Future Agricultures

Policy Brief

Using Social Protection to Reduce Vulnerability and Promote Economic Growth in Kenya

While reducing risk and vulnerability, social protection (SP) measures can also promote productive activity and economic growth. This paper discusses how SP policies can be used to address key aspects of risk and vulnerability, and to promote economic growth in agriculture.

Risk and Vulnerability

The concept of risk is typically applied to events that can be insured in some way. Risks are associated with shocks and stresses, which can be external to the household (such as crop failure), or internal (such as the loss of labour through sickness).

Individuals or households that are likely to be affected adversely by such events are said to be vulnerable. Highly vulnerable people are usually disadvantaged by circumstances such as lack of assets, low and variable income, a high proportion of dependents and/or weak social networks.

The choice of method to apply in managing risks will depend on the type and magnitude of risk. Measures might include, for example, support for microfinance schemes, sickness

Box 1: Coping strategies by vulnerable people

There are three broad livelihood strategies that poor households adopt in response to stresses:

- 'Hanging in', where people undertake activities to maintain livelihood levels at a 'survival' level. These may include borrowing food from relatives, adoption of low-risk subsistence crops, etc. In extreme cases, people may fall into chronic poverty.
- 'Stepping up', where people make investments in existing activities to increase their returns.
- 'Stepping out', where people engage in existing activities in order to accumulate assets as a basis for investment in more remunerative livelihood activities, such as non-farm activities, agri-business ventures and out-migration.

Source: Dorward et al., (submitted)

Table 1: Advantages and disadvantages of targeting

Source: Shepherd et al. (2005).

Targeting mechanisms	Administrative costs	Susceptibility to inclusion and exclusion errors	Political aspects
Means-testing	High	Low, provided accurate information can be obtained	Degree of scrutiny required may be unpalatable; politically, may be only way to make acceptable to elite
Proxy indicators	Medium	Medium	
Community-based	Low for government; high for local community, which has to take invidious decisions.	Variable. Necessary transparency and flexibility hard to achieve in practice	Liable to local elite capture and to replicate existing discrimination. May exacerbate community divisions
Self-targeting	Low	Low if well designed. Targeting is usually not the driving feature of design	Can create stigma for poorest and socially excluded households

insurance, pensions, allowances for disabled people or school feeding schemes.

Defining Social Protection

SP interventions can be categorised as protective, preventive, promotive and transformative.

- **Protective measures** provide relief from deprivation. Examples include social assistance for those unable to work and pensions. Other protective measures can be classified as social services, such as free health services.
- **Preventive measures** seek to avert deprivation and deal directly with poverty alleviation. They include social insurance for economically vulnerable groups and, in agriculture, strategies of crop- or income-diversification.
- **Promotive measures** aim to enhance real incomes and capabilities, which is achieved through a range of livelihood-enhancing programmes targeted at households and individuals, such as micro-finance.
- **Transformative measures** seek to address concerns of social equity and exclusion, such as collective action for workers' rights. Relevant interventions include regulatory changes to protect vulnerable groups against discrimination and sensitisation campaigns (e.g. HIV/AIDS anti-stigma campaigns).

SP programmes are an under-exploited tool for achieving rapid, cost-effective reductions in hunger, poverty and income inequality. They complement other forms of assistance by supporting households that cannot be reached by mainstream development and poverty reduction programmes.

Social protection and growth

SP can contribute directly to economic growth and poverty reduction through re-distributive transfers that raise the incomes and smooth the consumption of the poor. This also allows them to engage in moderate risk-taking, and to protect rather than erode their assets when confronted by livelihood shocks.

It can also contribute indirectly, through asset-creation (e.g. public works programmes or school feeding schemes) or income or employment multipliers. Economic growth is also critical for SP because it creates additional incomes and provides the basis for increased public revenues.

SP can also stimulate local markets. For instance, providing pensions or other allowances assists needy people to participate in local markets by buying local produce or services. This is particularly important in remote regions, where demand is thin or stagnant.

Social protection and development

SP programmes play a much broader role than temporary provision for the right to food.

