Future Agricultures

Briefing

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Promoting Agriculture for Social Protection or Social Protection for Agriculture?

(i): Concepts and Framework

Agriculture's major role in pro-poor economic growth in countries with large, poor rural sectors is increasingly recognised. There is also a major focus on social protection interventions to address risks and insecurity affecting poor people. However current policy debate and formulation makes limited attempts to integrate agricultural and social protection policies.

A recent Future Agricultures paper Promoting Agriculture for Social Protection or Social Protection for Agriculture? describes broad patterns of change in agricultural development and social protection policies and in relations between them in developing countries. It outlines paradigm shifts in policies affecting both fields and highlights issues arising from interactions between them. An integrated framework is proposed for analysing agricultural and social protection policy needs at different development stages.

Risk management and coping by poor rural people

Poor rural people's livelihoods are complex, diverse and risk prone with inherent seasonal instability. Vulnerability not only damages people's welfare, it also reduces growth directly by destroying assets and indirectly as threats of shocks and stresses divert assets from more productive activities to those that reduce vulnerability. Such responses are characterised in terms of their reduction of, resistance to, recovery from and relief from stress. Box 1 sets out a simple framework to identify dynamic livelihoods strategies within which these responses are located.

Box 1:

three broad types of livelihood strategy.

a) *'Hanging-in'*, where activities are undertaken to maintain livelihood levels at a 'survival' level;

b) *'Stepping-up'*, where investments are made in existing activities to increase their returns;

c) *'Stepping-out'*, where existing activities are engaged in to accumulate assets as a basis for investment in alternative, higher-return livelihood activities.

Social Protection

Social protection policies emerged initially to protect groups of people harmed by structural adjustment policies in the 1980s and 1990s. However social protection now extends beyond simple welfare concerns, with increasing emphasis on risk management to reduce insecurity and its harmful effects on investment and pro-poor growth. Social protection measures encompass all public and private initiatives to support communities, households and individuals in their efforts to manage stress, and may be endogenous (actions by affected people themselves), or exogenous (actions by others such as governments or NGOs). Exogenous social protection measures, or social protection instruments, may be characterised by their primary function in impacting on people's livelihoods:

- welfare instruments provide relief and sometimes recovery from deprivation
- risk-insurance instruments seek to avert deprivation by establishing robust and accessible recovery mechanisms
- resilience-building instruments aim to enhance real incomes and capabilities, through livelihood-enhancing programmes that build assets and promote resistance to stresses.

Impacts of the different types of instruments are not, however, restricted to these primary functions.

Figure 1 Effects of livelihood responses and social protection instruments on livelihoods

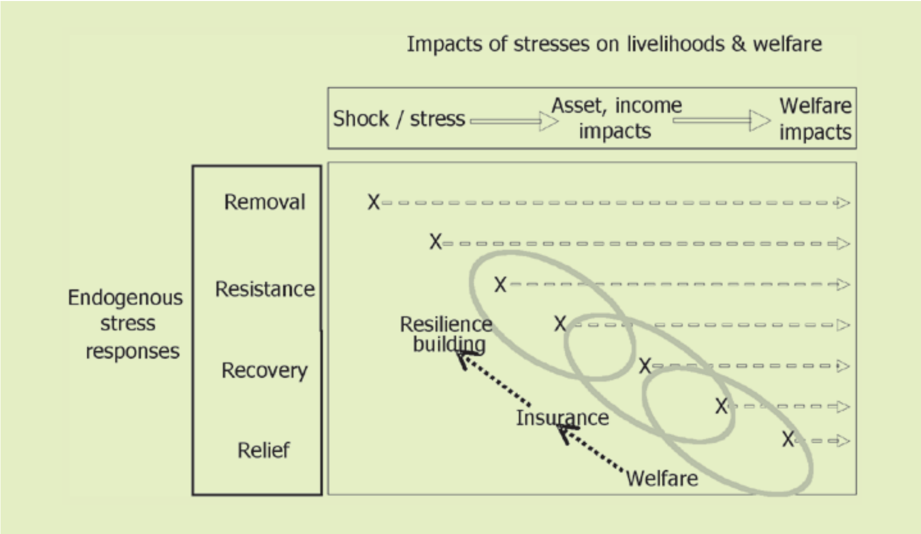

Figure 1 illustrates how different livelihood stress responses operate on a simple chain of events by which stresses affect people's assets and/or income and thus their welfare (the horizontal arrows). Social protection instruments act in similar ways, but with positive feedbacks between these instruments (indicated by diagonal arrows).

Agricultural Growth

Agricultural policy in developing countries over the last 50 years broadly falls in two phases. First, state-led development involved massive government investments in various types of agricultural intervention. Though very successful in some (mainly Asian) countries, in other (mainly African) countries they became major fiscal burdens with little success in stimulating growth and poverty reduction. These failures, with changing development theory and economic ideology, led to the second phase - market liberalisation. This has also had mixed results, but importantly has failed to get staple food production moving in poorer rural economies.

The mixed results of these policies may be explained by changing market conditions and policy requirements in agricultural transformation processes. In the early stages, government (or other) interventions need to 'kick-start markets', but these fail if poorly managed or implemented without successful prior investments in infrastructure and technology development. Liberalisation policies are more successful in stimulating agricultural growth if implemented after supply chains have become established, but fail to benefit staple crops if implemented prematurely.

Links between social protection, growth and agricultural development

Links between social protection and agricultural growth go beyond the positive feedbacks when reduced vulnerability promotes growth and growth reduces vulnerability. Social transfers have greater growth effects if they take people or economies across critical poverty trap thresholds. Social protection impacts also depend on other interventions: for example insurance mechanisms may only induce investment in high return activities if input, financial, or output marketing services needed for these activities are present. Since some agricultural policies that directly reduce vulnerability, the boundaries between these two policy spheres are not clear cut.

Useful roles for social protection in supporting agricultural development, and vice versa, revolve around their contributions to poor people's 'hanging in', 'stepping up' and 'stepping out' strategies. Early social protection welfare instruments focused on supporting 'hanging-in' strategies. These are still important but insurance and resilience based instruments now aim to help people escape from poverty traps so that they can 'step-up' or 'step-out', taking risks to engage in more productive activities. Agricultural policies should provide services supporting the same process: movement from semi-subsistence production to intensified agricultural production and/or increased non-farm employment and for many, eventually, a beneficial exit from agriculture.

Figure 2 relates the earlier analysis of changing agricultural policies to social protection roles and instruments in agricultural development. Changing policy aims and instruments are needed in both spheres to facilitate structural transitions in livelihoods and in market and non-market activities. Complementarities between agricultural growth and social protection policies in poor rural areas argue against the separation of narrowly focused 'high potential' growth policies from social protection policies supporting large numbers of marginalised and chronically poor people: agricultural investments supporting growth and social protection in low natural resource potential areas may be justified despite their costliness and the dangers of structural 'lock in' to inefficient and unsustainable agriculture as they may be politically, economically and socially preferable to policies promoting faster but narrower growth which excludes the people living in these areas.

by Andrew Dorward,
Rachel Sabates Wheeler, Ian MacAuslan,
Chris Penrose Buckley, Jonathan Kydd, and
Ephraim Chirwa

Correspondence to:
A.Dorward@imperial.ac.uk

Figure 2 Agricultural and Social Protection Policies for Agricultural Transformation