Social protection and growth: the agriculture case

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Social Protection encompasses a set of public actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty;
includes ways of preventing, mitigating or coping with shocks and stresses in both productive and domestic environments;
shocks in the former include weather-related events, and, in both, sickness, injury and death;
stresses in the former include long-term decline in productive capacity attributable to e.g. pollution, and in the latter, the expenses associated with education, marriage of children etc
• Different policy responses required as between shocks and stresses: some shocks (but no stresses) can be insured against. Resilience to stresses generally requires strengthening or protection of individually owned assets, and the guaranteeing of rights of access to those not owned.

• Chronic poverty is primarily *intergenerational* (we are less concerned with how to reduce chronic poverty than with how to reduce risk and vulnerability)
Premise:

• Social protection can be designed and delivered in ways that facilitate more production without seriously compromising its “protecting” value;

• Support for production can be made more socially protecting without seriously compromising productivity gains

We are more concerned with how SP impacts on production than vice-versa
Remember that:

• Some forms of SP can hinder production (mis-timed food transfers);

• SP in the form of cash transfers can stimulate demand and so impact positively on production opportunities (but beware inflationary effects);

• Productive investment need not only be more socially protecting to producers (cf “perceptions of risk” argument below), but can also impact on consumers via more food at lower prices

• Cash is fungible, and so shocks or stresses in the domestic sector can cause outflow of funds from the productive sector and vice versa
• Agricultural policies and social protection policies dealt with by separate Institutions
• Trade-off between expenditure on SP and agricultural growth programmes: more for growth or more for social protection?
• Links between two remain poorly conceptualised leading to sub-optimal growth and poverty reduction strategies
SP can impact on productivity in five main ways:

- By reducing perceptions of high risk which would otherwise prevent innovation
- By changing the characteristics of labour and labour markets
- By preventing the loss of productive assets
- By the creation of shared capital assets
- By improved access to shared assets
1. Reducing perceptions of risk

- New forms of weather-based crop insurance
- “smart” subsidies on new inputs (seeds, fertiliser...)
- Hedging to reduce impacts of market volatility
- Warehouse receipts to improve timing of sales
2. Changing the characteristics of labour and labour markets

- Investing in the underlying health of labour
- Improved labour standards
- Injury compensation
- Improved labour skills
- Facilitating migration
3. Preventing the loss of productive assets

- Insurances (health, injury, life...) in domestic sphere
- Enhanced capital assets in domestic sphere
- Payment of small, limited period, cash allowances to producers (e.g., DFID Char Livelihoods programme in Bangladesh) so that they do not need to sell the asset each time a minor shock or stress comes along
4. Creation of shared capital assets

- Food for work or (increasingly) cash for work
- But beware “digging holes and filling them in” syndrome
- Beware also elite capture of assets
- Self-targeting & lends itself to rights-based approaches
- ...but is it fossilising existing labour patterns and discouraging engagement with rapidly growing areas of the economy via e.g. short term migration?
5. Improving access to shared assets

• Improved access to infrastructure increases options (travel for work; money transfer...)
• Improved access to commons (water, forest, grazing) can improve both productivity and act as safety net
Social Programmes

Health, Education,

Social-sector instruments: e.g. nutrition programmes; school feeding, integrated SP programmes

Market-based instruments: e.g. inputs subsidies; maize options; weather-based risk insurance, integrated SP programmes

Cash and inputs transfers

Social Protection

Direct welfare transfers and Productivity enhancing activities

Disaster Management and Risk Reduction

Cash and in-kind donations and relocations

Economic Programmes

Macro-economic management, trade, agriculture

Source: Slater and Tsoka 2007
Emerging lessons (2)

