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Economic and Productive Impacts of Unconditional Cash Transfers in Africa

Alejandro Grinspun

Expert Group Meeting on Addressing Inequalities and Challenges to Social Inclusion

New York, 27 June 2018

Outline of presentation

***** Whether, apart from its well documented social impacts, cash can also have positive impacts on households' economic and productive decision-making**

- Background
- Main results
- Program design and implementation issues
- Conclusions

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BACKGROUND

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Program description

Country	Program	Targeting	Transfer	Evaluation design	Survey years	Sample size
Ethiopia	SCTPP (2011)	Ultra-poor, labor constrained households	Variable / Monthly	PSM	2012, 2014	~3200 hh's ~10000 ind.
Ghana	LEAP (2008)	Ultra-poor households with (i) single parent with OVC, (ii) elderly poor, (iii) people with severe disability	Variable by # of eligible household members / Every 2 months	Longitudinal PSM	2010, 2012, 2016	~1500 hh's ~6000 ind.
Kenya	CT-OVC (2004)	Ultra-poor households with OVC	Flat / Every 2 months	DID with PSM	2007, 2009. 2011	1800 – 2300 hh's 10400 – 12800 individuals
Lesotho	CGP (2010)	Ultra-poor households with children	Flat, then variable by # of children / Quarterly	RCT	2011, 2013	~1400 hh's ~8200 ind.
Malawi	SCT (2006)	Ultra-poor, labor constrained households	Variable by household size + top-ups for school attendance / Every 2 months	RCT	2013, 2014, 2015	~3500 hh's ~16000 ind.
Zambia	CG-SCT (2010)	Households with children under 5 years	Flat / Every 2 months	RCT	2010, 2012, 2013, 2014, 2017	2300 – 2500 hh's ~14000 ind.
Zimbabwe	HSCT (2011)	Ultra-poor, labor constrained households	Variable by household size / Every 2 months	Longitudinal matched case-control	2013, 2014, 2017	2600 – 3000 hh's 12700 – 14600 individuals

Profile of CT beneficiaries

- Most CT beneficiaries live in rural areas, work for themselves and depend on agriculture
  - 50% - 75% own livestock
  - 80% - 88% produce crops
- Most grow local staples, using traditional technology and few modern inputs
  - Most production consumed on farm
- Most have low levels of productive assets
  - .5 - 2 hectares of agricultural land, few animals, basic agricultural tools, few years of education
- Engaged on farm, non-farm business, casual wage labor
- Large share of children work on the family farm
  - 50% in Zambia, 30% in Lesotho

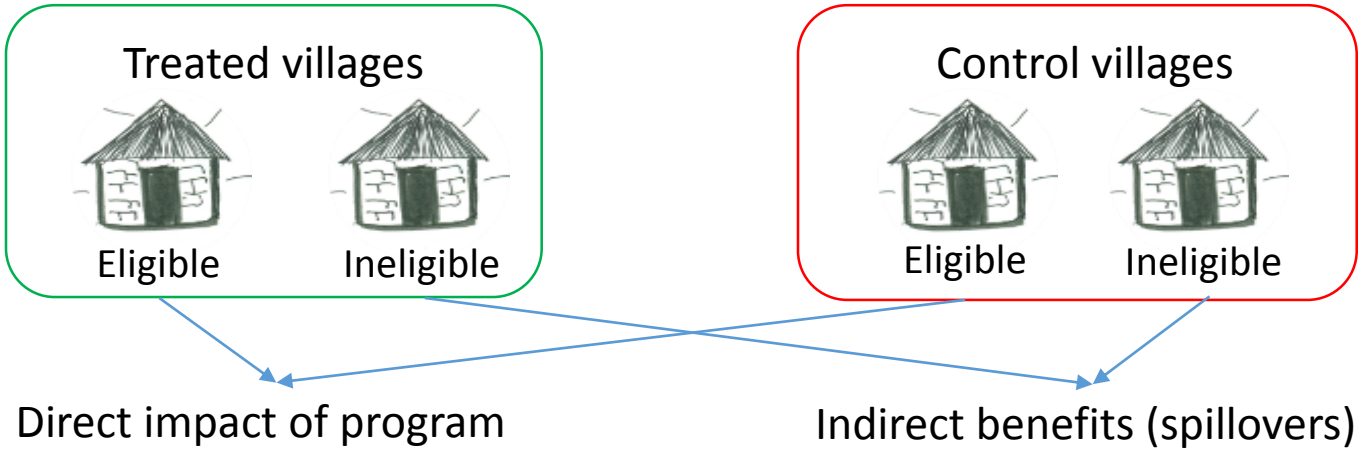
Household productive decisions

- **Smallholder farmers face barriers in multiple markets**
  - Market failures in credit, insurance, etc. constrain economic decisions on 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 are linked**
  - 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
- **Obtaining liquidity and managing risk take precedence over maximizing returns of investments**

