



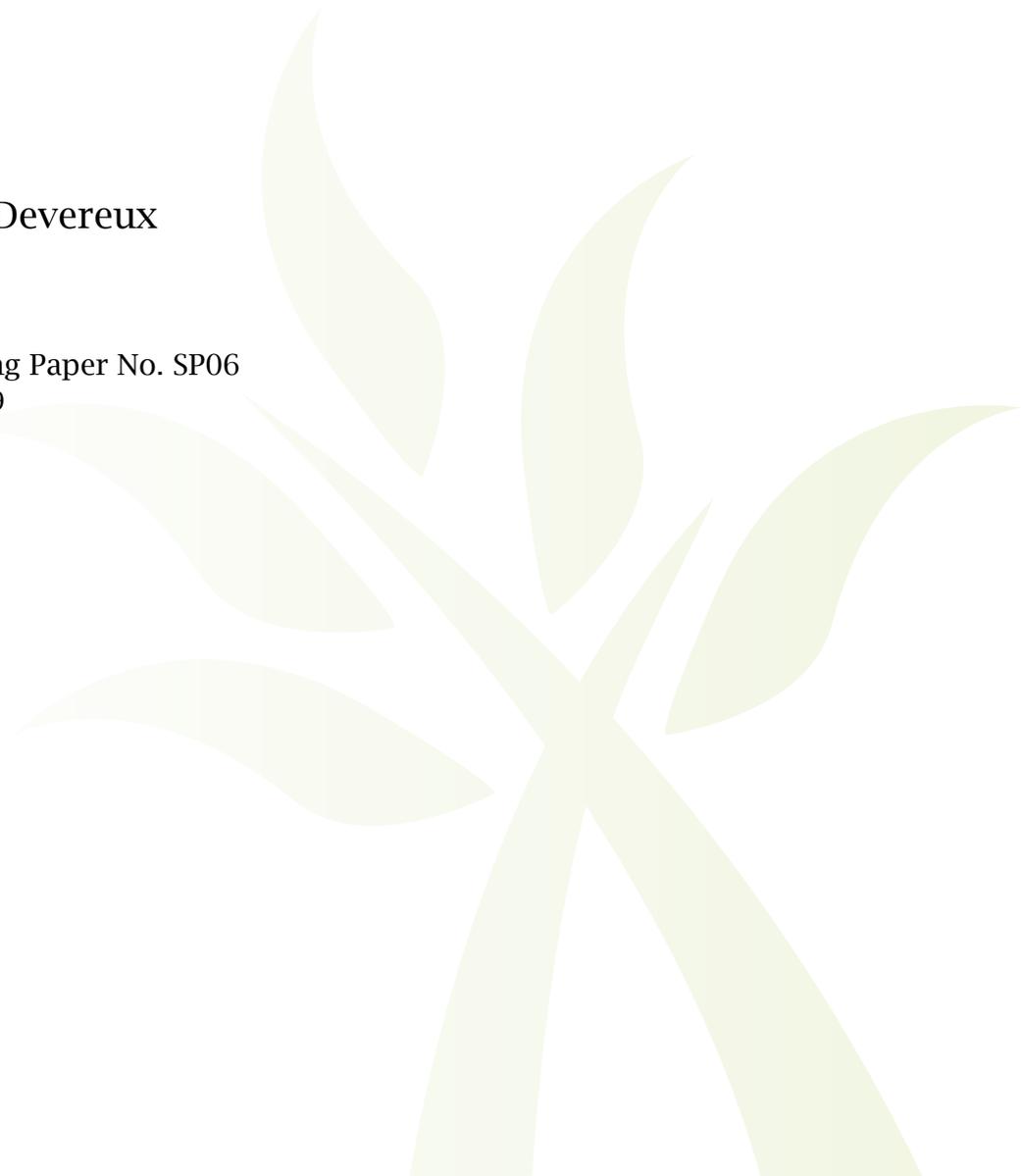
# Social Protection for Agricultural Growth in Africa

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Agriculture is a key pathway out of poverty

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# Table of Contents

1.	Introduction	2
2.	Mapping interactions between social protection policy and agricultural policy	3
3.	Instrument complementarities and trade-offs	5
3.1.	Alleviating liquidity constraints	5
3.2.	Multiplier effects through locally sourced produce	6
3.3.	Multiplier effects through cash transfers	8
3.4.	Timing and seasonality	8
3.5.	Thresholds and scale effects	10
3.6.	Policy complementarities and sequencing	12
3.7.	Predictability and risk-taking	13
3.8.	Targeting and gender issues	14
3.9.	The political economy of national and international relations	16
3.10.	Conflicts and synergies with informal social protection	17
4.	Lessons and ways forward	18
	References	21

# Social Protection for Agricultural Growth in Africa

## 1. Introduction

Various explanations have been advanced for the persistent under-performance of agriculture in many African countries, where smallholder farming is still the dominant livelihood activity and the main source of employment, food and income. Some of the oldest arguments remain the most compelling. African farmers face harsh agro-ecologies and erratic weather, characterised by low soil fertility, recurrent droughts and/or floods, and increasingly unpredictable weather patterns associated with climate change. Vulnerability to shocks is compounded by infrastructure deficits (roads and transport networks, telecommunications, potable water and irrigation) that keep poor communities poor and vulnerable, as testified by the phenomenon observed during livelihood crises of steep food price gradients from isolated rural villages to densely settled urban centres. African farmers have also been inadequately protected against the forces of globalisation and adverse international terms of trade – for instance, Western farmers and markets are heavily protected in ways that African farmers and markets are not.

