potentially unleashing income multipliers there.
- As program scaled up, transfers has 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
5+1. Facilitate climate change adaptation

All five pathways related to increasing resilience and reducing vulnerability at the level of the household, community and local economy

1. Human capital formation
2. Change/adaptation in productive activities
3. Better ability to deal with risk
4. Reduced pressure on informal insurance networks
5. Strengthened resilience of the local economy

climate change adaptation
<table>
<thead>
<tr>
<th>Country</th>
<th>Design</th>
<th>Level of Randomization or Matching</th>
<th>N</th>
<th>Ineligibles sampled?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>Social experiment with PSM and IPW</td>
<td>Location</td>
<td>2234</td>
<td>No</td>
</tr>
<tr>
<td>Lesotho</td>
<td>Social experiment</td>
<td>Electoral District</td>
<td>2150</td>
<td>Yes</td>
</tr>
<tr>
<td>Malawi</td>
<td>Social experiment</td>
<td>Village Cluster</td>
<td>3200</td>
<td>Yes</td>
</tr>
<tr>
<td>Zambia</td>
<td>Social experiment</td>
<td>Community Welfare Assistance Committee</td>
<td>2519</td>
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<tr>
<td>Ethiopia</td>
<td>Non-experimental (PSM and IPW)</td>
<td>Household level within a village</td>
<td>3351</td>
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<tr>
<td>Ghana</td>
<td>Propensity Score Matching (IPW)</td>
<td>Household and Region</td>
<td>1504</td>
<td>No</td>
</tr>
</tbody>
</table>

All studies are longitudinal with a baseline and at least one post-intervention follow-up.
Mixed Method Approach

• Real-world evaluation of government-run cash transfer programs in seven countries (not rarified experiments)
  • Malawi, Ghana, Ethiopia, Lesotho, Zambia, Zimbabwe and Kenya

• Evidence-based policy support
  – Quantitative (emphasis on experimental & econometric methods, randomized “treatments”)
  – Qualitative (perceptions on household economy and decision making, social networks, local community dynamics & operations)
  – Local Economy-wide Impact Evaluation (LEWIE)
    • Integrates general-equilibrium and econometric methods

• Data:
  – Baseline surveys
    • Comparison of treatment & control groups
    • Simulations of SCT impacts
  – Qualitative methods
  – Follow-on surveys
    • Estimation of actual SCT impacts
    • Validation, updating of simulation models
What are the key findings?
Livelihoods matter for social cash transfers beneficiaries

- 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, a 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
Households invest in livelihood activities—though impact varies by country

<table>
<thead>
<tr>
<th></th>
<th>Zambia</th>
<th>Malawi</th>
<th>Kenya</th>
<th>Lesotho</th>
<th>Ghana</th>
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</thead>
<tbody>
<tr>
<td>Agricultural inputs</td>
<td>+++</td>
<td></td>
<td>-</td>
<td>++</td>
<td>+++ (1)</td>
</tr>
<tr>
<td>Agricultural tools</td>
<td>+++</td>
<td>+++</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>Agricultural production</td>
<td>+++(2)</td>
<td>NS</td>
<td>++(3)</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>Sales</td>
<td>+++</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>- -</td>
</tr>
<tr>
<td>Home consumption of</td>
<td>NS</td>
<td>+++</td>
<td>+++ (4)</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td>agricultural production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock ownership</td>
<td>All types</td>
<td>All types</td>
<td>Small</td>
<td>Plgs</td>
<td>NS</td>
</tr>
<tr>
<td>Non farm enterprise</td>
<td>+++</td>
<td>NS</td>
<td>+FHH</td>
<td>-MHH</td>
<td>NS</td>
</tr>
</tbody>
</table>

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

Many stories told in the qualitative fieldwork
Shift from casual wage labor to on farm and family productive activities

<table>
<thead>
<tr>
<th>adults</th>
<th>Zambia</th>
<th>Kenya</th>
<th>Malawi</th>
<th>Lesotho</th>
<th>Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural/casual wage labor</td>
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<td>- - -</td>
<td>- - -</td>
<td>- - (2)</td>
<td>NS</td>
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<tr>
<td></td>
<td>(1,2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family farm</td>
<td>+ (2)</td>
<td>++ (1)</td>
<td>+++</td>
<td>++ (2)</td>
<td>+++</td>
</tr>
<tr>
<td>Non farm business</td>
<td>+++</td>
<td>NS</td>
<td>NS</td>
<td>+</td>
<td>NS</td>
</tr>
<tr>
<td>Non agricultural wage labor</td>
<td>+++</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>children</th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Wage labor</td>
<td>NS</td>
<td>NS</td>
<td>- - -</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>Family farm</td>
<td>NS</td>
<td>- - - (3)</td>
<td>+++ (4)</td>
<td></td>
<td>NS</td>
</tr>
</tbody>
</table>

1) Positive farther away
2) Varies by age, gender
3) Particularly older boys
4) Increase chores, reduction leisure

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

Shift from casual wage labour to family business—consistently reported in qualitative fieldwork
Zambia—continuous treatment effect model: how impact changes with level of cash transfer

As transfer level increases, greater reduction in wage labor and greater increase in own farm labor.

