

# **Promoting Agriculture for Social Protection or Social Protection for Agriculture: Policy and Research Issues**

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March, 2006

## 1. Introduction

There is widespread concern at continuing poverty and food insecurity in sub-Saharan Africa and the poor record of agriculture in promoting broad based economic growth. African agriculture has performed poorly over the last forty years or so, with very low or negative per capita in much of this period, and much of the growth it has achieved has been from unsustainable land extensification rather than yield intensification (Kydd et al, 2004).

A recent IDS Bulletin, *New Directions for African Agriculture*, (IDS Bulletin, 2005) poses important questions for the future of African agriculture. It critiques the liberal agenda that has dominated the agricultural policies of many countries over the past twenty years and presents scenarios and possible agendas and pathways that could be followed to foster dynamism within African agriculture. Of course, there are regional and local-level success stories (see examples in IDS bulletin), however there are limits to the extent to which many of these success stories are replicable or even amenable to up-scaling.

There is growing recognition of the importance of agriculture in economic growth, poverty reduction and the livelihoods of poor rural people. The current public/NGO/donor campaign around Make Poverty History has a substantive core that draws attention to rural livelihoods in poor African countries and the Commission for Africa report (2005) places considerable emphasis on agriculture in promoting growth and poverty reduction. At the same time, after a period with reduced attention to and investment in agriculture by many donors and IFIs, there has been a recent resurgence of interest in agriculture among many donors, and a search for ways in which agricultural growth can be encouraged, to drive and support wider economic growth and poverty

reduction (see for example World Bank, 2003; DFID 2005b). This interest in agriculture links into the larger agenda around achieving the Millennium Development Goals, and specific links between MDG achievement and small-holder agriculture are stressed in, for example, World Bank (2005a) and in the Millennium Development Project (UN Millennium Project, 2005a and 2005b). Halving world poverty requires a substantial increase in economic growth in many countries, and it is increasingly recognised that the agricultural sector must play a role in this growth in countries with large, poor rural sectors.

There is a large and long standing body of knowledge about risks and insecurity in agriculture and rural livelihoods and about the role of risk and vulnerability in keeping poor people poor. However although policy debates and initiatives on agricultural growth have a very strong focus on poverty reduction, current policy debate and formulation makes only limited attempts to integrate agricultural and social protection policies.

The purpose of this paper is to highlight some pertinent issues and debates for agriculture that are emerging from the social protection agenda, and vice versa. Our aim is to look for synergies between welfare-promoting and growth-promoting forms of social protection and agricultural development.

To do this we first examine the constraints, opportunities and vulnerabilities experienced by poor rural people, and their responses to these. We then consider broad historical patterns of change in policies promoting agricultural growth and social protection. We argue that there have been significant paradigm shifts affecting these policies, and consider what lessons current policies should learn from past experience. In the second part of the paper we draw on existing literature to review a number

of areas where social protection and agriculture policy interact and where this interaction raises interesting and, sometimes, contested implications.

The final section of the paper sets out issues where further research is needed to investigate the opportunities, dangers and possible modalities for strengthening policy design and implementation to promote social protection and poverty and vulnerability reducing agricultural growth.

This paper is addressing a very large topic: social protection and agriculture development are each large and complex topics and there are many complex interactions between them. We do not attempt a comprehensive overview, and there are topics that are not given enough attention as in the interests of brevity we have been forced to restrict in places both the breadth and depth of our analysis.

## **2. Constraints and Risks in Agriculture-Based Livelihoods**

Agriculture-based livelihoods in poor rural areas typically face a set of endogenous and exogenous constraints which tend to increase their vulnerability to adverse shocks which, in turn, reinforce the particular constraints faced by poor rural households and individuals. This section begins with a summary of some of the typical features of agriculture-based livelihoods in poor regions before considering a set of risks which poor rural households and individuals tend to face. We then consider how poverty, vulnerability and the generic challenges of agriculture-based livelihoods interact to create poverty-traps and encouraging low productivity activities. Finally, we provide a framework for understanding basic livelihood strategies before discussing the basic conditions and structures required to translate individual investments into agriculture growth.

### **2.1. Generic features of agriculture-based livelihoods in poor areas**

Agriculture-based livelihoods in poor rural areas of Sub-Saharan Africa and poorer regions in South Asia are described by Chambers as complex, diverse and risk prone. Recognising and understanding the features of poor rural peoples' livelihoods which lead to complexity, diversity and risk is critical for understanding the constraints such people face in participating in economic growth and welfare advancement.

A core feature of the livelihoods of poor rural people is their varying commitment to and partial integration into markets which are often incomplete and imperfect as a result of (a) poor infrastructure, services and communications and (b) the absence of a well developed and diversified monetary economy (e.g. Ellis 1993). This partial integration into markets leads to an integration of production and consumption objectives within rural households with a complex mix of both competitive and complementary relations in the allocation of scarce household resources in pursuit of these objectives. These complex relations, together with the multiple market and other risks facing poor producers (and discussed below) means that security and survival are important goals in peoples' productive activities, with an emphasis on achievement of secure minimum production levels rather than on maximisation of average incomes. Subsistence agricultural production often plays a very important role in this.

Households' abilities and activities to meet their consumption needs are also affected by the relative balance between their productive and non-productive members. Child birth, old age or illness often represent very significant stresses on household food security and well-being and on labour and cash resources which might otherwise be invested in production. In

fact, any significant change, stress or shock within the domestic realm directly impacts on household production, while climatic shocks, theft or economic crises reduce consumption, both driving households and individuals into greater poverty.

Climatic seasonality and consequent seasonality of investment, labour demands, production, and prices creates fundamental problems when markets are poorly developed. Peak agricultural labour and food consumption demands usually coincide with the 'hunger gap' before the next harvest, when disease is most prevalent and food prices are at their highest. As returns to timely labour during this period are also high, poor households may hire-in additional labour, if they have the means, only to hire out labour shortly afterwards if they need cash to meet food consumption needs. Meanwhile, the seasonal volatility of food prices increases the uncertainty of decision-making with regard to production and consumption and may lead people into poverty traps, if consumption shortfalls force them into distress sales of productive assets or to seek wage labour and neglect their own fields at critical times during the production cycle.

In addition to the challenges posed by both predictable and unpredictable seasonal change, poor people must also contend with demographic cycles of structural change within the family (with changing membership and balance between productive and non-productive members) and with trends, 'normal variation' and/or shocks affecting soil fertility and structure, biodiversity, social structures, the political environment and global markets. Added to these multiple types and dimensions of change there also tends to be significant heterogeneity in the physical, biological, social, economic and political environment leading to considerable variation and diversity in livelihood activities

and objectives, welfare and social organisation between households and communities.

An important dimension of rural livelihood diversity and poverty concerns the social relations of mutual support and power within and between households, communities and rural economies, as these shape or determine the distribution of resources and influence between different people on the basis of, for example, gender, ethnicity, education or social status. Traditional social relations and reciprocal arrangement within the community may often represent an important safety net for the poor in times of crisis, but they may also lock poor people into exploitative relations or serve to exclude some from access to household or communal resources, thereby perpetuating or exacerbating inequality and increasing relational poverty (Bernstein 1992).

Change, heterogeneity and the complex interactions between all these different aspects of rural livelihoods and their environment lead to significant uncertainty for poor rural people and difficult in planning beyond immediate concerns.

## **2.2. Risk and vulnerability**

A major feature of the problems facing poor rural people are the ways that their livelihoods, and particularly agricultural activities, are threatened and affected by adverse shocks: these have profound implications for livelihood security and management and therefore also for growth and welfare. Such shocks may be extreme and unexpected forms of seasonal variation or may be caused other domestic, local, national or international events. Risk, the likelihood that a shock will occur, leads to vulnerability which describes the sensitivity of an individual or household to that risk, i.e. the extent to which a shock will result in a decline in well-being. Shocks range from potential economy-wide or

regional-level covariate shocks, such as a drought or a sharp rise in food prices, to idiosyncratic shocks, such as the death of a household head, unemployment or theft that effect households and families.

Typologies of risk typically draw upon the WDR 2000/2001 framework, where risks are categorised according to level (macro, meso, idiosyncratic) and by the nature of the risk (health, natural, financial, social, political). For the purpose of this discussion we distinguish between three broad types of risk: physical risks, price risk and transaction risks. Physical risk is a broad category, encompassing all the typical idiosyncratic and covariant natural, agro-climatic, health and security risks to which individual, households, communities or nations may be exposed (cf. Table 8.1 in WDR 2000/2001). Price risk resulting from local supply and demand shocks, particularly in relation to food prices, is typically treated as one of many economic risks but deserves individual attention due to the vulnerability of many poor households to (particularly food) price risk..

Although there is a long-standing literature on the existence and effects of physical and price risks in poor rural livelihoods, and of ways that poor rural people attempt to reduce their exposure to such risks, transaction risks have received much less attention from development policy researchers and analysts. This is unfortunate as they are potentially of critical importance to economic activity of poor people who are only partially integrated into weak and imperfect markets. Thus, for example, agriculture-based livelihoods need to intensify production and integrate into local markets if they are to grow, but this depends upon the existence and operation of such markets.

Dorward and Kydd (2004) argue that the absence of local markets is a critical constraint to growth and livelihood advancement in poor

rural areas, as market development requires complementary investments by a range of actors in supply chain—for example input stockists, credit providers, farmers, traders and processors producers are all important for intensified agricultural production. However each of these actors will not make individual investment commitments necessary to support intensification along the supply chain if there are significant risks that they cannot profitably transact with other actors in other parts of the supply chain. Kydd and Dorward (2004) distinguish here between 'coordination risks' (the risk of investing in one component of a supply chain when other actors may not make complementary investments), and 'risks of opportunism' (the risk of being forced into transactions on very unfavourable terms where another actor in the supply chain is able to exploiting a local monopoly or monopsony position). They argue that in areas with precarious rain-fed production, poor infrastructure and weak contract enforcement institutions, coordination and opportunism risks may be so high that at least one set of actors in the supply chain is unwilling or unable to make the necessary minimum investment for the supply chain to function, preventing both the establishment of a potentially profitable supply chain and the agricultural intensification which depends upon that supply chain.

The nature of these three types of risk has changed and deepened as a result of global processes and crises, including market liberalisation, potential impacts of climate change, the HIV/AIDS pandemic, civil conflict, and some aspects of the globalisation of agricultural trade. Thus market liberalisation has in many agricultural systems (and particularly in staple food crop production in poor rural areas) dismantled the sometimes inefficient but also sometimes effective meso- and macro-level management insurance systems by which states attempted

to stabilise food prices and improve assured access to service and output markets. Climate change may be increasing the frequency of extreme weather events. An increasing HIV/AIDS burden is removing productive labour from the agricultural sector, tying up potentially active labour in care-giving activities, and destroying human and financial capital. Civil conflict and migration in many regions simply puts a halt to agricultural activities as well as destroying assets, which further erodes the capacity of community support systems. Finally globalised food trade has opened new markets, exposing producers and consumers to both new risk management opportunities but also, in some situations to new market risks.

### **2.3. Responses to uncertainty and risk**

As noted earlier, the constraints and risks faced by agriculture-based livelihoods in poor areas create significant uncertainty and severe problems for poor rural people as they manage their resources and production decisions in their search for secure production and survival. A long-standing literature on 'coping strategies' has explored the various responses and strategies adopted by rural livelihoods to reduce exposure to and minimise the impact of risks. These typically include risk management strategies (such as livelihood diversification and income skewing, i.e. pursuing low risk but low return activities) and risk coping strategies (such as self-insurance through savings and informal communal risk-sharing arrangements (Dercon 2002)). A distinction can also be made between ex-ante and ex-post strategies to reflect the direct and indirect or behavioural effects that risk and uncertainty have on livelihoods and livelihood decisions.

The impact of a severe shock or multiple smaller shocks is furthermore intensified by poverty (Morduch 1995, Townsend 1995, Dercon

2002, Fafchamps 2003) and may have disastrous direct effects on poor rural people if they are forced into increasingly unsustainable responses in order to smooth income or consumption. Distress sales and distress-driven hiring out of labour may thus act as 'ratchets' (Chambers 1983), resulting in an irrecoverable loss of productive resources and thus locking poor people into poverty or low-level subsistence traps from which they are unable to escape in the short to medium term or without external transfers. In addition to and often associated with such micro-level poverty traps are meso-level 'under-investment traps' caused and sustained by a vicious circle involving the supply chain investment failures discussed above as a result of mutually reinforcing effects of low levels of economic activity, high transport and communication costs, high transaction risks and costs, weak contractual enforcement institutions and high physical and market risks (Kydd and Dorward 2004).

In addition to these direct impacts of risk and uncertainty, it has long been recognised that risk has important indirect or behavioural effects on people's livelihoods. As noted above, poor people frequently adopt low risk activities and forego specialisation in order to minimise potential losses and reduce exposure to risk. As frequently argued by Dercon, such strategies come at a high cost, in terms of mean returns and, thus, the perpetuation of long-term poverty. The fact that low risk activities and assets generally have a low return and that the asset-poor need to minimise their risk may also lead poor people into poverty traps and/or increase their vulnerability to risk because their asset base is so low.<sup>1</sup> So in the presence of unmanaged or unmanageable risk there is a latent, untapped productivity potential which suggests that the return to risk reducing formal social protection interventions may be high, not

just in terms of income or consumption smoothing, but also in terms of growth and poverty reduction. However, the opportunity costs of diversification and pursuing low-return activities may also be exaggerated in situations where there are poorly developed markets, as the opportunities for pursuing more intensive high-return activities frequently do not exist. Risk management interventions may therefore frequently provide important and necessary but not sufficient conditions for increased investment in more productive activities.

It is useful at this point to note that many of the risks faced by poor rural people are embedded or sequential risk (Hardaker et al., 1991; Dorward and Parton 1997). These are risks of events that, when they occur, requires substantial changes in peoples' activities and resource allocations and are important in determining the ways that risks in one sphere of activity (for example sickness in the household) affect other activities (for example farming).

Much conventional discussion of risks in the context of agriculture-based livelihoods focuses on output risks without sufficient recognition of the importance of embedded risk or uncertainty requiring that people not only make tactical adjustments and difficult investment trade-offs to such events during the production period (direct effects of risk) but adopt livelihood portfolios that give them the option of making such adjustments (indirect effects of risk).

#### **2.4. Livelihood strategies**

Having described the main constraints and risks faced by agriculture-based livelihoods in poor rural areas, we now draw on a simple framework in order to identify the dynamic livelihood strategies and transition processes that social protection and growth interventions need to support. Dorward et al. (2005b) distinguish between

three broad types of livelihood strategy which poor households may adopt:

- a) 'Hanging-in', where activities are undertaken to maintain livelihood levels at a (sustainable?) 'survival' level;
- b) 'Stepping-up', where investments are made in existing activities to increase their returns; and
- c) 'Stepping-out', where existing activities are engaged in to accumulate assets as a basis for investment in alternative, more remunerative livelihood activities.

As we will discuss in more detail later, social protection interventions historically focussed on supporting 'hanging-in' strategies, providing safety nets both for the so-called 'inactive' or 'unproductive' poor and/or for chronically poor individuals or households. In recent years, however, the focus in social protection has changed to include 'mean-shifting' interventions aimed at lifting the chronically poor out of a poverty traps by supporting risk management strategies to enable poor people to 'step-up' or 'step-out', i.e. to take risks and increase returns or invest and engage in more productive activities. From a pro-poor agriculture growth perspective, rural households need to move from an emphasis on 'hanging-in' to 'stepping-up' and 'stepping-out'. For small-scale producers this generally means moving from semi-subsistence production to intensified crop production and/or increased non-farm employment and for many, eventually, to a beneficial exit from agriculture. This transition inevitably involves specialisation, trade and greater integration into markets which is why well-developed agricultural markets are critical for such transitions. However, where markets are weak and constrained by 'under-investment traps', such transitions will require more than just appropriate transfers and risk management strategies.



