Tanzania's Productive Social Safety Net: What to expect and how to get it

In 2013, the Government of Tanzania, supported by development partners, set the goal of reducing the incidence of extreme poverty by half in the short term. At the core of the strategy to achieve this goal was the setup and rapid, massive expansion of Tanzania's national safety net system, the Productive Social Safety Net (PSSN). The scale up of PSSN was carried out in 2014-2015. PSSN supports the poorest 15 percent of the population – the extreme poor plus those vulnerable to falling into extreme poverty.

The PSSN consists of a series of interventions provided as a package of interventions: (i) conditional cash transfers (CCT); and (ii) labor-intensive public works (PW). The Government's vision for PSSN also includes progressive introduction of livelihood enhancement activities to complement the CCT and PW by supporting targeted households' capacity to gradually move to more sustainable income-generating activities.

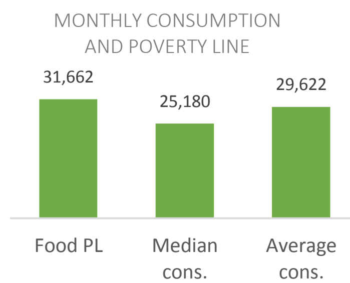
Evidence from cash transfer programs around the world gives high hopes that these poverty reduction goals can be achieved, but this requires strong commitment from the Government and its partners. Using the 2015 baseline data from PSSN's impact evaluation and available evidence from cash transfer programs throughout the developing world, this brief aims to clarify what can be expected from a program like PSSN and highlighting the policy and operational requirements to achieve the expected impacts.

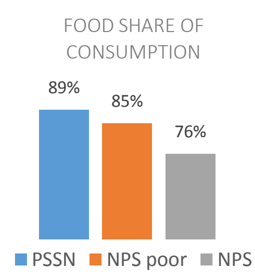
Improving consumption and investing in human capital to break the poverty cycle

PSSN beneficiary households are among the poorest and most vulnerable in Tanzania. This constant state of economic difficulty leads them to focus on survival at the cost of well-thought-out decisions.[i] As a result, the allocation of household resources toward current consumption needs often prevail over investments in human capital, with negative long-term implications.[ii] Cash transfer programs – by easing some of these economic constraints – can help interrupt the intergenerational transmission of poverty.

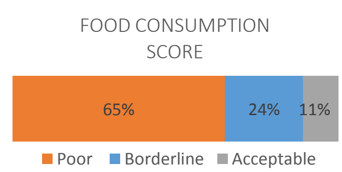
Increasing consumption and food security

Various indicators show that poverty is widespread among PSSN households. First, their consumption is on average lower than that of other households in Tanzania, including the poor. Both their median and average monthly consumption are lower than the national food poverty line.





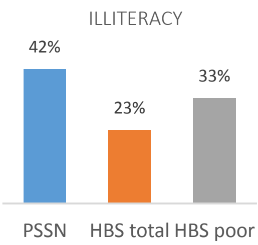
PSSN households' food consumption patterns signal both poverty and food insecurity. The share of food in total consumption among PSSN households is higher than among poor Tanzanian households.[iii] Food security is low, as almost two thirds of PSSN households have a poor food consumption score.



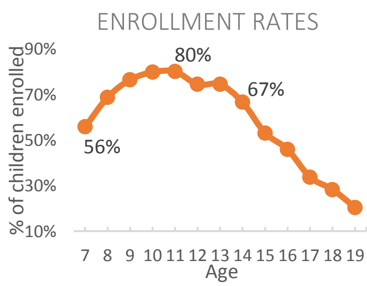
Extensive evidence shows that cash transfer programs have positive impacts on consumption. Effects on food consumption are wide and conclusive, which undoubtedly has positive consequences on food diversity and security. As very poor households start receiving the cash transfer, there food consumption increases and they spend on higher-quality sources of nutrients.[iv] There is no evidence that this comes at the cost of increased consumption of temptation goods such as alcohol and tobacco.[v]

