Future Agricultures

Policy Brief

Agriculture and Social Protection in Africa

The following propositions are generally accepted:

1. Progress in reducing hunger and food insecurity in Africa is unacceptably slow.
2. Hunger and food insecurity are major impediments to poverty reduction in Africa.
3. Poverty, hunger and food insecurity in Africa are still predominantly rural.
4. Agriculture is a key sector in rural household strategies to exit poverty and food insecurity.
5. There is an urgent need for a renewed commitment to agricultural extension and research.

This logic leads to a 'twin-track' approach to reducing hunger in Africa (FAO 2003):

1. promoting agricultural production and rural development, with a focus on smallholders;
2. facilitating direct access to food, partly through social protection interventions.

A combination of interventions is needed to achieve both these objectives. This Briefing Paper assesses the synergies and conflicts that can arise between social protection and agricultural policies in terms of ten issues, starting with policy contexts and concluding with policy processes.

Contexts

Exploring the linkages between social protection and small farmer development in Africa requires understanding two issues – the under-performance of African agriculture, and the strengths and limitations of the current social protection agenda. At least four factors explain the persistent under-performance of agriculture in Africa:

- the failure of 'Washington consensus' prescriptions (specifically the withdrawal of the state and excessive reliance on market-based solutions to food insecurity), which has either been interpreted as a misdiagnosis of the problem or attributed to imperfect (partial, slow, reluctant and inconsistent) implementation of agricultural liberalisation reforms by African governments;
- ongoing severe deficits in essential elements of the enabling environment for agricultural production and trade (roads infrastructure, transport systems, information, technology, etc.);
- lack of protection for small farmers against unfair international competition (eg agricultural subsidies and protectionism by Western countries), rising pressures of globalisation, etc.; and
- harsh agro-ecologies and unpredictable weather (low soil fertility, recurrent droughts or flood) – a permanent fact of life in Africa, but exacerbated by a recent trend towards more erratic weather associated with climate change.

Two generations of social protection responses to agricultural failure can be identified. The 'old social protection agenda' was characterised by state interventionism to correct for production deficits and market failures. These interventions included:

- national strategic grain reserve management;

- pan-territorial and pan-seasonal food price policies;
- fertiliser, seed and credit subsidies for farmers;
- parastatal marketing agencies, which pursued an explicit food security mandate, through subsidised sales of inputs and food, and guaranteed purchase of outputs from farmers.
- The abolition of these interventions under structural adjustment conditionalities in the 1980s and 1990s paved the way for the 'new social protection agenda', which does not intervene in markets but instead compensates poor and vulnerable people for production and market failures, initially with food aid and public works but more recently with targeted cash transfers. An unresolved question is to what extent this fashionable social protection instrument addresses the complex range of vulnerabilities faced by small farmers.

Instrument complementarities and trade-offs

The challenge facing social protection for farmers is to maximise synergies and minimise conflicts between 'livelihood protection' and 'livelihood promotion' objectives, which can be achieved in several ways.

1. Alleviating liquidity constraints: Social transfers are used not only for consumption needs by smallholder families, but also for investment in agriculture and enterprises. This means that social transfers can alleviate agricultural credit constraints, allowing purchases of farm inputs and assets (e.g. livestock).
2. Multiplier effects through local sourcing: School feeding schemes, for instance, have several potential benefits: (1) they transfer food to poor children (social assistance); (2) they insure against consumption shocks (social insurance); (3) they invest in human capital formation (livelihood promotion). But there are potential conflicts with agriculture: (1) educated farm children may leave agriculture; (2) imported food can undermine local food production and trade. Well designed school feeding can achieve positive synergies: (1) educated farmers are more productive; (2) local purchase of food provides incentives for farmers, markets for traders and jobs for local caterers.
3. multiplier effects through cash transfers: Cash transfers purchase goods and services, creating jobs and income. One cash transfer project in Malawi generated a regional multiplier of 2.1, with village traders and small farmers gaining most from increased demand. If markets are weak, though, cash transfers can have negative (inflationary) impacts, at least until cash injections contribute to strengthening markets and stabilising prices.

Timing and seasonality

1. Agricultural production seasonality causes seasonal hunger and under-investment or even decapitalisation on small farms. One solution is 'productive safety nets' (e.g. inputs-for-work).
2. Commodity price seasonality raises costs of accessing food and reduces returns to 'distress sales'. Solutions include food price stabilisation, or index-linking cash transfers to food prices.
3. Labour market seasonality causes seasonal unemployment, or conflict between on-farm and off-farm labour demand. The solution is not conventional (often badly timed) public works projects, but demand-driven 'employment guarantee schemes', as in India.

Thresholds and scale effects

1. Asset thresholds: Inadequate assets create 'poverty traps' (e.g. two oxen are needed for ploughing, so owning one ox is below the threshold). Asset thresholds can be addressed with productive asset transfers, such as livestock re-stocking programmes.
2. Price thresholds: Certain activities become worthwhile only above a particular price. Price thresholds can interact negatively with asset thresholds: in Ethiopia's PSNP, livelihood packages that increase production (e.g. of honey) could flood markets and collapse prices.
3. Market thresholds: Market failures are caused by low levels of market activity; high transport and transaction costs; weak contractual enforcement institutions, and supply chain failures. Solutions include supporting market actors (e.g. market information systems), institutional strengthening, and ensuring policy consistency between the state and the private sector.
4. Scale effects: Large numbers of people acting in similar ways can affect their operating

environments, either positively or negatively – excessive harvesting of natural resources may degrade the physical environment; too many farmers selling produce may cause prices to fall in local markets. More generally, vicious cycles of low population density and low economic activity require special attention until economies of scale are achieved.

