

# **Linking Agricultural Growth and Social Protection**

**Inception Report  
August – October 2006**

## Preface

This document reports on the inception phase of the ODI 'Linking Agricultural Growth and Social Protection Programme' funded by the Renewable Natural Resources and Agriculture Team of DFID. It is authored by John Farrington, Rebecca Holmes and Rachel Slater.

The authors would like to thank the many people in Malawi, Zambia, Cambodia, India and Ethiopia who were part of the consultation processes in September and October 2006. Special thanks go to key partners in DFID offices in each country, and to Tim Waites in the DFID Renewable Natural Resources and Agriculture Teams, for their facilitation of and effective contributions to the consultation process. The opinions expressed in this report are, however, the responsibility of the authors alone.

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## Acronyms

CBO	Community Based Organisation
CF	Conceptual Framework
CGE	Computable General Equilibrium model
DANIDA	Danish International Development Agency
DFID	Department for International Development (UK)
DFIDC	Department for International Development Cambodia
DFIDI	Department for International Development India
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GoM	Government of Malawi
GTZ	German Technical Cooperation
HEA	Household Economy Approach
IDL	In Development Ltd.
IDS	Institute of Development Studies
IFPRI	International Food Policy Research Institute
IHM	Individual Household Method
ILO	International Labour Organization
MCDSS	Ministry of Community Development and Social Services
MLRLP	Madhya Pradesh Rural Livelihoods Programme
MSU FSRP	Michigan State University Food Security Research Project
MVAC	Malawi Vulnerability Assessment Committee
NR	Natural Resources
NREGA	National Rural Employment Guarantee Act
NRM	Natural Resource Management
NSPSC	National Social Protection Steering Committee
ODI	Overseas Development Institute
PP office of the WB	Phnom Penh World Bank Office
PSNP	Productive Safety Net Programme
REDFS	Rural Economic Development and Food Security
RHVP	Rural Hunger and Vulnerability Programme
RLP	Rural Livelihoods Programme
SAMs	Social Accounting Matrices
SP	Social Protection
SWAp	Sector Wide Approach
WB	World Bank

# 1. Introduction

Linking Agricultural Growth and Social Protection is a three-year accountable grant programme funded by the Renewable Natural Resources and Agriculture Team of DFID. The project aims to assess how and how far complementarities can be achieved between policies designed to promote agriculture and those providing social protection, so that desired combinations of growth and poverty reduction can be achieved more efficiently.

## 1.1 Background

There is a renewed recognition that agricultural growth plays a key role in poverty reduction but that risk aversion to shocks and stresses may prevent the poor from taking advantage of new agricultural opportunities. This programme is interested in how poor people can best be supported to take advantage of emerging opportunities, and, on the other hand, be protected when their livelihoods are threatened by change. At the same time, however, those at the bottom end of the income distribution profile (the sick, elderly, female household heads with many dependents) are unable to engage fully with the productive sectors, and yet the ways of transferring resources to them, and the ways they use these, can have profound effects on productive sectors such as agriculture.

In summary, what makes this work important and timely are the following key issues:

- 1) the fact that there are unexploited complementarities between production- and social protection-related interventions
- 2) that many of these involve financial provision of various kinds (occasionally in-kind provision) which are amenable to government and donor support
- 3) that much new work has been done “to protect poor households against risk” but in very narrow fields, particularly price hedging and crop insurance, and with little relevance to poorer households
- 4) that poor households are best conceptualised as being vulnerable not merely to risk, but to shocks and stresses more broadly
- 5) that the fungibility of money means that these shocks and stresses have to be tackled jointly across domestic and productive spheres, and not separately
- 6) that decision criteria are needed to guide the allocation of public expenditure as among support to traditional measures (e.g. savings and credit), new production-focused measures (crop insurance and hedging), and new socially protecting measures (personal and other asset insurance, cash transfers, in-kind transfers etc) in order to achieve combinations of productivity enhancement and social protection more relevant to the poor.

## **1.2 Programme aims**

The project aims to:

- 1) Strengthen and disseminate the evidence base on how agriculture can be made more socially protecting, and how social protection can be made more growth promoting via supply and demand side impacts
- 2) Develop, test and disseminate predictive tools to allow identification of combinations and sequences of agricultural growth promoting and socially protecting measures to achieve more nearly optimal patterns of public expenditure under differing conditions
- 3) Influence governments, donors and civil society by enhancing their understanding of the prospects and limitations of linking agricultural growth and social protection policy processes
- 4) Further influence them by enhancing their commitment to achieving greater complementarity between agricultural growth and social protection policy processes and implementation
- 5) Enhance the capacity of in-country partners for answering policy questions on these issues, including quantitative techniques such as computable general equilibrium modelling.

