



THE ECONOMIC IMPACTS OF THE CT-OVC PROGRAMME IN KENYA

CASH TRANSFERS ARE MORE THAN JUST SOCIAL ASSISTANCE

Cash transfer programmes have become an important tool of social protection and poverty reduction strategies in sub-Saharan Africa. Many of the programmes target the ultra-poor, labour-constrained, and/or caring for orphan and vulnerable children. They seek to improve food security and health, and nutritional and educational status, particularly of children. These investments in health and education can have economic benefits through improvements in human capital that lead to an increase in labour productivity and employability.

However, cash transfer programmes may also influence the productive activities of beneficiary households. The livelihoods of most beneficiaries in sub-Saharan Africa are predominately based on subsistence agriculture and rural labour markets. Most beneficiaries live in places where markets for financial services (such as credit and insurance), labour, goods and inputs are lacking or do not function well. In this context, when cash transfers are provided on a regular and predictable basis, they can help households overcome credit constraints and manage risk. This, in turn, can increase productive investments, promote access to markets and stimulate local economies.

THE PROGRAMME

The Cash Transfer for Orphans and Vulnerable Children (CT-OVC) programme, implemented by the Government of Kenya with the support of UNICEF, the World Bank and DFID, is one of the flagship programmes in Kenya's Vision 2030 and a core part of the government's National Safety Net Programme. The objective of the CT-OVC programme is to strengthen the capacity of the poor to care for and protect OVC, to encourage their fostering and retention within their families and communities, and to promote

their human capital development. The programme is targeted at ultra-poor households with OVC up to 17 years old with at least one deceased parent, or a parent who is chronically ill, or whose main caregiver is chronically ill.

By December 2012, the government had succeeded in providing regular bi-monthly cash transfers of KSh 4 000 to over 150 000 households nationwide across 47 districts. The value of the transfer represented an average of

14 percent of the expenditures of the beneficiary households in 2011. Given the fixed transfer amount regardless of household size, in per capita terms the transfer was larger for smaller households. Due to inflation, the real value of the transfer declined by 40 percent between 2007 and 2009, and by an additional 15 percent between 2009 and 2011. The transfer value was raised by 33 percent in July 2011, after data collection was finalized for the impact evaluation on which the analysis in this brief is based.

THE EVALUATION

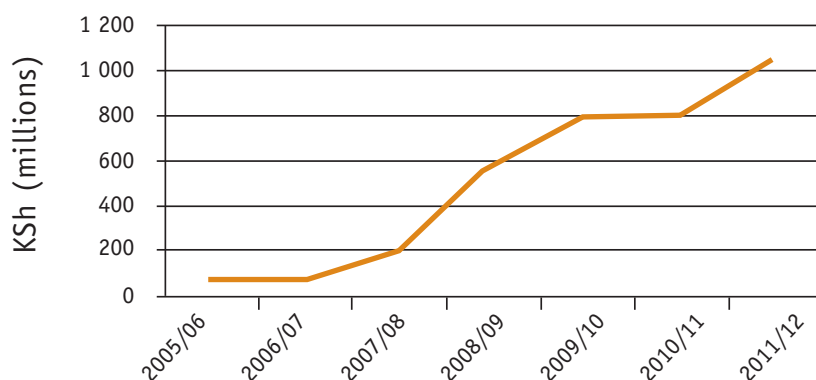
This brief is based on three rounds of household survey data collected from a randomized experimental evaluation, conducted between 2007 and 2011, to analyse the impact of the CT-OVC programme in Kenya. In addition to standard welfare indicators, detailed data were collected on agricultural production, accumulation of productive assets and labour allocation. Household survey data were complemented with information from business enterprises and community surveys. Information on community dynamics and social networks was collected through qualitative fieldwork. The impact on the local economy was measured using an innovative model of the village economy, the LEWIE (Local Economy Wide Impact Evaluation) model. The LEWIE model constructed for the CT-OVC focused on the six rural districts included in the impact evaluation and was separated into two regions – Nyanza Province in the west and Garissa and Kwale in the east.

RESULTS

The CT-OVC has had a broad range of positive impacts on beneficiary households, including poverty reduction, increases in food consumption and dietary diversity, improvement in schooling and health care utilization, and strengthening of the local economy. Evidence from the impact evaluation also indicates that the CT-OVC programme impacted some aspects of the livelihoods of beneficiaries and their communities in rural Kenya, particularly for female-headed and smaller households. We focus on these productive impacts in this brief.

