Future Agricultures

Policy Brief

Agriculture and Social Protection in Ethiopia: The Politics of Land and 'Graduation'

Agriculture and social protection are inextricably interconnected in Ethiopia. Smallholder farming is the dominant livelihood activity for most Ethiopians, but is also a major source of poverty and food insecurity. In terms of agricultural policy, the government's belief in agriculture as the backbone and main source of economic growth is reflected in its view that land is the ultimate 'safety net' for rural households, who should therefore be prevented from selling it. In terms of social protection, the fact that farmers are the main recipients of food aid has fuelled the government's fear of 'dependency' in rural communities, which explains the predominance of public works projects as their preferred delivery mechanism, as well as recent shifts in safety net thinking towards cash transfers rather than food aid, with predictable transfers expected to lead to 'graduation' within 3 5 years.

The discourse on agriculture and social protection in Ethiopia can be expressed as a stark policy dilemma: in a high-risk environment, should government adopt conservative strategies such as food self-sufficiency that aim to reduce chronic food insecurity but will keep most poor people poor, or push aggressively for export-led growth to 'grow out of poverty'? Recent policy statements, notably the 'Plan for Accelerated and Sustained Development to End Poverty' (PASDEP), signal the government's impatience with the failure of the former approach, and shift agricultural policy sharply towards commercialisation and export promotion. At the same time, the 'Productive Safety Net Programme' (PSNP) represents an impatience with decades of food aid that have failed even to assure basic food security. In a two-pronged attack on rural poverty, therefore, the PSNP injects cash into a fragile agrarian economy, while PASDEP promotes market chains and commercial crops that will generate further cash income (Government of Ethiopia, 2007). This is a major move away from a 'survivalist' preoccupation with growing food for subsistence and delivering food aid when production is inadequate.

This Briefing Paper argues that agricultural and social protection policies in Ethiopia have become increasingly synergistic, by exploring the complex relationship between smallholders and land, and by analysing the intentions and impacts of the 'Productive Safety Net Programme'

(PSNP) and the weather-indexed drought insurance pilot scheme.

AGRICULTURE AND SOCIAL PROTECTION: COMPLEMENTARITY OR CONVERGENCE?

In the past, agricultural policies and social protection interventions in Ethiopia were linked only by the fact that humanitarian relief was triggered mainly as a response to harvest failure. Faced with 'low input, low output' agriculture, policy-makers might assume that farmers face input constraints, and that the solution lies in the intensification of smallholder production to maximise yields. However, past initiatives in Ethiopia that provided input loan packages as a 'productivity-enhancing safety net' failed when drought left farmers unable to repay. Neither investments in agriculture nor investments in social protection appear capable of dealing with the risk posed by the instability of Ethiopia's natural environment, especially fluctuations in rainfall.

'Land politics' and social protection in Ethiopia

Successive regimes have located the source of Ethiopia's economic stagnation and vulnerability in the agriculture sector, yet they have also looked to smallholders as the source of economic growth, household and national food security and poverty reduction. The key to understanding this paradox is the politics of land.

The overthrow of Emperor Haile Selassie after the 1974 famine signalled the end of a semi-feudal system in Ethiopian agriculture. The Marxist Derg regime believed that unequal landholdings and labour relations based on sharecropping were unjust and explained Ethiopia's persistent vulnerability to famine. The Derg implemented a radical agrarian transformation, confiscating and redistributing all land equally per capita within rural communities. The intention was both egalitarian and economic – to give all rural households the means to achieve sustainable increases in agricultural productivity and rural incomes. Land was also conceptualised as a kind of safety net: as long as rural families enjoyed guaranteed access to land, they retained the potential to generate a subsistence livelihood, so the land redistribution can be seen as a crude form of social protection. Since the Derg was overthrown in 1991, the EPRDF government has consistently resisted the emergence of a rural land market. The government fears that allowing smallholders to sell their farmland converts this essential livelihood input into a liquid asset that would inevitably be monetised through 'distress sales' for food during crises such as drought, forcing millions of smallholders off the land, concentrating farmland in the hands of a minority of rich landowners, and displacing rural poverty into urban slums.

Despite the land reform, agriculture-based livelihoods in Ethiopia remain extremely precarious, raising questions about whether the non-transferability of land rights constitutes a 'safety net' or a 'poverty trap'. Land redistribution has also contributed to the decline of informal social protection in rural Ethiopia, especially where the 'equalisation of poverty' has severed patron-client relationships that tied poorer and wealthier families together, in ways that were certainly exploitative but ensured that vulnerable 'clients' had 'patrons' to turn to for assistance in times of crisis.

The 'Productive Safety Net Programme' (PSNP)

The PSNP delivers cash or food transfers to some eight million Ethiopians for six months each year, either through 'public works' or as 'direct support' for households that are labour-constrained, with three objectives:

1. smoothing food consumption in food insecure households;
2. protecting household assets by minimising adoption of damaging 'coping strategies';
3. building community assets through 'developmental' public works activities.