Not all policies which support these transitions are likely to be accessible to all or even many producers and may have differential if not opposite impacts on different categories of rural households (cf. e.g. the implication of higher food prices on net-deficit versus net-surplus households). The challenge for both social protection and pro-poor agricultural growth is to implement policies which assist large numbers of the rural poor to make these transitions, while ensuring that those unable to make the transition are protected through appropriate transfers. As we will explore later, policies supporting either social protection or agriculture growth may therefore be complementary or involve difficult trade-offs.

### **3. A historical review of social protection and agricultural growth policy paradigms**

#### **3.1. Introduction**

In this section we examine broad patterns of change in agricultural development and social protection policies and in relations between them in developing countries. We observe substantial shifts in thinking in both policy spheres and consider what lessons we can learn from experiences with these policies in different contexts.

#### **3.2. Agricultural growth**

Agricultural policy in developing countries over the last 50 years or so can be broadly but usefully divided into two phases, emphasising first state led and then market led development (Dorward et al, 2005). The first phase, which had its roots in prevailing economic development theories and in the political ideologies and pressures in newly independent countries, involved massive government investments in agriculture with varying types of intervention including input and finance subsidies, produce price stabilisation and support, and organisational interventions (such as parastatals, state-sponsored

cooperatives, and agricultural finance organisations) (Dorward et al. 2004). These interventions were very successful in some (mainly Asian) countries, and were associated with the most dramatic and widespread processes of agricultural growth and poverty reduction in history. In other (mainly African) countries, however, they rapidly became major burdens on government budgets with little success in stimulating agricultural and wider growth and poverty reduction.

The prominence of these failures, together with changing development theory and economic ideology, led to declining donor support and, in the early 1980s, increasing hostility towards state activism (e.g. World Bank 1981) and restrictions on governments' role in development to the provision of an enabling policy environment and supplying public goods such as infrastructure and education. Market liberalisation and removal of government interventions was expected to raise farm gate prices and allow more efficient provision of agricultural services by the private sector.

The results of market liberalisation have been mixed, with successful stimulation of growth in densely populated countries with good infrastructure and a diversified agriculture and rural economy (for example Bangladesh) and benefits for lower-middle income countries where poor peoples' livelihoods no longer depend upon food staples production. They have failed, however, to get staple food production moving in poorer rural economies despite some benefits such as reduced burdens on government budgets and, in southern Africa, lower food prices for processed staples for poor consumers - Jayne and Jones, 1997) and even successes in smallholder cash crop production have generally involved some form of monopsony in produce markets.

Five main reasons are put forward for the failures of market liberalisation to support broad



based smallholder agricultural growth in poorer countries:

1. Governments' failures to implement consistent liberalisation policies, particularly with regard to fertiliser supplies and staple food markets;
2. Insufficient government investment in agricultural research, extension and rural roads needed for private sector investment to become profitable;
3. Weak institutions, communications and property rights undermining market and private sector development;
4. Very difficult agronomic challenges in rainfed agriculture with declining soil fertility and incomes locking farmers into a spiral of increasing poverty and inability to afford

purchased inputs needed to increase productivity;

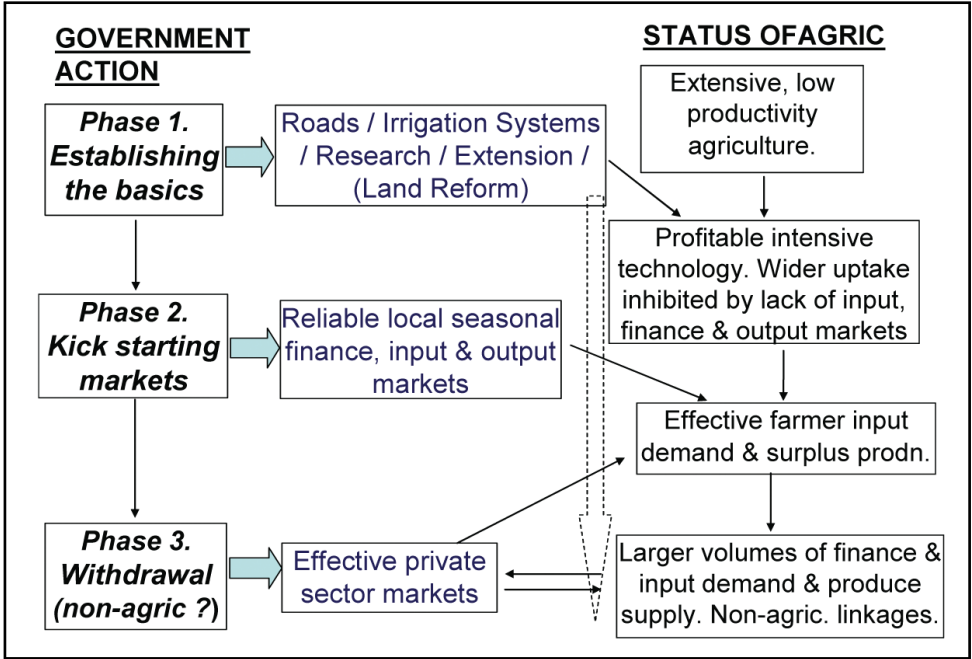
5. Fundamental coordination problems which prevent private sector investment in the services needed for agricultural development in poor rural areas, particularly with regard to staple food crops.

These explanations for market liberalisation are largely complementary, except for the first (which calls for total withdrawal of governments from markets) and the last (which calls for some central coordination of service market development).

Based on a review of successful 'Green Revolutions', Dorward et al. (2004) explain the successes and failures of state and market led agricultural policies in terms of agricultural transformation phases which require different

Figure 1. Phases in agricultural policy and development

Source: World Bank data



(and hence changing) policies (see figure 1). First, poor rural areas need substantial investment in basic public goods (agricultural research, transport and irrigation infrastructure, equitable land distribution) to establish potentially profitable intensive crop production technologies. Coordination problems and an under-investment trap, however, inhibit significant uptake without external intervention to provide reliable output markets and input and financial services. This must be provided until volumes of business, confidence and market relations build up among farmers and private service suppliers. Governments should then withdraw. Liberalization policies were more successful in stimulating (non-staple) agricultural growth when implemented at this stage, but they generally failed to benefit staple crops when implemented before this stage had been reached. Conversely government interventions in 'kick-starting markets' failed if they were poorly managed or if they were implemented without successful prior investments in infrastructure and technology development.

Based on this analysis, Dorward et al (2005) call for agricultural development policies to move beyond liberalisation to support 'developmental coordination' policies for African smallholder agriculture. However this analytical approach (which considers different policy needs under different developmental conditions – or stages) also provides interesting insights into the interactions between agricultural and changing social protection policies to which we return below.

### 3.3. Social protection

As with agricultural development, understandings of the importance and nature of 'social protection' policies have changed radically over the last 40 years or so.<sup>2</sup> Explicit social protection emerged as a critical response to the 'safety nets' discourse of the late 1980s and early 1990s. In the 1990 'World Development Report', for

instance, safety nets were very much the third prong of the World Bank's three-pronged approach to 'attacking poverty' (World Bank 1990), and were conceptualised as minimalist social assistance in countries too poor and administratively weak to introduce comprehensive social welfare programmes. During the 1990s, however, safety nets were increasingly criticised as residualist and paternalistic, as thinking on livelihoods, risk and vulnerability, and the multi-dimensional nature of poverty became more nuanced. More sophisticated instruments for achieving social protection began to be proposed and at the same time the goals and scope of social protection were extended as its broader potential began to be recognised: bigger claims are now being made for what social protection can and should strive to achieve.

Earlier narrow conceptions of social protection, often held within labour or welfare ministries of lower income countries, continue to see social protection primarily as a safety net for the most vulnerable members (or groups) of society – such as orphans, the disabled, people living with HIV/aids or with disabilities, or the elderly. However current literature makes a clear and strong case that social protection encompasses much more than simply welfare. In the main, the value added and novelty of this new agenda is that it 'represents a public commitment to reduce risk and vulnerability, different from the social sectors (such as health and education) and different from social welfare programmes, since it is concerned at least in part with the interface between protective measures and engagement by the poor in productive, growth-oriented processes' (Farrington, 2005, pp3). By recognizing the interlinkages between the productive and domestic spheres (paralleling an interlocking of growth and welfare agendas) the remit for social protection is much larger and more holistic than simply a safety nets package. Social protection has therefore become

an agenda primarily for reducing vulnerability and managing the risk of low-income individuals, households and communities with regard to basic consumption and social services. Focussing on economic security (income and consumption) vulnerabilities and its positive relationship to growth, this agenda has at its heart risk management, as insecurity undermines investment and pro-poor growth: farmers with insecure land tenure do not invest in land improvement; families from ethnic minorities with limited access to formal employment prefer to send their children to work than to school; entrepreneurs without access to microfinance or insurance will not undertake potentially lucrative but risky activities. The responses that the poor are forced to adopt to manage risk can then trap them in poverty ratchets and undermine future development possibilities.

Nonetheless, we do not yet know enough about the multiple ways in which risk and vulnerabilities constrain the choices of the poor and inhibit their ability to escape from chronic poverty. Nor is there sufficient evidence on the effectiveness of social protection and other policy interventions aimed at providing 'safety nets' or 'trampolines' for the poor. Moreover, there is little rigorous analysis of 'new risks' (arising, for example, from an increasing HIV/AIDS burden, changing globalised commodity and asset markets, climate change, civil conflict and migration), of the ways in which local institutions are adapting or collapsing under stress, of the dynamics of vulnerability and its linkages with pro-poor growth, of the locational aspects of risk and vulnerability, and of mechanisms of social inclusion and exclusion that contribute to accentuating or mitigating vulnerability.

Some research further suggests that conceptualisations of social protection can, and should, be broadened to include 'social' aspects of vulnerability (Devereux and Sabates-Wheeler, 2004, Conway and Norton, 2002). While this paper does not focus substantial attention on

this aspect of social protection, we are of the view that the positive relationship between livelihood security and enhanced autonomy or empowerment is of fundamental importance to long-term poverty reduction. Largely missing from the more influential 'social risk management' frameworks (such as the World Bank's SRM, (Holzmann and Jørgensen 1999)) is a concern for equity and social rights. We believe that tackling 'social' vulnerabilities can help create the policy conditions for a virtuous cycle of pro-poor growth, governance systems that are accountable and responsive to poorer as well as wealthier citizens, and an approach to development that is grounded in concerns for social equity.

Allowing for both earlier and more recent understandings of social protection as discussed above, we define social protection in this paper as all public and private initiatives to support communities, households and individuals in their efforts to manage risk by:

1. providing income and consumption transfers to poor and vulnerable – welfare measures
2. insuring risk, thus encouraging entrepreneurial activity – risk-insurance measures
3. building resilience through reducing economic and social vulnerability – resilience-building measures

This definition incorporates a range of measures that deliver social protection. Briefly put they are:

- Welfare measures provide relief from deprivation. They include social assistance for the 'chronically poor', especially those who are unable to work and earn their livelihood. This equates most closely to mainstream 'social welfare'. Social assistance programmes typically include targeted resource transfers – disability benefit, orphan-carer grants, free input provision, and 'social pensions' for the elderly poor that are financed publicly – out

of the tax base, with donor support, and/or through NGO projects.<sup>3</sup>

- Risk Insurance measures seeks to avert deprivation. These measures aim to insure risk and smooth consumption/income, thus enabling households to move out of low-level subsistence strategies. They include all forms of insurance for 'economically vulnerable groups' – people who have fallen or might fall into poverty, and may need support to help them manage their livelihood shocks. Social insurance programmes refer to formalised systems of pensions, health insurance, maternity benefit and unemployment benefits, often with tripartite financing between employers, employees and the state. They also include private, market-based forms of insurance, such as crop, weather or livestock insurance, as well as informal mechanisms, such as savings clubs and funeral societies.
- Resilience-building measures aim to enhance real incomes and capabilities, which is achieved through a range of livelihood-enhancing programmes that build assets. These assets include physical, financial, natural, human and social assets and, for instance, microfinance and school feeding. Measures that build resilience reduce vulnerability and enable households to manage better in face of realised shocks. Another category of these measures seek to address concerns of social equity and exclusion, such as collective action for workers' rights, or upholding human rights for minority ethnic groups. Transformative interventions include changes to the regulatory framework to protect 'socially vulnerable groups' (e.g. people with disabilities, or victims of domestic violence) against discrimination and abuse, as well as sensitisation campaigns to transform public attitudes and behaviour (See Devereux and

Sabates-Wheeler 2004 for a fuller extrapolation of transformative social protection).

It is of fundamental importance to note that these measures may be overlapping. We briefly make three important point about the nature and effects of these overlaps.

First, overlaps arise because all social protection measures contain direct elements of each measure. School feeding projects, for example, transfer food to the poor (welfare), encourage investment in human capital through education (building resilience), and to the extent that the transfer is stable and durable, provide an insurance function against consumption shocks (risk insurance). Dividing measures into discrete categories risks the failure to appreciate the extent to which they achieve positive outcomes in other social protection dimensions. A central argument of this paper is that 'welfarist' social protection interventions can have significant positive impacts in terms of agricultural risk management and rural livelihoods promotion.

Second, these overlaps occur in different ways or have different dimensions. In addition to the more direct multiple outputs of social protection measures (as discussed above) there are more indirect ways by which internally transfers (involved in all social protection measures) affect peoples' behaviour. Thus transfers dependent upon 'internal contingencies' (where receipt depends upon recipient behaviour – such as attending school to benefit from school feeding – or upon recipient characteristics – such as falling within a target group for 'unconditional' cash transfers) have the effect of changing the behaviour of recipients or potential recipients, usually in a predictable way, and these behavioural changes may have positive or negative impacts upon other aspects of people's livelihoods (thus school attendance has educational benefits but may withdraw labour from other activities, or people may do particular things to increase their chances of falling within

a target group). Similarly the receipt of welfare transfers may lead to a wide range of different impacts on productivity – in addition to risk insurance and resilience building effects (as discussed above), they may (a) prevent the loss of productive assets, (b) allow otherwise unproductive people to enter the productive economy, (c) undermine or enhance incentives to undertake particular productive activities and/or (d) through consumption or production linkages and multipliers affect (positively or negatively) growth and welfare of others in the economy (by affecting prices or other aspects of local or wider economic and social relations).

Third, and following from this, we can identify different types of relationship between social protection instruments and growth, and in particular highlight possible threshold and complementary effects of social protection interventions. We note here that there may be important scale effects concerning both the size of individual transfers and the proportion of the population that are in receipt of these transfers. The existence of micro- level poverty traps means that transfers which take people across an asset threshold may have much greater growth effects than transfers which do not. We therefore cannot expect simple linear relationships between the size of transfers and their productivity benefits for recipients – benefits will depend upon the distance that different recipients are from the threshold, and will vary between recipients in any situation, and between situations. Transfers that bring people into the productive sector may also encounter thresholds, or at least strong discontinuities (see Carter 2005 for a recent approach to asset thresholds and poverty traps). Similarly meso level traps (such as the under-investment trap described earlier) means that greatest growth impacts will come from interventions which take a supply chain across a market volume threshold or reduce investment costs or risk to make investments profitable. Even where there are

no thresholds, price impacts (for example from input subsidies that increase local production and reduce food prices) depend critically upon the number of recipients and the scale of the subsidy (see for example Dorward and Kydd, 2005). Growth impacts of social protection interventions may also be strongly context dependent because of the need to address multiple limiting constraints to growth. Thus, social protection (and other interventions) may promote necessary but not sufficient conditions for growth, and thus growth impacts may be conditional on other interventions (thus for example risk insurance mechanisms may make people willing to invest in higher return but more risky activities, but input, financial, output marketing or other services needed for these activities may be absent).

