

From Protection to Production: agriculture, cash transfers and poverty reduction in Sub Saharan Africa

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FAO and the Transfer Project

Recent developments in the role and design of social protection programmes
A policy dialogue, expert workshop and south-south learning event

December 3-5, 2012
Brasilia, Brazil

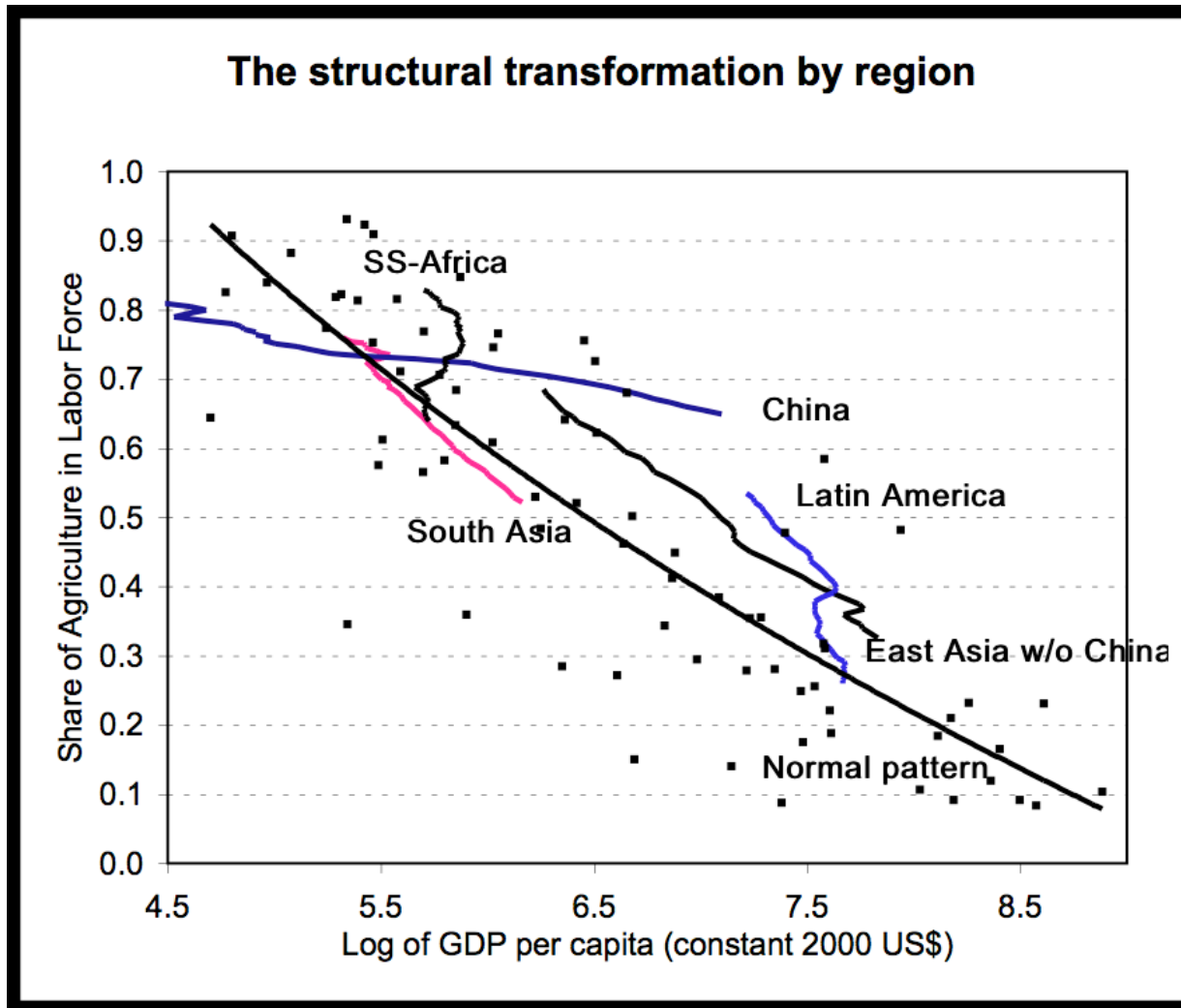


Why is agriculture important in Sub Saharan Africa?

