Impacts of social cash transfers: case study evidence from across southern Africa

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Abstract

There is increasing interest in social protection programmes as a means of reducing poverty and vulnerability. Social cash transfers form a part of social protection programmes, and many have been piloted and/or introduced around southern Africa. Evidence from impact evaluations shows that, in addition to promoting food security, social cash transfers have additional beneficial effects. These are wide ranging and extend beyond the direct recipient of the transfer to the wider family. For the recipient, there is evidence to suggest that cash transfers promote self esteem, social status and empowerment. They also improve food security and nutritional status, not just for the transfer recipient, but also for other household members. Receipt of cash also reduces absolute poverty and narrows the poverty gap, promoting equity; and also provides necessary capital to allow beneficiaries to participate in other social services, including healthcare and education. This paper outlines empirical evidence for the impacts of cash transfers in southern Africa, based on an extensive literature review and primary evidence assessing 20 social transfer programmes in Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe, which was gathered between 2005-2008 under the Regional Evidence Building Agenda of the Regional Hunger and Vulnerability Programme.

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Introduction

Many countries are beginning to recognise the role of social protection in promoting food security among vulnerable groups. Mozambique is no exception, having already passed the Social Protection law. Social transfers – that is regular and predictable transfers of cash, food, or agricultural inputs, are an important part of social protection programmes, and have been embraced by both governments and NGOs across southern Africa, with a particular growing interest in cash transfers. In the past responses to food insecurity were based on humanitarian food aid assistance, which was reactive and served to keep people alive, or at best bring them back to their original starting point. By arriving regularly, whether monthly or quarterly, cash transfers allow beneficiaries to take a longer term perspective and plan their livelihoods accordingly, which means that they actively allow people to improve their livelihoods, reducing their vulnerability and level of poverty.

Indeed, there is an increasing amount of evidence from cash transfers across the region that shows that, in addition to promoting food security, social transfers have additional beneficial effects. These are wide ranging and extend beyond the direct recipient of the transfer to the wider family. For the recipient, there is evidence to suggest that cash transfers promote self esteem, social status and empowerment. They also improve food security and nutritional status, not just for the transfer recipient, but also for other household members. Receipt of cash also reduces absolute poverty and narrows the poverty gap, promoting equity; and also provides necessary capital to allow beneficiaries to participate in other social policy benefits, including healthcare and education.

This paper outlines empirical evidence for the impacts of cash transfers in southern Africa, based on an extensive literature review and primary evidence assessing 20 social transfer programmes in Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe, which was gathered between 2005-2008 under the Regional Evidence Building Agenda of the Regional Hunger and Vulnerability Programme.

What is social protection?

Social protection can be defined as all initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of socially excluded and marginalised people (Devereux and Sabates-Wheeler, 2007). This broad definition allows for the fact that different categories of people require different forms of social protection. Among those requiring social protection are the chronically poor, including rural landless and orphans; those who are economically at risk, such as people living with HIV and AIDS, internally displaced persons and refugees; and the socially vulnerable, including ethnic minorities, people living with disabilities, and child-headed households. But to protect their livelihoods each of these groups needs different forms of social protection: social transfers (e.g. disability or child grants), social services (home-based care, education, healthcare), and social transformation (broader policy and legislation changes to ensure rights to vulnerable groups). The more typical notion of social insurance, including contributory pensions and maternity leave, are also encompassed within the notion of social protection, although clearly only available to those able to pay.

Arguably the area of social protection that is most immediately relevant to pro-poor development is social transfers. Social transfers are non-contributory, predictable and on-budget transfers to recipients. They can take various forms: cash, vouchers, food, agricultural inputs, medicines, and school fee or health care waivers. There are already a number of social transfer programmes in operation in southern Africa (Ellis et al, 2009): for example Swaziland and Lesotho have non-contributory social pension schemes that provide cash transfers to elderly citizens; Malawi has an input subsidy programme that provides subsidised fertiliser and seed to vulnerable but viable farmers; and Zimbabwe has a Basic Education Assistance Module that provides school fee waivers[i]. Many countries also provide antiretrovirals (ARVs) to people living with HIV and AIDS. Particular attention has been paid to the role of cash transfers in promoting pro-poor development.