Finally, African agriculture has been the subject of numerous experiments – strategies, policies, programmes and projects – from ‘Integrated Rural Development Programmes’ (IRDPs) in the 1960s to ‘Poverty Reduction Strategy Papers’ (PRSPs) in the 1990s. Perhaps the most significant intervention of the last half-century was agricultural liberalisation, promoted under the ‘structural adjustment’ reform umbrella during the 1980s and 1990s. Following inconclusive evidence on the impacts of these policy reform processes, the debate continues over whether agricultural liberalisation was a good idea badly implemented by ‘refusenik’ African governments, or a bad idea doomed to fail, that was imposed on African governments against their better judgement and against the interests of their poor and vulnerable citizens, many of whom are small farmers. This debate is relevant to our topic, since government interventions in agriculture (pre-liberalisation) were motivated by concerns to achieve household and national food security, both by supporting agricultural growth and by protecting farmers against agricultural risks and market failures.

Accelerated progress towards achieving the Millennium Development Goals in Africa requires substantial and sustained increases in agricultural growth. Obviously, this implies investments by governments, donors and farmers themselves in yield-enhancing technologies, human capital (education and health) and improved farming systems. Less obviously, it also implies investments in social safety nets – or social protection, broadly defined – targeted at small farmers. All four factors explaining agricultural under-performance identified above (and there are many others, such as the multiple impacts on agriculture of the HIV/AIDS pandemic), are amenable to social protection interventions. Erratic weather can be withstood through effective social insurance mechanisms. Infrastructure deficits can be addressed through public works projects. Western protectionism is a form of state social protection for their farmers that has been replicated in Africa in the past. Liberalisation’s excessive faith in free markets can be countered with judicious interventions by the state, parastatal agencies or sub-contracted private sector actors, to correct for market failures.

The most effective strategies for reducing poverty are those that raise the economic returns to the productive assets that the poor use to make their livelihoods, specifically their labour and, in rural areas, their land. This paper argues that investing in social protection for farmers can raise the productivity of their labour and farmland, and is therefore an investment in poverty reduction and pro-poor economic growth, but that the social protection agenda has so far failed to engage seriously with the opportunities for building synergies with agriculture.

Section 2 of this paper identifies linkages between social safety nets and agriculture, firstly by sketching the conceptual evolution from ‘safety nets’ to ‘social protection’ (2.1), then by examining synergies and conflicts between social protection and agricultural policy (2.2), next considering how social protection was delivered to farmers in the past (2.3), and the limitations for African farmers of the ‘new social protection agenda’ (2.4). Section 3 disaggregates alternative social protection instruments that can contribute to agricultural growth into Sen’s four ‘entitlement’ categories – production (3.1), labour (3.2), trade (3.3) and transfers (3.4). Section 4 concludes.

## 2. Social Safety Nets, Social Protection and Agriculture

### 2.1 From ‘social safety nets’ to ‘social protection’

A cursory appreciation of the key differences between social safety nets and social protection can be seen by comparing the World Bank’s constantly evolving definitions of each term. In the 1990 World Development Report, the World Bank defined social safety nets – the third prong of the ‘New Poverty Agenda’ – as “some form of income insurance to help people through short-term stress and calamities” (World Bank 1990: 90). It follows that safety nets are preoccupied more with vulnerability than with chronic poverty; indeed, one critique of the 1990s safety nets agenda was that the logical target group for safety nets support is not the poor, but people at risk of becoming poor following a future shock – an effective safety net protects the assets of people who have assets against impoverishment and destitution, it pays much less attention to people who have no assets at all. During the 1990s, the World Bank’s conceptualisation of safety nets broadened, and in 1996 a two-pronged definition was proposed that incorporated measures to address both chronic poverty and vulnerability:

“Safety nets are programs which protect a person or household against two adverse outcomes in welfare: chronic incapacity to work and earn (*chronic poverty*); and a decline in this capacity from a marginal situation that provides minimal livelihood for survival with few reserves (*transient poverty*)” (Subbarao *et al.* 1997: 2).

This definition edges closer towards the more holistic view that would soon be embodied in notions of social protection, and away from its antecedents in narrower notions of safety nets as no more than protection against shocks. In 2000, the World Bank defined social

protection as “public interventions to assist individuals, households and communities better manage risk, and to provide support to the critically poor” (Holzmann and Jørgensen, 2000: 2). The similarities with the Bank’s own definition of ‘safety nets’ from just 4 years earlier are striking. When this definition was elaborated into a policy framework known as ‘social risk management’, which rapidly became a hegemonic framework underpinning the social protection agenda, the World Bank identified a number of objectives that a comprehensive approach needs to address:

“Social Risk Management (SRM) consists of a collection of public measures intended to assist individuals, households and communities in managing risks in order to reduce vulnerability, improve consumption smoothing, and enhance equity while contributing to economic development in a participatory manner” (World Bank 1999).

Interestingly, this focus on “managing risks in order to reduce vulnerability ... while contributing to economic development” implies a return to the earlier ‘safety nets’ preoccupation with risks and shocks, and a recognition that interventions targeted at risk management could be instrumental in securing economic growth objectives. Conversely, the ‘chronic poverty’ component which implied providing support to the ‘critically poor’ is neglected in the SRM approach, tacitly endorsing the deeply sceptical views of many poor country governments who regard social assistance for their poorest citizens as unnecessary (“the poor look after each other”, “public transfers will only crowd out private transfers”) and fiscally unsustainable.

In fact, three distinct sets of strategies were identified by the World Bank for delivering ‘social risk management’: (1) risk reduction: *ex ante* measures to promote livelihoods (eg microfinance, free education); (2) risk mitigation: *ex ante* measures to reduce income variance if a shock occurs (eg insurance, pensions); (3) risk coping: *ex post* alleviation of impacts of shocks (food aid, borrowing, emergency cash transfers) (Holzmann and Kozel 2007). None of these strategies or instruments appears to address the needs of the chronically poor who are already living on the margins of survival, whether a shock occurs or not. On the other hand, a focus on livelihood shocks does imply a concern with supporting farmers, given that agriculture is the dominant sector in most African economies and that agricultural risk is a major driver of poverty and a drag on agricultural investment and growth.