Table 2: Social protection and agricultural development policy strategies

(1) Social protection from agriculture and agricultural growth: • Output price and market interventions (e.g. minimum commodity prices) • Input subsidies (e.g. fertilizer, seed, agrochemicals) • Credit subsidies • Infrastructure development (roads, storage facilities, etc.) • Technical change (e.g. hybrid varieties) • Land reform (e.g. settling squatters) • Livestock services (vaccinations, etc)	(2) Social protection independent of agricultural growth: • Agricultural development policies include: • Removal of tariffs and regulations protecting state monopolies • Dismantling or privatisation of parastatals • Removal of price controls • Technical change and infrastructure development • Social protection instruments include: • Unconditional cash transfers • Food aid (seasonal food relief) • Public works (roads, bridges, etc.) • Conditional cash transfers (e.g. programme enrolment) • Food for education (e.g. for girl-child education)
(3) Social protection for agricultural growth (instruments with less explicit provisioning focus) • Risk insurance • Resilience-building instruments (e.g. re-stocking programmes) • Public works programmes (e.g. rural access roads) • Inputs for work programmes (e.g. seed money, capacity building)	(4) Social protection through agriculture (primary focus on provisioning rather than agricultural development) • Targeted input programmes • Some aspects of land redistribution • Some cash transfers (e.g. food security cash transfers) • Inputs for work programmes

Source: Adapted from Sabates-Wheeler et al., (2007).

Linking SP with livelihood promotion can serve as a 'ladder' which provides opportunities for the non-active or less active to 'step up', whether through self-employment or wage employment.

SP may also contribute directly to social and political stability, if coverage is wide and the allocation of benefits is seen as fair. In turn, stability and a strong 'social contract' lay solid foundations for growth. This can be accomplished by infusing promotion policies or programmes with risk and vulnerability-reduction objectives.

Investments can have substantial positive and negative impacts on the risks faced by vulnerable and poor economically engaged households. Therefore, policy-makers should keep livelihood promotion and growth as an important criterion for assessing the utility of SP programmes.

Types of SP Instruments in Agriculture

There are various SP instruments that can be used to reduce vulnerability in agriculture. They include safety nets, social security instruments, human development measures, labour-market measures and micro-finance services.

Safety nets are designed to prevent destitution and help people cope with emergencies. They include food distribution and public works programmes. Food distribution is often used as a last resort when other protective devices have failed; however, it may distort food markets and depress production. By providing insurance against risk, public works and employment guarantees can encourage risk-taking and increase productivity, especially if this is sustained over a period of years.

Box 2: Social Protection in Kenya

Despite high and growing levels of poverty and vulnerability, social protection is only now becoming a priority in Kenya. Plans are underway to extend basic income-replacement support measures and other protections to more workers. A new National Health Insurance Scheme is being implemented to provide universal compulsory social health insurance coverage for every citizen.
Social protection activities are concentrated on reducing vulnerability or human suffering in five major spheres, namely (i) hunger and extreme poverty, (ii) child education, (iii) disease and human health, (iv) shelter and (v) human settlement.

Social protection issues are handled by numerous actors in different parts of the country and at different times. The lack of coordination among these bodies results in diffuse impacts, conflicts and little co-ordination.

Other problems affecting social protection in Kenya include a lack of monitoring, pilferage and leakage of aid and difficulties with sustainability and scaling-up.

Social security instruments include food subsidies and cash transfers. Food subsidies are an effective way of enhancing the nutritional status of vulnerable groups, or protecting people during a crisis. However, storage costs can be more expensive and food may be prone to theft or pilferage.

Cash transfer programmes aim to provide basic social protection to people who cannot provide for themselves. However, cash transfers can cause inflation in poorly functioning markets.

Human development measures can prevent shocks from destroying human capital,

Photograph: David Hughes

for instance in situations where poor people may respond to shocks by taking children out of school or reducing food consumption.

Labour market measures are another instrument for preventing employed people falling into poverty. Agriculture involves a significant level of informal employment with high levels of insecurity and low levels of income. Labour-market measures aim to protect agricultural workers.

Micro-finance services can form part of a social protection strategy through income-smoothing, enabling investment in production or providing a buffer against shocks. However, such programmes may exclude the poorest, and can actually increase the risks that poor people face, for instance where default on repayments leads to confiscation of vital assets.

Cash or food?

When designing social transfers, the most important decision is between cash- or food-based transfers. The two mechanisms may have different impacts on household food security and the functioning of local markets.

A cash-based transfer is appropriate when food markets work and access to food is the root cause of hunger. A cash-based transfer also fosters local market development, not only of foods but other goods too.