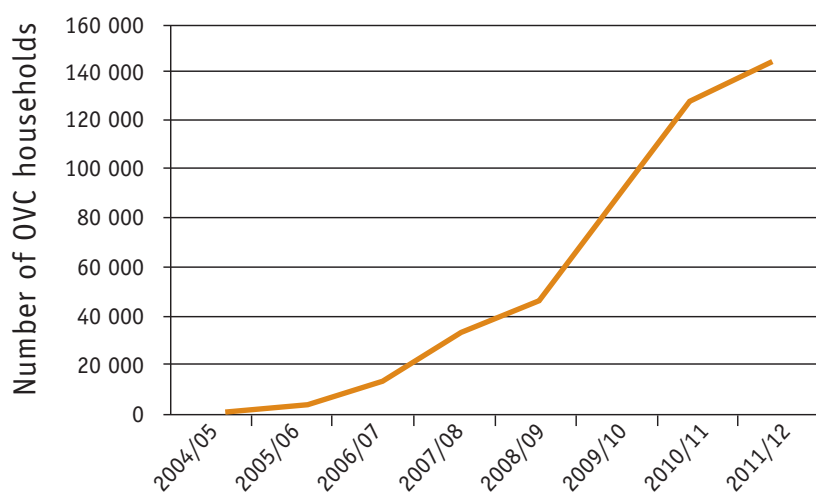
CT-OVC Government allocation, 2005-2012

Million of KSh



CT-OVC scale up, 2004-2012

Number of OVC households



The study provides robust evidence of a positive impact of the programme on the quality of food consumption. Beneficiary households consumed significantly more dairy/eggs and meat/fish as compared with control households. This was particularly true for smaller households and those that were female-headed.

While no consistent evidence of impact was found using the direct indicators of crop and animal production, such as fertilizer or land use, there was indirect evidence of impact on production. Beneficiary households – and again primarily smaller and female-headed households – consumed a significantly larger share of dairy/eggs, meat/fish, fruit and



other foods derived from their own production. This impact was substantial, reaching 20 percentage points in the case of dairy/eggs for smaller households.

The programme had a significant impact on the accumulation of some productive assets, especially among some subgroups within the evaluation sample. Receipt of the CT-OVC led to a 15 and six percentage point increase in the share of smaller and female-headed households, respectively, owning small animals. Moreover, the CT-OVC transfer was associated with a seven percentage point increase in household participation in a non-farm enterprise for female-headed households, and a similar sized

decrease was recorded for male-headed households.

The programme influenced the flexibility of beneficiary households and individuals in terms of the type of income generating activities in which they participate, most of which involve casual labour. For those individuals (particularly women) that lived far from markets, the receipt of the transfer helped facilitate engagement in casual wage labour activities. The programme was associated with an increase in casual non-agricultural wage labour (particularly for males), compared with a decrease in agricultural wage labour. These programme impacts on work were stronger with increasing age. In

contrast, the programme appears to have reduced wage labour intensity.

Although participation in the programme led to increasing intensity of work on own farm with increasing age for both males and females, there was no clear pattern of substitution between casual wage labour and work on own farm. However, the study was unable to determine whether individuals increased time spent on domestic chores or childcare because the necessary information was not collected in the surveys. The programme did, nevertheless, lead to a significant reduction in child labour on farm, particularly for boys.



The CT-OVC programme increased social capital and strengthened informal safety nets and risk sharing arrangements. In addition, for even the poorest households, transfers contributed to increased self-esteem and increased ability to engage in community and religious activities. These positive effects on trust-based reciprocity within communities may be undermined due to jealousy of similarly poor non-beneficiary households and perceived targeting errors.

When beneficiaries spend the cash transfer they transmit the impact to others inside and outside the local economy, more often to households not eligible for the cash transfer, who tend to own most of the local businesses. The regional LEWIE for the CT-OVC programme produced income multipliers of KSh 1.34 and 1.81 in the west and east, respectively – that is, every KSh transferred to poor households

in the east raised local income by KSh 1.81. These income multipliers, however, are potentially limited by poorly functioning labour, capital and land markets that may constrain the supply response of local producers.

POLICY IMPLICATIONS

The results of the four-year evaluation indicate that the CT-OVC programme impacts the livelihoods of beneficiary and non-beneficiary households alike, leading to a number of policy implications.

Cash transfers can be more than just social assistance – not only can they help vulnerable households avoid the worst effects of severe deprivation, they can also contribute to economic and social development.

Since cash transfer programmes impact the livelihoods of

beneficiary households, articulation with other sectoral development programmes in a coordinated rural development strategy could lead to synergies and greater overall impact.

Complementary measures to maximize the positive spillover effects of the income multiplier generated by the CT-OVC programme should be targeted not only at CT-OVC beneficiary households, but also at non-eligible households that provide many of the goods and services in the local economy. However, the potential productive impact of the CT-OVC is sensitive to implementation, and delays and irregularities in payment can reduce its effectiveness in terms of helping households invest and manage risk. Furthermore, local perceptions of targeting errors can potentially undermine the positive impacts of the CT-OVC on social networks.

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Please visit: <http://www.fao.org/economic/ptop/programmes/kenya/en> **or write to:** ptop-team@fao.org



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