- Agriculture constitutes 1/3 of GDP
 - ½ of total value of exports
- 2/3 depend on agriculture for their livelihood
- 72% of economically active rural population are smallholders
- Women comprise about 50% of agricultural labor force participation
 - 60% of employed women are in agriculture
- Households produce a large share of own consumption



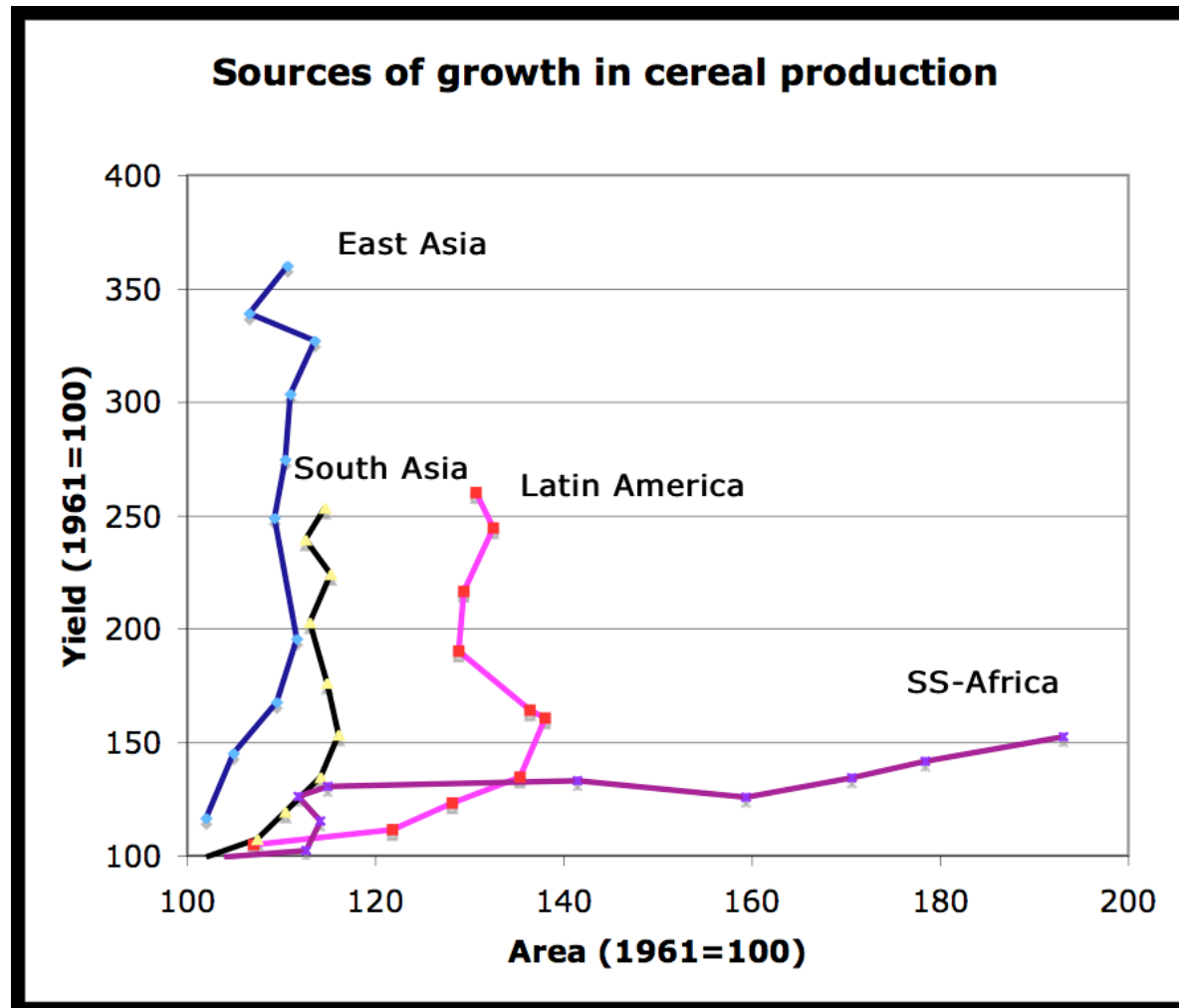
Classic pattern of structural change has not occurred in Sub Saharan Africa