### **3.4. Links between agricultural growth and social protection policy changes**

Our brief review of changing agricultural growth and social protection policies suggest a number of parallels and links. We consider four below.

First, just as there are overlaps (and different kinds of overlap) between categories of social protection measures, so there are clearly different overlaps between agricultural growth and social protection measures. While this is an explicit focus of the evolving social protection emphasis on risk management to support growth, management of production and food security risks has long been a focus of agricultural development policies - through irrigation, through other types of infrastructural investment and technical change, through produce and input market interventions, and through financial service development. It is important that social protection policy development draws on this earlier experience, and conversely that agricultural development policies learn from and are consistent with new insights, instruments and experience from social protection policy development.

Second, the social protection policy agenda emerged as a distinct policy focus at the same time and as a result of structural adjustment and market liberalisation policies restricting the scope of state intervention in the economy. New social protection policies were needed partly because aspects of social protection provided by (discredited) state intervention policies had been swept away. Such policies included, for example, input and output interventions to stabilise and subsidise prices to promote both national food self sufficiency and cheap food. Paradoxically, therefore, some aspects of social protection policies were integrated within growth policies in state led agricultural development but these were then separated into distinct policy spheres during structural adjustment and liberalisation. There are now moves to integrate them again, but under the banner of social protection policies. There have, of course, also been changes in emphasis and in the effectiveness with which different types of risk have been addressed by these changing policies. Is there now an opportunity to reconsider lessons from these different growth and social protection policy approaches, and to move 'Beyond Liberalisation' to 'Developmental Coordination' (Dorward et al, 2005) in both agricultural growth and social protection policies? If so, what would this involve and how could it be achieved? The alternative is an increasing separation of liberalized growth policies from social protection policies, with growth policies focusing on sectors and economic units which have the highest growth potential. Such policies will not privilege agriculture where it does not have substantial relatively low cost growth potential, and will thus often bypass smallholder farming. The danger is then that this will exclude large numbers of poor rural people from dominant growth processes, relying on social protection measures to help them participate in the economy. It will be argued later that although such policies may be appropriate in economies

which have already progressed through an agricultural transformation (reaching phase 3 in figure 1), in 'phase 1' and early 'phase 2' economies they will exclude far too many people in too weak an economy for social protection policies to lift them out of poverty.

Third, asking questions about how governments provided social protection to their citizens before formal social protection policy was developed also raises questions about government policies for agriculture and social protection before initiation of the interventions presented earlier in figure 1 – what were 'phase 0' policies? Although there will be considerable variation between different countries, we suggest that colonial or independent governments in most countries in Africa, Asia and Latin America looked on the traditional agricultural sector as a source of cheap labour and/or cheap commodities to support large scale farming, mining or industrial growth (within the country or, for colonies, in the metropolitan country). This was accompanied by a minimalist social protection policy which was intended to promote, but unfortunately did not always deliver, a basic level of food security<sup>4</sup>. Are there parallels between these policies and current suggestions by some policy analysts that smallholder agriculture cannot drive growth forward so that people should be encouraged to move into other sectors with brighter growth prospects? What would be the implications of this, and what social protection and growth lessons can we learn from previous experience?

Fourth, the analysis in figure 1 of changing policy demands over time as a result of interactions between agricultural and market development has implications for social protection policy in poor rural areas. There are two aspects of this, one concerned with changing effectiveness of non-market and market based instruments, the other concerned with changing emphasis in social protection policy.



We consider first changing effectiveness of non-market and market based instruments during economic development in rural areas, making particular reference to food security policies<sup>5</sup>. The fundamental insight from the discussion around figure 1 is that where markets are thin and not working properly then policies cannot rely on markets to coordinate and deliver services. Market based approaches to food security do not work in poor rural economies (a point well illustrated by Malawi's 2001-02 and current food crises): such policies cannot therefore be effective without prior development of markets and of firms within them. Market based poverty reduction policies face the same problem. Governments looking to promote immediate food security, medium term poverty reduction and longer term pro-poor growth policies therefore need to design policies that distinguish between (a) short term needs for all policies to work in the absence of effective markets or market economy organisations; (b) medium term needs for development of an effective market economy; and (c) eventual reliance of policy interventions on markets and firms in such an economy.

This is a challenging task as it requires design and implementation of policy sets that complement each other in pursuing both short and long term objectives (immediate welfare improvements for the vulnerable and pro-poor growth respectively) and in their immediate and eventual policy instruments (non-market and market economy based respectively). The aim should be a policy set which provides consistency and complementarity of policies across different policy goals and time periods.

This analysis goes against much contemporary emphasis on the use of market based instruments, particularly, with regard to Sen's entitlements analysis of food security (Sen, 1995): it is important to consider and address households' access to food in terms of both availability and entitlement (the ability to obtain food

from others) at both household and different (local and national) levels of the economy (Poulton and Dorward, 2003). This raises questions about the roles of agriculture and markets in promoting food security (and other dimensions in social protection) in economies with different degrees of market development, and cautions against simplistic 'lifting' of successful policies or policy instruments from one country to another without careful consideration of market and institutional capacity and of livelihood structures and entitlements. It strengthens arguments made earlier for 'Developmental Coordination' across agricultural growth and social protection policies in poor rural areas, as opposed to separation of social protection policies from liberalized growth policies focusing on sectors and economic units which have the highest growth potential.

We now consider lessons for social protection policy from the pattern of changing agricultural policy needs as an economy develops, illustrated in figure 1. As development proceeds, the emphasis in people's livelihood strategies and activities should change, and this should lead to changing emphasis on different social protection measures. Although people will always have important aspirations for 'stepping up' in and 'stepping out' of agriculture, in 'phase 1' reliance on extensive low productivity agriculture is likely to lead to most people's livelihoods being dominated by 'hanging in' strategies. Social protection in such areas is likely to rely on non-market instruments and to focus on welfare measures. With investments in infrastructure and in kick starting markets, a significant proportion of people should be able to 'step up' their agricultural production during 'phase 2'. Welfare measures will continue to be important, but may be able to begin to use market based instruments. Formal risk insurance measures will be increasingly important, and may be promoted using more macro-economic or sectoral market instruments where the

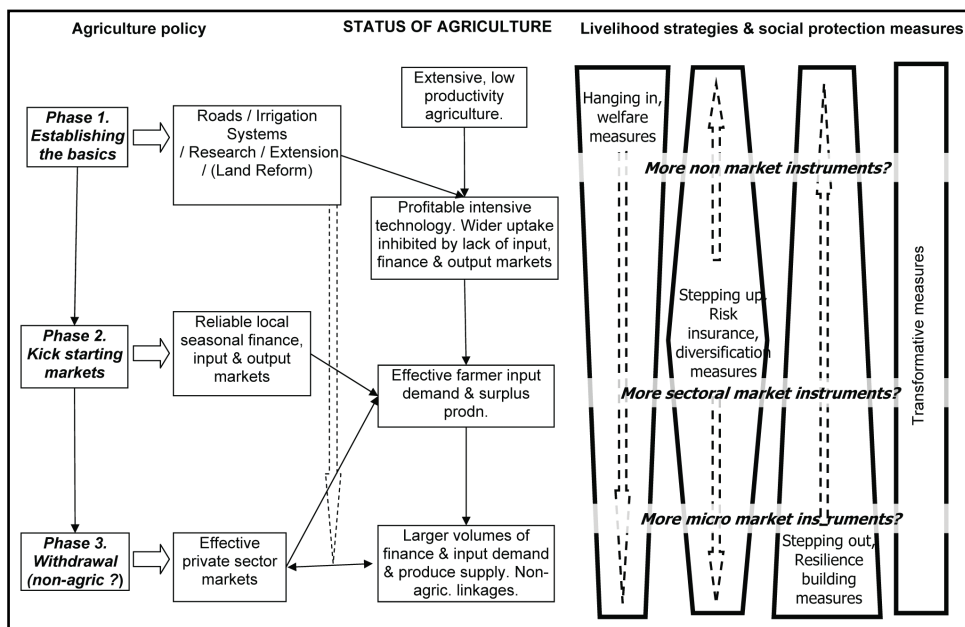


government has substantial control or influence over food, input, cash crop and credit markets. Such risk insurance measures will also be important during the transition from 'phase 2' to 'phase 3' but emphasis is likely to switch from more macro- state influence over markets to market based instruments. During this phase there will also be a continuing need for welfare measures (which can not only directly benefit recipients but also have positive multiplier effects through consumption linkages) benefit the and, with increasing opportunities for 'stepping out' of agriculture, increasing need for resilience building measures to reduce the risks faced by people relying more and more on new non-agricultural activities. Like welfare measures, transformative measures are likely to be important at all stages of development, but their focus is likely to change – for example with changing importance of access to land in

people's livelihoods. These patterns of change are illustrated in figure 2, which draws together agricultural and social protection policy changes in the process of agricultural transformation. Again the complementarities between agricultural growth and social protection policies in poor rural areas strengthen arguments made earlier for 'Developmental Coordination' across these policies in such areas, as opposed to their separation, with growth policies focusing on the highest growth potential sectors and economic units.

This analysis of phases in social protection and agricultural growth policies cannot, of course, be applied to all rural areas: some may have communications to urban markets that allow them to follow a different development path, some may have significant non-agricultural growth opportunities (for example in mining or tourism), and some may not have the

**Figure 3. Agricultural and Social Protection Policy Changes in agricultural transformations**



natural resources potential to support an agricultural transformation. This last, and probably most common, situation poses important questions: how can growth and poverty reduction be promoted? In the long run, people need to move out of low potential or less favoured areas, but in the meantime what should be done to reduce poverty and protect the natural resource base? The analysis of figure 2 is helpful in identifying the basic choice between concentrating on large scale social protection measures in a long term 'phase 0' situation or investing in agricultural growth policies to promote a shift through phase 1 to phase 2 (with basic investments and kickstarting markets) while accepting that the low natural resources potential will both make this shift costly and prevent subsequent movement to phase 3. The latter strategy requires sustained intervention and therefore faces serious dangers of increasing inefficiency and both political and livelihood lock in. Nevertheless, it may also provide opportunities for lower cost complementary social protection measures as compared with agricultural disengagement and phase 1 (or indeed phase 0) maintenance. The opportunities, costs and trade-offs between these two options will of course be context specific, but should be an important topic for research.

## 4. Key issues for social protection and agricultural growth policies

### 4.1. Introduction

The relations between social protection and agricultural growth policies and the interventions that they lead to are complex. This complexity arises from features of rural livelihoods and agricultural and social protection policies discussed in earlier sections:

- Interventions have multiple impacts across the 'social', agricultural and non-agricultural elements of people's livelihoods,
- There are multiple mechanisms for these interactions: 'within livelihoods' there may

be direct changes on more than one element in affected livelihoods, behavioural changes, and productivity changes; 'between livelihoods' there may be changes in prices and in social, political and economic relations (both 'vertical' and 'horizontal' relations) and these operate at multiple scales (affecting individual, household, community, district, national, regional and global relations)

- Impacts and interactions vary between different individual, household, communities, etc, depending upon agro-ecological, social, political and economic conditions and history
- There is a wide range of different policy instruments, with different characteristics and impacts, with these impacts varying according to particular conditions (such as those discussed above) and with the specific ways that they are implemented.
- There are multiple, contested, and sometimes complementary and sometimes conflicting policy objectives, with multiple stakeholders and often little understood processes affecting policy choices, design and implementation
- There is considerable uncertainty and lack of information about conditions in rural areas, about resources available for policy interventions, about possible changes in conditions and resources, and about likely outcomes from implementation of particular policies and policy interventions.

We address this complex set of issues by first identifying some broad strategies in social protection and agricultural growth policies and considering issues affecting choices between these strategies. We also identify particular issues where the interactions between social protection and agriculture are particularly important. We then consider the range of instruments that are normally included within agricultural growth and social protection policies, and briefly discuss possible interactions between

them. We then conclude this section with a discussion of design and implementation issues that critically affect outcomes from different interventions.

## **4.2. Broad policy strategies in social protection and agricultural growth**

As already noted above, and discussed in detail in section 3, the relations between social protection and agricultural growth policies are complex, and relative attention to and expectations from social protection and agricultural growth policies have changed over time. It is helpful to consider four broad strategic approaches to social protection and agricultural growth.

- A. Social protection (inter alia) from agriculture and agricultural growth
- B. Social protection independent of agricultural growth
- C. Social protection for (inter alia) agricultural growth
- D. Social protection through (inter alia) agriculture

## **4.4. Special issues**

We suggest that there are two specific issues where there are particularly strong and complex linkages between agriculture and social protection: food access and prices; and HIV/AIDS.

### **4.1. Food access and prices**

Food price volatility is a critical social protection issue as (a) it often represents a major threat to poor peoples' food security (affecting both the urban and rural poor), playing a significant role in keeping poor people poor, and (b) it also represents a critical barrier to agricultural and non-agricultural growth as it provides a strong disincentive to diversification into more remunerative cash crops and non-farm activities and ties up productive resources in often inefficient, low-productivity subsistence production. Poor, food deficit people and others who are deterred

from diversifying out of food production by price volatility are affected negatively by high food prices. However surplus food producers, and those who might potentially invest in more intensive food production, are affected negatively by low food prices. In poor areas, significant population groups are therefore affected differently by, and have different interests in, food price levels and volatility (Poulton et al, in press).

The conflicts between the benefits of high and low food prices are particularly important in the early stages of agricultural growth, as high food prices are required to stimulate investment in surplus production and to kick-start the growth process necessary to push down prices in the medium term. However, as this growth proceeds, advances in productivity must balance on two tightropes: a) a price/total productivity tightrope – the technical change must cut staples prices a lot, but must raise total factor productivity a lot faster so that investment in the new technology is still profitable, and b) a wage rate/labour-land/productivity tightrope – it must raise output per labour-hour a lot, but output per hectare a lot more, so that both labour demand and labour productivity rise, and thus support real wages increases for the poor (Lipton 2005)<sup>6</sup>. Against these demands for higher prices to stimulate growth, however, must be set the needs of poor food deficit people: in the early stages of growth they suffer from high prices until (a) increasing land and labour productivity increase supply and push prices down, and (b) wider processes of growth driven by agricultural productivity changes increase employment opportunities and wages in both agricultural and non-agricultural activities. Before they realise these benefits from agricultural growth poor urban and rural people need targeted welfare interventions to safeguard their food security. The challenge is then to implement effective welfare measures to protect deficit households during this critical

transition period without undermining the price-incentives for investments in more productive technology by better off smallholders. There is considerable debate about the need for mechanisms to encourage price stabilisation and price levels that support technical change and food security should be promoted. These cannot be debated here (see Food Policy special issue, in press) but it should be noted that these issues have implications for international and regional food trade policies, food aid, targeted input subsidies, and different institutional mechanisms that may be used to facilitate coordinated complementary service delivery to emergent grain surplus smallholder farmers and local, national and regional grain market development. Here it is important to note that, as discussed earlier, both food availability and food entitlements are important for secure food access, and where markets are poorly developed then much greater emphasis needs to be put on food availability than is needed when markets are well developed.