As transfer level increases, greater increase in hired labor.
### Improved ability to manage risk

<table>
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<tr>
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<th>Kenya</th>
<th>Malawi</th>
<th>Ghana</th>
<th>Lesotho</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative risk coping</td>
<td>- - -</td>
<td>+++</td>
<td>+ - -</td>
<td>- - -</td>
<td>- - -</td>
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<tr>
<td>Pay off debt</td>
<td>+++</td>
<td>+ - -</td>
<td>+++</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td>Borrowing</td>
<td>- - -</td>
<td>NS</td>
<td>- -</td>
<td>NS</td>
<td>NS</td>
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<tr>
<td>Purchase on credit</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td>Give informal transfers</td>
<td></td>
<td></td>
<td>NS</td>
<td>+++</td>
<td>+++</td>
</tr>
<tr>
<td>Receive informal transfers</td>
<td></td>
<td></td>
<td>NS</td>
<td>NS</td>
<td>+++</td>
</tr>
<tr>
<td>Remittances</td>
<td>- - -</td>
<td>NS</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>Trust (towards leaders)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
Zambia - CGP mitigate against negative effect of climate risk

a) **Intensity** (average rainfall 1983 -2010)  
b) **Variability** (CoV rainfall 1983 -2010)
Zambia - CGP mitigate against negative effect of climate risk

a) Daily Caloric Intake

b) Food Expenditure

c) Non Food Expenditure

Cash empower poor against negative climate shocks.
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
Are there impacts beyond the beneficiary households? Are there spill-overs?
Simulated income multiplier of the Ghana LEAP programme

<table>
<thead>
<tr>
<th>Income multiplier</th>
<th>Base model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal (CI)</td>
<td>2.50</td>
</tr>
<tr>
<td>(2.38 – 2.65)</td>
<td></td>
</tr>
<tr>
<td>Real (CI)</td>
<td>1.50</td>
</tr>
<tr>
<td>(1.40 – 1.59)</td>
<td></td>
</tr>
</tbody>
</table>

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

Max

Min
Cash transfers lead to income multipliers across the region

Every 1 Birr transferred can generate 2.52 Birr of income

Income multiplier is greater than 1 in every country

If constraints are binding, may be as low as 1.84

Nominal multiplier
Real multiplier
Why?
What explains differences in household-level impact across countries?

<table>
<thead>
<tr>
<th></th>
<th>Crop</th>
<th>Livestock</th>
<th>NFE</th>
<th>Productive labor</th>
<th>Social Network</th>
</tr>
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<tbody>
<tr>
<td>Zambia</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Malawi</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>small</td>
</tr>
<tr>
<td>Kenya</td>
<td>no</td>
<td>small</td>
<td>yes</td>
<td>yes</td>
<td></td>
</tr>
<tr>
<td>Lesotho</td>
<td>yes</td>
<td>small</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Ghana</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>small</td>
<td>yes</td>
</tr>
</tbody>
</table>

Zambia and Ghana both have NFE and Productive labor, with Ghana having a small Social Network. Malawi and Kenya have Productive labor, with Malawi having a small Social Network. Lesotho has NFE and Productive labor, with a yes Social Network.
Predictability of payment

Regular and predictable transfers facilitate planning, consumption smoothing and investment.
Bigger transfer means more impact

Widespread impact

Selective impact

% or per capita income of poor

Ghana LEAP (old)
Kenya CT-OVC (big)
Burkina
Kenya CT-OVC
RSA CSG
Lesotho CGP (base)
Ghana LEAP (current)
Kenya CT-OVC (small)
Zim (HSCT)
Zambia CGP
Zambia MCP
Malawi SCT

Food and Agriculture Organization of the United Nations
Demographic profile of beneficiaries

Ghana LEAP

Zambia CGP

More labour-constrained

More able-bodied
Effectiveness of local committees

• Play important role in suggesting options for beneficiaries, facilitating programme operations

Programme messaging matters

• Messaging in unconditional programmes, and conditions in CCTs, 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!!
Beneficiaries are hard working and are responsible for their own income generation and food security.

How can cash transfers be better linked to livelihoods? Implications support to smallholders?

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

• Smallholder 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
We need to strengthen coherence between agriculture and social protection ....how is FAO supporting this?

- Evaluating the impacts of the home-grown school feeding programme on food security and agricultural production (with Technical Working Group of HGSF and WFP)
- Developing human capacities and coordination mechanisms for strengthening coherence between agriculture and social protection
- Profiling livelihoods of rural households to inform design of tailored packages of interventions (with IAPRI)
- Assessing feasibility of different options for extending social insurance to informal agricultural workers (with NAPSA, ILO and Risk Shield)
Reference


Thank you