(de Janvry and Sadoulet, 2011)



Most growth in cereal production via expanding area



(de Janvry and Sadoulet, 2011)



Sub Saharan Africa remains poor because of the failure of agriculture

- Why has agriculture failed?
 - Environmental context
 - Dominance of soils with poor fertility
 - Extreme heterogeneity and diversity of agroecological environments and farming systems
 - Policy and institutional context
 - Rain fed agriculture, with traditional cultivation practices
 - Poorly functioning markets; high transaction costs
 - Large impact of human health on agriculture
 - Low levels of human capital
 - Antagonistic public policy towards agriculture
 - Low public spending; excessive implicit and explicit taxation; capture of political economy by urban elites; food aid instead of investment in raising productivity; dismantling of agrarian institutions under structural adjustment, etc



The future of Sub Saharan Africa: More, not less, reliance on agriculture

- GDP growth originating in agriculture is two to three times as effective in reducing poverty as GDP growth originating outside of agriculture
- Most of recent decline in global rural poverty attributable to better conditions in rural areas rather than out migration of the poor
 - Migration to cities has not been main instrument for global rural poverty reduction



The future of Sub Saharan Africa: More, not less, reliance on agriculture

- Many countries must largely feed themselves
 - Food remains imperfectly tradable because of high transaction costs and prevalence of lightly traded staple foods, such as roots and tubers
- Productivity of food staples is key to economic growth
 - Agricultural productivity determines price of food, which in turn determines wage costs and competitiveness of tradable sectors.
- Increasing and stabilizing domestic food production is essential for food security
 - Given limited tradability, foreign exchange constraints, and recurrent emergencies



Relies on improving productivity, profitability and sustainability of smallholder farming

- Support to small holder farming should be dominant approach on grounds of both efficiency and poverty reduction
- Kick-starting poverty reduction requires accelerated growth in staple output on small family farms
 - Driven by increased productivity on those farms



Focusing poverty reduction—cash transfers or small holder productivity?

- Despite importance of small holder agriculture for poverty reduction, direct provision of cash transfers to the poor is ascendant
 - Primary objective of improving short-run welfare (through improved consumption) and inducing greater investment in education and health of children
- Missed opportunity of articulation with broader rural and agricultural development strategy designed to alleviate poverty
 - In most of Sub Saharan Africa, for foreseeable future, exit from poverty not through formal wage labor, as in LAC
- Challenge is to find right balance in allocation of resources and program design in order to optimize complementarity



What is unique about a small holder household?

- Small holder family is target of both agricultural and social protection policy
- Missing/poorly functioning markets link production and consumption activities
 - Credit, insurance, labor and input market failures
 - Constrain economic decisions in investment, production, labor allocation, risk taking
 - Safety first, rather than profit maximization
- Implications for “social” side—you cannot separate from livelihoods
 - Labor allocation (adults and children), including domestic chores and care giving
 - Intra household decision making
 - Investment in schooling and health
 - Food consumption, dietary diversity and nutrition



Cash transfers targeted to poorest of the poor can have productive impacts

- Beneficiaries in Sub Saharan Africa predominately rural, most engaged in agriculture
- Most work for themselves
- Transfers can relax some of constraints brought on by market failure in credit and insurance
- Infusion of cash can lead to multiplier effects in local village economy
- Transfers can reduce burden on social networks and informal insurance mechanisms



For example, agriculture is fundamental part of livelihoods of Kenya CT-OVC beneficiaries

- Large majority are agricultural producers
 - Over 80% produce crops; over 75% have livestock
- Most grow local maize and beans, using traditional technology and low levels of modern inputs
- Most have low levels of assets
 - few acres of agricultural land, few small animals, basic agricultural tools and low levels of education
- Only 16 percent used credit in 2011
- 1/4 of adults worked in casual wage labor, 1/3 in own non ag business, 1/5 private transfers
- 42% of children worked on family farm



Relatively little evidence on productive impacts

- Most CTs (conditional or otherwise) focus on poverty, health, education and nutrition
- Impact evaluations pay relatively little attention to economic/productive activities
- From Protection to Production project
 - Working with 7 countries in Sub Saharan Africa to understand productive impacts
 - Mixed methods: Household and individual level impacts via econometric methods, local economy effects via SAM/CGE (LEWIE) modeling, perceptions on household economy and decision making via qualitative methods



What does available impact evaluation evidence say?