#### **4.4.2. HIV/AIDS**

How HIV/AIDS impacts on household demographics and livelihoods has been the subject of investigation since pioneering research was undertaken into these issues in Uganda in the 1980s.<sup>7</sup> There has, however, been very little work that attempts to examine effects of widespread HIV/AIDS morbidity and mortality on local labour and food markets and the impacts of this on rural livelihoods. At the individual household level, impacts have been generalised into conceptual frameworks that trace the likely linkages from HIV infection through to health, demographic and household level economic outcomes. As noted by Devereux and Sabates-Wheeler (2005), a key conclusion from this work is that HIV/AIDS raises household vulnerability to an unprecedented extent and in multiple ways. Perhaps most significant, at least from a livelihoods perspective, is its destructive impact

on household labour capacity. By weakening and removing working adults, HIV/AIDS converts 'workers' into 'dependents' and 'producers' into 'consumers' of household resources – when 'workers' and 'producers' are already scarce in poor households where labour is one of the few assets. Slater and Wiggins (2005) also note that "the HIV/AIDS epidemic has multiple and uneven implications for rural livelihoods and "raises acute questions for social protection." Labour shortages resulting from HIV/AIDS implies that work-based interventions may prove difficult, crop production and diversity is reduced, raising the risk of shortage, and high-yield cash crops are replaced by subsistence crops. At the same time that labour is incapacitated, there is a depletion of savings and productive assets to fund care. Informal risk management capacity is reduced.

There have been various social protection programmes that address HIV/AIDS directly. This might have significant productivity effects where the nutritional levels of HIV/AIDS sufferers can be raised to a point where they participate in the economy. Alternatively, targeted programmes can combine education with nutrition and sometimes productivity enhancements.

'Though food or cash transfers, education bursaries and other support to HIV/AIDS sufferers are necessary and often vital, this approach does not appear to recognise that entire livelihood systems are being systematically undermined by the pandemic. For example, in rural farming communities where livelihoods depend heavily on labour power, the removal of large numbers of adults from the workforce requires modifying agricultural practices (e.g. cultivating less labour-intensive crops) or moving out of farming altogether and into alternative livelihoods, yet there is little strategic thinking, few policy documents and even fewer projects that address this reality' (page 2, Devereux and Sabates-Wheeler, 2005).

Promotion of 'labour saving' crops and techniques is commonly suggested as a means of alleviating labour shortages for PLWHA, but Dorward and Mwale (2005) argue that widespread HIV/AIDS morbidity and mortality may paradoxically loosen labour markets and depress wages and in such circumstances if 'labour saving' techniques are taken up more widely within an economy they could damage the livelihoods of both PLWHA and poor people not directly affected by HIV/AIDS.

Moreover, there has been limited advances made on the use of targeting within agricultural social protection programmes. Clearly, social protection specifically for PLWHA will be more cost-effective with stricter targeting (see section 3.5). However, explicitly targeting PLWHA raises at least two problems. First, it risks stigmatising targeted groups in many (but not all) social contexts. One solution to this is close community engagement and awareness-raising, which is beneficial but costly. Another is undertaking community targeting in an area of known high prevalence of HIV, and assuming that the targeted group will include the HIV positive. The latter method was used, quite successfully, in a road maintenance project in KwaZulu Natal, South Africa, but concerns remain about the feasibility of scaling up this sort of closely targeted programme without increasing the exclusion errors and leaving many PLWHA vulnerable (SALDRU 2005). The second problem is that HIV/AIDS sufferers may not be able to meet conditions required by some social protection instruments, notably the physical labour required by many PWP. Possible responses to this include reducing workloads, employing households rather than individuals so that other members can replace those who fall ill (although this may restrict the extent of intra-household care), and engaging in low-intensity work such as horticulture (although this tends to create private rather than public assets).

Transferring resources to HIV/AIDS-affected groups has been seen by some policy-makers as an unproductive investment. However, as we have emphasised, there are various ways in which these transfers can improve aggregate productivity. There may be significant productivity effects where the nutritional levels of HIV/AIDS sufferers can be raised to a point where they participate in the economy. These are multiplied by the positive effects of nutrition on ARVs (see Farrington et al (2004))

#### **4.5. Policies and Instruments for social protection and agricultural growth**

There are a wide range of instruments used for promoting social protection and agriculture. They can be classified in a number of ways, but for the purposes of this paper we consider them in terms of their use in the four broad policy strategies identified earlier in section 4.2.

##### **A. Social protection (inter alia) from agriculture and agricultural growth**

'Social protection from agricultural growth' is used to describe the broad strategic approach to agricultural development in (primarily) post independence state led agricultural development policies. These policies often had multiple and sometimes conflicting objectives as they attempted to promote agricultural growth, to extract agricultural surpluses to promote industrial development, and to provide some social protection generally focussed on promotion of food security. Primary policies here involved output price and market interventions, input subsidies and delivery systems, provision of agricultural credit, infrastructural development (transport, irrigation and market facilities), technical change (promoted through all these policies, together with research and extension), and (less universally) land reform. Policies were implemented both at a national levels (for example through pricing policies, market regulations and tariffs) and through programmes

and projects focusing on particular geographical areas. In some countries these policies were coordinated through 'integrated rural development' projects which attempted to coordinate health and educational service investments and provision with transport and multiple agricultural service investment and delivery activities.

### ***Output price & market interventions***

As noted earlier under 4.4.1, there are multiple and conflicting interests in low food prices (important for poor consumers) and high food prices (important for promoting intensification and growth, with immediate benefits for producers and longer term indirect benefits for others), but reduced food price volatility offers benefits to all. These concerns have historically provided a strong rationale for interventions in food markets in order to stabilise prices and offer guaranteed minimum prices to producers and maximum prices to consumers. Such systems however require the ability to intervene in the market to buy and store produce when prices are falling and to sell into the market during times of scarcity and can therefore be costly and difficult to manage. They are also very politically charged and, due to the large volumes traded, have the potential to yield large rents to unscrupulous officials or politicians. They are therefore frequently subject to and rendered ineffective by political or patronage abuses (Dorward and Kydd 2005). However where it works, food price management can provide important social protection welfare and risk insurance mechanisms for both producers and poor consumers, and can work in both the early stages of growth through non-market mechanisms (by direct promotion of food production in remote food deficit areas) and later using market based mechanisms.

Important questions concern the level at which food prices should be stabilised, and the ways by which they should be stabilised. On the

first question, while in the short term, deficit households will undoubtedly suffer from high prices it is possible that their indirect impact on rural wages may substantially compensate for higher food prices, particularly if increased incentives for intensification effects across certain price thresholds are taken into account. Further research is required to gain more information about (i) rural labour markets and how they operate across geographical areas and (ii) the sensitivity of the effects of food price increases to the range over which these prices occur and to other policy interventions. As deficit households are negatively affected by higher food prices in the short run and in many cases also in the long run, any interventions supporting producer prices need to be accompanied by appropriate protective social protection interventions both to smooth consumption of those affected in the short term and to provide long term assistance to those unable to take advantage of increased labour demand.

Appropriate mechanisms for food price stabilisation are the subject of ongoing debate (see World Bank, 2005a). A variety of market and non-market mechanisms may be used, and the relative effectiveness and efficiency of these varies between countries depending on local market development; production opportunities and constraints; links to regional and international markets; political will and government capacity to intervene directly in markets; and financial, human and institutional capacity to utilise sophisticated market instruments to hedge risks. Proponents of market based instruments tend to argue that these can operate efficiently and effectively at a large scale to stabilise markets, provided that private investors are assured that governments will not arbitrarily intervene in food markets. Others, however, contend that while such arguments may appear to provide technical solutions to market stabilisation problems, in fact they ignore



- the political realities that cause governments and politicians to intervene in food markets,
- the way that high cost and time requirements for food importation into some land locked countries leads to very wide import-export parity price bands with the potential for damaging price peaks following delayed imports
- the significant benefits and modest costs that may be involved in promoting at least some in-country storage, and
- the role of output markets and food prices in the development of complementary services for small farmers in poor rural areas

Poulton et al (in press) suggest a variety of mechanisms involving market instruments and regional, national and locality specific interventions that attempt to promote stable food prices, low food prices for poor consumers and higher prices together with access to complementary services for emerging smallholder producers.

### ***Input subsidies & delivery systems***

Input subsidies have been widely used in Asian Green Revolutions to increase access to and uptake of modern inputs. Such subsidies, it is argued, can help kick-start pro-poor growth in early stages of agricultural transformations by lowering investment risks and helping to overcome critical price and transaction cost distortions in poor rural (Dorward and Kydd 2005). In the context of failing credit markets, high transportation costs often place inputs beyond the reach of most smallholders, especially in land-locked countries and remote areas, and input subsidies may therefore be an important means of stimulating development of complementary services needed for agro-chemical-based intensification. However subsidies may also encourage inefficient use of inputs, and input subsidies are

difficult to manage and easily susceptible to political and patronage interests. Their costs tend to grow rapidly and they are politically difficult to withdraw and can thus rapidly become a major fiscal burden..

Although input subsidies and delivery systems have historically played a major role in successful agricultural intensifications and hence in promoting growth and national food security, they may not make much impact on poorer peoples' direct access to inputs unless subsidies are very high (with very high fiscal costs) or are specifically targeted on poorer people. Outside of these targeted input programmes (which were not a common feature of state led agricultural development policies and are therefore discussed under D below, 'social protection through agriculture') they have therefore played a relatively small role in direct social protection, although they did make an important contribution to the production of staples needed for national food security.

### ***Credit subsidies & delivery systems***

Within agricultural growth policies, credit subsidies and delivery systems have largely been supported to (i) overcome a critical constraint to growth from a lack of cash to finance farm investments and variable inputs, (ii) to accelerate the uptake of modern technology, and (iii) to overcome barriers to smallholder access to seasonal finance resulting from a lack of collateral or information (Ellis 1992). Large scale agricultural credit programmes implemented as part of state led development policies were (with important exceptions) generally unsustainable, with low repayment rate, high operational costs, and did not generally promote access to financial services by the poor. They therefore played only a limited direct social protection role. However such programmes, inefficient and unsustainable though many of



them they may appear, were associated with green revolution successes (Dorward et al, 2004) and in India there is empirical evidence that made an important contribution to agricultural growth (Fan et al, 2004).

### ***Infrastructure development***

Poor roads lead to high transport and communications costs, high input purchase and service delivery costs, and low farm gate prices for agricultural produce (although they can also offer some protection to local producers). Infrastructure development is therefore a basic pre-condition for agricultural and wider economic growth. Improved transport infrastructure raises farm gate prices and lowers transport and transaction costs. Despite declining donor allocations due to high implementation and maintenance costs, weak transport infrastructure is universally recognised as a major barrier to growth in Sub-Saharan Africa. The contribution of poor infrastructure to high transaction costs, including measurement, search and contract enforcement costs, and thus to transaction failures and thin markets is less often recognised. Investments in irrigation infrastructure are critical to lowering the risks and thus increasing the incentives for investments in agro-chemical based intensification. Investments in infrastructure therefore significantly lower the investment thresholds necessary to kick-start growth although additional coordination interventions are likely to be required where agricultural markets are thin or missing altogether (Phase 1 in Figure 1).

Although investments in infrastructure are generally justified in terms of their contribution to growth, they may also generate positive externalities for social protection. Improved transport infrastructure tends to improve spatial and temporal (e.g. storage infrastructure) arbitrage and may therefore reduce seasonal price

volatility and improve food supply in deficit regions. Increases in productivity resulting from investments in irrigation infrastructure or higher farm gate prices can contribute to both national food security and lower food prices for consumers. Improved infrastructure can also increase the labour and consumption linkages from agricultural growth and improve the spatial spread of these multipliers while lowering the implementation costs of social protection programmes. However, while these effects may dampen the demands on social protection programmes, they do not necessarily result in incremental benefits to all the rural poor, especially when they bypass less favoured areas and are not simultaneously supported by other interventions designed to overcome micro-level poverty and meso-level under-investment traps. Conversely, as discussed later, public works programmes (PWPs) are unlikely to have significant and sustained impacts on growth unless they reach a scale and quality necessary to shift transport and transaction costs below critical thresholds. It was in recognition of these types of difficulties that state led policies for a while adopted 'integrated development programmes', to try to ensure that multiple constraints on growth and social protection were addressed in a coordinated complementary way. Such programmes, and growth-oriented infrastructure in general, however tend to focus on high-potential areas and thus may have had only limited effects on social protection concerns in Less Favoured Areas (LFAs). (On the other hand, however, PWPs under social protection programmes are likely to focus on LFAs, with lower benefits for growth.)

While state led development policies often had a strong emphasis on infrastructural development, in Africa countries generally started with very low levels of infrastructure at independence, and low population densities in

agricultural meant that the costs of investments in infrastructure, particularly transport infrastructure, were very high in per capital terms. Rapid investments in infrastructure also jumped ahead of the financial and other resources needed for maintenance, and state led systems have very poor incentives for promoting maintenance. Rapid deterioration of roads and of large scale irrigation systems has therefore been a problem (although there are increasing attempts to improve local ownership and management of infrastructure, and this may be associated with PWP).

### ***Technical change***

Technical change leading to increased land and/or labour productivity is an essential condition for agricultural growth. In poor rural areas, technical change has tended to focus on the dissemination of modern seed varieties together with fertilisers, crop protection chemicals, irrigation where possible and, in land-abundant regions, on improving access to farm mechanisation. The critical challenges for technical change as a driver of pro-poor growth relate to (i) the difficulties in developing and adapting appropriate technology to heterogeneous, resource-poor conditions; (ii) the challenges of promoting the development of and ensuring coordinated access to the complementary input, output, financial and technical services required for successful and lower risk adoption of these technologies; (iii) the capital, labour-saving bias of some forms of technical change; (iv) the potential uptake biases towards large, commercial farms; (v) the bias in research and extension towards the needs of the commercial sector; (vi) difficulties in developing effective, two-way research and extension systems.

These challenges mean that technical change is often biased towards the commercial sector or at least larger smallholder farms in terms of

its technical specifications, ease of adoption and capital intensity. Even scale-neutral technology, such as hybrid seed varieties, in practice tend to be biased towards larger farms which are better integrated into markets due to their improved access to credit and the typically large size of seed and fertiliser packages. Where technical change has been labour-intensive and centred on staple food crops (as with 'green revolution' technologies), the resulting agricultural growth has increased demand for wage labour and, in many cases, bid up the price for labour and lowered food prices, benefiting the rural poor. This has had significant direct and indirect 'social protection benefits'. Agricultural research has also played an important role in developing lower risk technologies, for example through breeding of crop varieties that are more resistant or tolerant of drought, pests and diseases and through advances in crop protection, water harvesting and animal health.

Research in applied biotechnology, which may provide new opportunities for increasing yields, particularly in resource-poor environments, is largely privately owned, exploited and motivated and more radical approaches, such as competitive public contracts, are required to make poverty-oriented research by private companies profitable and therefore attractive.

An important challenge for agricultural research and extension serving diverse, complex and resource-poor farming systems is to provide similarly diverse packages tailored to local circumstances. In this context, Berdegue and Escobar (2002), advocate a more differentiated approach to research and extension systems including (i) a private, market-driven system with only indirect benefits to the poor, (ii) a market-oriented, asset-constrained system targeted at 'better-off' smallholders in terms of their asset-base and production environment; and (iii) a context and asset-constrained system

in areas where there is a limited potential for agricultural development. This approach overlaps in part with asset-building social protection approaches and involves a wider policy emphasis on increasing producers' asset-base and/or overcoming environmental constraints first.