Cash transfers as a form of social protection

Predictable transfers of cash to vulnerable groups are raising increasing interest amongst donors, NGOs and national governments in southern Africa, with a number of pilot projects and national programmes having been implemented (for more information see www.wahenga.net). Providing recipients with regular and predictable transfers of cash gives them the flexibility to plan their expenditure to meet immediate basic consumption needs as well as providing the opportunity for investment in productive activities. There is now a growing body of evidence to show that cash transfers are effective in ameliorating vulnerability and chronic poverty (Barrientos and DeJong, 2006; Farrington and Slater, 2006), and have wider positive impacts within recipient households and communities (Davies and Davey, 2008).

Impact of cash transfers

The impact of cash transfers begins with the recipient, and then expands to the household, wider community, and eventually the country, meaning that many more people can actually be said to be beneficiaries of cash transfers than just those people who receive them. In particular much evidence exists on the redistributive effects of social pensions beyond just the elderly recipients (Ardington and Lund, 1995; Lund, 1993, Moller and Sotshongaye, 1996; Moller and Fereira, 2003). This section reviews the evidence for these impacts, beginning at the level of the recipient and expanding out to the household, wider community, and country[ii].

Promoting self esteem, personal status and empowerment

At the micro-level, cash transfers promote self-esteem, status and empowerment amongst vulnerable people, enabling them to be active members of their households and communities, rather than burdens. The recipients of such transfers are typically vulnerable groups of the population who are dependent, in various ways, on other members of their household for their wellbeing. The elderly, for example, typically rely on their children to provide for them. A Lesotho pensioner describes “before we were treated as if we were dead. Now people respect me” (Save the Children UK/HelpAge International/IDS, 2005). Similarly, a male disability grant recipient in Langa, South Africa explains “this disability grant is very helpful because I can buy food and medicines if necessary. I also became a decent person – I now have insurance and accounts” (Surender et al, 2007).

Women are also often recipients of transfers, which helps to promote gender equality, and there is a rich literature to suggest that women are more likely to spend money for the benefit of the whole household, rather than just for an individual. As a result, many cash transfers are physically paid to women. A 61-year old married mother of six receiving cash under the Dowa Emergency Cash Transfer (DECT) programme explains “I am the one who keeps the money. I am a mother and usually I stay at home and know what the family needs. I am also the one who decides on how the DECT money is spent. Men usually do not care about the home but I stay at home and I see all the problems. That is why I make the decisions” (Mvula, 2007).

Aside from improving self-esteem and empowerment, receipt of social cash transfers also allows physically fit and productive adults to actively seek work. In South Africa households receiving the Old Age Pension have labour force participation rates 11-12% higher than households that do not receive the grant, and employment rates 8-15% higher (Samson et al, 2004). Similarly impact evaluations in Zambia have measured significant improvements in beneficiaries’ motivation: they think that they are considered less poor by the community, and they assess the future more positively, which is a crucial prerequisite for leaving the vicious cycle of poverty. With the Social Cash Transfer programme 12% more people reported seeing the future positively, with 23% more having plans for the future at the time of the evaluation from the baseline (MCDSS/GTZ, 2007).

Improving food security and nutritional status

At the level of the household, there is plentiful evidence to show that cash transfers improve food security and nutrition. Typically a large proportion of a cash transfer is spent on food: the evaluation of Malawi’s Food And Cash Transfers (FACT) showed that 75.5% of the transfer was typically spent on groceries (Devereux et al, 2006). In Lesotho the number of old age pensioners reporting that they never went hungry increased from 19% before the pension to 48% after it was introduced (Croome and Nyanguru, 2007). As well as increasing the volume of food available, cash transfers lead to an increase in the variety of foods consumed within the household: in Zambia 12% more households consumed proteins every day and 35% consumed oil every day if they received a transfer, compared with those households that didn’t (MCDSS/GTZ, 2007). But in addition to this, there is morphometric data to show that receipt of the child support grant in South Africa increases the height of children who receive it by 3.5cm if it is received in their first year and for two of the first three years, and the old age pension increases the height of girls in the household by over 2cm (Aguero et al, 2007). There are gendered differences in the sharing of pensions (Burns et al, 2005), with a greater proportion of women's pensions being spent on food (Case and Deaton, 1998), and women's pensions showing particular improvement in the height and weight of girls (Duflo, 2003).