The government intends to 'graduate' PSNP participants out of the programme within 5 years of its launch in 2005, through linkages with 'Household Extension Packages' that facilitate diversification into various agricultural and non-agricultural activities, to generate complementary streams of income for farming families. This is in recognition that small transfers of cash or food are more likely to be consumed than invested, while the assets constructed by public works activities will contribute to an improved enabling environment (e.g. feeder roads will stimulate trade) rather than directly generating additional income. It follows that the PSNP itself should be evaluated mainly in terms of whether it smoothes household food consumption and protects household assets. Available evidence for both these effects is significant and positive. A survey of 960 PSNP households found that almost all food transfers were consumed while most cash was used to purchase food. The survey also found that non-participants were more likely than PSNP households to deplete their assets (especially livestock) to buy food, suggesting that many PSNP participants (though not all) are effectively protected against 'distress sales' of assets (Devereux et al. 2006).

The PSNP also promotes agricultural livelihoods, both through public works activities that raise or stabilise crop yields and farmers' incomes (e.g. small-scale irrigation, micro-dams, soil and water conservation), and through investment of cash transfers by recipients in their farms. Both impacts are limited, however – the first due to poor technical quality and inadequate maintenance of public works assets, the second because of the low value and erratic disbursement of cash transfers in the initial phase of the PSNP. A more worrying development is the falling purchasing power of PSNP cash transfers as food prices have escalated in Ethiopia, which is partly responsible for a backlash by participants against cash and their strongly articulated preference for a return to food transfers.

Weather-indexed drought insurance

Ethiopian farmers face risks of recurrent drought, against which most are unable to insure. Insurance delivers both social protection for farmers (a guaranteed safety net against harvest failure) and agricultural growth (confidence to take moderate investment risks). But insurance markets are missing in much of rural Africa, due to low smallholder incomes, information asymmetries, moral hazard and covariate agricultural risks. Weather-indexed insurance avoids the problems of moral hazard and asymmetric information, by using an index to trigger payouts based on the relationship between rainfall, harvest outcomes (aggregate rather than individual) and humanitarian needs.

In 2006 the World Food Programme launched the Ethiopia Drought Insurance pilot project. An index was derived from 10 years of rainfall data from weather stations across Ethiopia, calibrated against the scale and cost of corresponding relief activities, based on an observed 80% correlation between rainfall levels and the number of food aid beneficiaries each year. If total rainfall for the agricultural season falls below a predetermined threshold, a payout will be triggered to finance relief activities. This ensures timely relief, since social transfers can be disbursed immediately after the harvest, thereby smoothing household food consumption and protecting assets (Hess et al. 2006). In fact, no payouts were made in the pilot year, as crop production in Ethiopia in 2006 was one of the best on record. The sustainability of this project depends on whether the donors and government are willing to pay the premiums every year.

Conclusion

Achieving food security requires both livelihood promotion (increased agricultural production and incomes) and livelihood protection (risk management to stabilise production, or social transfers to smooth consumption). Food security policies in Ethiopia in the past have involved (1) agricultural programmes that reduce risk (e.g. crop diversification) and (2) safety net interventions that delivered social transfers through public works while also stimulating agriculture, either directly or indirectly. More radically, two governments (the Derg in the 1980s and the EPRDF in the 2000s) have initiated resettlement programmes that relocated millions of small farmers from the high-risk highlands to lowerrisk lowlands, with the dual objectives of increasing agricultural production and reducing agricultural vulnerability. These interventions represent efforts at 'linking relief and development', a theme that is also driving the new social protection agenda, with its emphasis on generating economic growth and poverty reduction through cash-based social transfers rather than food aid.

Inflexible land tenure policies, plus the fact that land redistribution was last implemented 15 years ago, have constructed a 'poverty trap' rather than a 'safety net' for smallholders in Ethiopia's high-risk highlands. There are many options for loosening land rights allocations that stop short of full alienation and commercialisation (e.g. land registration, or consolidation of fragmented plots), which have the potential to generate positive synergies between livelihood protection and promotion.

Finally, the Productive Safety Net Programme is the intervention that is receiving most attention and resources right now. Survey evidence discussed above confirms that PSNP cash transfer recipients are using this income to reduce household food consumption deficits, as well as investing in farming and small enterprises. But these investment effects are limited by the depth of poverty and food insecurity within recipient households, as well as by the low value and erratic disbursement of PSNP transfers. There is also little evidence to date that the assets created under PSNP public works are sustainable. Maximising the synergistic potential of the PSNP requires ensuring that transfers are predictable (as intended) and adjusted to reflect rising food prices, and that linkages to other sectors (agriculture, off-farm livelihood activities, education and health) are strengthened. There is great potential in the PSNP, as with PASDEP, weather-indexed insurance and other ongoing initiatives in Ethiopia, to achieve synergies between agriculture and social protection – generating food security, pro-poor growth and poverty reduction. Much depends on how effectively these innovative ideas are implemented in vulnerable farming communities.

Sources: Devereux, S., Sabates-Wheeler, R., Mulugeta Tefera and Hailemichael Taye (2006) 'Ethiopia's Productive Safety Net Programme: Trends in PSNP Transfers within Targeted Households', Report for DFID Ethiopia, Brighton: Institute of Development Studies

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Acknowledgement : This Briefing Paper was written by Stephen Devereux as a summary of 'Social Protection and Agriculture in Ethiopia', country case study paper prepared for a review commissioned by the FAO on 'Social Protection and Support to Small Farmer Development', by Stephen Devereux and Bruce Guenther (January 2008). The Ethiopia case study is published by the Future

Acknowledgements

This Policy Brief was written by **Stephen Devereux** of the **Future Agricultures Consortium**. The series editor is David Hughes. Further information about this series of Policy Briefs at: **www. future-agricultures.org**

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