Policy complementarities and sequencing

Where markets are weak and vulnerability is high (as in much of Africa), a sequenced approach to small farmer development is needed.

1. Immediate: In the absence of effective markets, social safety nets must be in place (and food transfers might be justified)
2. Medium-term: Develop markets and rural infrastructure, but maintain market-sensitive social protection measures.
3. Long–term: After markets and traders are well established and rural infrastructure is in place, market-based policies can promote food security and rural economic growth.
4. One reason why 'Washington consensus' reforms often failed in Africa was inappropriate sequencing – liberalisation removed state support to agriculture before markets were adequately developed and essential infrastructure was in place.

Predictability and risk-taking

Uninsured exposure to risk traps small farmers in low-risk, low-productivity farming, while low incomes and assets encourage risk-averse behaviour by poor farmers – so poverty perpetuates poverty. Agricultural investment and moderate risk-taking can be encouraged by providing an effective safety net or social insurance against future shocks. Possible interventions include: (1) predictable social transfers; (2) employment guarantee schemes; (3) weather-indexed agricultural insurance schemes.

Targeting

A perennial policy dilemma is who to target for public support – the poorest farmers (to protect subsistence consumption) or less poor farmers (to promote agricultural growth)? One solution is to target different groups with different instruments – predictable social transfers to the labour-constrained poor, seasonal food-/cash-for-work for the 'economically active' poor, weather-indexed crop insurance for farmers threatened by harvest failure. Universal programmes such as general input subsidies are politically popular but have high leakages to non-poor beneficiaries.

Two categories of beneficiaries must be differentiated: those who have 'graduation' potential (e.g. small farmers), and those who do not (the economically inactive). An exit strategy is appropriate for policies targeted at the former group, but is inappropriate for the latter group, who need permanent support.

Political economy considerations

Whether to invest in social protection 'or' agriculture, and which instrument to select, involves economic and opportunity costs, but these are also political choices by governments and donors. Many political obstacles remain to expanded social protection in Africa, including: (1) elite fears of 'dependency'; (2) perceived 'unaffordability' of social transfers; (3) negative elite perceptions of the 'undeserving poor'; (4) donor ideologies (e.g. anti-subsidies and parastatals). Solutions to these constraints include: (1) 'co-responsibility' (i.e. imposing conditionalities on social transfers); (2) aiming for 'graduation' (transfers must generate income growth for some farmers); (3) changing attitudes (e.g. campaigning for social protection as a right of citizenship). 'Patronage politics' can also influence which instrument is selected and how benefits are distributed.

Conflicts with informal social protection

The 'crowding out' hypothesis asserts that public transfers might displace private transfers, with little net benefit, while undermining robust 'informal' social protection systems. Three rebuttals can be suggested. (1) Most informal social transfers are 'poor-to-poor', and are collapsing under increasing poverty and vulnerability, raising the need for formal social protection. (2) Empirical evidence from cash transfer programmes finds no 'crowding out' of private transfers. (3) Social transfers may strengthen informal social protection – cash recipients in Ethiopia and Zambia revived savings clubs which provide self- and mutual insurance against livelihood shocks.

Policy processes

The policy process at different times in each country reflects not only current priorities and debates but also the historical trajectory of policy choices. In Malawi, the dominance of 'fertiliser politics' in recent policy debates reflects a historical preoccupation with inputs delivery for Malawian farmers. The 'productive safety net' agenda for Ethiopian farmers is informed by Ethiopia's long history as a recipient of emergency relief assistance. In Ghana, social protection thinking is grounded in a recognition that the northern regions have been marginalised from recent successes in terms of national economic growth.

Debates around agricultural and social protection policies have been dominated by governments and donors, especially in poor countries with limited capacity, where donors often stand accused of dictating policy with limited consultation or consideration of domestic political agendas. This raises questions about who 'owns' these policies and programmes, how to increase farmers' involvement in decisions that directly affect their livelihoods, and appropriate roles for different stakeholders in designing, financing and delivering interventions. Governments and donor agencies also need to reflect on the sustainability of their commitments to farmers, and their exit strategies if they cannot pledge long-term financial and technical support to interventions that they advocate and/or initiate.

CONCLUSION

Thinking about social protection for farmers reveals that a series of trade-offs must be negotiated to maximise synergies and minimise conflicts between agricultural and social protection policies. Critical trade-offs include:

1. Low food prices (good for social protection) versus higher food prices (good for agricultural production).
2. Subsidising access to food (social transfers), versus investing in food production (input subsidies).
3. Promoting agricultural livelihoods versus facilitating diversification out of agriculture.
4. Permanent programmes versus temporary programmes with exit strategies.

Each of these polarised choices reflects distinct but equally important objectives. Wherever possible, differentiated solutions should be pursued that meet the needs of different groups of people. Ultimately, whatever configuration of agricultural and social protection policies and instruments is actually implemented should reflect a coherent and consistent national vision for the smallholder sector.

Sources: FAO (2003) 'Strengthening Coherence in FAO's Initiatives to Fight Hunger', FAO Conference: 32nd Session. Rome, 29 November – 10 December. http://www.fao.org/docrep/meeting/007/J0710e.htm; accessed 15 January 2009

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