- Fair number of studies on labor supply
- Relatively few studies on
 - Productive activities
 - Mexico, Paraguay, Nicaragua, Kenya, Malawi, Ethiopia
 - Multiplier effects
 - Malawi, Kenya, Lesotho, Brazil
 - Climate change adaptation
 - Nicaragua
 - Cash plus complementary interventions
 - Ethiopia PSNP



Mixed picture in terms of adult labor supply

- CCTs in Latin America have little impact on adult labor supply
 - Studies in Brazil, Mexico, Nicaragua, Ecuador and Honduras did not find significant impact on participation in wage employment nor reallocation between agricultural and non agricultural sectors
 - Reduction in time spent working in Nicaragua and Brazil, with some substitution between wage and domestic home work in Brazil
- Emerging evidence from UCTs in Sub Saharan Africa shows mixed picture
 - No disincentive effects on adult labor supply in Ethiopia, positive effect on adult labor supply in South Africa, shift between agricultural wage labor and on farm activity in Malawi (participation and intensity) and Kenya (intensity)
 - Agricultural wage labor as option of last resort



Large reduction in child labor supply

- CCTs have led to reduced child labor in Brazil, Ecuador, Mexico, and Nicaragua
- In Malawi, switch from off farm wage labor to on farm activities
- In Kenya, in context of little off farm wage labor, large reduction in children's work on farm



Among UCTs in Sub Saharan Africa, generally positive impact on productive activities

- Malawi
 - Increased investment in agricultural assets, including crop implements and small livestock, and greater share of household consumption produced via own production
 - Yet increase in on farm child labor activities
- Kenya
 - Increased ownership of small livestock and greater share of household consumption of cereals, animal products and other foods produced via own production
 - Particularly for smaller and female-headed households
 - Increased participation in nonfarm enterprise for female headed households
- Ethiopia
 - Use improved agricultural technologies and higher fertilizer use and grain production
 - Increased participation in nonfarm enterprise



Among CCTs in Latin America, generally positive impact, but not always

- Mexico
 - Increased land use, livestock ownership, crop production and agricultural expenditures
 - Greater likelihood of operating a microenterprise
 - Higher living standards after transitioning off program due to investments in productive activities
 - Yet agricultural households less likely to comply with conditionality due to time conflicts with livelihood activities
- Paraguay
 - Greater investment in agricultural production and in purchase of livestock
- Nicaragua
 - No impact



Towards including the productive dimension in cash transfer programs

- Measuring success of cash transfer programs does not depend on productive impacts—not part of original objectives
- Yet clear that in context of livelihoods based on self employment combined with market imperfections/failures, consumption and production decisions of beneficiary households are linked



Towards including the productive dimension in cash transfer programs

- Contribute to policy debate
 - Understand overall contribution of CT programs to poverty reduction in short and long term
 - Political economy: more support for CT programs
 - Articulation as part of rural/agricultural development strategy
 - Bring together sectoral ministries (Ethiopia)



Towards including the productive dimension in cash transfer programs

- Contribute to program design
 - Most programs not designed considering productive dimension
 - Evidence on how households spend, invest, or save can help strengthen design and implementation
 - Confront potential synergies and constraints (eg, child labor)
 - CTs will not themselves lead to large productivity gains, but can contribute
 - Through health and education
 - Combined with complementary programs
 - Link to graduation strategies, “productive insertion of beneficiaries”, welfare-to-work transitions



Our websites

From Protection to Production Project

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

The Transfer Project

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



PtoP country timelines

	Draft versions of report		
	household level analysis	local economy analysis	qualitative analysis
Ghana LEAP	Feb-13	Feb-13	Jul-12
Kenya CT-OVC	Jul-12	Jun-12	Sep-12
Lesotho CGP	Feb-14	May-12	May-13
Ethiopia SCTP	Nov-13	Mar-13	?
Zimbabwe HSCT	Aug-14	Aug-13	Jan-13
Malawi SCT	Sep-14	Sep-13	Dec-13
Zambia CGP	Apr-13	Apr-13	NA
Cross country	Oct-14	Nov-13	Mar-14