### **Land reform**

It is widely accepted that clearly-defined and secure land rights are critical to provide incentives for investment and sustainable resource management. At the same time, land inequality continues to be high in many parts of Sub-Saharan Africa and rising population density is likely to push land reform up the political agenda. These two points, combined with the widely observed transaction cost advantage of small family farms in the utilisation and supervision of farm labour continue to provide a strong argument for continued land reform processes.

Although land reforms implemented up to the 70s were often more effective than is recognised (Lipton 1993) and were often important in establishing the conditions necessary for agricultural transformation (Dorward et al, 2004), land reform has (with some exceptions) received less attention in rural development policy in the last 20 years or so. Old-style, administrative and redistributive approaches have been displaced by 'new-wave', negotiated approaches, relying on market-based incentives and with a greater emphasis on the empowering aspects of land reform (ibid.). More recent approaches focus on improving the transparency and efficiency of land sale and rental markets and assisting market-based reform through promoting productive projects. Decentralised implementation of negotiated reform processes have also proven to be much cheaper and more efficient than centrally administered processes with

more scope for beneficiary involvement in the negotiation process (Deininger 2004).

For these new approaches to be successful they need to be more efficient and less costly than the old approaches and should endeavour to incorporate efficient elements of pre-reform system, e.g. large farm transaction cost advantages in credit markets and input and output marketing and their economies of scale in transport and post-harvest operations. This calls for new institutional forms combining relative advantages of large and small holdings and reducing transaction costs within and between them (ibid.). Greater attention to the empowering aspects of land reform within new approaches is also relevant to our discussion as secure land tenure is likely to be particularly important for socially excluded groups, and Lipton (op cit) argues that secure access to even very small land parcels (for example only enough for a house) can provide important risk management and resilience building benefits, providing reservation income and strengthening the bargaining position of rural labour (Lipton 1993).

There is therefore the potential for land policies to have important social protection and growth benefits extending beyond more direct agricultural benefits. Social protection perspectives are also important to debates about the effects of policies promoting land markets. While these are often promoted on the grounds of their potential to allow the use of land as collateral in accessing credit, there are often informal institutional difficulties in achieving this. Reforms that allow the poor to sell land may also give them the opportunity to 'step out' from agriculture with capital raised from the sale of land, but conversely may damage the interests of poor people who may find themselves forced to make distress sales of land when land prices are very low and are thus unable to fall

back on subsistence production as a form of social protection<sup>8</sup>.

### ***Livestock services***

Livestock are very important to the livelihoods of some rural people, sometimes in production and income, and sometimes as assets for use in accumulation, buffering and insurance. There has been a tendency for livestock development services to focus on the income generating role of livestock at the expense of attention to low cost, low risk livestock keeping to fulfil more 'social protection' functions of accumulation, buffering and insurance. However there have been considerable successes in the promotion of small scale dairying, providing poor people with both income and protein. There have also been benefits from improved animal health services, for both production and social protection from livestock keeping (ref recent CABI book). The importance of property rights, market systems and technical change promoting social protection through livestock keeping are increasingly recognised, for pastoralists and for poor keepers of small stock such as poultry. It is also important, however, to recognise that the importance of livestock keeping for savings and insurance is likely to diminish as rural economies grow and micro-finance systems become more accessible (Dorward et al, 2001).

### ***Complementary coordination***

An important feature of state led 'social protection from agriculture' policies has been the way that the state provided (or attempted to provide) complementary coordination between (a) the various services which were individually necessary but not sufficient for agricultural growth and (b) some social protection through food pricing and marketing interventions to reduce price volatility for consumers and producers. This complementary coordination was generally provided by regulation and intervention in national produce, input and agricultural finance

markets and by investments in research and extension services and in infrastructure, sometimes preceded by land reform. In integrated rural development projects (IRDPs) particular efforts were made to establish coordinated service delivery systems in specific areas.

## **B. Social protection independent of agricultural growth**

The broad strategic approach we describe as 'social protection independent of agricultural growth' describes social protection policies mainly promoted in the 1990s, in the early days of the development of social protection policies when there was a strong emphasis on welfare measures. This was associated with market liberalisation policies which, in agriculture as in other sectors, had a strong emphasis on promoting growth with little attention to ways in which agricultural development could directly deliver social protection. We therefore give considerable attention here to consideration of social protection welfare measures with a shorter discussion of agricultural policies.

### ***The need for social protection measures in liberalised agricultures***

The principal agricultural development policies which have been pursued independently of social protection policies are those described earlier in section 3.2 under market liberalisation. These involve removal of tariffs and of regulations protecting state monopolies, dismantling or privatisation of parastatals, and removal of price controls (often with a shift first from fixed prices to price bands). As noted earlier, there is considerable debate about political economy difficulties with the implementation of these policies and concern about the efficacy of these policies under different conditions and their failure to deliver growth and price stability particularly for food staples. Food price instability has been very high in recent years in, for example, Ethiopia and a number of southern

Africa countries, but this can often not be attributed to liberalisation policies per se, but is due more to inconsistency of liberalisation with poorly managed interventions (World Bank, 2005b). Failures in the development of input (and particularly fertiliser) delivery systems to smallholder farmers are widely recognised, but again while some commentators argue that such failures are inherent in liberalised systems, others argue that these are due to partial liberalisation and insufficient complementary investments in public goods, notably agricultural research, irrigation and roads (see Poulton et al, 2005, for more detailed discussion of service delivery challenges in smallholder agriculture).

A critical problem in liberalised markets is the lack of access to seasonal finance for food production. In the gap left by the collapse of formal lending programmes in Sub-Saharan Africa, a wide range of institutional models and financial products are attempting to serve demands for seasonal finance. However, few of these operate in lower density rural areas or in areas with a low level of agricultural and non-agricultural activity. None appear to be operating in the conditions faced by the majority of poor farmers in sub Saharan Africa or providing seasonal finance for food crop production. High costs and risks mean that such services are generally unprofitable to supply in poor rural areas, while the high risks and low returns of investment in agriculture in resource-poor areas tends to stifle demand (Dorward, Poulton and Kydd 2001). In areas which have already experienced agricultural growth and which therefore have a growing non-farm sector, better-off smallholders may be able to access loans from Micro Finance Institutions. Interlocking arrangements may provide an important institutional solution to the lack of credit markets and high risks of lending in poor, un-diversified rural

economies. However, such arrangements typically only work for some cash crops and where output markets are concentrated, although this may allow traders or buyers to capture an undue share of the output margin.

An important response to these difficulties has involved increasing attention to market development and improving market access for smallholder farmers. This has developed in parallel with a strand of thinking labelled 'Making markets work for the poor' (see DFID, 2005a). A range of models have been developed to try to improve smallholder access to services, including innovations such as the development of fertiliser supply systems through small agro-dealers. Most attention, however, has been given to the development of farmer organisations.

Farmer organisations have had a very mixed record in the past, and face many challenges, and among these challenges are often mixed and sometimes conflicting objectives and expectations among members and external supporters. Most successful farmer organisations, however, focus more on improving farmers access to higher-value cash crops supply chains and are likely to bypass staple food markets, where low prices and atomistic markets provide disincentives to investing in appropriate coordination arrangements. While these organisations are critical for smallholder market access and for agricultural growth, such organisations by their very function exclude poorer producers with marginal or irregular surpluses. Once established, farmer organisations may however contribute to informal transfers within the community although the bottom-line of running a competitive business will limit the scale of such transfers. However farmer organisations also face dangers that external organisations (particularly government and NGO agencies) may view them as convenient delivery channels for social

protection interventions and thus threaten to undermine their business rationale.

Agricultural policies pursued under market liberalisation have therefore not explicitly focussed on a social protection agenda. However some risk insurance measures have been introduced to promote agricultural growth. These include crop insurance (attention to this has been growing in recent years and this is discussed below under 'social protection for agriculture') and continuing (if limited and patchy) investment in land reform, infrastructural development (primarily transport infrastructure) and technical change (through research and extension). These are recognised as important for the delivery of public goods necessary for liberalised markets to work in smallholder agriculture but, as noted above, limited investments in infrastructure, research and extension are often cited as a major cause for stagnation in African agriculture over the last 20 years. This may be explained by the reduction in the scope of state responsibilities which was central to liberalisation policies being accompanied by a general reduction in the capacity of the state to fulfil all activities, with a reduction of the resources available to it to pursue in activities considered legitimate state responsibilities (Fukuyama, 2004). At the same time there has been a search for increased private sector involvement in the delivery of research and extension. Since land reform, infrastructural development and investment in technical change were major features of early state led agricultural development, they have been discussed in more detail under 'social protection from agriculture' above.

### ***Unconditional cash transfers (UCTs)***

UCTs are "unconditional transfers of cash made by government or non-governmental organisations to individuals or households identified as

highly vulnerable, with the objective of alleviating poverty, providing social protection, or reducing economic vulnerability" (Devereux et al 2005). They can include social pensions and child support grants. The principal connections to agriculture reside in 1) the ability of assisted households to participate in the rural economy as a) consumers and b) producers, and 2) the uses to which the transfers are put either a) directly, or b) indirectly, through intra- or inter-household fungibility. We will deal with the multiplier and incentive effects of transferring cash (as opposed to food or inputs) later. Here, we point out that 1) UCTs are cheap, 2) UCTs' poverty impact is highly sensitive to design, and 3) UCTs can have behavioural effects.

A significant advantage of UCTs is their low administrative costs relative to other programmes. Overall programme costs are 2% of GDP in Namibia, 2-3% in South Africa, and 0.2% in Argentina. In general, transferring cash is cheaper than in-kind inputs (see section 2.1), but as with other instruments, costs increase sharply with targeting strictness and the remoteness of the target population. UCTs are cheap relative to conditional cash transfers because they contain no complimentary behavioural intervention. However, some complimentary work may be necessary to reduce the risk of inflationary effects, and this will add to costs.

The poverty impact of UCTs depends on the size and method of the transfer. There are clearly important trade-offs, for a fixed budget, between the impact on the severity of poverty (maximised by strict targeting and high value transfers to a few) and the impact on the extent of poverty (maximised by poverty-line targeting and low value transfers to many). The resolution of these trade-offs will depend strongly on the ability to target and on the political economy of the state in question (see below). The method of the transfer is also important in determining



the poverty impact. For instance, old age pensions are often considered effective in reducing vulnerability of all age groups in Southern Africa because a) few old people live alone and most care for their grandchildren (Barrientos and Lloyd-Sherlock 2002), b) the elderly may pool their income (Camerano 2002), and c) (in Uganda) they are the prime carers for AIDS orphans (Ntozi and Nakayiwa 1999). Case and Deaton (1998) find that the South African poverty count (\$1/day) was reduced by 12.5% by social pensions (to men over 65 and women over 60). However, whilst the impact of pensions for the elderly seems to be significant for households with elderly members, most adults and children are likely to live in households that do not qualify. Samson (2002) estimates that 81% of adults and 76% of children in South Africa live without pensioners. In the context of high HIV/AIDS prevalence pensions for the elderly may reach more children, but a careful analysis of the demographics is required to project the poverty count and severity impacts of pensions for the elderly in different countries.

### ***Food Aid***

Food aid plays a crucial role in humanitarian emergencies, particularly in alleviating short term hunger, reducing household vulnerability, and preventing reductions in consumption in situations where households prefer not to sell assets. It can also have significant positive effects on health and is especially important in HIV/AIDS affected populations. The potential for substantial positive impact of food aid is not doubted. Food aid can stimulate local livelihoods. Barrett and Maxwell (2005) note five potential positive effects. Food aid can:

- 1) Relieve short-term borrowing constraints that prevent farmers buying agricultural inputs.

- 2) Provide a safety net, which can encourage producers to take on more risk.
- 3) Reduce countries' need to import food, thus freeing up currency for importing other inputs.
- 4) Prevent irreversible health problems, thereby contributing to the maintenance of a healthy labour force.
- 5) Potentially increase transport capacity through establishing demand for and supply of infrastructure and shipping.

Effects 1) and 2) are common to all interventions that regularly transfer food or cash (where food is available) to vulnerable groups. Effects 3), 4), and 5), however, may be rather more specific to food aid, but their significance is not very well understood. Barrett and Maxwell (2005) conclude that the net effect on factor and product markets may be ambiguous. A tentative conclusion, therefore, is that food aid should not be ruled out *ex ante* as a social protection instrument on the grounds of its impact on agricultural livelihoods, but that effective and un-damaging food aid requires careful design and resources (see discussion below).

Food aid can be important for HIV/AIDS-affected populations. HIV/AIDS and food security interact in complex ways. A United Nations Mission (UN 2003) identified HIV as a fundamental cause of the Southern Africa food crisis although Jayne et al (2005) have questioned this. HIV/AIDS exacerbates food insecurity and malnutrition, and food insecurity and malnutrition may increase susceptibility to HIV and vulnerability to AIDS (Kadiyala and Gillespie 2003). PLWHA have increased nutrient needs, both to resist disease and to increase the effectiveness of anti-retrovirals (Piwoz and Preble 2000; Kadiyala and Gillespie 2003). Moreover, HIV/AIDS-affected populations may have high dependency ratios and struggle to produce sufficient food. Kadiyala and Gillespie (2003)



argue that HIV/AIDS indicators should be incorporated into food aid targeting (as in the WFP's VAM). However, targeting PLWHA can entail high resource demands. Community engagement in targeting and distribution may be appropriate to avoid stigma, but needs extensive agency investment and long-term commitment (Mathys 2004). Effective food aid for HIV/AIDS-affected populations probably requires, therefore, at least 1) a detailed appreciation of levels of awareness and understanding of HIV/AIDS, and 2) a substantial commitment of resources and time.

The source of food aid has significant implications for its effect on agricultural production. As with any food-based intervention (such as school-feeding, see below), there are potential positive and negative effects on local production. Since food aid is normally perceived to be intended for areas of food-shortage, it is associated with external sourcing and damage to local factor and output markets. This is a significant risk. Moreover, food aid has the potential to change tastes (e.g. from white maize grown in Africa to yellow maize grown in industrialised countries of the West) which risks compromising the sustainability of food production. These considerations represent a powerful case for triangular sourcing – purchasing food from another area of the destination country or a neighbour. Triangular sourcing requires that there is poor market integration between source and destination markets, and that there is surplus food available. This is probably the case more often than is widely recognised. For instance, Barrett and Maxwell (2005) find that the correlation of food production between Malawi and its neighbours is nearly zero. However, there are three reasons to be cautious about triangular sourcing of food aid, particularly in relation to agricultural livelihoods:

- 1) A dependence on rain-fed agriculture is extremely risky, in terms of availability, capacity, and quality. It is important to have alternative back-up sources.
- 2) The poor integration of markets may reflect infrastructural or institutional problems that complicate the management of food aid. The transfer of white maize between Malawi and Tanzania in 1984 is one such problematic example.
- 3) Buying large quantities of food affects not only local sellers (positively) but also local buyers (negatively). The effects of food aid on local markets are under-researched, but it is vital that attempting to address the food crisis of one vulnerable group does not precipitate a crisis for another.

Maintaining national food stocks can be a way of ensuring rapid food aid response, and stabilising grain prices to reduce producers' and consumers' risk. However, as Farrington (2005) notes, practical experience has been mixed. There are concerns that they i) crowd out private storage, ii) face serious management problems (Deshingkar et al, forthcoming, noted in Farrington, 2005), iii) are ineffective in meeting price targets, and iv) have high fiscal costs (which may be a critical consideration in Africa). On the other hand, Barrett and Maxwell (2005) argue that the depletion of the Strategic Grain Reserve in Malawi contributed to the 2002-03 food crisis while Poulton et al (in press) argue that for land locked countries fiscal costs may not be high as compared with imports and there may be other significant advantages from local storage, if proper management can be assured (see earlier discussion on page 22ff).