Encouraging human capital investments

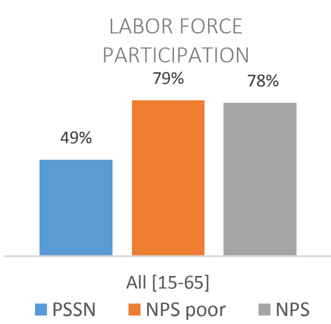
Overall, literacy and education levels are lower among PSSN households than among other poor Tanzanians. Almost half of PSSN beneficiaries ages 15 and above cannot read a simple text in any language.[vi] At the same time, less than half (46 percent) of PSSN beneficiaries ages 14 and above have completed primary school, and they have on average 6.7 years of schooling.



Younger generations have higher literacy and schooling levels, but there still is room for improvement. Almost one fourth of PSSN members between 14 and 24 years of age (23 percent) are illiterate and by the time children reach age 16 less than half of them are still enrolled in school.

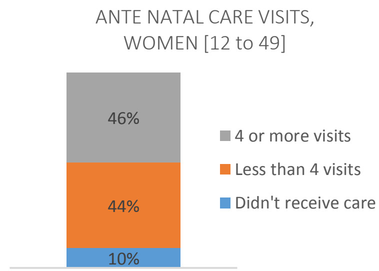


To encourage investments in human capital, cash transfer programs such as PSSN provide households incentives to enroll children in school and to visit health care facilities. Evidence shows that programs in which schooling is encouraged through mechanisms such as co-responsibilities have positive effects on enrollment and attendance levels among beneficiaries.[vii]

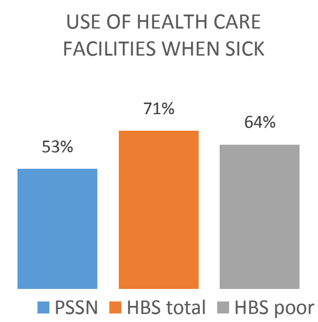


In the short term, schooling gains are more likely to affect those who haven't left the school system to enter the labor market. In the medium term, cash transfer programs can help reduce drop-out rates. Evidence from cash transfer programs in Latin America shows that the intervention creates positive spillover effects, and reduces dropouts in the transition from primary school to secondary school.[viii]

Similarly, cash transfer programs play an important role in improving health care visits. This is appealing in the Tanzanian context, especially given the low utilization of maternal and child health services among PSSN households. More than half of all the females in reproductive age received less than four antenatal visits during their last pregnancy and one in four did not receive any postnatal care visit in the first 8 weeks of their child's life. Also, 92 percent of PSSN adults and 63 percent of children under-5 visiting a health provider were sick, suggesting PSSN beneficiaries also do not regularly use preventive medicine.



Cash transfers like PSSN increase take up of health services, with the potential to promote healthier new generations. Among under-fives, this translates in the rise of those with an up-to-date schedule of preventive healthcare visits.[ix] Similarly, cash transfer programs induce more use of antenatal care among pregnant women.[x]

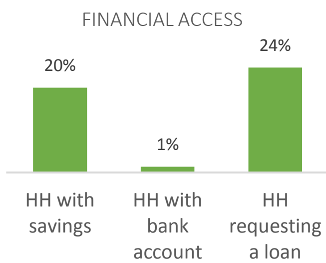


Reducing income volatility and improving household's productive potential

PSSN households' have limited productive opportunities. Labor force participation is relatively low among PSSN beneficiaries and unemployment is high, even relative to the broader poor. Most households are engaged in farming, while a more restricted number diversifies their income through household enterprises. These incomes tend to be volatile by nature, which exposes households to large risks. By providing a reliable, regular source of income and temporary work, PSSN can reduce household risk and allow households to make important investments in existing activities and to expand into new ones.

Skeptics are sometimes concerned that cash transfers might make the poor lazy. However, the evidence of the impacts of cash transfers indicates that they do not discourage work.[xi] In fact, some recent evidence on public works programs shows it can encourage a positive labor supply response even beyond program participation.[xii] This includes investments in creating new household businesses and in productive assets such as livestock. In addition, the transfer represents a very small portion of current labor income and of current consumption (see more below).