The emergence and rapid ascendancy of ‘social protection’ in the early 2000s as an arena within development policy challenged earlier notions such as ‘safety nets’ in a number of fundamental respects. Firstly, whereas social safety nets were dismissed as ‘residualist’ (providing last resort assistance for people left out of growth processes), social protection is a more holistic approach that should be mainstreamed into development policy. Secondly, while ‘safety nets’ were often implemented in paternalistic and stigmatising ways (evoking images of food handouts and ‘make-work’ public works), social protection is better able to respond to articulated needs (by involving participating communities in the design, targeting and monitoring of social transfer programmes). Thirdly, social safety nets were often criticised as causing ‘dependency’ (because of moral hazard and other behavioural effects) and were therefore unpopular with governments, but ‘transformative social protection’ aims to empower poor and vulnerable people by adding rights and social justice to the menu, in addition to social transfers (Sabates-Wheeler and Devereux, 2007). Fourthly, it follows that social protection can be politically challenging or even radical (since it implies empowering citizens to claim their entitlements from the state), in contrast to the critique of social safety nets that they are politically conservative (in Latin America in the 1980s, safety nets were characterised as supporting a neo-liberal economic liberalisation agenda, by buying off local resistance to unpopular structural adjustment reforms).

Finally, and perhaps of greatest relevance to this paper, social safety nets were seen as offering only consumption support to poor and vulnerable people – a form of basic social welfare for countries too poor and administratively weak to deliver comprehensive social welfare systems – and were therefore regarded as an inefficient and expensive allocation of scarce public resources that could be more productively invested in income-generating

sectors (this resonates with the ‘macro-level conflict’ identified above). By contrast, big claims are being made by proponents of the new social protection agenda about its potential to contribute to economic growth and poverty reduction, because of multiplier effects and linkages between ‘livelihood protection’ and ‘livelihood promotion’ outcomes (as discussed below).

## 2.2 Agriculture and social protection: synergies and conflicts

Devereux *et al.* (2008) identify a number of actual and potential synergies and conflicts between smallholder agricultural policies and social protection policies in Africa. In terms of macro-level synergies, effective investments in agriculture should promote growth in agricultural production and rural incomes, with two beneficial implications for social protection: firstly, economic growth increases the public resources available for financing social protection; secondly, pro-poor growth in incomes reduces social protection needs. In terms of macro-level conflicts, agricultural and social protection policies typically compete for limited financial resources and political influence, since they tend to be regarded by governments and donors as distinct rather than complementary policy sectors, and their implementation is often uncoordinated and internally contradictory.

At the micro-level, synergies can be achieved from social protection to agriculture: effective investments in social protection help the rural poor to reduce seasonal cash-flow bottlenecks; expand their assets for self-insurance and mutual insurance; use their productive assets more efficiently; and adopt higher return livelihood activities. Also at the micro-level, conflicts often reflect bad design and are therefore avoidable – for instance, social protection can undermine incentives for investment in agriculture (eg food aid might depress food production and market development; participation in badly timed employment-based safety nets conflicts with own-farm labour requirements). Success in one policy arena can create problems in the other: policies that stimulate agriculture (eg by raising food prices to incentivise production) could increase the vulnerability of others (eg market-dependent poor food consumers).

Until fairly recently a sharp conceptual and policy separation was often drawn between livelihood protection mechanisms (such as ‘safety nets’ or ‘social protection’) and livelihood promotion mechanisms (eg investment in agriculture or job creation). This separation is now acknowledged to be artificial and flawed. Many interventions have both ‘protection’ and ‘promotion’ objectives and/or outcomes. Two classic (if controversial) examples are public works, which transfers cash or food to participants while building essential physical and economic infrastructure, and school feeding, which transfers food to poor children while investing in their education and building their human capital for more productive future livelihoods. Both these social protection instruments have potential positive synergies with agriculture. Many assets created by public works support agriculture directly (eg soil and water conservation) or indirectly (eg feeder road construction links farmers to input and output markets, and contributes to stabilising food supplies and prices). As for school feeding, empirical evidence from Asia has shown that educated farmers produce higher yields and earn higher incomes than their illiterate neighbours.

It could even be argued that the absence of effective social protection (especially insurance) is partly responsible for the perpetuation of chronic poverty, stagnating yields and acute vulnerability in rural Africa. Dorward and Kydd (2002) argue that the presence of uninsured risk lowers rural productivity in three ways: (1) by reducing returns to investment, (2) by encouraging investment in risk-reducing rather than income-maximising activities, (3) by discouraging investment altogether, because of low and unpredictable returns in a context where investors are likely to be risk averse. The corollary of these disincentive effects is that effective social safety nets or insurance should raise returns to investment and encourage investment in higher return activities, and there is substantial evidence of these positive synergies between agriculture and social protection in a variety of contexts from Africa, Asia and Latin America.

The key to meeting the challenge posed by the title of this paper – ‘targeting social safety nets to support agricultural growth’ – is to maximise the synergies between agricultural policy and social protection instruments, and to minimise the conflicts or trade-offs.

### 2.3 Social protection for African farmers: from ‘old’ to ‘new’ agendas

From roughly the 1960s to the 1980s, social safety net interventions in many African countries were informed by a nuanced understanding of the vulnerabilities faced by small farmers, and the emphasis was on assisting farmers to reduce risk pre-emptively, or to manage the consequences of risk after shocks occurred. Smallholders were the main target group for a cluster of social assistance and social insurance mechanisms, among which were the following, which could be labelled the ‘old social protection agenda’:

1. Strategic grain reserve management: Government parastatals maintained sizeable buffer stocks of the national staple food, which was purchased locally if surpluses were available and distributed as food aid or released onto the market at cost price to stabilise food prices during the ‘hungry season’ or a more severe food crisis.
2. Food pricing policies: Recognising that farmers’ livelihoods are undermined by low food prices, and that food security of market-dependent consumers is compromised by high food prices, governments set a ‘floor’ price below which parastatals would not purchase produce from farmers and a ‘ceiling’ price above which they would not sell food, anywhere in the country (‘pan-territorial’) or at any time of year (‘pan-seasonal’).
3. Input subsidies: On the principle that it is more cost-effective to subsidise food production than food consumption (in landlocked Malawi, for instance, it costs more to import maize than to subsidise fertiliser to produce an equivalent tonnage), many African governments initiated programmes designed to ensure farmers’ access to yield-enhancing inputs – especially fertiliser and seed – or subsidised credit to purchase these inputs.
4. Parastatal marketing agencies: Many of these programmes and instruments were managed by agricultural marketing parastatals, which set prices, acted as monopoly importer of inputs and monopoly buyer from farmers (traders were sometimes banned, to prevent competition). These parastatals pursued an explicit food security mandate, through their subsidised sales of inputs and food and guaranteed purchase of outputs, operating ‘social markets’ that were often unprofitable but ensured that farmers in the smallest, remotest villages were reached.

