Productive inclusion and cash transfers

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Why are we concerned about productive inclusion?

- Put simply: facilitating livelihood opportunities for poor and vulnerable households
  - Financial, productive
- Sustainable livelihoods necessary for reaching social objectives
- Governments seek sustainable poverty reduction
- Concern about dependency syndrome
- Graduation

What are the livelihoods of cash transfer beneficiaries 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, a few animals, basic tools, few years of education
- Engaged on farm, non farm business, casual wage labour (ganyu, maricho)
- Often labour-constrained
  - Elderly, single headed household, large burden of care
- Large share of children work on the family farm
- Importance of informal social networks of reciprocity

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And urban beneficiaries?

- Most still work for themselves
- Agriculture less important—more cash based
- Most have low levels of productive assets
  - Few years of education, implements
- Primarily engaged in informal labor and family business
- Often labour-constrained
  - Elderly, single headed household, large burden of care
- Reduced access to informal social networks of reciprocity

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Pathways of productive inclusion

- Address inequitable distribution of resources and market failures

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- Increase access to assets
  - Land, animals, labor, tools, human capital
- Increase access to liquidity
- Increase access to credit
- Reduce burden of care
- Improved ability to manage risk
- Hope and confidence in the future

Cash transfers address these pathways

- Improved human capital of children
  - Nutritional and health status; educational attainment
  - Labor productivity and employability
- Facilitate purchase of assets
- Relax some of constraints brought on by market failure (lack of access to credit, insurance)
  - Helping households manage risk
  - Providing households with liquidity
- Provide hope in the future
- Reduce burden on social networks and informal insurance mechanisms
- Infusion of cash can lead to multiplier effects in local village economy

And cash transfers have productive impacts

- Households invest cash transfers in livelihood activities
  - Increased purchase and use of agricultural inputs and tools, leading to increased production, and in some cases, market participation
  - Increased ownership of livestock, ranging from large to small animals
  - Increased participation in non farm family enterprises
- Household members shift from casual wage labour to on farm and family productive activities
- Improved ability to manage risk
  - Reduction in negative risk coping strategies
  - Strengthened informal safety nets of reciprocity
  - Reduction in debt; increase in savings
- Positive local income multipliers

Impact varies by country

- Beneficiaries are hard working and are responsible for their own income generation and food security
  - Evidence is clear: we don't need to worry about dependency syndrome
- But what about graduation? What about exiting poverty?
  - Not all households can graduate
  - How to make sustainable—make sure that they don't fall back into poverty (risk management as key)
  - It doesn't only depend on a cash transfer programme—
    - Regional and national economic growth (jobs and income)
    - Functioning markets
    - Provision of public goods and services (health, education, infrastructure, etc)
    - Access to assets and services

A lot can be done to improve the productive impact of existing cash transfer programmes

- Assure regular and predictable transfers
  - Facilitate planning, consumption smoothing and investment
- Reconsider the demographic profile
  - Go beyond missing generation, labour constrained households
  - Labour as key factor—though labour constrained households also productive
- Size of transfer
  - At least 20 percent of per capita income
- Programme messaging
  - Households are responsive—it is ok to spend on economic activities
- Effectiveness of local committees
  - Peer support, communications, assuring effective linkages

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But households need more than just cash transfers

- Cash transfers are not silver bullet in terms of poverty reduction
- Policymakers from a wide variety of countries are looking into complementary programmes, or to place their cash transfer into a wider context of rural development
  - LAC: mature social protection systems coming to grips with limits of social protection
    - Delayed because of belief in human capital and poverty exit via formal labour markets
  - SSA: Concern with livelihoods taking place during scale up
    - Agricultural based livelihoods

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Examples from Sub Saharan Africa