Beyond facing immediate liquidity constraints, PSSN households face a variety of limitations to improving their livelihoods, including lack of access to capital. Very few beneficiary households have access to savings or loans, with loans typically obtained through informal sources such as friends, relatives, or neighbors.



By relaxing capital constraints, PSSN could enable more productive investments. Evidence shows that cash transfers can increase investments in agricultural inputs and livestock assets.[xiii] Given that PSSN households are heavily reliant on agricultural activities, the impacts of the program on productive capacity are of great value. Almost 70 percent of PSSN households own, cultivate or raise land and livestock and only one third of these diversify their income.

PSSN could also promote greater use of savings to help households mitigate future shocks. Cash transfers, and more recently public works interventions, have been successful at increasing savings.[xiv]

What will it take for PSSN to be a success?

The global evidence creates strong expectations for PSSN's success. Fulfilling them will require strong commitment, robust operational processes, and well-coordinated complementary interventions.

A long term commitment

Some of the PSSN beneficiary households have consumption levels that are well below the poverty line, making it difficult for them to move out of poverty in the short term. To exit this state, PSSN households would need to increase their consumption by about 50 percent and maintain this level. Achieving such large gains is more likely if the program is sustained for a long period of time.

Also, cash transfers are designed to encourage investments in human capital to develop a healthier, more educated younger generation, which is by definition a long term goal. In education, the improvements in short-term schooling outcomes (i.e. enrollment and attendance) are expected to increase years of schooling in the long run. Indeed, evidence from Latin America shows that long term exposure leads to more years of education.[xv]

Similarly, increases in short term utilization of maternal and health care are goals sought as a means to reduce malnutrition. Experience shows that the increases in health care use only translate in better nutritional levels among children when households have had a longer exposure to cash transfer programs.[xvi] In fact, studies have also found that ending transfers to poor households with young children or pregnant women is highly detrimental to anthropometric indicators.[xvii]

The combined evidence on cash transfers shows poverty reduction and human capital impacts are better achieved when households have prolonged exposure to cash transfers.[xviii] Therefore, to reach its full potential the PSSN must continue to maintain the strong ownership and financial commitment from the Government and partners.

Adequate transfer size and timeliness

Cash transfers must also be of adequate size. Transfers of a low benefit size fail to achieve even the most basic outcome of increased consumption.[xix] At 21 percent of monthly household consumption, the PSSN transfer is in line with similar programs and is likely to lead to changes in expenditures and small asset accumulation.[xx] However, it is important to maintain the value of the transfer in the future, by periodically updating it to account for changes in economic conditions.

Also, regular and timely payments are key to avoid disrupting the program's potential impacts. For example, providing reliable transfers leads to uninterrupted consumption of nutritious food, and well-timed payment of school fees and purchase of agricultural inputs.[xxi]

Enforcement of co-responsibilities

Linking the program to human capital investments and actually enforcing co-responsibilities, is especially important for achieving educational and health outcomes. According to global evidence, when conditionalities are not monitored impacts on human capital can be reduced.[xxii] That is, household's perception of the importance of compliance to co-responsibilities does have an impact on behavioral changes. Therefore, having robust systems to track compliance are critical to PSSN's success.

Dynamic targeting systems

Evidence from Latin America indicates that as programs expand, recertification of eligibility to receive benefits is of extreme importance to avoid errors of inclusion and exclusion. Part of the success of cash transfer programs lies in the fact that they target poor households, thereby enhancing programs' impacts.[xxiii]

Additionally, in many cash transfer programs graduation naturally comes when children complete secondary school, guaranteeing a constant adjustment of eligible households. However, such is not the case for PSSN, where an unconditional transfer is guaranteed to beneficiary households. Therefore, PSSN's targeting mechanism should be dynamic to adapt to changes in the profile of its beneficiaries and poverty more broadly. This raises the importance of having a dynamic targeting system.