### **Public Works**

Public works programmes (PWP) are "all activities which entail the payment of a wage in return for the provision of labour, in order to i) enhance

employment and ii) produce an asset, with the overall objective of promoting social protection.” (SALDRU 2005). In earlier PWP, the major objective was to maximise employment (through Employment Based Safety Nets - EBSN). With increasing emphasis on useful asset creation (through Labour Based Infrastructure Programmes - LBIP), there is now a policy dilemma between these two objectives. Much of the literature on PWP is concerned with the perceived trade-off between welfare impacts and growth impacts.

### ***Conditional cash transfers (CCTs)***

Conditional cash transfers are likely to have similar multiplier effects to unconditional cash transfers, but are used in addition to change the structure of incentives faced by households in order to alter behaviour towards the social optimum. Most often, the areas with which the interventions are concerned are healthcare, education, children's nutrition, and also agriculture. In rural areas, these changes can have significant impacts on agricultural livelihoods. The other objectives of CCTs usually relate to poverty reduction. The potential connections between CCTs and agriculture might therefore be divided into:

- Cases where the transfer is connected to agriculture. For example, PROCAMPO transfers in Mexico are used for investment support for agriculture (de Janvry et al 2001).
- Multiplier effects of cash on local rural economies (see below).
- Changes in behaviour have important effects on rural livelihoods. For example, PROGRESA in Mexico has been found by various commentators to have positive impacts on children's enrolment, health and nutritional status (c.f. Adato 2002, Coady 2003).
- Impacts on agricultural production and consumption (and therefore demand) through poverty reduction.

The exact nature and extent of these connections with agriculture is currently under-researched. PROCAMPO in Mexico gives cash for agricultural investments, compensating farmers for the anticipated negative effects of NAFTA on the prices of basic crops. Payments were associated with increases in livestock and crop income, especially for farmers with irrigated and technical assistance. Sadoulet et al (2001) found that multiplier effects (which were in the range of 1.5 to 2.6) were higher for larger households, with more adults. High multipliers reflect opportunities that were not taken up due to liquidity constraints. These opportunities increased with asset endowments, especially irrigated land, and enhanced with access to technological assistance. However, this suggests that a) there may be distributionally unequal effects of CCTs, and b) that since multipliers are maximised with irrigation and technical assistance, it may be inappropriate to generalise to Africa where these features are less. Britto (2005) has also found evidence of multiplier effects and increased access of the poor to financial systems in CCTs, and Coady (2004) has found increased investment where there are credit market imperfections.

PROGRESA (and later Oportunidades) has undoubtedly been successful in improving nutritional patterns, health-seeking, and educational enrolment. Davis et al (2005) note that PROGRESA is effective in changing health and education behaviour but that this is conditioned by other service programmes and by constraints faced by agricultural households. The impact of these behavioural changes on rural livelihoods is mediated by, amongst other things, the quality of health and education services, and the labour market. Sadoulet et al (2001) conclude

that a policy to maximise the income of target households would have complementary initiatives that increase the opportunities to use the cash. Again therefore, caution is required when generalising from the Latin American experience to Africa, particularly for areas where institutions and services may be under-developed.

However, the record of CCTs in relation to poverty reduction is less clear. Three issues arise here. First, it is likely that there is a trade-off between the poverty reduction and behavioural change components of CCTs. Programme objectives need, therefore, to be accurately specified. Second, targeting becomes a critical issue where the transfer is not universally distributed. Even with good targeting, however, Bourguignon et al (2003) estimate that the *Bosla Escola* programme in Brazil had a relatively small impact on poverty (around 1 percentage point) because the size of the transfer was small. Third, the multipliers noted by Sadoulet et al (2001) suggest that wealthier households benefit most from CCTs, and that therefore focusing on multipliers reduces its poverty impact. If the objective of the intervention is primarily poverty reduction, it may be that the higher administrative costs of CCTs make them less cost-effective than UCTs.

### ***Food for education (FFE)***

FFE programmes comprise school feeding interventions, where children at school are provided with food, and food for schooling, where children are given rations to take home. The intended impacts are primarily a) behavioural (concerning educational attendance and gender relations), and b) nutritional, but there are also effects on c) agricultural production.

The behavioural impacts are well documented. Both school feeding and food for schooling interventions have been found to

increase enrolment and attendance, to reduce drop-out and repeater rates, and to narrow gender gaps (see Bennett 2003 for a review of programmes). Some studies have also found improved learning capabilities and cognitive development, although Bennett (2003) concludes that the evidence for this is generally weak. Evidence for improved nutrition in normal circumstances is also weak. A systematic review by Clay (2000) found that food-based interventions have little impact on nutritional status, morbidity, or mortality levels except in crises. Highly vulnerable groups, however, such as stunted, wasted, or under-nourished children, or groups facing hungry seasons, benefit most from FFE interventions (Grantham-MacGregor 1991).

The effects on agricultural production depend mostly on the source of food. Caldes and Ahmed (2004) argue that there may be significant impacts on agricultural production, provided that food can be locally purchased or is complementary to local produce. Hellin and Higman (2002) find that school feeding in the Andes led to increasing demand for local quinoa which “enhances local production, processing, and marketing capabilities among small-holder producers.” (quoted in Farrington et al. 2004). To the extent that interventions increase households’ real income, they may be able to increase agricultural investments, although this is not documented. Unlike food aid (usually) food can – and should – be sourced locally.

## **C. Social protection for (inter alia) agricultural growth**

### ***Policies without an explicit welfare focus***

We have tried to indicate that although there are sometimes trade-offs between welfare outcomes and agricultural growth in ‘welfare’ social protection interventions, there are also synergies. Other sorts of social protection

intervention, however, are much more explicitly concerned with agricultural growth. These are normally divided (see above) into interventions concerned with 1) risk, and 2) resilience. In brief, here are some positive effects these policies intend to have on agricultural growth:

### ***Risk Insurance***

Risk insurance enables producers to take risks and undertake higher risk and return activities. Social protection interventions that support risk management can therefore enable farmers to utilise more productive technology and engage in more specialised and intensive production. Explicit risk insurance instruments relevant to this discussion are crop insurance and savings and credit services.

Both crop insurance and micro-finance face severe challenges in the context of complex, diverse and resource-poor agriculture. While area-based index insurance, such as regional rainfall insurance, may overcome many traditional problems with crop insurance in smallholder agriculture, such as adverse selection and high administration costs (Hazell and Skees 2005), the heterogeneity of production conditions and output in smallholder agriculture in Sub-Saharan Africa, even across small areas, poses severe challenges to such a system. In diversified rural economies, micro-finance services may offer consumption loans although such services are rarely provided before agricultural growth has kick-started growth in the non-farm economy (Dorward et al, 2001). Self-insurance through formal or informal saving mechanisms therefore often provides the only explicit risk management instrument open to large numbers of the rural poor.

Risk can, however, be reduced in other ways. The known and stable presence of 'safety-net' transfers for the poor (such as food aid or unconditional cash transfers) can act as insurance as

producers are aware that if their crop fails, and their incomes fall, they will be entitled to welfare transfers. However, there is little understanding concerning the magnitude of such insurance effects and how far its effects on risk-taking behaviour extend above the safety-net income level. Policies that support various livelihood strategies (seasonal migration, crop diversification, small asset accumulation) can also both reduce risk and increase productivity (see for example Farrington, 2005). Policies that promote macro-economic stability and a stable institutional environment also reduce risk and increase production incentives.

### ***Building Resilience***

Measures to build resilience (through asset creation or social inclusion and improved access) directly raise rural productive capacity as well as unleashing, otherwise latent/constrained, productivity. Transfers may be contingent on the creation of capital, through either public works, or food for education, or may be designed to maintain long-run human productivity, through providing nutrition at critical stages of development or incentivising health seeking. A key function of resilience-building transfers is that they enable recipients to escape micro-level poverty traps. Transfers therefore need to be large enough to move individuals or households across critical asset thresholds. More research is required to develop a better understanding of poverty traps and the scale and nature of transfers necessary to move recipients across critical thresholds.

'Transformative' social protection aims to reduce exclusion, which may facilitate cooperative measures and greater equality of access, which recent studies have suggested has positive growth impacts (Sabates-Wheeler 2006). There are clear linkages between agricultural growth policies and 'transformative' social

protection objectives in the areas of land reform and collective action among producers. These links and other links would benefit from further research.

Possible negative impacts of social protection policies on growth, mainly through crowding out, also need to be recognised.

### ***Public Works***

PWPs can have a significant impact on poverty reduction if the assets it creates have significant and pro-poor output effects. There is a strong case for the superior cost-effectiveness of labour-based techniques in creating physical infrastructure. As Devereux (2002) notes, however, although the argument is often made that effective PWP can reduce dependence on social protection in the future, it has rarely been achieved in practice. Farrington et al (2004) provide a review of some evidence showing that PWPs can be effective in creating agricultural assets, including the creation and maintenance of rural infrastructure in Maharashtra (Ravallion et al 1993), and in Bangladesh, irrigation improvements, pro-poor assets, and roads (Del Ninno 2001), and water conservation (Ruben et al 2003). These examples, however, are not ubiquitous. The point is not that it is impossible to create productive rural assets through PWP, but that it a) detracts from welfare impacts (because non-wage items such as materials or training are costly), b) requires effective implementation (which is costly), and c) is problematic with unskilled labour. One distinction policymakers may make in resolving this tension is between long-term and short-term horizons. A greater focus on longer-term prospects for asset creation and maintenance might lead to accepting a reduced short-term wage transfer. Political commitment and strong institutions are likely to be critical in managing this focus (see section 3).

Even in the more successful examples of asset creation through PWP, such as the Maharashtra

EGS, analysts have noted a pro-rich bias to asset creation (and Joshi and Moore (2000) argue that this bias may have been instrumental to the political acceptability of the scheme). This is an important issue. Technical change is not distribution neutral and this fact has critical implications for the nature of agricultural growth that derives from the creation of particular assets. Since social protection is primarily concerned with maintaining the welfare of the most vulnerable, iniquitous asset creation could be argued to be of limited use to this end.

PWPs impose high burdens on participants, both in terms of direct and opportunity costs. Maxwell (1993) estimated direct participation costs of up to 1000 calories per day, and Lipton (1988) opportunity costs of 20-30% in South Asia. This can clearly be problematic for agricultural production if the intervention is poorly timed (see below). It is also problematic, however, for labour constrained households, who are very often comprised of the most vulnerable members of communities. This issue is of particular relevance where high HIV/AIDS prevalence contributes to high dependency ratios and makes hard physical labour a difficult proposition for many households. One innovative solution to this problem has been tried in KwaZulu Natal, where a road maintenance programme effectively targets HIV/AIDS-affected populations using community targeting methods (Mccord 2004). In Zimbabwe the Red Cross' Home Based Care programme attended to HIV/AIDS affected households and disseminated information and training along with public works. It is not at all clear, however, that these sorts of highly resource intensive techniques can be scaled up, or that there is sufficient quality control on information in Zimbabwe (or indeed whether it would be relevant in the context of high awareness and knowledge in Malawi) (SALDRU 2005). Significant questions remain, therefore, over whether PWP are the

most effective social protection instruments for large HIV/AIDS-affected populations.

PWPs naturally affect local labour markets, directly through labour supply and indirectly through multipliers. Whilst the direct effect can be negative if the PWP is mistimed (see section 2.2 below), well-designed PWPs can increase wage rates (by 10% in the case of the Maharashtra EGS) by reducing the supply of labour and increasing workers' bargaining power by giving them alternate options (Devereux 2002). This upward pressure is mediated by the design of the project: very low wages in EBSNs produce negligible upward pressure, and LBIPs have low employment coverage. Furthermore, a study in Zambia (Devereux 2000) suggests that where employment was continuous and incomes were fairly large (an LBIP project), participants hired agricultural labour and purchased seeds and fertiliser. This 1) created a significant employment multiplier, 2) freed women participants from arduous agricultural tasks, and 3) probably increased agricultural output.

Shortfalls in implementing agency (usually government) capacity (for various reasons, see later discussion on political economy) appear to necessitate a choice between PWP for welfare and PWP for assets. Relative to cash transfers, EBSNs have a higher cost per unit transferred to the poor (in Malawi, 13.9 per unit for PWP relative to 1.73 per unit for cash transfers (Smith 2001)), have high direct and opportunity costs for the participants, and the value of the assets they produce is questionable. However, well-targeted LBIPs can have a significant impact on the poverty of poor participants, whilst creating productive assets and various positive multiplier effects on local economies (particularly if the wages are paid in cash (see below)), which have impacts on the poverty of non-participants. Moreover, PWPs often generate specific multipliers as they attract roadside traders on paydays to sell to workers, thereby stimulating the local economy for the duration of the programme.

These considerations suggest a potential complementarity between poverty reduction and growth.

### ***Inputs for work programmes***

A form of public works programme that has particularly close linkages with agriculture are inputs for works programmes. These share many of the features of PWPs discussed above, but instead of providing participants with cash or food, provide them with inputs for agricultural production, often in the form of vouchers. As compared with cash for work programmes, inputs for works programmes may be criticised for restricting participants' choices in spending their earnings. Nevertheless, trial inputs for works programmes in Malawi have proved highly popular with participants, as they represent a forced form of saving<sup>9</sup>. Depending on their design, such programmes may also build up input supplier networks. However, unless participants sell inputs or vouchers on, the benefits for participants are deferred, depend upon access to land and are subject to normal agricultural production risks in the following season. Timing of input delivery is also very critical.

### **D. Social protection through (inter alia) agriculture**

This strategy is closely related to categories A and C above, but it differs from these strategies by its primary focus on directly delivering social protection welfare (rather than risk insurance or resilience) in the short term through contributions to own production by poor people, and may also be distinguished from strategy A (social protection from agriculture) by the absence of a wider and longer term framework addressing complementary coordination problems. This distinction may not, however, always be clear cut. The principal instrument in this strategy is targeted input programmes, however we could also consider some aspects of land



redistribution and even cash transfers where, for example, these relieve critical cash flow and consumption constraints to allow people to cultivate their own land rather than seek off-farm employment.

### ***Targeted Inputs Programmes (TIPs)***

TIPs are designed to reduce populations' vulnerability to food shortage by providing inputs to agricultural production. They therefore represent a direct intersection of social protection and agricultural livelihoods promotion. The effect of these interventions can be large. Starter Pack in Malawi, for instance, is reported to have successfully increased participants' yields by 100-150kg/pack. The current record on the effectiveness of TIPs is not, however, unequivocal. Primarily, the failures of TIPs to achieve objectives of food self-sufficiency or sustainable agriculture are attributed to difficulties with programme design and implementation. There are, however, a number of cross-cutting issues around TIPs.

First, it is vital to understand the mechanism by which the TIP will achieve the objective of the programme, and how this interplays with the design, the sustainability of, and the commitment to the programme. For instance, the recent Starter Pack programme in Malawi (1998-2004) was initially intended to (a) achieve national aggregate food security through self-sufficiency in maize production<sup>10</sup> and (b) provide poorer households with a critical production and food access boost<sup>11</sup>. In 2000, Starter Pack was scaled down from universal distribution to small-holders in order to reduce costs and increase cost effectiveness, and this is considered to be one contributor to the severe food crisis in 2002 (Levy 2005b), even though Starter Packs continued to enlarge participants' maize yields by 100-150kg. The reason for this effect was that the key issue for food security in Malawi was not self-sufficiency, but that the price of maize remained below MK15/kg (Levy et al 2004).