Evaluation design

Use of mixed-methods approach:

- Micro-econometric analysis: ex-post evaluation of programs, comparing a sample of beneficiary households (treatment group) to a sample of similar households eligible to but not receiving the program (comparison group)
- Qualitative analysis: key informant interviews, focus groups, in-depth case studies to explore impacts on household economic decision-making and the local economy
- General equilibrium models: Simulation of spillovers and income multipliers of the CTs on the local economies



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RESULTS

Crop production

- **Increase in crop production and sales**
  - Lesotho: significant increase in maize, sorghum and vegetable production, mostly for own consumption due to high levels of food insecurity
  - Zambia: rise in agricultural output/value, crop sales and home consumption of more nutritious staples
- **Move away from traditional to more nutritious, higher-value crops**
  - Zimbabwe: Switch from finger millet to groundnuts and pearl millet
  - Ethiopia: Barley fell but overall value of production rose, driven by higher sorghum yields
  - Malawi: Increase in groundnut production, share of hh's cultivating pigeon pea fell
- **Heterogeneity of impacts**

Agricultural inputs and assets

- **Significant impacts on expenditures on and use of agricultural inputs** (seeds, fertilizers and pesticides)
  - Increased spending in crop inputs (seeds) and large increase in operated land (one third of baseline mean) in Zambia
  - Similar increases in the share of households purchasing seeds and chemical fertilizers in Lesotho
  - Increase in seed expenditures (Ghana) and use of organic fertilizers (Malawi and Ethiopia)
- **Increased investment in assets**, though limited to ownership or use of small agricultural tools
  - Dramatic increase in Zambia, both in share of households owning agricultural assets and number of assets owned
  - More selective impacts in other countries (Ethiopia, Malawi and Zimbabwe)

Livestock

- **Positive impact on livestock accumulation**
  - Large effects on share of households investing in animal species and on the number of livestock in Malawi and Zambia (esp. chicken)
  - More limited effects in Lesotho (pigs) and Kenya and Zimbabwe (small ruminants)
  - No impact on livestock ownership in Ghana and Ethiopia
- **Livestock ownership often seen as risk-coping strategy, second-best for precautionary savings**
  - An increase in livestock rearing could be a means to overcome barriers to insurance and credit markets, rather than an increase in productive investments

Labor use

Reallocation of labor within and outside the household

- **Reduction in casual agricultural wage labor…,**
  - In Malawi, 17 fewer days of *ganyu* by adult males in last 12 months
- **… often offset by an increase in on-farm work**
  - In Zambia, decline in ag wage labor participation was compensated by increase of work on and off-farm (20 days and 1.6 days weekly, resp.)
  - Ghana: almost 8 more days of work by adult males in own farms
- **Reduced participation of children in family farming**
- **No signs of disincentives to work, reductions in total labor supply or dependency**
  - More choice when to seek ag wage work during the lean season

Risk management

- **Households diversified income sources, increasing their engagement in non-farm businesses…**
  - Significant increase in share of households operating non-farm enterprises in Zambia and Zimbabwe
- **… Or switching to less physically demanding non-farm activities**
  - Reduction in charcoal/firewood businesses and rise in petty trading in Malawi
- **CTs contributed to debt repayments, savings and a reduction of loans and distress sales of assets in times of hardship**
  - Positive impacts in Ghana (savings, borrowing and debt repayment), Malawi (distress sales of assets) and Zambia (borrowing and debt repayment)
- **CT beneficiaries were less likely to change eating patterns or take their children out of school and send them to work or live elsewhere**
- **Impacts often stronger among more vulnerable households**

Engagement in reciprocity networks

- In general, CTs reinforced social networks by increasing informal transfers within communities and increasing participation of the poorest households in these networks
  - Statistically significant impacts on receipt/provision of informal transfers found in Ghana, Lesotho and Zimbabwe, especially giving gifts and food-sharing arrangements
- No evidence of CTs crowding out private remittances
- Qualitative work confirmed that CTs increased self-esteem, trust and social capital, and allowed beneficiaries to re-join existing networks or strengthen informal insurance and risk-sharing arrangements.

