

## SOCIAL PROTECTION AND PRO-POOR AGRICULTURAL GROWTH: WHAT SCOPE FOR SYNERGIES?

**John Farrington, Rachel Slater and Rebecca Holmes**

*Social protection (SP) and livelihood promotion have conventionally been handled by different departments within governments and donor organisations. Taking the example of agriculture, this paper argues that the scope for synergy between them (when narrowly defined as 'making the whole bigger than the sum of its parts') is limited. However, there is substantial unexploited scope for introducing the perspectives of the one into the design and implementation of the other, i.e. for giving aspects of SP more of a growth-promoting dimension, and for designing agriculture initiatives in ways aiming to reduce risk and vulnerability.*

### Policy conclusions

- With few exceptions, questions of how social protection (SP) and the productive sectors relate to each other have been neglected in policy debates, yet are central to the notion of 'pro-poor growth'. To address them is all the more urgent in the context of the high risks linked to growing commercial (including global) market exposure; reduced public investment in agriculture; the imperfections in agricultural input and output markets where privatisation has been overhasty, and the growing constraints on recurrent budgets that any expansion of SP is likely to face.
- Different measures and instruments within SP impact differently on agriculture and vice-versa, and trade-offs need to be considered carefully.
- SP can be growth promoting where, for instance, it stimulates thrift and credit schemes, creates physical assets through employment schemes, and promotes personal insurance, but transfer payments can also be indirectly growth-promoting.
- Several types of agricultural strategy can *both* promote growth *and* reduce risk, including revisions to legislation and regulation, investments in soil and water conservation and transport and communications infrastructure, innovative types of insurance, and appropriately focused provision of services, including research and extension.
- Examples of synergy between SP and the productive sectors remain rare, but the principle underpins donor action in at least one major case (DFID, 2002) and, if implementation problems can be overcome, may have wider potential.
- Inadequate planning and/or weak implementation of SP measures have at times impacted negatively on agriculture, as in the disruption of local markets caused by mis-timed food aid.
- Social protection programmes might usefully distinguish among three categories of rural poor households: those well-established in productive activity; those highly vulnerable to risks that may force them to sell productive assets and re-engage (if at all) only as labourers, and those such as the sick or very elderly who are chronically unable to engage in productive activity. Initiatives such as the World Bank's Social Risk Management Framework has mainly been concerned with the first two categories, but is now expanding towards the third.
- Transfers to the third category – who are generally among the poorest – can allow them to influence the local agricultural economy as *consumers*, a role rarely considered hitherto. However, they can also influence production, e.g. where part of formal transfer payments (such as pensions) are invested in production, and where existing informal transfers are 'released' into productive activity (or consumption) as they are replaced by formal ones. Food transfers and cash transfers have very different implications for agriculture, which are rarely considered.
- Growing evidence that food insecurity in southern Africa has important *chronic* dimensions requires a rethinking of approaches, so that food aid to relieve any *acute* shortages is complemented by longer-term combinations of protection and promotion.

### Introduction

Social protection (SP) is concerned with the ways in which individuals' or households' resilience to adverse events can be strengthened. Risk is conventionally seen as the likelihood of occurrence of an adverse *exogenous* event. However, not all potentially adverse events are exogenous: the occurrence of disability and old age, and such events as weddings and funerals, are internal and generally linked to family life-cycles. Risk can be classified along various dimensions: e.g. it can be idiosyncratic or covariate (as when many aspects of the economy are affected by a single phenomenon such as drought); it can also be acute (e.g. as a disease epidemic) or chronic (e.g. as the degeneration of resource productivity under increasing population pressure).