Improving access to social services

But household benefits are not limited to food security and nutrition. There is also evidence to show that receiving a cash transfer improves access to healthcare and education. Whilst improved nutritional status directly promotes improved health status of household members, cash transferred to households allows recipients to afford treatment. In Zambia, for example, incidence of illnesses reduced from 42.8% to 35%; and incidence of partial sightedness reduced from 7.2% to 3.3%, potentially due to the fact that beneficiary households could afford minor eye surgery (MCDSS/GTZ, 2007).

Cash transfers also play an important role in access to education, both by providing households with the means to pay school fees, but also to purchase peripheral requirements associated with attending school, such as uniforms, books and stationery. Education is accepted as a critical means of reducing inter-generational poverty and promoting development, but access to it is often impeded by cost. Provision of cash increases enrollment rates: Zambia's Social Cash Transfer increased school enrollment rates by 3% to 79.2%, and 50% of youth who were not in school at the time of the baseline study were enrolled by the time of the evaluation (MCDSS/GTZ, 2007). In South Africa receipt of the Child Support Grant is positively correlated with the beneficiary attending school: grant receipt appears to decrease the probability that a school-age child is not attending school by over half (Williams, 2007). In Namibia, interviews with a grade 12 class found that participation of 14 out of 16 learners was solely due to their grandparents receiving a pension (Devereux, 2001).

Once an investment has been made in education through the payment of fees, there is an incentive to let children attend, which reduces child labour and other absenteeism. In Malawi, children in recipient households in the Mchinji cash transfer pilot were absent of average 1.6 days, compared with 2.6 days in non-recipient households (the average before the transfer was 2.6 in both household types)(Miller, 2008). Using data from the national household survey in

2000 in South Africa, models show that household receipt of an old age pension is associated with a 20% to 25% reduction in the school non-attendance gap, and receipt of a child support grant is associated with a 25% reduction in the non-attendance gap (Samson et al, 2004).

Investment in livelihoods and productive activities

When households are in a situation of chronic poverty, they struggle to maintain assets, which tend to be sacrificed in times of severe food shortage. As this is a recurrent situation, the pre-harvest season tends to give rise to increased food prices and the need to dispose of assets to afford to eat. This problem of seasonality of hunger makes it very difficult for households to escape the poverty trap, as they are unable to build up assets to promote livelihoods (Devereux et al, 2008). Receipt of cash transfers allows chronically impoverished households a guarantee that they will be able to secure their basic needs throughout the year, regardless of seasonality.

As well as protecting assets from distress sales, receipt of cash transfers also provides small amounts of capital for investment in productive activities, such as agricultural implements and tools, giving recipients the opportunity to not only protect but also improve their economic well-being. In the Kalomo social cash transfer scheme in Zambia 29% of transferred income with invested, either in purchases of livestock, farming inputs, or informal enterprise (MCDSS/PWAS/GTZ, 2005). Asset ownership among recipients developed positively from 4.2 assets at baseline to 5.2 at evaluation. The increase of ownership of small livestock was particularly noteworthy: seven times as many households owned goats, and the ownership of chickens increased by 15 percentage points. 71% of all households indicated that they had invested part of the cash, and 52% of them indicated that they had generated extra income (MCDSS/GTZ, 2007).

Evidence of investment in assets is also reiterated from cash transfer schemes elsewhere. A recipient of the Child Support Grant in Mdantsane, South Africa explains “I sell sweets and biscuits so that I don’t run out of paraffin. I buy them from the child support grant money. I do this so that when the child support grant runs out, we are not in darkness” (Surender et al, 2007). In Swaziland the prospect of a guaranteed income through the Old Age Grant provides access to farm inputs on easy (concessionary) terms, and particularly through agricultural cooperatives and credit unions (Dlamini, 2007).

Wider economic growth

One of the consequences of providing cash to vulnerable people is that they are likely to spend it, whether on food, social services, or assets. As the money is spent locally, this stimulates local markets, promoting trade and production, and thus leading to wider community-level economic benefits through the multiplier effect. A number of previously stagnant community economies have been shown to benefit from the injection of cash through cash transfers.