Impacts on productive activities

	Zambia CGP	Malawi SCTP	Zimbabwe HSCT	Lesotho CGP	Kenya CT-OVC	Ethiopia SCTPP	Ghana LEAP
Agricultural inputs	++	+	NS	+	-	-/+	+
Agricultural tools	++	++	+ (5)	NS	NS	+	NS
Agricultural production	++ (1)	++ (2)	++ (6)	+	NS	++	NS
Agricultural sales	++	+	NS	NS			-
Home consumption of agricultural production	NS	++ (3)	NS		+		NS
Livestock ownership	All types	All types	Most types	Pigs	Small ruminants	-	NS
Non-farm enterprise	++	NS (4)	++	NS	+ FHH/ - MHH	NS	NS

(1) value of ag production
(2) NS at midline, strong at endline
(3) animal products
(4) varies by type of business
(5) smaller households
(6) switching crops

Stronger impact

Mixed impact

Less impact

Reduction in agricultural wage labor

	Zambia CGP	Malawi SCTP	Zimbabwe HSCT	Lesotho CGP	Kenya CT-OVC	Ethiopia SCTPP	Ghana LEAP
Agricultural / casual wage labor	--	--	NS	--	--		NS
Family farm	++	NS (1)	--	NS (1)	NS		+
Non-farm business	++	NS (2)	NS	NS	NS	--	NS
Non agricultural wage labor	++	+/NS (3)	NS	NS	NS	-	NS

(1) varies by age and gender
(2) varies by type of business
(3) NS at midline, positive at endline

- Shift from casual wage labor to family business, consistently reported in qualitative fieldwork
- No general work disincentive or reduction of work effort

Risk management and social networks

	Zambia CGP	Malawi SCTP	Zimbabwe HSCT	Lesotho CGP	Kenya CT-OVC	Ethiopia SCTPP	Ghana LEAP
Negative risk coping		--		+			
Pay off debt	++	++	NS	NS			++
Borrowing	--	-	NS	NS	NS	+/-	--
Purchase on credit	NS	--	+	NS	NS		NS
Savings	++			NS			+
Give informal transfers		NS	NS	++		NS	++
Receive i transfers			+	++		NS	++
Remittan				--			NS

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

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DRIVERS OF IMPACTS

Pathways to productive impacts

- **Household needs, preferences, risk aversion**
  - Poverty, food insecurity
  - Meeting subsistence needs, consumption smoothening
  - Hedging against risk
- **Household composition**
  - Able-bodied adults, number of dependents

Beneficiary household variables

- **Targeting criteria**
  - Households with young children, OVCs, extremely vulnerable members
- **Transfer size**
  - % of average p.c. household income/consumption
- **Frequency of transfers**
  - Regular and predictable, lumpy payments