Vulnerability is the likelihood of being harmed by a given adverse event. It is linked to the capacity of individuals or households to prevent, mitigate or cope with such events, and so tends to be high among households headed by females, children or the elderly, and/or which have high dependency ratios. There is potentially a vicious cycle here: households that have been affected by an adverse event are likely to be more vulnerable next time round. Vulnerability

is also influenced by location (e.g. in relation to flooding regimes), by the ownership of assets, and by access to resources (e.g. water, trees, pasture) which are not individually owned. There are also temporal dimensions to vulnerability. It can vary seasonally – a household will be affected more by sudden expenditure (e.g. for a funeral) *before* the harvest than *after* it. Research on food security in southern Africa (see [www.odi.org.uk/food-security-forum](http://www.odi.org.uk/food-security-forum)) shows that the long-term erosion of household assets and labour power caused by HIV/AIDS is making households vulnerable in the long-term. It is important to address both the rapid-onset shocks that cause sudden *acute* vulnerability, and the longer-term trends that result in *chronic* vulnerability.

Social protection (SP) can be either informal or formal. Informal mechanisms include the storing of wealth in livestock, trees or land, or transfers of cash or food within the household or some other social group. Formal mechanisms can be either market-based, such as insurance against a range of risks, or publicly-mandated, such as social insurance, transfer payments of various kinds, and public works, all with varying combinations of public or private implementation.

In the long term, increased incomes will permit the poor to protect themselves against risk through, e.g. savings and insurance, and such increases in income will come more from other sectors as the share of agriculture in GDP declines over time. Various forms of insurance in well-developed market contexts (against livestock death, crop failure, price swings, etc) may help to reduce the riskiness of agriculture as it becomes commercialised. But farming will always be a risky business, and current types of smallholder farming in many countries of sub-Saharan Africa and S Asia are exposed to exceptional risks deriving from (in many cases, the over-hasty) reduction in public investment and privatization of many service-delivery functions. In brief, this is a context in which market mechanisms cannot be relied upon to deliver adequate social protection, and more direct intervention to reduce risk and vulnerability is needed. This paper explores what form such intervention might take, whether as 'free-standing' social protection, or as a modification of policies and interventions *within* the agriculture sector to make it more 'protecting', or as some combination of the two.

The respective roles of SP and livelihood promotion are conceptualised within the World Bank's 'social risk management' (SRM) framework (Holzmann and Jørgensen, 2000; World Bank, 2001 – see also Box 1), which is increasingly being accepted as a framework for action by other international actors. However, in the SRM framework, SP is largely conceived as a 'trampoline', aiming to prevent poor producers from sinking as far as they might otherwise in response to shocks, and to 'bounce back' more quickly, and pays little attention to those chronically unable to engage in the productive economy. This category tends to have been neglected by official international development agencies, partly because they (mistakenly) perceive little impact on growth of transfers made to those unable to engage, and partly because they see no easy exit route from expenditure on this category.

### **Incorporating growth perspectives into SP interventions**

There are three main areas in which measures designed primarily for their socially protecting qualities have also incorporated livelihood promoting dimensions.

**Employment generation schemes:** under certain conditions, these can clearly benefit the able-bodied and their dependents. For instance, much has been written about the Maharashtra Employment Guarantee Scheme which provided a certain number of days of public works employment to labourers *as a right* (Dev, 1996). However, the scheme's success depended on a strong tax base (as the source of transfers), robust procedures for registration, good timing in

#### **Box 1 The World Bank's Social Risk Management Framework**

Social Risk Management repositions the traditional areas of social protection (labour market intervention, social insurance and social safety nets) in a framework that includes three strategies to deal with risk (prevention, mitigation and coping), three levels of formality of risk management (informal, market-based, public) and many actors (individuals, households, communities, NGOs, governments at various levels and international organisations) against the background of asymmetric information and different types of risk. This expanded view of Social Protection emphasises the double role of risk management instruments protecting basic livelihood as well as promoting risk taking. It focuses specifically on the poor since they are the most vulnerable to risk and typically lack appropriate risk management instruments, which constrains them from engaging in riskier but also higher return activities and hence gradually moving out of chronic poverty.