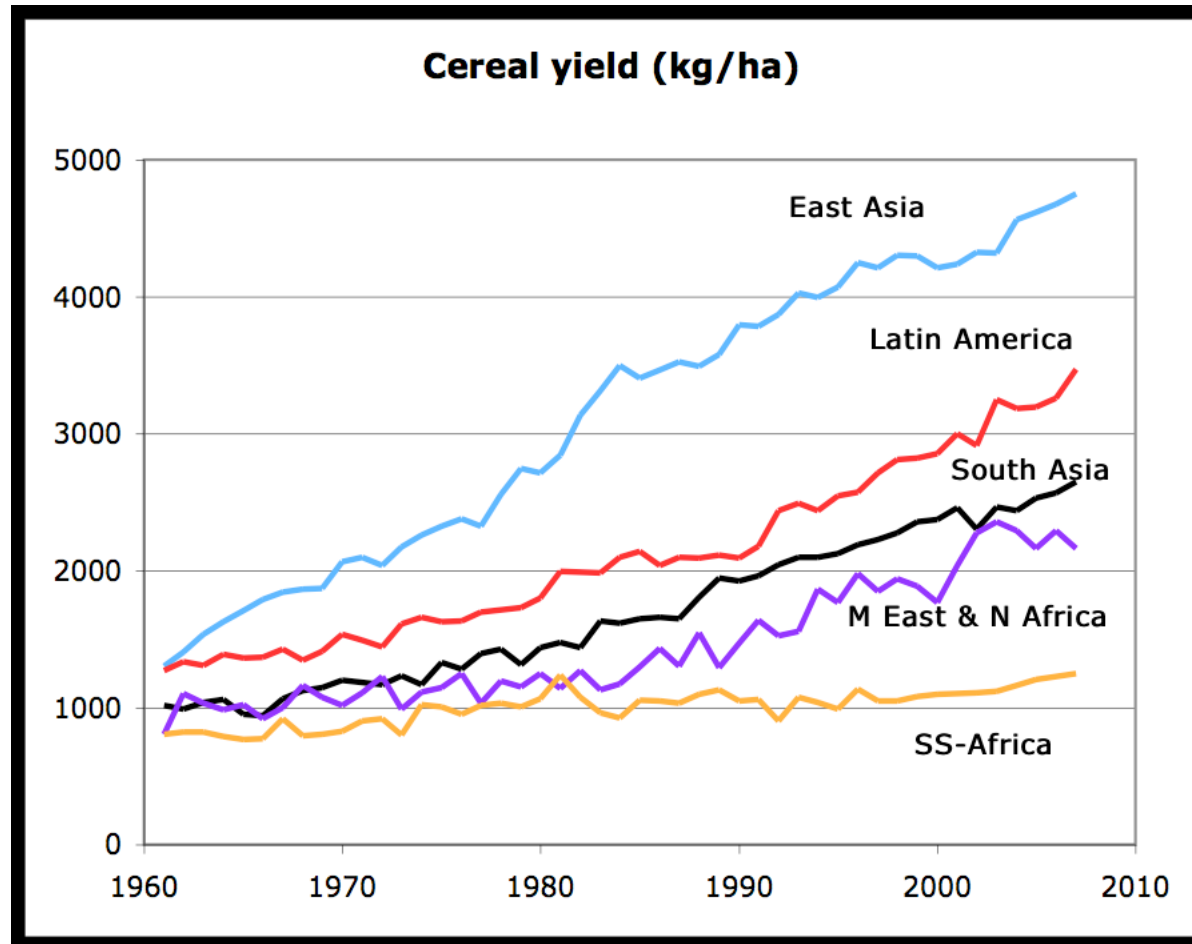


What is the Transfer Project

- Informal consortium of UNICEF, Save the Children UK, the University of North Carolina and FAO, in coordination with national governments and development and research partners in Sub Saharan Africa
- Objectives
 - **Provide evidence** on the effectiveness of cash transfer programs
 - **Inform** the development and design of cash transfer **policy** and programs
 - **Promote technical assistance and learning** across the continent on the design and implementation of cash transfer evaluations and research
- Two regional workshops in 2013



Little improvement in cereal yields



(de Janvry and Sadoulet, 2011)