Program design variables

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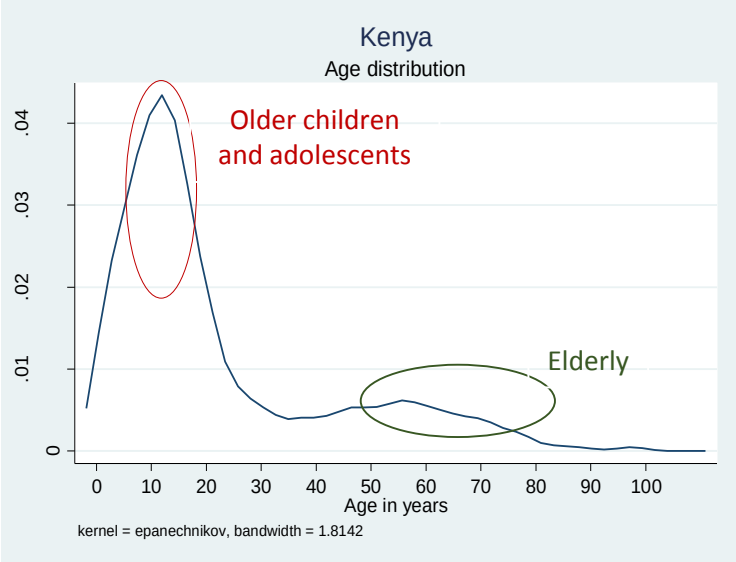
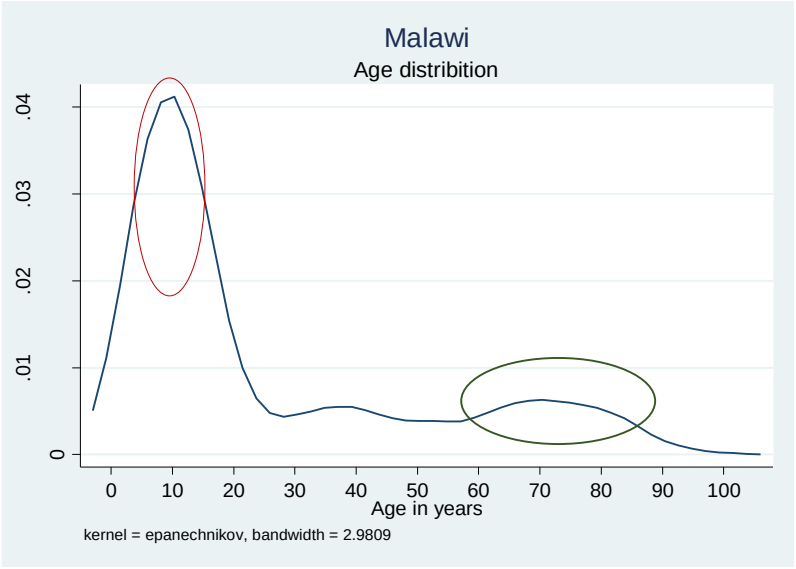
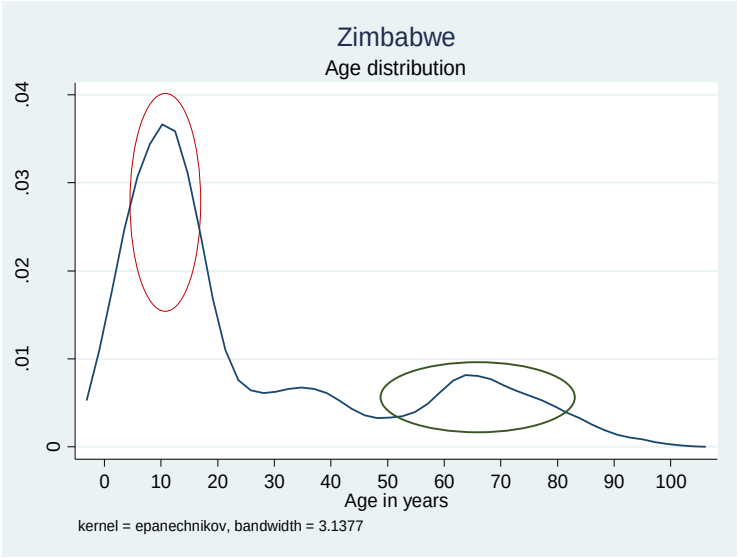
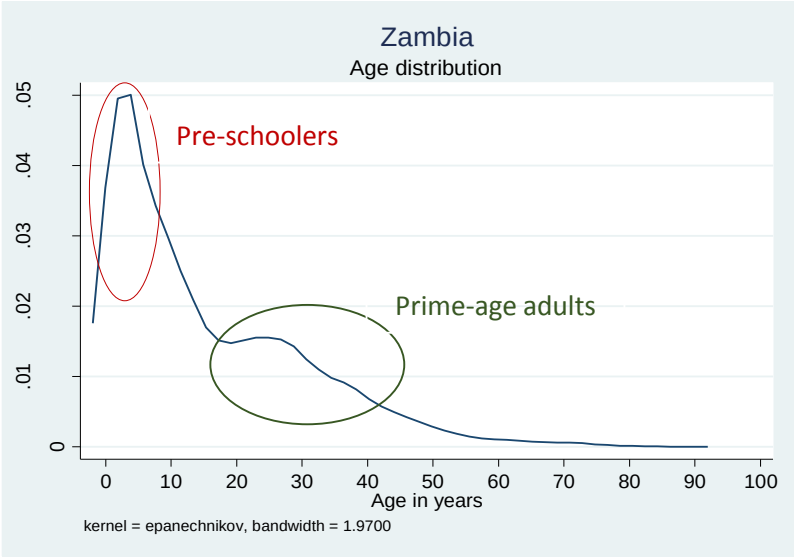
Age distribution of program beneficiaries