All these mechanisms were heavily criticised by external observers, on related grounds. Strategic grain reserves were expensive and often inefficiently managed, and their actions interfered with the functioning of local grain markets. Pan-territorial and pan-seasonal floor and ceiling prices were defended either by open market operations or by subsidies, which were also criticised – as were input subsidy programmes – for being expensive and undermining private sector actors. During the 1980s and 1990s, in pursuit of ‘Washington consensus’ ideas about the inefficiency and unsustainability of state interventionism in agricultural production and marketing, these pillars of support for small farmers were scaled down, commercialised or abolished. Most governments that implemented ‘liberalisation’ reforms were reluctant and did so only under heavy pressure from the World Bank and IMF (eg threats of being declared ‘non-compliant’ and losing access to concessional international finance).

Government recalcitrance can be explained both on technical grounds (they genuinely believed that intervention was necessary and that withdrawal would exacerbate food insecurity) and on political grounds (parastatals and subsidies were sources of patronage and could be manipulated for political as well as food security objectives). Reforms were implemented at a snail’s pace in a partial and inconsistent manner, leading to accusations – when liberalisation failed to generate the predicted surge in market-led agricultural productivity – that it was not the policy prescriptions that were wrong, but inadequacies in implementation (for which African governments were yet again to blame).

Whatever the merits of both sides in this long-running debate (I declare my own bias in favour of the critics of agricultural liberalisation – it went too far too fast, and was based on a poor analysis of the political and market contexts within which reforms were introduced), the upshot was that many African farmers were left more vulnerable than before: their access to essential inputs was reduced, they faced increasing risks with less public support, they had no guaranteed markets for their produce, and prices of inputs and outputs were more volatile and unpredictable than ever.

This analysis does not necessarily lead to calls to revive marketing parastatals and reintroduce subsidies and pricing policies – though it is intriguing that input subsidies are back on the policy agenda and are being cautiously endorsed by the very agencies that insisted on their abolition two decades ago (see, for instance, the latest World Development Report on agriculture (World Bank 2007)). Instead, the argument here is that the problems that parastatals and subsidies were introduced to resolve were correctly diagnosed at the time and have not gone away since these interventions were abolished. Agricultural risk remains high and uninsured, farmers continue to face constrained access to inputs, rural markets remain fragmented and enabling institutions and infrastructure remain weak or non-existent. It is hardly surprising, therefore, that agriculture is stagnating in much of Africa, that rural poverty remains stubbornly high and that chronic hunger punctuated by episodic food crises is a permanent feature of rural life.

What does follow from the above analysis is that agricultural policies should concentrate on solving the problems that neither ‘excessive’ state interventionism nor ‘*laissez faire*’ liberalisation has succeeded in doing: (1) get inputs to farmers on time and at affordable prices; (2) strengthen rural markets to stabilise commodity prices, especially of staple foods; (3) build essential rural infrastructure and enabling institutions. Social protection can support all of these objectives – for instance, input subsidies or inputs-for-work is a ‘productivity-enhancing safety net’, cash transfers can contribute to strengthening markets, and public works programmes can build infrastructure.

Additionally, social protection policies for African farmers should aim to: (4) insure vulnerable farmers against agricultural risk, for instance with innovative mechanisms like weather-indexed insurance; (5) move away from imported food aid towards local sourcing and/or cash transfers wherever local markets and cultural contexts (specifically gender relations) permit this; (6) declare a moratorium on temporary small-scale ‘pilot projects’, and support permanent national social transfer programmes that are integrated into agricultural and broader development policies.

Although some of these issues are being addressed in an *ad hoc* manner in African countries, the potential for social protection – especially ‘productivity-enhancing safety nets’ – to contribute to agricultural growth has yet to be fully exploited in a systematic, coherent and coordinated way.

#### 2.4 Limitations of the ‘new social protection agenda’ for African farmers

Social protection was the offspring of two parents: (non-emergency) safety nets and (emergency) humanitarian relief. In Africa, humanitarian relief has been dominated by emergency food aid during livelihood crises such as drought or ‘complex political emergencies’, and has largely been delivered by the international community, which continues to dominate the design, delivery and financing of social protection, and to drive this agenda in particular directions. Social safety nets are sometimes government-owned (eg social pensions, disability grants, war veterans pensions), sometimes donor-financed and NGO-implemented (eg school feeding and public works projects), and sometimes co-owned (eg social funds).

Although social protection is a broader concept and offers a more diverse menu in theory, social protection in practice has yet to escape its genesis in humanitarian relief and conventional safety nets. For instance, the ‘Social Risk Management’ framework identifies a range of possible responses to a range of risks, yet in countries like Malawi and Ethiopia the

path from emergency relief to social protection is remarkably short. In Malawi, innovations in social protection have included substituting cash transfers for food aid during recent food crises and experimenting with technology-based delivery mechanisms, but otherwise the standard approach to humanitarian intervention has remained unchallenged.