Source: adapted from Holzmann and Jørgensen (2000)

relation to the agriculture calendar, and the setting of wages at levels which will attract the poor but not the better-off. The scheme faltered when some of these conditions fell away in Maharashtra, and has proven difficult to replicate elsewhere. With good planning, such schemes can enhance skills and create productive assets, but where machinery has to be used to achieve adequate asset quality, this adds complications of timing and greater potential for corruption.

**Transfers:** some types of transfer are intended to support those unable to engage fully in the productive economy (e.g. social pensions in Brazil, South Africa and India); others have an explicit investment focus, such as incentives for attendance at school (e.g. bursaries for HIV/AIDS orphans in Uganda); and others are in recognition of national service (e.g. pensions to war veterans in northern Vietnam) and can be used for combinations of production and consumption. Transfers can be either in cash or kind – such as subsidised food distribution or school feeding schemes. Transfers are typically long-term commitments and raise a number of questions, including: their affordability (given the pressure from, e.g. the IMF to reduce recurrent budgets); the political popularity but typically high costs of food transfer schemes relative to cash transfers; and the extent to which they might 'crowd out' productive investment (see Farrington et al., 2003). The difficulty of defining an exit strategy from long-term commitments has discouraged donors from engaging in transfers, and few have even attempted to 'pilot' new approaches. The 'cash versus food transfers' debate raises several questions about the impact of social protection on livelihood promotion. Poorly-timed food transfers are known to have had negative impacts on local agricultural markets, but sensitively designed transfer schemes can boost local markets by sourcing food from them (but at considerable administrative cost). To rely more on cash transfers achieves the potential benefit of boosting market demand without the potential negatives (high cost, local market disruption) of food transfers. Whilst this strategy would be inflationary where food is in chronically short supply, in areas which are more or less self-sufficient, or well-integrated into mainstream markets, it may enhance production through higher and/or more stable demand.

**Financial services:** microfinance can help to reduce vulnerability at the same time as contributing to agricultural growth in a number of ways. It can release existing funds for production purposes, or itself contribute directly to production, or mitigate the impact of shocks and stresses, either internal such as weddings or funerals, or external such as drought or flooding. It can also help those locked in 'debt traps' to escape from these (Box 2). Small livestock, being easily liquidated in small units when required, are a favoured channel for investing savings or credit in many countries. Death, sickness and injury of household income earners are major triggers of downward spirals, and personal insurance schemes (often linked to occupations and often

#### **Box 2 Savings and credit as means of displacing exploitative informal 'interlocking' of markets**

Traditional patron-client relations may offer advantages as a source of emergency credit to poor households. But, often, they represent a degree of 'bondedness' which prevents the poor from engaging more fully as entrepreneurs. In many parts of India, for instance, landlords or moneylenders have the first call on the labour of indebted households, require produce to be sold through them, and are the sole source of credit and of purchased inputs. There is some evidence that the establishment of savings and credit groups have provided a secure enough alternative for poor people to break relations with patrons and so engage with markets and production systems as free economic agents.

Source: Deshingkar and Start (2003)

subsidised) are an increasingly popular way of providing protection against these eventualities. SEWA in India, for instance, arranges such insurance for self-employed women members (see <http://www.sewa.org>), and a recent innovation has been a subsidised scheme introduced by the Government of Madhya Pradesh to provide life insurance to those working in the forest to collect *tendu* leaf, which is used in rolling local cigarettes. Such schemes have a strong 'rights' dimension, and lobbying by civil society organisations may help in achieving the considerable scope for expansion both within the informal (small farm) sector and within the formal sector, for instance among plantation workers.

### **Incorporating protection against risk and vulnerability into growth-promoting interventions**

Opportunities to strengthen the risk- and vulnerability-reducing focus of growth-promoting interventions can be found in two main areas.