The indicative timetable of activities and programme logical framework are in Annexe 1.1 and 1.2 respectively.

## **1.3 Three-month inception phase**

The three month inception phase, from August to October 2006, consisted of key consultations within DFID country offices in Malawi, Zambia, Ethiopia, Cambodia and India to confirm their interest in the work programme and agree activities, policy dialogue priorities and budgets for country work. The consultations also enabled a more detailed development of an “influencing strategy” in respect of donors, governments and NGOs and the identification of appropriate partners in those countries.

## **1.4 Aim of Inception Report**

The aim of this inception report is to explain the findings and conclusions of conceptual and methodological work that has been carried out during the inception phase and identify the conceptual and methodological frameworks that will guide work carried out during the remainder of the programme.

It describes the outcomes of country consultations with DFID country offices and their partners in Cambodia, Ethiopia, India, Malawi and Zambia and identifies work-plans and priorities identified with DFID country offices in each country, including the policy processes into which the project will feed and the

nature of contributions by country office staff and local policy research institutions.

The key challenge is to provide a coherent package of activities that both meets the needs of partner country offices, each of which is facing particular challenges and therefore has specific priorities, whilst at the same ensuring that the programme as a whole is coherent and able to contribute to broader debates and dialogues on the linkages between agricultural growth and social protection.

Finally, the report suggests a timetable and activities for the programme to be shared and discussed with key programme partners.

## **2. Towards a Conceptual Framework for Linking Agricultural Growth and Social Protection**

This section begins with an explanation of the need for a solid conceptual framework to guide the linking agricultural growth and social protection programme. It then summarises the main aspects and features of the framework adopted here. The annexes to this section of the report (annexes 2.1, 2.2) review a range of different conceptual approaches to social protection and suggest what aspects of each will be of use to this programme.

### ***2.1 Purposes of the Conceptual Framework***

These are:

#### ***i. to provide an up-to-date overview of the conceptual landscape relevant to the project***

The major literature on social protection (SP) in relation to the productive sectors, particularly in relation to agriculture, has been reviewed. A summary of the findings is presented below, with the full text at annexe 2.1 Our preference is to adopt a wider definition of SP than that adopted by DFID, but one danger of taking wider definitions is that they tend to encroach on the whole of social policy. We have dealt with this potential problem in two ways: one by imposing restrictions on the aspects of these broader categories with which we are concerned – for instance, individual insurances against sickness, injury and death, but not the broader provision of health services; the other by imposing time limits – e.g. the provision of short courses to build capacity in various ways, but not the broader provision of education, whether for children or adults.

#### ***ii. to allow the study to position itself in relation to this landscape***

This necessarily implies accepting some of the concepts surveyed, attaching particular priority to each, and rejecting others. Thus, for instance, whilst we acknowledge the generic importance of the gender impacts of SP, and will comment on them as the evidence unfolds, the study is not primarily one of gender impacts and so this concept is not one of primary priority to the study. Similarly, whilst we see value in Moser's concept of "second generation" assets policies, our primary concern with reference to assets approaches will be to identify how the assets of and for the poor can be strengthened in the first place, which is more of a "first generation" issue. In terms of the concepts offered by Dorward et al (2006), we see considerable value in the majority of these, but feel that inadequate attention is paid to labourers and those unable to engage fully with the productive economy (and, hence of the potential demand-side impacts on local agricultural markets that transferring cash to these might have). We also feel that that the "four basic responses to stress" that they postulate, namely removal, resistance, recovery and relief, are not

superior to the established categories of prevention, mitigation and resilience, and so we adhere to these.

“Positioning the study in relation to the conceptual landscape” also implies “grounding” the research questions in a core sub-set of concepts which will anchor the study. The overview of expenditure patterns (RQ #1) for instance is guided by how we define SP here; the range of possible effects of SP on agriculture and of agriculture on SP (RQ #2) is guided by concepts of SP *by* agriculture, *for* agriculture and *independent* of agriculture; questions of complementarity (or lack of it) between SP and agriculture (RQ #3) are guided by the range of possibilities outlined in Table 2 of the conceptual framework presented in annexe 2.1, and reproduced below for convenience; the cells in Table 2.1 also allow a basic classification of the potential benefits of SP measures, and observed priorities and sequences (RQ #4).<sup>1</sup>

We would not, however, wish to apply a core sub-set of concepts rigidly across all countries. This is for two reasons: first, the set of 6 research questions set out in the proposal will be prioritised differently among countries according to country circumstances; second, interaction with others, including DFID country offices, will generate further questions which, again, will vary among countries. New research questions will be raised as the study progresses. Not all of these will sit within the conceptual frame defined here, and in this sense the frame will be used to filter out those questions which cannot be handled within the scope of the study.