In Ethiopia the ‘old safety nets’ instruments of public works for the ‘able-bodied’ and unconditional transfers for the ‘labour-constrained’ continue to dominate. The main innovations in Ethiopia’s ‘Productive Safety Net Programme’ (PSNP) are an attempt to substitute cash wages for food rations on public works, and to make predictable transfers to households over an extended period (6 months per year up to 5 years) rather than unpredictable, sporadic and truncated. The reasons for both these design innovations bear directly on agricultural growth: predictable cash transfers are expected to stimulate investment in rural livelihoods (mainly agriculture), spending of cash transfers is expected to promote rural employment and income multipliers, and sizeable injections of cash into poor communities are expected to facilitate market integration and price stabilisation. Both ambitions have been under-achieved. During the second year of PSNP implementation, 1.8 million participants switched from cash back to food, partly because food prices were rising while cash transfers were constant, and PSNP cash transfers were held partly responsible for food price inflation. Also, the intention of providing regular cash transfers to the same households over several years has been thwarted by political pressure to expand coverage and to ‘graduate’ participants off the programme as rapidly as possible, leading to dilution of transfers and rotation of participants after only 1-2 years.

‘Emergency cash transfers’ and ‘productive safety nets’ epitomise the evolving social protection agenda in Africa, which has become dominated by social transfers in recent years, specifically by unconditional cash transfers which are displacing food aid (including project food aid such as school feeding and food-for-work) as the instrument of choice for influential donors. Much of this new agenda has focused on delivering social assistance to ‘vulnerable groups’ whose defining characteristic and source of vulnerability is lack of labour capacity (young children, older people, people with disabilities and chronic illness). In terms of targeting social safety nets, there is often a confusion between ‘chronic’ and ‘transitory’ vulnerability, with emergency interventions following a drought or flood tending to identify not farmers whose crops were destroyed as most ‘at risk’, but female-headed households, orphans, the infirm and others whose vulnerability may be more severe, but is independent of the livelihood shock that triggered the humanitarian intervention.

There is persuasive evidence that social transfers have positive spin-offs for agriculture, even if farmers are not the transfer recipients. In all African countries where social pensions have been introduced (South Africa, Namibia, Botswana, Lesotho, Swaziland), a consistent finding is that some pension income is spent on purchasing inputs (fertiliser, seeds) and hiring labour. But this is a serendipitous side-effect – social pensions are not targeted at farmers and most social transfers are intended to protect consumption, not to be invested in production. Despite the growing (donor-led) interest in managing risk and vulnerability under an expanded poverty reduction agenda, the new social protection agenda has delivered very little for African farmers.

### 3. Social Protection to Support Agricultural Growth in Africa

Although social safety nets are often characterised as ‘welfarist’ mechanisms that simply protect subsistence consumption, there are many ways in which various forms of social transfers or social protection can contribute to agricultural growth, directly and indirectly. As an analytical device, Amartya Sen’s ‘entitlement approach’ provides a useful disaggregation of the sources of food in rural households (Sen 1981), and social protection mechanisms can be broadly classified according to the primary category of entitlement that they are designed to support (see Figure 1). This section of the paper discusses selected options available to policy-makers, under each of these four entitlement categories.

Figure 1 Social protection mechanisms to support agriculture-based livelihoods

Entitlement category	Intervention categories	Social protection responses
Production-based	<ul style="list-style-type: none"> <li>· 'Productivity-enhancing safety nets'</li> </ul>	<ul style="list-style-type: none"> <li>· Free input distribution</li> <li>· Input subsidies</li> <li>· Input fairs (seeds, fertilisers)</li> </ul>
Labour-based	<ul style="list-style-type: none"> <li>· Public works programmes</li> <li>· Guaranteed employment</li> </ul>	<ul style="list-style-type: none"> <li>· Cash-for-work</li> <li>· Food-for-work</li> <li>· Employment guarantee schemes</li> </ul>
Trade-based	<ul style="list-style-type: none"> <li>· Control of food supplies</li> <li>· Control of food prices</li> </ul>	<ul style="list-style-type: none"> <li>· Open market operations</li> <li>· Price hedging (futures markets)</li> <li>· Food price subsidies</li> </ul>
Transfer-based	<ul style="list-style-type: none"> <li>· Cash transfers</li> <li>· Food aid</li> <li>· Social insurance</li> </ul>	<ul style="list-style-type: none"> <li>· Unconditional cash transfers</li> <li>· Emergency food aid</li> <li>· Weather-indexed insurance</li> </ul>

Source: Adapted from Devereux (2007: 48)

### 3.1 Social protection support to agricultural production

There are unresolved questions about the boundaries between social protection policies and agricultural policies – where does 'livelihood protection' end and 'livelihood promotion' begin? This fuzziness is complicated by the reality that rural African households function as indivisible production and consumption units, so that resources transferred for one purpose are fully fungible and can be allocated to other purposes (food aid can be exchanged for fertiliser just as easily as subsidised fertiliser can be sold for food). The implication is that social protection and agricultural policies should be regarded not as "parallel" policy arenas but as "complementary domains" (Holmes *et al.* 2007). Recognising the interconnectedness of domestic and productive spheres in rural Africa, for purposes of this paper a broad definition of social protection is apposite – such as "policies and actions that protect and promote the livelihoods and welfare of poor and vulnerable people" (as adopted by Malawi's Social Protection Technical Committee in 2006) – which would logically include the subsidised delivery of agricultural inputs to poor and vulnerable farmers.

The case for 'productivity enhancing safety nets' is simply that there are two ways to address food gaps in subsistence-oriented farming households – reducing food production deficits by enhancing access to inputs, or bridging consumption deficits with social transfers – and that the former strategy is demonstrably preferable to the latter (Devereux 2007). For economically active poor people such as farmers, social transfers should be introduced as a last resort, only after all efforts at raising returns to land and labour have been exhausted. This 'pre-emptive' approach has the additional advantage of reducing the need for emergency relief when harvests are inadequate – an example of positive 'macro-level synergies' between agriculture and social protection, as noted above. An instructive case study of 'productivity enhancing safety nets' is the delivery of fertiliser and seeds to farmers in Malawi, either free ('Starter Packs' and the 'Targeted Input Programme') or subsidised (the 'Input Subsidy Programme').