In Zambia, of all purchases made with cash transfer income, 63% are from neighbours, 11% are from shops and 7% from rural traders, thus showing that well over three quarters of the cash injected into the economy is spent locally (MCDSS/PWAS/GTZ, 2005). Namibia and South Africa, for example, both report increased trade for grocery stores and the formation of new businesses, resulting from their respective social pension schemes (Ardington and Lund, 1995; Lund, 2002). Similarly research on the impacts of the Old Age Pension in Lesotho show that on average 18% of the money transferred goes towards creating jobs for other people (HelpAge, 2006). Perhaps the most convincing evidence comes from an econometric survey in the Dowa district of Malawi after the DECT, which shows that for every $1 of transfer, a regional multiplier of 2.02 to 2.45 was observed in the local economy, meaning that there was double the impact of the actual transfer in the local economy, benefiting non-recipients of the transfer, such as traders and suppliers (Davies and Davey, 2008).

Reduction of national poverty and improvements in equity

The net effect of these individual and household benefits is a decrease in poverty. At its most rudimentary this is measured in reductions in the poverty headcount: in South Africa, for example, this would be 5% higher without the old age pension (40% compared with 35%) (Case and Deaton, 1998), and the average poverty gap would be 10.41% higher (Barrientos, 2005). Similarly in Mozambique the GAPVU cash transfer programme was estimated to have contributed to a reduction in headcount poverty by 6%, and reductions in the poverty gap and poverty severity by 27% and 44% respectively (Datt et al, 1997).

Disaggregated statistics also highlight the specific effects of different types of transfers among different vulnerable groups. In South Africa among a sample of both rural and urban HIV-affected households, the Child Support Grant reduced the incidence of poverty by 8%, the old Foster Care Grant reduced the incidence of poverty by 6%, and the Old Age Pension reduced the incidence of poverty by 48% (Booysen, 2004). The comprehensive array of social cash transfers available to various vulnerable South African groups of the population also has impressive reductions in poverty: in the absence of any grants, 55.9% of the elderly would be in poverty, and 38.2% would be in ultra-poverty. By definition, 40% of individuals are "poor" prior to the simulation of the effect of the grant. Assuming that all those eligible register for the grant, overall poverty falls to 33.1% after the pension. Even more strikingly, poverty among the elderly falls to 22.9% and ultra poverty among the elderly falls to 2.5%. In the absence of the child support grant, but *after* taking account of the pension, 42.7% of children would be in poverty and 13.1% would be in ultra-poverty. Assuming that all who are eligible (under the age of 7) register for the child support grant, household poverty would fall to 8.9%. Even more strikingly, poverty among children (under 7) falls from 42.7% to 34.3% and ultra poverty falls from 13.1% to 4.2% (Woolard, 2003). Whilst the reduction of poverty is, of course, the primary outcome, a corollary of this is that the costs of providing social protection will fall over time, as economic growth increases, and the poverty gap falls. This has been shown to be true in modeling exercises for South Africa (Samson et al, 2005).

Conclusion

There is increasing evidence for the positive economic and social impact of cash transfers based on pilot projects and national level programmes from around southern Africa. This paper has reviewed some of this evidence, largely gathered from 2005-08 under the Regional Evidence Building Agenda of the Regional Hunger and Vulnerability Programme. Impacts begin at the level of the recipient, where cash transfers promote self-esteem and empowerment, and extend to other household members who also benefit from increased food security and nutrition, improved access to social services, and protection of households assets. Spending of cash within local communities further extends the benefits to a wider level, and the overall impact gives rise to a reduction in poverty and promotion of equity at the national level.

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[i] For more information on these and a range of other social transfer programmes operating in southern Africa see http://www.wahenga.net/index.php/evidence/case_study_briefs/

[ii] This section is based on the brief "The impact of cash transfers: theory and evidence from southern Africa" prepared by Katharine Vincent and John Rook for RHVP. The document is available online at http://www.wahenga.net/uploads/documents/focus/The_Impact_Cash_Transfers.pdf