Complementary livelihood interventions

Graduating households out of PSSN does not mean that they will no longer need to be beneficiaries of other government programs.[xxiv] Being able to access other development interventions helps prevent households from strategically limiting their productive potential to maintain their eligibility for PSSN, and also from falling back into poverty. TASAF is in the process of defining a livelihood strategy and interventions that can complement the PSSN cash transfers in helping beneficiary households building a trajectory out of poverty. Linking PSSN households to other complementary supply side interventions such as improving delivery of health and nutrition services will also be key to PSSN's ultimate success.

[i] Bird, K. (2007). The intergenerational transmission of poverty: An overview. ODI Working Paper 286.

[ii] Ibid.

[iii] As measured with 2012 NPS data.

[iv] Fiszbein, A. and Schady, N. (2009). *Conditional cash transfers: Reducing present and future poverty.* World Bank Policy Research Report.

[v] Bastagli, F.; Hagen-Zanker, J.; Harman, L.; Barca, V.; Sturge, G. and Schmidt, T. (2016). *Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features.* London, UK: ODI; and Evans, D. and Popova, A. (2014). *Cash Transfers and Temptation Goods: A Review of Global Evidence*. Policy Research Working Paper 6886

[vi] Comparisons to the national poor made with 2012 HBS unless specified

[vii] Bastagli et al., 2016. **Op. Cit.**

[viii] Fiszbein and Schady, 2009. **Op. Cit.**

[ix] Attanasio, O.; Battistin, E.; Fitzsimons, E.; Mesnard, A & Vera-Hernández, M. (2005). *How effective are conditional cash transfers? Evidence from Colombia*. Institute for Fiscal Studies. Briefing Note No. 54

[x] Ranganathan, M. and Lagarde, M. (2012). Promoting healthy behaviours and improving health outcomes in low and middle income countries: A review of the impact of conditional cash transfer programmes. Preventive Medicine, Vol. 55.

[xi] Banerjee et al, 2016

[xii] Rosas, N and Sabarwal, S. (2016). *Public Works as a Productive Safety Net in a Post-Conflict Setting: Evidence from a Randomized Evaluation in Sierra Leone.* Policy Research Working Paper 7580

[xiii] Bastagli et al., 2016. **Op. cit.**

[xiv] Bastagli et al., 2016. **Op. cit.**; Rosas and Sabarwal, 2016. **Op. cit.**

[xv] Villa, J.M. (2014). *The length of exposure to antipoverty transfer programmes: what is the relevance for children's human capital formation?* Working Paper 206. Manchester: Brooks World Poverty Institute, University of Manchester.

[xvi] Bastagli et al., 2016. **Op. cit.**

[xvii] B Buser, T., Oosterbeek, H., Plug, E., Ponce, J. and Rosero, J. (2014). *The impact of positive and negative income changes on the height and weight of young children*. IZA Discussion Paper 8130. Bonn: IZA.

[xviii] Merttens, F., Pellerano, L., O'Leary, S., Sindou, E., Attah, R., Jones, E. and Martin, S. (2015). *Evaluation of the Uganda Social Assistance Grants for Empowerment (SAGE) Programme: impact after one year of programme operations 2012–2013.* Evaluation Report. Oxford; and Angelucci, M.; Attanasio, O. and Di Maro, V. (2012) *The impact of Oportunidades on consumption, savings and transfers*. Fiscal Studies 33(3): 305–334.

[xix] Fiszbein and Schady, 2009. **Op. cit.**

[xx] Fiszbein and Schady, 2009. **Op. cit.**; and Garcia, M., Moore, C.M.T. (2012). *The cash dividend: the rise of cash transfer programs in sub-Saharan Africa*.

[xxi] Bastagli et al., 2016. **Op. cit.**

[xxii] Bastagli et al., 2016. **Op. cit.**

[xxiii] Stampini, M. & Tornarolli, L. (November 2012). *The growth of conditional cash transfers in Latin America and the Caribbean: did they go too far?* Inter-American Development Bank. Policy Brief No. IDB-PB-185.

[xxiv] Slater, R. (2009). *Cash transfers: graduation and growth*. Project Briefing No. 29. London, UK: ODI