- Ghana (LEAP)—
  - Bringing together cash and public works
- Malawi (SCT)—
  - Resilience Programme; ePayments and savings
- Lesotho (CGP)—
  - Home gardening; thinking about linking with community development aimed at graduation
- Kenya (CT-OVC)—
  - Linking payments to savings, youth employment
- Zambia (SCT)—
  - Linking payments to savings
- Tanzania (TASAF)—
  - CCT and public works linked with savings
- Ethiopia (PSNP)—
  - Public works and productive packages
- Rwanda (VUP)—
  - Public works linked to savings

Examples from LAC

- Mexico (OPORTUNIDADES/PROSPERA)—CCT plus
  - New strategy of financial inclusion
  - Territorios Productivos (increase productivity, income, food production)
- Peru (JUNTOS)—CCT plus
  - Financial literacy (Programa Piloto de Promocion del Ahorro)
  - Technical assistance in production (Proyecto Sierra Sur)
  - Productive project (Haku Wiñay)
  - Savings via telenovelas (soap operas)
- Child (Solidario)—CCT plus
  - Financial inclusion
- El Salvador (Comunidades Solidarias Rurales)—CCT plus
  - Productive project (food security and value chains)

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What are some of the options?

- Two broad areas
  - Better coherence and coordination with existing large scale agricultural and/or rural development interventions
  - Combining cash transfer programs with complementary interventions
  - These are not mutually exclusive

First, better coherence with large scale agricultural/rural development programmes

- Input subsidies and cash transfers
  - Discussions in Malawi, Zambia, Ghana, etc.
  - Different objectives, but similar outcomes and target populations
  - Input subsidies are expensive, strong entrenched political support, usually (but not always) regressive, not very efficient, run by another Ministry, mixed results
  - When the target group is small holder farmers, are input subsidies appropriate, or are cash transfers a better solution?
  - What does the evidence from IE tell us (Zambia, Malawi)?
- Seasonal and emergency household food security
  - Discussions in Burkina, Niger, Chad, Mali, etc
  - How to coordinate cash transfers with existing large scale food security support, usually run by other ministry (Agriculture)

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Second, potential complementary interventions

- Microfinance (savings groups)
  - Relatively inexpensive, take advantage of traditional systems, but mixed results
  - New innovative variations—making ROSCAS more flexible, rely on training
- Mobile microfinance and digital financial services
  - Take advantage of advancing mobile phone technology, but restricted by spread of technology
  - Link to ePayments; help liquidity management
- Financial inclusion
  - Training, literacy, links to formal financial system
- Microcredit
  - Low take up and modest impacts
- Agricultural insurance
  - Low take up and modest impacts

More potential complementary interventions

- Productive packages
  - Assets, inputs, revolving cows/goats, etc
  - Mixed results, and potentially more expensive
- Agricultural extension and training
  - Mixed results
- Incentives to small business formation
  - Mixed results
- Facilitating labour market participation
  - Mixed results
  - NUSAF
- Graduation model and other combinations
  - Bringing together a set of complementary interventions in a staged approach
  - One time productive asset, cash/food support, savings, training, health care, social integration
  - Positive results, but cost and logistics, and is it sustainable over time?

Comparing the evidence on cash transfers and the Graduation model

- Broadly similar, consistent, positive impacts on consumption, food consumption and life satisfaction
- Both types of programs also lead to increased savings, loans, housing improvements, business ownership—though not as consistently
- Graduation model has much stronger impacts on value and ownership of assets
- Cash transfers have stronger impact on health and education outcomes

- Argument for bringing the two together

Which is the best complementary intervention?

- Not much evidence on government-managed cash plus complementary intervention
  - PSNP
- Programme specific evidence does not point to one magic programme
  - Depends on particular context, implementation, etc
- Taking existing cash transfer programme as a base, BRAC offers a framework for identifying major constraints faced by households and possible solutions
  - But how feasible is scale up?
- Countries are moving ahead and experimenting
  - Develop a research agenda around that experimentation

Our websites

From Protection to Production Project

www.fao.org/economic/PtoP

The Transfer Project

www.cpc.unc.edu/projects/transfer