Unrestricted cash transfers allow poor households to invest and spend on what they consider most important. However, cash and in-kind transfer can create dependency by discouraging paid or income-generating work.

A food access-based approach, such as food stamps or restricted cash transfers, is also appropriate when local food markets work and access to food is the root cause of hunger. This approach

Photograph: Frederic Courbet

Kisumu, Kenya.

will also foster local market development, primarily of food goods.

Food access-based approaches are often politically acceptable because it is very difficult to argue against providing food to the hungry. Food access-based transfers are also more difficult to use for undesirable consumption (e.g. alcohol).

Food access-based transfers also have lower transaction costs than food supply-based measures, but greater than cash-based measures. On the downside, the restriction from spending on non-food items also limits spending on investment. Restricting spending may spur other negative behaviour, such as selling food stamps on the black market.

A food supply-based approach is fundamentally different. It is most appropriate when an insufficient supply of food is the root cause of hunger. In such cases, cash simply leads to inflation if markets are not working well or, worse, if food is simply not available – as is the case in the worst emergencies.

Food supply-based programmes are also politically more acceptable. Again, food aid is difficult to divert to undesirable consumption. Importantly, food aid is often donated and 'free' to the receiving government.

On the downside, the availability of food aid may influence the selection of a non-optimal programme from the country's perspective. Further, as with the food access-based approach, providing in-kind food aid limits investment or savings on the part of beneficiaries and may spur other negative behaviour, such as cheating or selling the food.

The design of SP programmes should be driven by a context-specific assessment of needs and objectives. Cash might be the resource transferred in some circumstances, food in others.

For both kinds of transfers, some diversion from food to non-food consumption is likely. Such diversion may be good or bad. Good diversion may include the purchase of agricultural implements or school clothes; alcohol is the main bad diversion.

Targeting

Social protection programmes may be universal or targeted. The first approach emphasises universality of entitlements, while the second lays emphasis on supporting poor, vulnerable or marginalised people.

The case for universal entitlements is that targeting is too costly, and the middle-class and elites will have a greater stake in, and thus will be more likely to support, a programme from which they also benefit. The case for targeted interventions hinges mostly on cost grounds, and is intended to avoid leakage to non-poor people.

Donors and governments are more inclined to support targeted nterventions. Lessons from some such programmes show that:

- The costs of excluding people who ought to be covered by a scheme can be much greater than the benefits of any cost savings that may result from targeting.
- Fewer poor people benefit under a targeted scheme than a universal one, if benefits are captured by the better-off.
- Benefiting a whole community is better than attempting to target individuals. Where there are simple categories (e.g. age), provision should be universal.
- Poor countries typically have less administrative capacity for targeting, and therefore it is especially important to keep targeting simple.
- Although targeting is often not the best approach, it can be favoured on cost grounds. There are four types of targeting mechanisms, differentiated according to the method used to identify beneficiaries: means-testing, proxy indicators, community-based targeting and self-targeting. Table 1 shows the advantages and disadvantages of each approach.

SP and agricultural development policies

There are four broad strategic approaches to social protection and agricultural growth (see Table 2).

SP strategies from agriculture and agricultural growth can generate growth while providing protection for both producers and consumers. In Kenya, this was the case for the first three decades after independence, before liberalisation, when the government controlled production and marketing of key agricultural commodities.

Strategies independent of agricultural growth refer to the era of economic liberalisation and early social protection policies. In this scenario, agricultural growth mainly benefits a relatively small number of progressive farmers, thus placing heavy demands on social protection measures, in terms of the number of people that can be reached and the scale and sources of resources needed to reach them.

SP for agricultural growth is mainly applied in the early stages of growth, by providing investment. These include preventive, promotive and transformative measures (see above). Specific programmes include insurance mechanisms, public works and micro-credit programmes.

Strategies that seek to provide social protection through agriculture are specific programmes that promote agriculture for the purpose of particular and immediate SP impacts.

Financing SP

It is important that SP programmes should be financed from a multi-annual, predictable fund, set aside for timely, rapid response to emerging drought. Such a fund facilitates effective management, coordination and decision-making, and means that support can be provided on a continuous basis.

Funding SP requires redirecting expenditure from other areas, raising revenues, or external support. Social insurance is not a policy option for low-income countries like Kenya. Closing indirect tax exemptions may hold greater promise. For low-income countries, external finance is vital.

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