From Protection to Production: the role of cash transfer programmes in fostering broad-based economic development in sub-Saharan Africa

A research project led by the FAO Agricultural Development Economics Division (ESA) with the UNICEF Eastern and Southern Africa Regional Office (ESARO) and support from the UK Department for International Development (DFID)

What are cash transfer programmes?

Cash transfers (CTs) are regular and predictable transfers of money designed to reach the most poor and vulnerable. In the past decade, a growing number of African governments have launched CT programmes to provide assistance to households that are ultra-poor, labour-constrained or caring for orphaned and vulnerable children. Despite this popularity, policy-makers require further evidence on overall efficacy and impact, with concerns in particular over programme sustainability and recipient dependency.

Why should we expect economic impacts?

Cash improves the livelihood strategies of the poor. In rural areas most beneficiaries depend on subsistence agriculture and live in places where markets for financial services (such as credit and insurance), labour, goods and inputs are lacking or do not function well. Cash transfers often represent a dominant share of household income, and can be expected to help households in overcoming the obstacles that block their access to credit or cash. This, in turn, can increase productive and other income-generating investments, influence beneficiaries' role in social networks, increase access to markets and inject resources into local economies.

How would economic impacts happen?

These impacts are manifested through changes in household behaviour:

- changes in the labour allocation of different household members
- investments that improve income-generation capacity, including crop and livestock production and non-farm business activities
- investments that improve natural resource conservation such as sustainable land management practices and the use of productive inputs, including new cultivars, and
- changes in risk management, including adopting riskier and more profitable production strategies that enhance farmers' adaptive capacity, avoiding detrimental risk-coping strategies (distress sales, child school dropout) and decreasing risky income-generation activities (commercial sex, begging and theft)

Cash transfers also have impacts on the local economy:

- multiplier effects via local goods, labour and credit markets, and
- transfers between beneficiary and ineligible households, relieving pressure on existing social networks

Why is this important?

Cash transfers embody both aspects of FAO's "twin track" approach to reducing hunger and poverty, by promoting livelihoods as well as providing direct and immediate support to fighting hunger. Given the increasing popularity of CTs in Africa, the time is ripe for understanding the full impacts – intended and unintended – of these programmes, in order to inform the ongoing policy debate by:

- documenting the full contribution of CTs to hunger reduction, poverty reduction and inclusive growth

Lesotho (courtesy K. Covarrubias)


Kenya and Lesotho (courtesy K. Covarrubias)

- addressing concerns about sustainability, and
- analysing the productive and economic contribution of social assistance

Understanding household behaviour and local dynamics can help sharpen programme design and implementation by:

- highlighting potential synergies and constraints (such as child labour), and
- strengthening programmes' graduation strategies, which in rural Africa will come primarily through agricultural and rural non-farm activities

From Protection to Production (PtoP) project

The project is a collaborative effort with UNICEF-ESARO and six countries in the region, supported by funding from the DFID Research and Evidence Division.

The PtoP project forms part of the larger Transfer Project in which FAO has joined UNICEF, Save the Children UK and the University of North Carolina in supporting the design, implementation and impact evaluation of CTs in sub-Saharan Africa.

What does the PtoP project do?

- Strengthens data collection in ongoing impact evaluations, by:
    - assisting in the design, testing and implementation of modules on economic activities, productive assets, social networks, climate change adaptation, risk preferences and shocks
    - assisting in the design, testing and implementation of business enterprise surveys
    - promoting complementary quantitative and qualitative research methods on social networks, economic linkages, household decision-making and targeting
- Provides evidence on economic impacts by promoting and carrying-out data analyses on:
    - household economic decision-making, risk-coping and adaptation strategies
    - simulation of local economy impacts via village/regional models
- Increases the capacity of programme managers and policy-makers as part of the Transfer Project by providing:
    - direct technical assistance on impact evaluation design, implementation and use of evidence
    - capacity building through regional and national workshops
    - inputs into programme implementation
    - support to a support network on impact evaluation of cash transfers in Africa

Why Africa?

Until recently, most evaluations of such programmes have taken place in Latin America. However, this is changing fast as CTs gain traction in Africa, where most new CTs are accompanied by rigorous impact evaluations. Moreover, poverty reduction and inclusive growth strategies in Africa will require engagement with rural and agricultural development issues. The project's work in Africa will provide tools and lessons for programmes in other parts of the world.

PtoP focus programmes

The PtoP project is working with six programmes in sub-Saharan Africa:

Malawi Social Cash Transfer Programme (SCT) scale up, 2011–12
Kenya Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC) scale up, 2007–11
Ethiopia Minimum Social Protection Package pilot, 2011–12
Ghana Livelihood Empowerment Against Poverty Programme (LEAP) pilot, 2010–12
Lesotho Child Grants Programme (CGP) pilot, 2011–12
Zimbabwe Social Cash Transfer Programme (SCT) pilot, 2011–12

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