Starter Pack on a large scale reduced demand pressure and kept the price of maize low in hungry seasons. In addition, large scale Starter Pack enabled the working of the ganyu labour market that provides incomes to the poor only when food is sufficient (Chinsinga et al 2002). The reduction in Starter Pack, therefore, from contributing 16% of small-holder production in 2000 to 3-4% in 2001, was one of the causes for a sharp rise in the price of maize from MK10/kg in October 2001 to MK44/kg in March 2002, with concomitant failures in labour market contributions to the livelihoods of the poor. Moreover, reduced Starter Pack faced significant problems targeting the food insecure, especially given that the high resource requirements for successful targeting were largely lacking within Malawian rural communities. The failure of Starter Pack to achieve social protection goals (after 2000) can therefore be seen, in this explanation, partly as a design issue (a lack of recognition of the critical scale required), but also as an issue of donor commitment.

The social protection failures of Starter Pack were paralleled by failures to achieve agricultural sustainability. Barahona and Cromwell (2005) argue that the latter failures were due to i) constantly renegotiated funding leading to an inability to purchase quality seed in advance, ii) products inappropriate to normal cropping patterns, iii) the failure to achieve critical mass, and iv) the short-term nature of the intervention. Political economy issues in inter-donor and donor-government relations were an important element in this.

The second issue around TIPs is whether they crowd out private supplies of agricultural inputs. The record is mixed. Nyirongo (2005) argues of Starter Pack that this was not the case for fertiliser, and only partially the case for seeds (which were bought by 15% of beneficiaries but 24% of non-beneficiaries in 2003). Sperling et al (2004) find, on the other hand, increasing evidence that repeated seed aid in chronic stress



contexts distorts farmers' own procurement strategies (in Malawi and Kenya), undermines local seed/grain market functioning (in Burundi) and compromises the development of more commercial seed supply systems (in Zimbabwe). The critical issue for design is whether seed insecurity is the result of seed unavailability or poverty. In most cases, Sperling et al argue, the problem is poverty, and therefore local seed markets should be supported. They suggest that seed vouchers or fairs are more appropriate, in this context, than direct seed aid, which tends to undermine local markets. Often, however, misdiagnosis (or lack of diagnosis) of the problem leads to a default assumption of seed unavailability, which can be extremely damaging if local sources exist.

Third, it is important to recognise that technical change is not neutral (IDS Bulletin on Agriculture, editorial). Input provision has distributional effects, and these effects are important, not only for social protection objectives but also for growth patterns and future inequality (Sabates-Wheeler 2005 WDR 06 Background). Distributional effects have been noted in TIPs. First, input provision is likely only to offer direct benefits those households with sufficient land and labour to utilise the pack (although secondary markets will allow other households to get some benefit, and if the intervention is on a large scale all poor households should benefit from lower food prices and increased wages and/or wage earning opportunities). Second, input provision does not take place in a politically neutral environment. Rather, existing patronage systems structure the distribution of inputs. Longley et al (1999), for instance, find that in the 'universal' Starter Pack scheme in 1998/99, households that were wealthier, had more land, and more members, were those that received more packs, and those households tended to have higher outputs and yields. Two conclusions follow from this. First, alternative forms of social protection are necessary for

those households who are unable to benefit from extra inputs. Second, policy-makers need to be very aware of the distributional, social, and political context in which input provision is taking place, and incorporate analyses of the possible effects of changing patterns of input, production, and asset inequalities on local economies and growth potentials. The design of TIPs, particularly targeting, is crucial in this regard.

## Conclusion

A number of conclusions can be drawn from our examination of the four broad strategies that governments have followed in relating social protection to agriculture.

With regard to independent approaches to agricultural development and social protection, these have a poor record in stimulating broad based agricultural growth, particularly in staple crop production, in poor rural economies which have not yet achieved an agricultural transformation. If agricultural growth only benefits a relatively small number of progressive farmers, this places very heavy demands on social protection welfare measures as regards the number of people that need to be reached, the scale and source of resources needed, and the difficulties and distortions inherent in long term welfare support to very large numbers of people. It also makes it harder for risk insurance and resilience building measures to make significant growth contributions, as these contributions are likely to be greatest in the context of broad based growth (across different socio-economic groups and geographical areas) and, in agriculture, are often conditional on access to complementary services that liberalisation policies have found difficult to deliver. In rural areas which have achieved some degree of transformation, however, these policies may be more effective, with less inflationary effects, greater multipliers, and also lower fiscal opportunity costs.

Conversely, strategies promoting social protection from agriculture and agricultural growth through provision of complementary services promoting food crop production have the potential (if effectively implemented over a sustained period) to generate growth while at the same time providing some systemic social protection in terms of welfare and risk management mechanisms for both producers and poor consumers. These can work through non-market mechanisms in the early stages of growth (by direct promotion of food production in remote food deficit areas) and evolve towards more market reliance as markets develop – although the transition of state withdrawal is problematic in a number of ways. However the systemic social protection measures do not provide enough specific support to those unable to participate in productive activities and there are critical challenges to the conclusions presented here as regards first state capacity to manage effective interventions promoting market development (in phase 2 in figure 1), second feasibility and processes of timely state withdrawal once markets are established (in phase 3 in figure 1), and thirdly tight fiscal constraints in poor economies and hence high opportunity costs of expenditure on interventions promoting market development.

Strategies promoting social protection for agricultural growth focus primarily on risk insurance mechanisms, public works programmes and micro credit. There are very significant challenges in overcoming problems of high transaction costs, adverse selection and moral hazard in crop insurance and micro-finance programmes in poor rural areas, and the most promising insurance schemes make significant use of group based instruments. There is an important research agenda here in comparing the costs and effectiveness of more generic growth and social protection approaches used in earlier state led agricultural development policies (for example food price stabilisation interventions)

with more recent micro- level social protection approaches in order to identify combinations of instruments that can best promote both agricultural and non-agricultural growth and social protection in different contexts.

## **4.6. Design and implementation issues**

### **4.6.1. Type of Transfer – cash, food, inputs, vouchers.**

Many of the instruments discussed above represent a choice between the types of transfer made. In PWP, for instance, payment can be made either in cash or in food, or in inputs. Food aid and UCTs can be seen to some extent as a choice between transferring food and transferring cash. To a large extent, the appropriateness of different types of transfer depends on the context in which the intervention takes place. Where there is an absolutely inelastic supply of food, for instance, cash transfers will have a negative (inflationary) effect. However, Handa et al (2000) has found no inflationary price increases associated with PROGRESA. Harvey et al (2005) conclude that “the evidence suggests that...markets are often surprisingly robust and traders do respond to increased demand,” and that inflationary effects may generate supply responses. This likelihood should be carefully assessed in administering cash transfers.

On the other hand, in-kind transfers of goods may distort markets (Barrientos and de Jong 2004). The distribution of food aid may negatively affect food prices, harming surplus producers, but the purchase of food aid from areas of low supply elasticity may raise prices, harming consumers.

Different transfer types can also be distinguished by various factors that to a large degree derive from their relative fungibility (cash being the most fungible). These factors include:

- Their multiplier effects on local economies. Cash is generally thought to have stronger multipliers, but food and inputs may have

some multiplier effects, particularly on the areas from which the food or inputs come.

- The extent to which they crowd out (or crowd in) informal intra- or inter-household transfers. The evidence here is quite mixed and further research is needed.
- Their effects on incentives. Food aid may disincentivise food production where inputs encourage it.
- Their corruptibility. Cash is more easily looted and more desirable to the non-poor, leading to delivery problems. However, food can also be misappropriated (Deshingkar et al, forthcoming, cited in Harvey et al., 2005).
- Their fungibility and liquidity. These are normally considered as desirable characteristics, but as noted earlier sometimes the poor may prefer less liquid and fungible transfers to assist them with forced savings.
- The extent to which they achieve the specific objectives of the programme. Food may achieve better nutritional outcomes (ranging from averting starvation to improving children's cognitive ability) than cash. Inputs may have stronger effects than cash on agricultural productivity, but not in all circumstances.
- The cost of delivery. Cash is usually assumed to be cheapest to deliver, but the risk of diversion and the cost of providing security must be added.
- The ease of targeting. Cash is thought to be less easy to target because it is attractive to the non-poor, where certain types of food or quantities and types of input may not be. Where the transfer is earned, as in public works, the choice of transfer can be used as a targeting mechanism.
- Effects on gender relations in the household, as women tend to control food provision and men cash.

### ***Multiplier effects of different transfer types.***

Transfers in cash are gaining popularity, not least due to a growing emphasis on the dignity and efficiency of individual choice (Devereux et al 2005).<sup>12</sup> Moreover, there is increasing evidence that cash transfers have higher multiplier effects than in-kind transfers (see, for example, Schubert et al 2005). The extent to which multiplier effects are long-term may vary by instrument and project. Devereux (2002) finds no ex post evaluations on PWPs, but has the impression that since the poor allocate a large proportion of PWP income to consumption, the economic impact of PWP, although wide (far beyond the participants), is short-lived. Schubert and Goldberg (2004, cited in Harvey et al 2005) found that a pilot cash transfer scheme in Zambia stimulated the local economy through purchases of food, soap, blankets, and agricultural inputs, and also generated employment. The study of PROCAMPO by Sadoulet et al, (2003), noted above, makes the point that multiplier effects on households can indicate opportunities not used due to liquidity constraints. To the extent that food or inputs can be sold, or their provision frees up cash from elsewhere, they can also reduce liquidity constraints.

The source of food has significant implications, both positive and negative, for its effect on agricultural production. Since food aid is normally perceived to be intended for areas of food-shortage, it is associated with external sourcing and damage to local factor and output markets. This is a significant risk. Moreover, food aid has the potential to change tastes (e.g. from white maize grown in Africa to yellow maize grown in industrialised countries of the West) which risks compromising the sustainability of food production. These considerations represent a powerful case for triangular sourcing – purchasing food from another area of the destination country or a neighbour. Triangular sourcing requires that there is poor market integration between source and destination

markets, and that there is surplus food available. This is probably the case more often than is widely recognised. For instance, Barrett and Maxwell (2005) find that the correlation of food production between Malawi and its neighbours is nearly zero.

Food-for-education is usually required in smaller volumes than food aid and is not normally concentrated on areas of catastrophic food shortage. It might therefore be locally sourced, with potential positive impacts on local producers and limited negative effects on local consumers (due to small volumes). Caldes and Ahmed (2004) argue that there may be significant impacts on agricultural production, provided that food can be locally purchased or is complementary to local produce. Hellin and Hgman (2002) find that school feeding in the Andes led to increasing demand for local quinoa which “enhances local production, processing, and marketing capabilities among small-holder producers.”

### *Specific programme objectives*

A crucial consideration in the transfer type choice derives from the specific programme objectives. It has been argued, for example, that food aid helps to achieve better nutrition more effectively than cash because more food is consumed for equivalent values of transfer (Edirisinghe 1998), which may partly be the result of women controlling food in the household (Haddad et al 1997). In similar vein, Barrientos and de Jong (2004) note the appeal of in-kind transfers to the non-poor because they guarantee the consumption of certain goods considered to be ‘key’ to policymakers and donors. The link between transfer type and effect should be carefully examined. It might, for instance, be assumed that inputs will affect agricultural productivity more than cash. However, the flexi-voucher scheme in Malawi (where vouchers could be redeemed for cash or agricultural inputs) provides some interesting

evidence to contest this. Some farmers who, like the majority, converted into cash, were able to purchase household necessities and therefore no longer had to hire out their labour. Working on their own farms enabled raising their productivity more effectively than input purchase (Harnett and Cromwell 2000).

### **Cost**

Generally speaking, a substantial advantage of providing cash rather than goods is that it is far cheaper. For example, payment by cash in a PWP in Wollo, Ethiopia, was estimated to be 40% cheaper to administer than payment in food (Devereux 2002). As Devereux (2002) notes, a review of cash-for-work against food-for-work (Ahmed et al 1995) confirmed this finding, concluding that “cash-for-work can reduce program costs by 25% over food-based public works schemes by avoiding commodity handling costs.” Incorporating security costs and risks may reduce, but not eliminate the margin. Moreover, developments in e-governance and security technology (such as finger-printing) may reduce these costs. On the other hand, in situations of poor provision of goods and services, cash must be complimented with supply-side interventions, which may be very costly.

### *Types of transfer – summary*

This discussion demonstrates the difficulty of drawing generalised conclusions about the relative advantages and disadvantages of different types of transfer. These vary widely, depending upon the particular structures, constraints and opportunities in different people’s livelihoods; the general level of economic activity in the local area; the functioning of different markets; and the objectives of the intervention.

### **4.6.2. Timing**

The timeliness of social protection interventions will always be important for seasonal agriculture, which faces vulnerabilities and production

opportunities which vary with time. However, since goods and labour market contexts also vary so significantly, the incentive and crowding-out effects are also time-varying. Different instruments, moreover, raise different issues.

Food aid can be timed for 1) moments when recipients' vulnerability is particularly acute, either during emergencies or pre-harvest, and 2) to provide a macro-level counter-cyclical transfer (Barrett and Maxwell 2005). A number of problems present themselves.

- Lags between commitment and delivery due to complex logistics. Even emergency shipments have a median lag of 139 days (Barrett and Maxwell 2005). This significantly raises the premium for effective early warning.
- Food aid volumes co-vary negatively with international prices, so that food aid volumes are more volatile than food production or trade.
- The provision of food aid suffers from high inertia.

Mistimed food aid may fail to prevent malnutrition or asset sales and can have significant adverse effects on markets. Late food aid, into situations where supply is no longer inelastic, can have downward price effects, as in Mozambique or Russia in the 1990s.

Lipton (1998) argues that private labour market responses to seasonal public works can "double or destroy" their poverty impact. There is legitimate concern that PWP can conflict with agricultural harvests and take workers away from the fields if mistimed, and they must therefore be designed to coincide with the slack season in rural areas. On the other hand, it can enable participants to employ others in their fields, and the needs for cash and food are often greatest at times of highest agricultural labour demand.

The timing of inputs provision is also important. Clearly, inputs must arrive before the planting season. In multi-season agriculture, the

choice of season may also be important. An evaluation of winter Starter Packs in Malawi (Gondwe 2005, in Levy) found that they provided only half a month's extra maize per household at best, due to agronomic conditions, crop preference, and farmers' constraints. Gondwe concluded that Starter Pack with limited financial resources should concentrate on a single season. In any event, recognising the variability of seasonal production techniques and constraints is vital.

#### **4.6.3. Scale**

Given the suggestions above about potential thresholds in agricultural growth at both the livelihood and local economy/ market levels, the scale of the intervention becomes extremely important. This is an area for further research, but if we can develop an understanding of the critical characteristics of households on either side of these thresholds, it would be possible to design social protection interventions that prevent falls below or boost households above these critical levels. Crucial to the design of these interventions would be the size of the transfer.

However, the number of recipients of the transfer is also important in achieving social protection goals. This is sometimes not made explicitly clear in the design of programmes and can lead to their failure. It is vital to understand the mechanism by which the programme will achieve its objective, and how this interplays with the design, the sustainability of, and the commitment to the programme (see earlier discussion of the recent Starter Pack programme in Malawi)

#### **4.6.4. Conditionality**

Any conditions on transfers have behavioural effects, and as noted earlier, all social protection transfers have some conditions, whether negative (falling below a certain income level), or positive (attending school). The ability of

conditional transfers to achieve the desired behavioural effects has been examined above. It should be remembered, however, that conditionality often results in unintended effects. For instance, Camerano (2002) finds that in Brazil pensions for the elderly can encourage younger generations to live with older, and that general care for the elderly is improved.