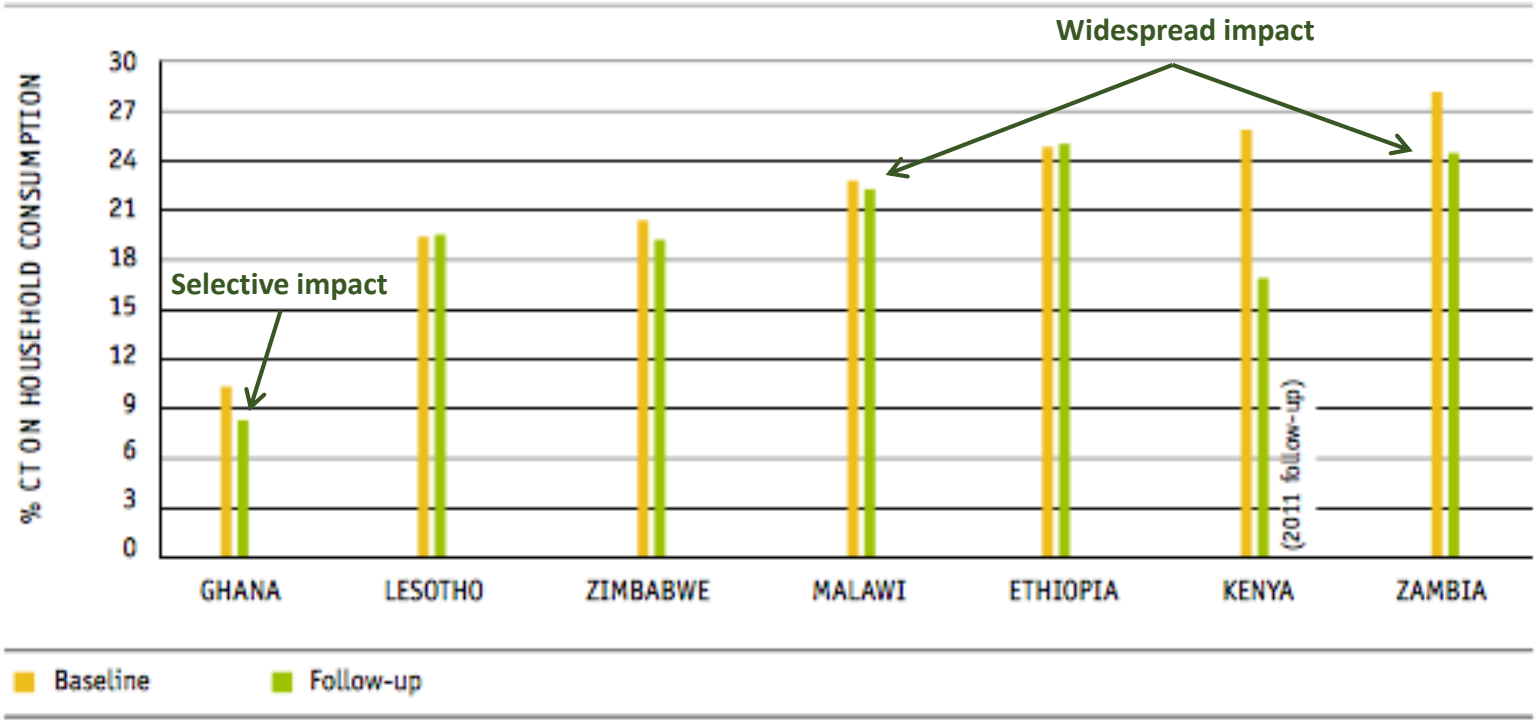








Size of transfer



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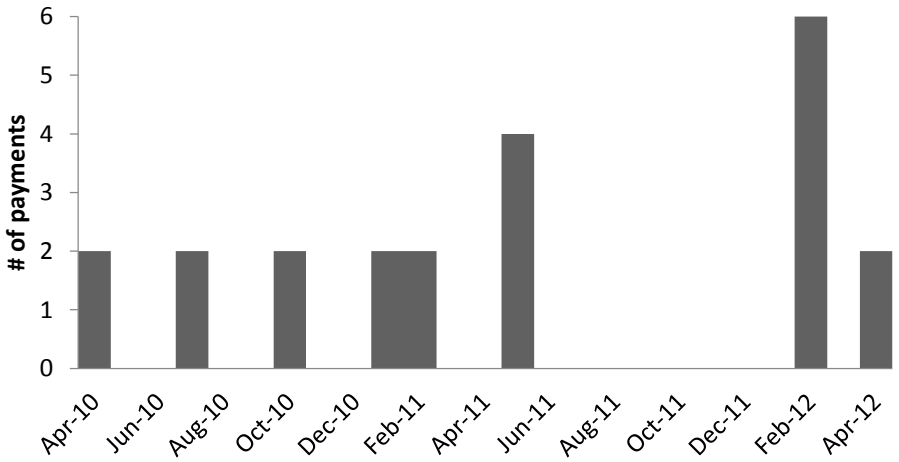
Predictability of payment