**Agriculture-related legislation and regulation:** apart from land redistribution, a number of opportunities offer themselves, such as reforming and formalising tenancy arrangements to provide tenants with a higher degree of security, the reform of inheritance laws to allow women to inherit land, and improvements (eventually, the computerisation) of documentation concerning freehold and leasehold so that land records can be used as collateral to obtain loans in time of need. The rural poor use common pool resources both as a regular source of income and as a safety net (e.g. in gathering wild foods) during times of stress. There is considerable scope for enhancing the security of access to these – but this may require modification or reversal of reform-induced initiatives, such as those to auction leases on forest and inland fishery resources. Risk levels facing farmers are also increased by weak (or weakly-implemented) regulation of those supplying such inputs as agrochemicals and seed – which is in marked contrast to the escalating stringency of standards applying to the sale of farmers' products, especially in export markets.

**Investment and service delivery in agriculture:** as with legislative/regulatory interventions, investment and service delivery can generate effects which are either general or more specific, and either raise incomes overall or reduce the variance of incomes. Investments in irrigation, rural infrastructure and soil and water conservation can all be designed in ways that maximise potential benefit to the poor and minimise the risk of elite capture. Services relating to technological change can, for instance, promote the diversification of agriculture in ways that spread risk among different enterprises – spreading financial risk by growing products for different markets, and reducing climatic or biotic risk, as different crops (or crop/tree/livestock combinations) offer different types and levels of robustness in the face of these risks. Within crops or livestock types, tradeoffs in breeding strategy become particularly crucial: to develop or introduce crops geared to high yield and/or to a high degree of acceptability in international markets may mean sacrificing some of their robustness. For the poor, some combination of robustness and higher production potential is required, but it has been suggested that the reduction in public sector agricultural research capability in many developing countries, has allowed this balance to shift towards commercial considerations, to the disadvantage of low-income producers.

Much can be done to reduce the risks brought by inappropriate inputs. With agrochemicals, this has health and safety dimensions, as well as economic. Efforts towards improved legislation and regulation are clearly relevant here, and will require more attention to implementation than hitherto, with novel mechanisms such as, for instance, reliance

on trade associations to self-enforce quality, in seed supply, for example.

Three further types of intervention – credit, insurance and processing/marketing – also offer potential for reducing risk and vulnerability. For instance, where the conditions can be put in place, approaches to savings and credit that rely on the Grameen Bank principles of peer group monitoring can be replicated (Hulme, 1990). This is important since commercial banks in many countries have limited capacity to respond to the characteristics of small farm loans (urgency; smallness of scale; limited collateral). Crop insurance and buffer stock schemes have long been known to offer different types of protection against risk. Guaranteed purchase schemes at pre-announced prices, for instance, can help to iron-out excessive intra-seasonal farm gate prices, and are often managed in conjunction with buffer stocks. Sound logistic planning has allowed these schemes to work well in a very few cases (see Ellis, 1993 on BULOG in Indonesia), but, as in the India case, where buffer stocks mounted to over 62 millions tonnes in 2002 (against an estimated requirement for food security purposes of around 20 million tonnes), they often work inefficiently, with political pressures to offer high administered prices to a favoured few, to avoid imports, and to tolerate high levels of inefficiency and corruption in

#### **Box 3 Sequencing protection and promotion: the case of the BRAC Income Generation for Vulnerable Group Development (IGVGD) Programme, Bangladesh**

IGVGD was initiated by the Bangladesh Rural Advancement Committee (BRAC) to address the needs of chronically poor households. These are households that cannot escape extreme poverty and are predominantly assisted with only 'protective' measures of development, such as food aid, and who have little opportunity or space to engage in 'productive' income generating schemes. IGVGD attempts to reach this group, and build up their productive capacity by simultaneously providing a protective base. This is achieved through collaboration with the World Food Programme and local government to distribute a monthly wheat ration (for two years), plus training and credit provision by BRAC. Micro-credit is used to set up income generating activities, such as poultry, livestock and sericulture. IGVGD targets widowed or abandoned female heads of household; households owning less than 0.5 acres of land; and, those earning less than 300 taka per month.