Notwithstanding this need for flexibility, initial impressions are that, for instance, the effects of international agreements and conventions (the first line in Table 2.1) are unlikely to be as central to the study as policies at national and sub-national levels. Similarly, the effects on employment promotion (penultimate line in Table 2.1) are likely to be particularly important in India, given the high overall proportion of rural households relying for their livelihoods on agricultural and other types of labour there, and the high representation of agricultural labourers among the poor.

## **2.2 Summary of the Conceptual Framework**

Social protection is defined here as: “the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society,” and is mandated either by the state or by organisations such as NGOs claiming to pursue the public interest, and implemented by public or private organisations. In some contexts, there are also traditional, often informal, social protection measures in place.

This conceptual framework (CF) paper sets out concepts, approaches and contexts in respect of how SP and agriculture relate to each other. Concepts of SP are broadening away from social assistance to embrace ways in which it can reduce shocks and stresses in both domestic and productive

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<sup>1</sup> RQs #5 and #6 are on methods and are discussed in the methods section of this paper.

environments. It is doing so in ways which seek to **prevent** the onset of shocks or stresses, **mitigate** their impact through e.g. insurances of various kinds, enhance the resilience of households and individuals, through e.g. asset-building strategies, so that they are better able to **cope** with the impacts, and, for the longer term, work in **transformative** ways by addressing the vulnerabilities arising from social inequities and exclusion. In relation to the agriculture production environment, well-managed SP will seek to reduce both actual shocks and stresses, and agriculturists' and labourers' **perceptions** of likely shocks and stresses. In this way they would both reduce the loss of productive assets, and encourage farmers' engagement in new, potentially more productive, enterprises, by reducing the levels of risk they perceive in these.

There are various ways in which SP can relate to agriculture. Social protection can be **generated by** agriculture, as when, for instance, agricultural growth leads to lower and more stable food prices. Socially protecting measures can also be **for** agricultural growth, such as those intended to reduce risks associated with fluctuations in production (e.g. via insurance against shocks caused by adverse weather), or fluctuations in price caused by market conditions (e.g. commodity price stabilisation funds), or to increase resilience through the creation of assets whether at individual levels (such as improved grain storage) or more widely (such as improved infrastructure). But the effects of SP are not limited to the supply side: when SP is **independent of** agriculture in its design, such as with transfers to various categories of the poor, it is likely to boost local market demand for staple products. The net effect of this on producers is likely to be positive, as it will be on consumers, unless it proves to be inflationary. Some interventions span two of these categories – public works programmes, for instance, provide wage employment which is largely independent of agriculture, but may generate assets geared in some measure for agricultural growth.

In operational terms, SP measures relevant to agriculture can be introduced at different levels (via international conventions, national level legislation, regulation and public investment, and agriculture sector strategies, and at community and individual levels). Nor does all SP relevant to agriculture have to focus only on producers: some interventions such as cash transfers can impact on the poor as consumers; others (such as health and safety regulations) impact primarily on labourers.

Broad definitions of SP of the kind used here may encroach on the whole of social policy – many aspects of health and education can, for instance, be socially protecting. We have dealt with this potential problem in two ways: one by imposing restrictions on the aspects of these broader categories with which we are concerned – for instance, individual insurances against sickness, injury and death, but not the broader provision of health services; the other by imposing time limits – e.g. the provision of short courses to build capacity in various ways, but not the broader provision of education, whether for children or adults.

Numerous contextual factors will have to be taken into account in the design and implementation of measures both within and outside agriculture. These include the current developmental status and prospects of agriculture, the non-farm economy and related markets, the current status of social protection mechanisms, both formal and non-formal, the extent to which farmers, labourers and other categories of the rural poor are registered in self-help groups, unions or other organisations (which will potentially reduce the transaction costs of reaching them), the availability of resources for SP, and the capacity to implement new policies in respect of both SP and agriculture. Attention can then turn to identification of potential beneficiaries, level of intervention, and type of transfer and resource commitments and questions of whether and how targeting and/or conditionality should be introduced.

In principle, the range of interventions through which SP and agriculture can complement each other is very wide. In practice, funding and implementation capacity are likely to be major constraints in most countries, so that only a small subset of this range will be relevant to each. To identify the most appropriate in each case will require both considerable familiarity with the strengths and weaknesses of this range of possibilities, as well as detailed local knowledge.