Interventions to support farmer access to inputs in Malawi have come full circle in three decades, from input subsidies to zero support to free input distribution and back to input subsidies. In the 1970s and 1980s input subsidies were deployed to promote national self-sufficiency in maize and generation of export earnings from the tobacco estates. A series of economic shocks in the 1980s forced cutbacks in government spending and opened a policy space for the World Bank and IMF to impose unpopular reforms, including the Fertiliser Subsidy Removal Programme (FSRP). This, together with dramatic price rises following several currency devaluations, resulted in restricted access to inputs which contributed to rising food insecurity during the 1990s. One survey found that households whose access to

fertiliser declined in the 1990s had average consumption levels that were 13% lower than other households (Hoddinott 2005).

In 1998, the government (supported by certain donors such as DFID) started delivering free ‘Starter Packs’ of improved seeds and fertilisers to all 2.8 million farming households in Malawi. Apart from contributing significantly to food production – adding an estimated 100-150kg of maize to household granaries and 16% to the national maize harvest in its best year – Starter Packs helped dampen the maize price rises that cause seasonal hunger. Compared to other social transfers, the Starter Pack was very cost-effective, costing about the same each year as general fertiliser subsidies (US\$ 20m), but much less than equivalent volumes of food aid (US\$100m), commercial food imports (US\$ 70-100m) or unconditional cash transfers (US\$ 107m) (Levy 2005). Nonetheless, this universal programme was scaled down to a ‘Targeted Input Programme’ (TIP) that reached one million households in 2001, just before the famine of 2002 which was triggered by bad weather but exacerbated – according to the Government – by the cutback in inputs delivery.

In 2005 the Government of Malawi reintroduced subsidies on fertiliser and seeds, not as a general price support but in the form of targeted coupons that reduced retail prices by two-thirds and were given to 45% of smallholder households. The programme had a food security objective: to raise maize yields to reduce the annual hunger gap and seasonal food insecurity among poor farming families. An evaluation concluded that national maize production was significantly boosted by the subsidy (Dorward *et al.* 2007). Though donors were antipathetic initially – it was financed entirely by the Government in its first year – the success of the input subsidy prompted some buy-in from Malawi’s development partners in the second year. The programme already has such political momentum that it looks extremely difficult to remove, raising questions about its financial sustainability in the absence of an exit strategy.

### 3.2 Social protection responses to rural labour market failure

Public works programmes serve as ‘employment-based safety nets’ that transfer commodities (food, cash, sometimes agricultural inputs) to people who are under-employed and food insecure, notably smallholder families whose harvests are inadequate for self-sufficiency and face hunger due to lack of alternative employment or savings. Public works is a controversial instrument, because each of its posited advantages is associated with a negative side-effect. For instance, public works aims to achieve consumption smoothing by being implemented during the hungry season – but this is also the farming season, so requiring hungry people to work for transfers at this time of year competes directly with labour requirements on their own farm, and risks setting up a vicious cycle of under-production, dependence on public works employment, neglect of own farm, and further under-production.

Secondly, public works is favoured by administrators who hold negative perceptions of the poor as feckless and opportunistic, so imposing a heavy work requirement and paying low wages is seen as ensuring ‘self-targeting’, since only the poorest and most desperate would register for such unattractive work. But this is a counter-productive (and ethically questionable) approach, since much of the energy that is transferred to workers in the form of food rations or cash wages will be expended on manual labour, greatly reducing the net benefit of the (small) transfers. Also on targeting, the labour requirement on public works obviously excludes the labour constrained – whose inability to work might well place them among the destitute and most vulnerable members of the community. Although there is much talk of introducing work with low labour requirements for the labour-constrained (eg asking older people or people with physical disabilities to look after the children of workers on public works projects), this rarely happens in practice and where it does, provides only a nominal number of workplaces.

Thirdly, since public works are often introduced in response to food insecurity, payment has typically been made in food rations, but ‘food-for-work’ does not necessarily reflect participants’ preferences, and is inappropriate if the food is imported and local markets are functioning well. In Malawi, public works participants in Malawi expressed a preference for

seasonally disaggregated payment modalities, with cash being the main need around harvest, food being preferred during the 'hungry season' months, and inputs being requested during the planting season. Although this would require an unprecedented degree of flexibility and responsiveness by donors and project administrators, 'inputs-for-work' has been piloted in Malawi, where it was positively evaluated as a mechanism for alleviating input constraints for smallholders (CARE *et al.* 2004).

Fourthly, public works is justified as employment creation that creates useful assets, but in reality the assets constructed or maintained on public works are typically flawed in various ways. Since the primary objective is to transfer resources to poor and food insecure people, the proportion of project budgets allocated to training, tools and equipment, quality control and supervision is minimal, so the quality of the assets is seriously deficient. Often public works are intended to create assets that will contribute directly or indirectly to enhanced agricultural production or marketing (soil and water conservation, terracing, micro-irrigation), but there are relatively few successes to report. More often than not, public works assets are poorly maintained and deteriorate rapidly after the project ends, leaving no discernible benefit behind.

Many problems typical of public works were experienced in Namibia's food-for-work programme during the southern African drought of 1991. Two-thirds of these activities were large-scale public works, each employing 70+ people and creating physical infrastructure (water pipelines, teachers' houses). The remaining one-third of activities were income-generating (vegetable gardens, brick-making), each employing about 20 people. Despite heavy investment in training and equipment, most of these projects collapsed soon after food deliveries were terminated. Assets deteriorated and income generation ceased, suggesting that food aid was the main motivation for participants. Food-for-work coverage was extremely low, at 7% of the target group, against 87% coverage by free food distribution. The main explanation for this poor performance was an over-ambitious expectation that food-for-work could be used to pursue multiple goals - not just immediate drought relief, but also sustainable long-term income generation in poor rural communities - and a failure to appreciate that public works are complex employment creation programmes.