IGVGD has been successful in reaching the very poor and increasing the economic position of beneficiary households. Average incomes have risen significantly and ownership of homestead plots, land, beds and blankets increased. After two years, when wheat distribution ends, many participants experience a drop in income and consumption but the income-generating activities kept many incomes above pre-programme level. The programme has been impressive in successfully 'graduating' households of such low-income and low-asset holdings to access regular microfinance programmes.

In spite of these successes, there remain constraints. One is in defining the roles of field staff: can 'promotion' staff such as agricultural extension workers take on SP functions, and vice versa? Another is in reaching those who have most difficulty in becoming upwardly mobile, and those who cannot raise their levels of economic activity. Experience shows that some households could not recover from loss of food subsidy and had to mortgage assets and use the loan for consumption. Thus, whilst the combination of protection and promotion, where protection acts as a base for productivity, can be a successful ladder for households able to seize economic opportunity, other households need additional inputs such as social development/social mobilisation, or asset transfers. BRAC's new scheme 'Challenging the Frontiers of Poverty-Reduction Programme' aims to provide these inputs. The DFID Chars Livelihoods Programme in Bangladesh incorporates many of the principles developed by BRAC.

Source: Matin and Hulme (2003)



collection, storage and distribution.

Conventional crop insurance programmes have generally failed owing to the difficulties of covariate risk and high administrative costs to verify claims. However, there are a number of new proposals: one suggests linking payouts for drought-proofing insurance simply to rainfall statistics, possibly with the engagement of private multinational insurance corporations which are well-placed to handle covariate risk (Hess, 2003). However, this does not overcome the problem of high administrative costs, and would undoubtedly require government start-up efforts, with the usual problems of exit strategy.

### The search for synergies

There are relatively few efforts to develop synergy by relating protection and promotion measures directly to each other. One example is the BRAC Income Generation for Vulnerable Group Development programme, at whose root lies the search for appropriate *sequences*. It seeks to identify workable trajectories from social protection to support for productive activity (Box 3). Even in Bangladesh where microfinance is well-developed, there remain problems in engaging those who find it difficult to raise their levels of productivity, or even to participate in productive activity more than peripherally. However, much of the DFID-supported *chars* programme in Bangladesh is premised on synergistic interaction between protection and promotion, and its implementation is likely to attract considerable interest.

### Conclusions

Growth is unlikely to be made pro-poor through a neoliberal agenda of initiatives that are solely growth-facilitating or promoting. There is potentially much to be gained by efforts to trade off some growth for reduced risk, and by introducing SP measures that have the potential to impact positively on productive activity. These involve the introduction of livelihood protecting perspectives into livelihood promotion, and vice-versa.

However, there are as yet very few attempts to achieve (narrowly-defined) synergy between SP and livelihood promotion, and our knowledge on appropriate combinations and sequences of measures remains limited (Box 4).

Though certain principles may be general, the practicalities of how to promote pro-poor growth through the incorporation of SP perspectives will remain context-specific.

#### Box 4 Gaps in knowledge

There are substantial gaps in knowledge. These include questions of:

- how, when and why informal transfers are displaced by formal mechanisms, and what happens to the flows thus displaced;
- whether, forgiven levels of formal transfer, funds flowing informally to those unable to engage in the productive economy increase in proportion to revenues generated from growth;
- what role is played in protecting the rural poor by transfers from migrants (rural-rural; rural-urban or international)? Does improved SP to urban dwellers change the pattern of transfers?
- how private companies view the possibilities of, e.g. providing insurance to the poor, and what further pilot experiments would be worth undertaking in what contexts;
- how the links between SP, agriculture and gender are played out in relation to women's practical and strategic interests;
- how far a rights-based approach to SP offers practical insights into agriculture policy decisions affecting the poor;
- how the World Bank's Social Risk Management Framework might best be operationalised to take account of how transfers to those chronically unable to engage in the productive economy can strengthen their role as consumers and (indirectly) in production.