Conditionality may also trade-off with other objectives. For instance, one method of targeting unconditional cash transfers is to make them conditional on being in a certain age group. Old age pensions are often considered effective in reducing vulnerability of all age groups in Southern Africa because a) few old people live alone and most care for their grandchildren (Barrientos and Lloyd-Sherlock 2002), b) the elderly may pool their income (Camerano 2002 IN BRAZIL?), and c) (in Uganda) they are the prime carers for AIDS orphans (Ntozi and Nakayiwa 1999). Case and Deaton (1998) find that the South African \$1/day poverty count (not necessarily vulnerability, as this could have resulted in many households living just above the poverty line) was reduced by 12.5% by social pensions (to men over 65 and women over 60). However, whilst the impact of pensions for the elderly seems to be significant for households with elderly members, most adults and children are likely to live in households that do not qualify. Samson (2002) estimates that 81% of adults and 76% of children in South Africa live without pensioners. In the context of high HIV/AIDS prevalence pensions for the elderly may reach more children, but a careful analysis of the demographics is required to project the poverty count and severity impacts of pensions for the elderly in different countries.

#### **4.6.5. Stability/reliability of payment over time**

The stability of welfare programmes has critical effects on their ability to deliver risk insurance benefits. Only if people rely on welfare measures

to support them if things go wrong, do such measures allow them to move out of low risk/ low return activities into higher risk/ return activities. Thus Devereux (2003) argues of the Maharashtra EGS that the assurance of work that it gives to farmers enables them to engage in higher risk – and therefore higher yield – production. The key issue is the stability of the transfer and the trust that people have in their ability to access it when needed. In many African countries, however, welfare programmes ability to deal with food insecurity has been mixed, with often late and patchy responses. There are important political economy issues here.

#### **4.6.6. Targeting social protection in agriculture<sup>13</sup>**

Effective targeting is critical to the success of non-universal social protection. However, it is also costly, and requires substantial resources. Targeting social protection to groups in rural communities encounters several pitfalls:

- Bias against remote areas. In many localities, more remote groups are more vulnerable, and therefore have higher demand for social protection. However, it may be harder to target, and to distribute to, them. One obvious problem that requires attention is the location of the distribution centre in areas of low population density. Individuals who have to travel to collect social protection (grants, food, inputs, etc.) may face high direct and opportunity costs of doing so. Salama et al (2001) note the tendency of food aid to avoid remote areas, and that central distribution points can contribute to the spread of infectious disease.
- Bias against individuals not clearly part of any household, such as orphans or the homeless. Barrientos and de Jong (2004), for instance, note that the South African Child Support Grant excludes street children and orphans.



- Stigmatising and excluding target groups. Samson (2002) argues that one reason why the take up of the South African Basic Income Grant is only 43% is that it requires a long, expensive, and stigmatising means test. In some PWP, low wages are used to encourage self-selection by the very poor. However, this a) minimises the impact on the programme on poverty, and b) may contribute to the exclusion, marginalisation, and maintenance in poverty of those employed.
  - Causing resentment among untargeted groups. Schubert et al (2005) point out that targeting only 10% of the community in a pilot UCT scheme in Zambia caused resentment among those poor excluded.
  - Finding a balance between exclusion and inclusion errors. The risks of inclusion and exclusion are present in all targeting methods. For instance, Clay et al (1999) point out that geographic targeting of food aid can exclude vulnerable households outside drought prone areas.
  - Different targeting mechanisms may provide different beneficiary groups. It is important to recognise that the selection of the targeting method is not just about finding the most efficient way of locating a pre-selected group of people, but also about the criteria by which beneficiaries are selected (and about facilitating acceptance, and understanding). Failing to distinguish clearly why a particular targeting method has been chosen can lead to conflict over whether the eventual beneficiaries are the 'right' group. This problem emerged in Malawi (see below).
  - The political economy of targeting, both in community targeting and technical targeting. It is evident that all rural communities are not homogenous and utopian; on the contrary, there are significant differences and disagreements, and patronage and patrimony remains strong in many places.
- Accomplishing community targeting (and distribution) that matches 'community' perceptions of vulnerability to 'objective' indicators more amenable to policymakers, therefore, faces significant difficulties. Many commentators note the long-term engagement that is required to assist the process. However, technical forms of targeting (anthropocentric measurements, income assessments, etc.) also introduce political economy considerations in, for instance, the administration of the test and in matching the results of the test with the distribution of social protection.
- The possibility of targeting on a large-scale. Devereux et al (2005) is one of many reports, on different instruments, to express scepticism about the feasibility of scaling-up effective community targeting methods. The principal problem seems to be insufficient administrative capacity and political commitment to solve the political economy problems noted above.
- Given these potential problems, it is worth asking whether targeting is a sensible use of resources. In Starter Pack in Malawi, reducing the programme from universal coverage to provision targeted on the 'food insecure' not only sharply diminished the effectiveness of the intervention (see above) but also introduced targeting problems. Chinsinga et al (2002) found that community targeting produced only a slight preference for the food insecure and a spread of beneficiaries across all technically measured (by income and assets) poverty categories.
- There are also targeting problems specific to different interventions. For instance, interventions that are contingent on health or education service use exclude those (already vulnerable) communities without these services, or, for school feeding, households without children. Targeting interventions based on cash may be more difficult due to its relative attractiveness.

Targeting and timing food aid simultaneously, particularly given the lag between warning and delivery, may have very high resource requirements. Self-targeting mechanisms face particular problems when a very large proportion of the population is poor, and may be incompatible with the need to transfer resources to individuals and to the local economy on the scale needed to deliver benefits from crossing critical thresholds

Targeting questions, or rather resource prioritisation questions, also arise in the context of agricultural growth policies. Public spending on agricultural research, infrastructure investments, and service, input, other technology subsidies face severe constraints and need to be prioritised to maximise outcomes and satisfy a range of political or patronage agendas, with complex short term and long term trade-offs. Such decisions will often be biased towards the higher investment and patronage returns offered by high-potential areas and organised commercial interests, although short term political agendas may also force poorer smallholders' interests up the agenda.

#### **4.6.7. Costs**

A significant advantage of UCTs is their low administrative costs relative to other programmes. In general, transferring cash is cheaper than in-kind inputs, but as with other instruments, costs increase sharply with targeting strictness and the remoteness of the target population. UCTs are cheap relative to conditional cash transfers because they contain no complimentary behavioural intervention. However, some complimentary work may be necessary to reduce the risk of inflationary effects, and this will add to costs.

Shortfalls in implementing agency (usually government) capacity (for various reasons, see section on political economy) appear to necessitate a choice between PWP for welfare and PWP for assets. Relative to cash transfers, EBSNs

have a higher cost per unit transferred to the poor (in Malawi, 13.9 per unit for PWP relative to 1.73 per unit for cash transfers (Smith 2001)), have high direct and opportunity costs for the participants, and the value of the assets they produce is questionable. However, well-targeted LBIPs can have a significant impact on the poverty of poor participants, whilst creating productive assets and various positive multiplier effects on local economies (particularly if the wages are paid in cash (see below)), which have impacts on the poverty of non-participants. These considerations suggest a potential complementarity between poverty reduction and growth.

#### **4.6.8. The political economy of local, national and international relations.**

The funding, design and delivery of all social protection activities is highly political. Establishing support for different social protection initiatives will depend upon the objective of the initiative as well as the intended beneficiaries. With a large pool of potential claimants there is little incentive for the working classes to endorse large tax-based transfers unless they themselves are able to benefit (a good example of this is the Namibian social pension, where the middle, tax-paying classes insisted that the social pension was universally targeted). Consistent and predictable social transfers require long-term commitment of external agencies, such as donors, or/and national governments and NGOs. The political barriers to mustering this type of (often massive) support are obvious at all levels. Political support for various social protection initiatives will have direct implications for targeting, as it is those in powerful positions who are able to create and perpetuate eligibility criterion. Given the patronage and patrimonial realities of Southern Africa (IDS Bulletin on Agriculture) social protection policies are likely to be regressive rather than progressive, leading to exclusion and

marginalisation of certain groups and continued dependency. For instance, some 'welfare' measures can have the unfortunate effect of reinforcing established power hierarchies and patterns of exclusion. Furthermore, they can introduce social polarisation. For instance, some targeting mechanisms that are applied on public works or school feeding schemes can have stigmatising effects that create social tensions and exacerbate vulnerabilities.

While social protection is in vogue with many donors at the present, there are valid concerns being expressed by southern African governments and civil society (Malawi workshop on social protection) that this agenda is a passing fad. Furthermore, based on past experience of the unpredictability and changeability of a range of social protection programmes donors (and governments) are simply undermining any security and risk reduction that they intend to install. Uncertainty arising from international and national policies translates into low expectations and a brake on investment and entrepreneurial activity.

One of the big political economy questions for encouraging synergies between social protection and agriculture, therefore, is how to establish long term economic and political support for social protection, particularly at the national and local levels. "In developing countries, policy-makers face binding fiscal constraints that limit their public spending choices, so the identification of low-cost interventions that can significantly improve the livelihoods of the poor – such as mandated minimum wages, whose cost is borne by employers rather than the state, or anti-discrimination campaigns that have negligible fiscal implications – is doubly attractive. The debate on affordability of social protection often reduces to a debate around universal versus targeted provision. As Hickey (2003:17-18) notes, in Uganda the universalist model appears to have been rejected on grounds of its unsustainable costs, which means

that "targeting is likely to become the default mode of reaching the poorest groups in Uganda". The reality is more complex, however, with some recent moves towards universal provision in the social sectors – Universal Primary Education, the abolition of user fees for health services – suggesting that political commitment is as important a determinant of the 'sustainability' of social programmes as their fiscal cost. These policies also suggest a possible precedent for universalist approaches in (selected areas of) social protection.

Hickey (2003) describes several cases in recent Ugandan history of political manipulation of targeted programmes, which compromised their poverty outreach and impact, and have created a climate of distrust for targeted interventions. More generally, narrowly targeted interventions are often critiqued as reinforcing a 'projectisation' approach that is associated with instrumentalist, residualist 'social safety net' interventions and is incompatible with new thinking that advocates institutionalised, mainstreamed, 'social protection' (Devereux and Sabates-Wheeler, 2005)

A particularly large set of political economy difficulties are very prominent around food. Internationally, there are particular vested interests of some donor countries in the disbursement of food aid sources from subsidies to their own farmers, and these play a large role in food aid policies and systems (for example limiting the use of triangular sourcing). Food security and access is also a major political issue nationally, with often hard to separate 'legitimate' interests of politicians and bureaucrats justifying and leading to interventions in food markets as they need to (a) work towards food security and access for their people and (b) need to be seen to do something before and during food crises. However such interventions open the door to illegitimate interests, and even well intentioned interventions can cause harm rather than good. A critical lesson here is that agricultural and

social protection policies and interventions must be designed to work efficiently allowing for political realities as well technocratic factors. Political economy also affect the implementation of food policy, for example determining areas which receive benefits, the access to benefits by different communities, households and individuals within them, as a result of complex gender, ethnic, power, age and other relations.

## 5. Conclusions: Research issues

Our review of broad agricultural and social protection policy strategies and measures, and their relation to livelihood and agricultural development processes, suggest a number of issues requiring further research, both to extend our general understanding of the relationships between and policies for social protection and agricultural growth and to develop better policies for specific country contexts. In particular we suggest that the analysis suggested here provides a useful conceptual framework for developing better understanding of different phases and changing synergies/trade-offs between different social protection and agricultural development interventions or measures. Particular topics that need further attention and could be helpfully addressed within this framework, or within further developments of this framework, include:

1. The potential for a heterodox mix of strategies and measures that changes with phases of development and allows for the need for policy transitions (with exits from particular policies) while supporting livelihood transitions (with stepping up and stepping out and exits from agriculture, and from staple food production for many people) and maintaining trust in commitments to and delivery of social protection
2. The influences on and extent and determinants of multipliers linking different social protection measures to growth through

labour markets, food prices and other linkages

3. The importance and nature of thresholds affecting livelihoods and local food and labour markets, and their implications for targeting and for the scale and nature of different interventions
4. Ways of allowing for diversity and addressing special agricultural and social protection needs of particular groups (for example PLWHA)
5. The effects of, and alternatives to, policies which focus on agricultural growth for high potential farmers and areas, and relying on social protection to support large numbers of poor people
6. The potential for social protection to reduce rather than increase dependency
7. Links (synergies and conflicts) between social protection and agriculture policy interventions with informal social protection mechanisms
8. Roles of government, private sector, civil society, farmer organisations, donors, political economy issues & policy processes
9. Land policy options and their links with social protection and agricultural policy strategies
10. Food price and market policy options and their links with social protection and agricultural policy strategies

## End Notes

<sup>1</sup> (EVIDENCE (Dercon, Hoddinott, etc.).)

<sup>2</sup> This paper does not provide a comprehensive review of this literature; for this the authors refer the reader to the vast range of literature covering these debates (Devereux 2001; van Ginneken 2000 Holzmann and Jørgensen 2000, Kabeer N., 2002; Conway and Norton 2002).

<sup>3</sup> Other protective measures can be classified as social services. These would be for the poor and groups needing special care, including

orphanages and reception centres for abandoned children, feeding camps and provision of services for refugees and Internally Displaced Persons (IDPs).

<sup>4</sup> Social protection might sometimes involve limits on extraction to prevent economic and social breakdown in poor rural areas and also the protection of customary land rights in smallholder agriculture to act as a labour reserve – see Malawi country paper.

<sup>5</sup> This section is draws heavily from Dorward and Kydd, 2005.

<sup>6</sup> Lipton's analysis applies particularly to poor rural areas with scarce land relative to labour, Similar concerns to those raised here require different processes to allow broad based growth and food security in areas with more abundant land.

<sup>7</sup> See Tony Barnett and Piers Blaikie (1992) *AIDS in Africa: Its Present and Future Impact*, London: John Wiley.

<sup>8</sup> This issue is briefly discussed in the country paper on Malawi.

<sup>9</sup> Dorward (2005) using a livelihood and informal rural economy models is surprised to find that cash transfers are less effective in reducing poverty than input transfers of equivalent value, as the model mimic the forced saving logic of this argument

<sup>10</sup> As Farrington (2005 *Recognising and tackling...*) notes, "this is now seen as an unrealistic prospect: livelihood futures are seen to lie much more in agricultural diversification or off-farm employment..." Starter Packs may still, however, effective in maintaining rural livelihoods above destitution level as the transition takes place.

<sup>11</sup> Other objectives in original proposals, were not prominent in the programme as implemented: these included, for example, building up input supplier networks, promotion of technical skills, and a contribution to crop diversification and soil fertility enhancement.

<sup>12</sup> Harvey et al (2005) tabulate potential advantages and disadvantages of cash

transfers. Advantages include: cost-efficiency, choice, multiplier effects, lack of disincentive effects, and fewer costs to recipients.

Disadvantages are: inflationary risks, anti-social use, security risks, difficulty in targeting since the rich want cash too, proneness to diversion, disadvantages women, less available from donors, poorer consumption outcomes. They conclude that whilst not a panacea for poverty reduction, cash transfers have been underestimated in relief and development.

<sup>13</sup> It is not our intention to review the huge number of studies and research on targeting in this paper. Instead we highlight some of the pertinent problems of targeting for social protection in agriculture.

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This **Research Paper** was written by **Andrew Dorward, Rachel Sabates Wheeler, Ian MacAuslan, Chris Penrose Buckley, Jonathan Kydd, and Ephraim Chirwa** of the **Future Agricultures Consortium**. The series editor is David Hughes. Further information about this series of Working Papers at: [www.future-agricultures.org](http://www.future-agricultures.org)

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FAC appreciates the support of the  
UK Department for International Development (DfID)