- Different poverty groups
- Problem-focused vs. instrument-focused
- Type of transfer
<table>
<thead>
<tr>
<th>Rural HH</th>
<th>Domestic shocks and stresses</th>
<th>Production shocks and stresses</th>
<th>Financial interventions potentially complementary to agricultural growth:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-scale farmers</td>
<td>Illness</td>
<td>Collapse in prices resulting from globalisation</td>
<td>Price hedging; crop insurance</td>
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<tr>
<td></td>
<td>Injury</td>
<td>Extreme weather events (drought, hail, flooding)</td>
<td>Facilitate and regulate market-based farm asset insurance and domestic insurances (health; life; assets) to prevent flight of capital out of agriculture</td>
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<td></td>
<td>Disability</td>
<td>Degradation of soil, water and other NR</td>
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<td></td>
<td>Death</td>
<td>Inadequate access to input, finance and output markets owing in part to failed liberalisation</td>
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<tr>
<td></td>
<td>Costs of weddings and other rituals</td>
<td>(Possibly) collapse in prices resulting from globalisation</td>
<td>Not necessary – assets adequate</td>
</tr>
<tr>
<td>Marginal farmers</td>
<td>Illness</td>
<td>Extreme weather events (drought, hail, flooding)</td>
<td>Crop insurance</td>
</tr>
<tr>
<td></td>
<td>Injury</td>
<td>Degradation of soil, water and other NR</td>
<td>Promotion of private sector inputs supply and marketing may have to be accompanied by measures to reduce market segmentation and interlocking insurance and savings schemes may require a strong public or community-based leadership Employment assurance schemes of some importance</td>
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<td>Targeted transfers to cope with stress of old age, prevent (and possibly reverse) outflow of capital from agriculture and enhance consumption of agricultural products;</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Promote micro-savings, micro-credit, micro-insurance</td>
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<tr>
<td>Farm labourers</td>
<td>Illness</td>
<td>Loss of rural employment opportunities and/or reduction in real wages attributable to the above</td>
<td>Indirectly via interventions to stabilise prices and promoting and (perhaps initially) subsidising farm asset and domestic insurances insofar as they impact on food prices and job opportunities; domestic insurances likely to be particularly important</td>
</tr>
<tr>
<td></td>
<td>Injury</td>
<td>Loss of opportunities for seasonal/permanent migration attributable to same or other causes</td>
<td>Public works programmes</td>
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<td></td>
<td>Disability</td>
<td></td>
<td>Support for seasonal migration through improved information, accommodation, education provision for children, easier means of making remittances etc</td>
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<td>Unable to engage in economic activity</td>
<td>Illness</td>
<td>Reduction in informal intra-household transfers resulting from above shocks/stresses in agriculture</td>
<td>Indirectly through keeping food prices stable</td>
</tr>
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<td></td>
<td>Injury</td>
<td>Reduction in opportunities for gathering fodder/fuel from commons owning to NR degradation</td>
<td>Employment assurance irrelevant</td>
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**Notes:**
- **Stresses** and chronic poverty
- Price hedging; crop insurance
- Facilitate and regulate market-based farm asset insurance and domestic insurances (health; life; assets) to prevent flight of capital out of agriculture
- Not necessary – assets adequate
- Promote asset accumulation by savings schemes, possibly including “matching funds”
- Targeted transfers to cope with stress of old age, prevent (and possibly reverse) outflow of capital from agriculture and enhance consumption of agricultural products; Promote micro-savings, micro-credit, micro-insurance
- Investigate possibilities of occupation-linked insurance and pensions
Poverty, Risk and Vulnerability Profile for Malawi

**Ultra-poverty rate:** 22%
**Poverty rate:** 52%

### Ultra-poor:
- Few assets. Little or no land.
- Income < food needs
- Chronic illness, female headed, elderly headed, high dependency ratios
- Vulnerability – low because of low-risk, low-return livelihood strategy
- Pathway out of poverty: Long-term investment in human capital, utilising existing labour and other assets
- Objective of social protection: Ensure consumption and maintain assets; Access to social services (health and education)
- Options for social protection: Direct transfers, inputs support

**Poor:**
- Some land or labour and other assets but vulnerable to further impoverishment
- Income < food and non-food needs
- Heavily dependent on a single activity – usually agriculture –
- Vulnerable to climate / weather shocks / crop failure, chronic illness.
- Net consumers of food
- Little resilience to shocks
- Pathway out of poverty: Increase capacity to deal with shocks
- Objective of social protection: Asset building, reducing or mitigating risks that households face; Access to social services; Agricultural credit
- Options for social protection: Direct transfers, inputs support, subsidies to support investment in risky activities

**Transient Poor / At risk:**
- Land and labour assets
- Some resilience but face a broad range of shocks
- Objective of social protection: Prevent slide into poverty during times of shock or stress
- Options for social protection: Social insurance; Micro-finance, especially credit

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**Heavily dependent on single livelihood activity**

**Increasing diversification of livelihoods**

Source: Slater and Tsoka 2007
Example - Ethiopia’s PSNP

- Ethiopia trapped in cycle of emergency appeals
- Need for predictable resources for a predictable problem (10m + in chronic hunger every year)
- 6 months of food rations or equivalent cash
- 80% public works / 20% direct support: overcoming or creating dependency?

- Even small transfers can be used for productive investment, if transfers are timely and predictable
- But cash requires additional investments (e.g. in marketing)
Perceptions of “graduation” from poverty

- Poor and ultra poor
- Two of every three HH in Bangladesh which graduate fall back into poverty
- Where grants/stipends are clearly distinguished from loans, “graduating” can mean progressing to loan status
- Pressure to demonstrate “graduation” can lead to premature withdrawal of support and excessively frequent re-targeting
Targeting

- Public works as self-targeting, but...
- Area-based targeting as primary filter
- Targeting by age, gender, civil status, disability...all relatively easy to achieve
- Targeting by income/expenditure/consumption very difficult to achieve
- Trade-off between degree of sophistication of targeting and “deliverability”?
Next steps

• More work on impacts on growth
  - CGE modelling in Cambodia (raises concerns about the impact of cash transfers on growth and poverty)
  - micro-simulations and CGE modelling in Malawi

• *How much growth will we get from a US$ X million investment in social protection?*
Thank you!