A simple checklist (Farrington et al, 2004) will allow options appropriate to specific decision-contexts to be identified.

Finally, there is considerable scope for lessons on making SP initiatives more growth-focused and making livelihood promotion more risk- and vulnerability-reducing, to be incorporated into major poverty-focused initiatives such as PRSPs, and to generate a strong empirical basis on which advocacy groups can draw.

### References

- Deshingkar, P. and Start, D. (2003) 'Seasonal Migration for Livelihoods in India: Coping, Accumulation and Exclusion', *Working Paper 220*, London: ODI.
- Dev, M.S. (1996) 'Experiences of India's (Maharashtra) Employment Generation Scheme: Lessons for Development Policy', *Development Policy Review* 14 (3): 227–55.
- DFID (2002) 'Bangladesh Chars Livelihoods Programme', prepared by DFID for the Government of Bangladesh, available at: [http://www.dfid.gov.uk/Pubs/files/chars\\_livelihoods\\_prog.pdf](http://www.dfid.gov.uk/Pubs/files/chars_livelihoods_prog.pdf)
- Ellis, F. (1993) 'Private Trade and Public Role in Staple Food Marketing: The Cases of Rice in Indonesia', *Food Policy* 18 (5): 428–38.
- Farrington, J., Slater, R. and Holmes, R. (2004) 'The Search for Synergies between Social Protection and the Productive Sectors: the Agriculture Case, Working Paper 232, London: ODI.
- Farrington, J., Saxena, N.C., Barton, T. and Nayak, R. (2004) Post Offices, Pension and Computers: New Opportunities for Combining Growth and Social Protection in Weakly-integrated Rural Areas? *Natural Resource Perspectives* 87, London: ODI.
- Hess, U. (2003) 'Innovative Financial Services for Rural India: Monsoon-indexed Lending and Insurance for Smallholders', *Agriculture and Rural Development Working Paper 9*, Washington DC: World Bank.
- Holzmann, R. and Jørgensen, S. (2000) 'Social Risk Management: A New Conceptual Framework for Social Protection and Beyond', *Social Protection Discussion Paper 0006*, Washington DC: World Bank.
- Hulme, D. (1990) 'Can the Grameen Bank be Replicated? Recent Experiments in Malaysia, Malawi and Sri Lanka', *Development Policy Review* 8 (3): 287–301.
- Matin, I. and Hulme, D. (2003) 'Programs for the Poorest: Learning from the IGVGD Programme in Bangladesh', *World Development* 31 (3): 647–65.
- World Bank (2001) *Social Protection Sector Strategy: From Safety Net to Springboard*, Washington DC: OUP for the World Bank.

#### Acknowledgements

The longer study on which this paper is based (Farrington et al, 2004) is available on the ODI website as Working Paper 232. John Farrington and Rachel Slater are Research Fellows at the Overseas Development Institute. Email: [j.farrington@odi.org.uk](mailto:j.farrington@odi.org.uk) and [r.slater@odi.org.uk](mailto:r.slater@odi.org.uk). Rebecca Holmes worked as a Research Assistant at ODI. Email: [bexholmes@hotmail.com](mailto:bexholmes@hotmail.com)

ISSN: 1356–9228

© Overseas Development Institute 2004

See [www.odi.org.uk/nrp/](http://www.odi.org.uk/nrp/) for papers in this series.

Natural Resource Perspectives present accessible information on current development issues. Readers are encouraged to quote from them or duplicate them, but as copyright holder, ODI requests due acknowledgement. The Editor welcomes manuscripts for this series.

Series Editor: John Farrington Administrative Editor: Leah Goldberg