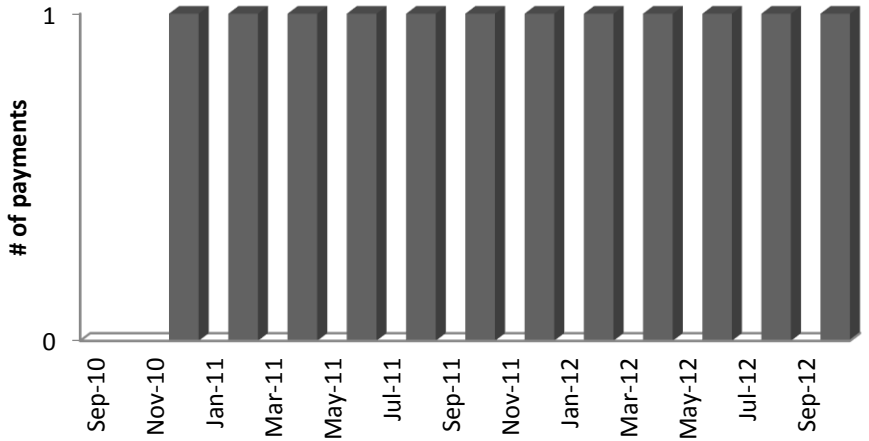
Lumpy and irregular

Regular and predictable

Ghana LEAP



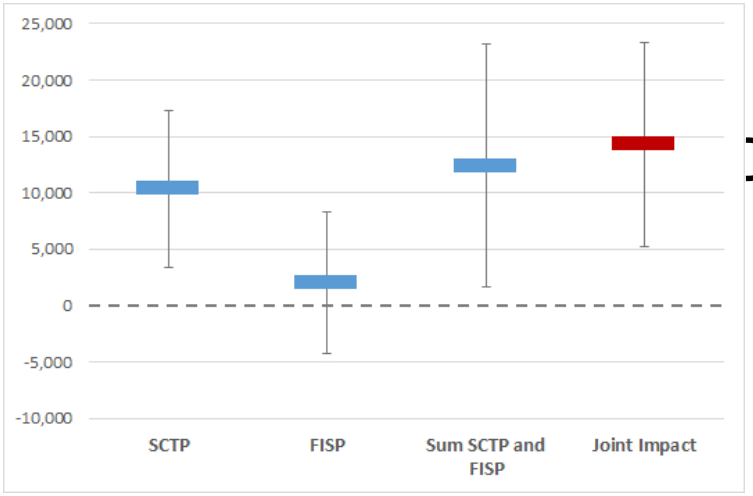
Zambia CGP



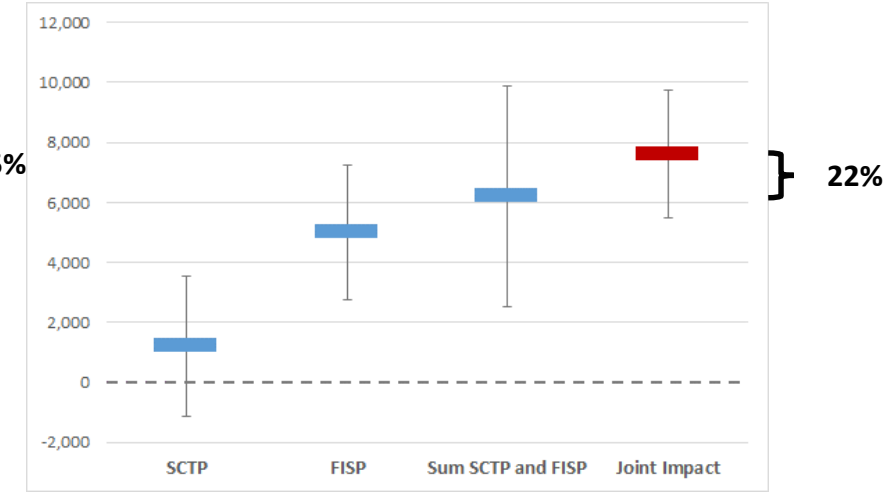
Regular and predictable transfers facilitate planning, consumption smoothing and investment