Although this discussion has argued against public works as they are commonly implemented, there is a place for employment-based safety nets in rural Africa, provided certain principles are followed that have been conspicuously absent to date. Pre-eminent among these is that effective employment-based safety nets must be demand-driven rather than supply-driven. The best model comes from outside Africa, from the Maharashtra Employment Guarantee Scheme (MEGS) in India and its recent scaling up to the National Rural Employment Guarantee Act (NREGA), which guarantees every rural Indian household 100 days of employment each year at the minimum wage, or a cash transfer if the state cannot provide employment within a reasonable time and distance from the applicant's home. Early studies of MEGS found that the guarantee of paid work on demand encouraged moderate risk-taking by farmers, and that the objectives of consumption and income smoothing were achieved. Ravallion (1990) found that income variability halved in villages where employment was guaranteed, compared to villages with no such safety net.

Finally, if public works are to contribute to agricultural growth, other changes in design are also needed. Instead of paying 'low wages' for self-targeting purposes, 'fair wages' should be paid that transfer meaningful income to support both consumption smoothing and agricultural investment. 'Decent work' principles should be applied. The timing and labour demands of public works should complement rather than conflict with agricultural labour demands. Assets created under public works should be selected in full consultation with programme participants, they should explicitly support agricultural and non-agricultural livelihoods wherever possible, and effective institutions for maintenance of these assets must be introduced (Devereux 2002).

### 3.3 Social protection responses to commodity market failures

Vulnerability in agricultural communities is exacerbated by weaknesses in rural commodity markets, exemplified by food prices that double or treble between the harvest season and the 'hungry season' 8-9 months later, and by collapses in asset prices over the same period. In Malawi, for instance: "In normal years, farmers sell maize at harvest time when the price is low and buy back during the lean period when prices are high. In general, the price differential is about 50 to 100%" (FEWSNET 2005: 2). In a bad year like 2005, retail maize prices increase by a factor of 3 or more – in the famine year of 2002, prices in some rural markets were 6-8 times higher in the hungry season than after the preceding harvest.

Crisis years or difficult 'hungry seasons' are associated with decapitalisation in rural households, as food insecure families are forced into 'distress sales' of assets to raise cash for subsistence needs. Liquidating assets is a standard behavioural response to livelihood stress, and empirical studies of 'coping strategies' in the 1980s found that asset disposal followed a predictable and logical sequence (Corbett 1988), with consumer goods (such as radios or 'off-take' livestock) being sold first and productive assets (such as ploughs and draught animals) being sold later. Assets that are indispensable for production (eg farmland) are sold last, only when the alternative is severe malnutrition, or death. These 'survival strategies' severely compromise the household's ability to pursue a viable livelihood in future, and are often followed by 'distress migration' off the land and the abandonment of agriculture-based livelihoods.

Even in a 'normal' year, asset sales for food is a standard response to food production deficits, with livestock being kept as a form of savings by rural households with no access to financial intermediation services. A survey in Ethiopia in 2006, a year of above average food production, found that 23% of 960 rural respondents sold some livestock, 6% sold other assets (including productive assets such as farm tools) and 1% rented out some or all of their farmland, to buy food (Devereux *et al.* 2006). The problem with this strategy is that the terms of trade between assets and food move sharply against assets during the hungry season, as asset prices fall (a buyer's market due to excess supply) and food prices rise (a seller's market due to excess demand). During the Malawi famine of 2002, a survey asked affected households about the selling price of any assets they sold or exchanged for food or cash to buy food, and for how much they could have sold these assets in the year before the crisis. For instance, one household reported selling a bicycle with a replacement cost of MK 800 for MK 150. Compiling these responses across 1,200 households indicated that an average loss of 53% in asset values was incurred due to 'distress sales' (Devereux *et al.* 2003: 62).

Social protection for rural Africans must include mechanisms for protecting household assets against food price inflation, specifically against 'distress sales' of assets at under-valued prices. This can be achieved either by intervening directly in commodity markets, or by ensuring that vulnerable households have alternative sources of food or income. As discussed above, direct interventionism in grain markets was the approach preferred by African governments before reforms associated with agricultural liberalisation were adopted. Mechanisms included 'open market operations' such as grain reserve management, and pricing policies such as food price subsidies or legislated price bands. The Ghana Food Distribution Corporation (GFDC), for instance, operationalised its food security mandate by buying up grain surpluses after harvest at low prices, storing it for several months then selling it at cost price (purchase plus storage) on local markets when prices started rising and farmers' granaries were depleted, thereby boosting food supplies and smoothing price seasonality.

Some established interventions to control national food supplies remain on the policy menu, such as the maintenance by governments of strategic grain reserves that are depleted and replenished according to needs. However, mismanagement of grain reserves is common, and has contributed in the past to avoidable food crises in Africa (eg in Zimbabwe in 1991, Ethiopia in 2000, Malawi in 2002). Also, donors increasingly argue that holding physical stocks of food is expensive and inefficient, and innovative alternatives have recently been devised and trialled, such as the use of futures markets to guarantee timely food supplies

at affordable prices through hedging arrangements (Dana *et al.* 2005). In 2005, Malawi purchased a call option on maize on the South African Futures Exchange (SAFEX), at a price of US\$25 that saved US\$60-90 per ton imported, and called on this option to supplement domestic grain supplies after a poor harvest raised the risk of famine (Alderman and Haque 2006: 18).

Government interventions to control food prices are unlikely to return to the policy menu in the immediate future, despite the fact that the abolition of price subsidies reintroduced grain price seasonality, which is a major source of food insecurity in poor rural households, responsible for acute malnutrition as well as disposal of productive assets and under-investment in agriculture. Instead of interfering with market prices, indirect methods of protecting farmers' assets are likely to become increasingly popular. These include innovative approaches to insurance and the expanded delivery of social transfers, which are discussed next.

### 3.4 Social protection as social safety nets for farmers

The importance of social safety nets or a guaranteed minimum income, not only for humanitarian imperatives but also for underpinning moderate risk-taking and driving economic growth, has been recognised by economists for centuries. In the 1800s, Turgot argued that poverty and vulnerability to subsistence crises are inimical to risk-taking, entrepreneurship and the evolution of stable markets. More recently, Michael Lipton argued that safety nets are “needed, both to mitigate the vulnerability (to droughts and floods, illnesses and twins) of the working poor, and to compensate those too old or ill to work; such security, indeed, can stimulate entrepreneurship and growth” (Lipton 1997: 1004).