Complementarity among programs

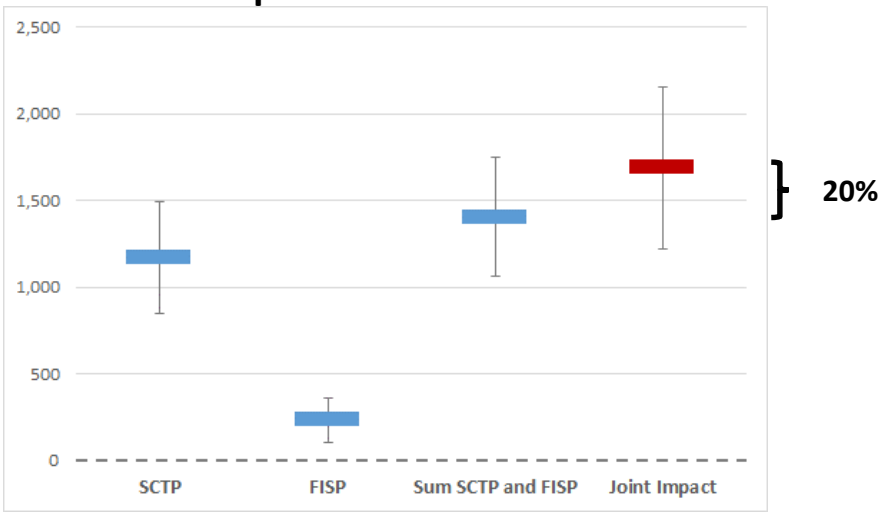
Impact on total household expenditure



Impact on value of crop production



Impact on livestock



CONCLUSIONS

Take-home messages

- **SCTs targeted to poorest can have productive impacts**
  - Relaxing some of constraints brought on by market failure (lack of access to credit, insurance)
  - Helping households manage risk
  - Increasing purchasing power and providing liquidity
- **SCTs can reduce burden on social networks and informal insurance mechanisms**
- **Long term effects of improved human capital**
  - Nutritional and health status; educational attainment
  - Labor productivity and employability
- **Infusion of cash can lead to multiplier effects in local village economy**

Take-home messages

- **Program design and implementation matters!**
  - Targeting criteria: labor constrained ultra poor vs households with labor capacity
  - Transfer size (between 20-30% of mean hh consumption)
  - Regularity and predictability of payments
  - Messaging
- **Spillover and income multipliers higher when supply responds to rise in demand triggered by cash injection**
  - Importance of complementary interventions on agriculture side to enhance impacts → synergistic effects
- **No evidence of work disincentives or dependency**

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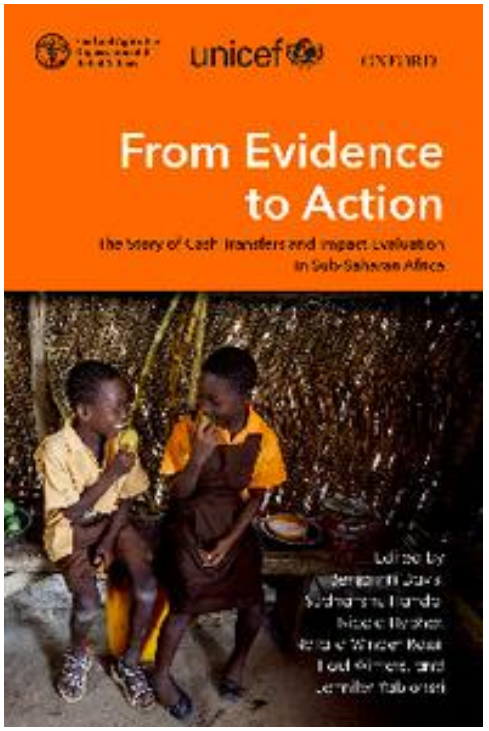
DAIDONE, S., B. DAVIS, S. HANDA, P. WINTERS, 2017.



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Thank you!