Social transfers, in the form of either food or cash, can raise or smooth food consumption in poor households and protect their assets against liquidation to meet subsistence needs. Dercon and Krishnan (2000) found that food aid effectively reduced the vulnerability of households in rural Ethiopia. Despite widespread hostility to food aid and a growing preference for cash transfers among sections within the donor community, the criticism that food aid causes disincentives and dependency among beneficiaries has recently been subjected to critical empirical scrutiny which concludes that these putative effects might have been overstated, especially among the poorest Dayton-Johnson and Hoddinott (2004) found that disincentive effects of food aid in Ethiopia were correlated with household wealth, and were insignificant among the poor. A review of food aid by Barrett and Maxwell (2005) reached a number of significant conclusions, including the following.

1. Food aid rarely induces dependency, because food transfers are too small and unpredictable to affect beneficiary behaviour. (Crudely, one implication is that farmers are unlikely to stop farming in the expectation that food aid will compensate for their failed harvests.)
2. Food aid that accurately targets the rural poor has negligible price effects on local markets, since these households are already priced out of the market.
3. Food aid can undermine local food production and labour markets, for instance if imported food crowds out demand for local produce and induces farmers to switch to non-food crops.
4. It follows that food aid should be sourced locally whenever possible, to minimise negative side-effects and maximise incentives to local production and trade.

Cash transfers are claimed to be preferable to food transfers on a number of grounds. Cash is cheaper to administer and deliver than commodities (Creti and Jaspars 2006: 10), and is less paternalistic because it facilitates choice. Cash transfers contribute to pro-poor economic growth because they are spent (creating income and employment multipliers) and invested (notably in agricultural and non-agricultural livelihoods) – a study of emergency cash transfers in Malawi estimated a regional economic multiplier of 2.1-2.5 (Davies and Davey, 2008). Finally, cash transfers can stimulate markets and trade by boosting purchasing power and effective demand.

On the other hand, given the volatility of food supplies and prices, especially during periods of food stress, there is a risk that cash transfers will simply fuel food price inflation, or will purchase less food than intended as prices rise. One option is to index-link seasonal safety nets or emergency cash transfers to food prices, so that a constant entitlement to food is guaranteed at any price. This innovative approach was implemented by an NGO (Concern Worldwide) during district-level food crises in Malawi in 2006 and 2007, and successfully protected household food consumption and assets compared to non-beneficiary households (Devereux *et al.* 2007).

In emergency contexts, cash is mostly spent on food and is consumed (unless it is mis-targeted), but even then, comparative analysis reveals that cash is allocated to more diverse purposes than is food aid. Some proportion of cash transfers is invariably allocated to investment in assets (eg small livestock) and agricultural inputs (eg seed, fertiliser, or renting land). This suggests that recipients are trading off pressures to meet immediate consumption needs against ambitions to accumulate assets for future consumption and income generation. Cash transfers can therefore be understood as supporting both 'livelihood protection' and 'livelihood promotion' objectives

All these positive effects are more pronounced when cash transfers are predictable, regular and sustained, such as social pensions that are disbursed monthly to older citizens in several African countries. Alternatively, a credible assurance that social transfers will be provided when needed can also encourage farmers to invest in yield-enhancing technologies, inputs and productive assets. This implies 'guaranteed' social safety nets (such as legislated employment guarantees) or credible social insurance (such as weather-indexed agricultural insurance schemes).

Despite these multiple benefits of cash transfers, two cautionary caveats should be noted. Firstly, while the micro-level impacts of cash transfers are well documented and accepted, claims that cash transfers can contribute to macro-level economic growth and poverty reduction are not well substantiated empirically; more rigorous evidence building is needed. Secondly, cash can provide the oil to turn the wheels of the rural economy - but the wheels must first be in place. (Stretching this metaphor, social transfers and social insurance can act as shock absorbers that cushion the drivers of the car against potholes, which is important to protect the car against breaking down) Cash transfers can stimulate investment and trade, but they cannot, on their own, construct the essential infrastructure and institutions (roads, markets, etc) that African farmers need for viable and growing rural livelihoods. Complementary agricultural and rural development policies and interventions are urgently needed to break rural poverty traps and "get agriculture moving".

## 4 Conclusion

Most small farmers in Africa operate in a debilitating and stressful environment of low productivity and high vulnerability. This presents obvious needs for holistic social protection that both protects and promotes farmers' livelihoods, by managing agricultural risk, protecting productive assets and raising farm yields. These objectives can be partially achieved through targeted social safety nets - preferably in the form of social insurance rather than social assistance - but safety nets are not enough, and synergies with agricultural policies and broader policy arenas must be maximised. A six-point policy agenda for providing synergistic support for poor African farmers was set out earlier in this paper, and is repeated here:

1. Get inputs to farmers on time and at affordable prices.
2. Strengthen rural markets to stabilise commodity prices, especially of staple foods.
3. Build essential rural infrastructure and enabling institutions.

4. Insure vulnerable farmers against agricultural risk, for instance with innovative mechanisms such as weather-indexed insurance schemes and guaranteed employment legislation.
5. Move away from imported food aid towards local sourcing and/or cash transfers wherever local markets and cultural contexts (specifically gender relations) permit this.
6. Declare a moratorium on small-scale 'pilot projects' and support permanent national social protection programmes that are integrated into broader agricultural and development policies.

Some of this agenda might be classified as 'agricultural policy' rather than 'social protection', but defining these labels and boundaries is less important than tackling the chronic problems of low agricultural productivity and high agricultural risk in Africa in a coordinated way, with all the policy instruments available, including the innovative mechanisms associated with the 'new social protection agenda'. Finally, however, continual cycles of identifying and piloting innovative ideas will not lead to sustainable agricultural growth and wide-ranging poverty reduction. The priority is to put in place policies and mechanisms that are effective, comprehensive, credible and ultimately enforceable, and this requires empowering African farmers rather than experimenting with them.

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