**Table 2.1: Preventive, mitigating, coping and transformative interventions relevant to agriculture**

<i>Type of effect</i> <b>Type of intervention</b>	<i>Reducing likely incidence of shock or stress (preventive)</i>	<i>Reducing impact of shock or stress (mitigating)</i>	<i>Increasing resilience/reducing vulnerability (coping)</i>	<i>Addressing vulnerabilities arising from social inequities and exclusion (transformative)</i>
<b>International agreements and conventions</b>	Reworking of trade regimes; preventing international spread of ag-related disease		Rights of workers, of women and children....	
<b>National legislation, regulation, public investment</b>	Investment in major infrastructure; prevention of monopsony power, including in food processing, wholesaling and retailing, and of monopoly in farm input supply.	Promotion of good business climate, and of diversified rural economy; promotion of strong rural-urban links	Health and safety standards; minimum wage legislation; investments in health, nutrition and education; promotion of voice and citizenship.	
			Promotion of social equity via sensitisation and awareness campaigns and e.g. strengthening of Trade Unions. Moser's 'second generation' assets-based policy embracing rights and security, governance and the accountability of institutions.	
<b>Agriculture sector strategies</b>	Prevention of spread of crop/livestock disease; crop and livestock breeding strategies; investment in medium-scale infrastructure (e.g. irrigation, feeder roads); promotion of warehouse receipts, forward hedging etc; subsidies on inputs and improvement in markets	Enterprise diversification within farms; promotion of new forms of crop and livestock insurance	Agriculture-specific training; promotion of agriculture-related savings & investment;	Promotion of collective action for workers' rights in specific sector or sub-sectors
<b>Asset building and access at community and individual levels</b>	Public works to create communal assets (minor irrigation, bunds, drains, soil and water conservation; grazing; forest) and improve access	Improve access to communal assets Promotion of personal insurances etc	Strengthen individual assets – financial, health, education, awareness of rights, voice... Transfers in cash or in kind (e.g. subsidised food; FFW).	Promotion of rights of minorities at community level
<b>Promote employment</b>			Food or cash for work; support migration out of low productivity areas, and remittances	Ensure inclusion of minorities
<b>Increase and/or smooth consumption</b>			Transfers in cash or in kind (e.g. subsidised food; FFW).	Ensure inclusion of minorities

### **3. Towards a Methodological Framework for Linking Agricultural Growth and Social Protection**

Social protection is an emerging issue in many developing countries. However, many donors and governments remain reluctant to make long-term commitments to supporting it. A large part of their reluctance appears to be related to a lack of understanding and evidence about the contribution that social protection can make to the productive sectors and, by extension, to economic growth. As the country consultation reports show, DFID staff suggest that the overarching issue is how they respond to a Minister of Finance who asks '***How much growth will I get from an investment in Social Protection?***'.

We are a long way from being in a position to respond to this question. We need stronger analysis of the economic impacts of social protection and we need a stronger understanding of the impact of agricultural growth on vulnerability and risk. What methods might enable us to do this?

Some institutions and researchers are taking important steps towards addressing these questions. For example, conceptual work by Dorward et al (2006) strongly compliments the conceptual analysis presented here. The ILO has completed work that shows, through economic analysis, how affordable social protection is for a range of different countries. Often, affordability is presented in terms of GDP, and not actual government budgets or aid flows, though there is increasing recognition that we need to understand the costs of social protection as it relates to existing available resources, not total national output.

However, making the economic case for social protection requires an answer to the question posed by Ministers of Finance. Showing what proportion of GDP, or of national budget, social protection costs is not enough (especially given that in all cases in the ILO work, a significant percentage of GDP or budget is required). We need something more than that: New evidence, and new approaches and methods to get that evidence.

This section of the inception report suggests what types of approaches and methods might enable us to answer some of the critical questions regarding the relationship between agricultural growth policies and programmes on the one hand, and social protection programmes on the other. It draws on four annexes (annexes 3.1-3.4), each referring to a different methodological focus, tool or approach: economic models (including computable general equilibrium models (CGE)), the analysis of policy processes through 'Drivers of Change' approaches, household economy approaches, and more qualitative tools.

### **3.1 Economic modelling and Computable General Equilibrium Models**

Annexe 3.1 presents a scoping paper of how economic modelling in general, and computable general equilibrium (CGE) modelling in particular, might help to answer some of the programme's research questions and provide the evidence of the impacts of social protection on agricultural growth and vice versa. The main arguments in Annexe 3.1 are as follows:

- i) Policies that aim to reduce vulnerability have effects at both the micro-level, and the meso- and macro-levels. Only some kinds of economic modelling are able to understand the effects at more than one level.
- ii) Whilst economic modelling at the household level is very useful for showing household consumption behaviour, it is not easy to show how risk is affecting production – for example, how households make decisions about when to save or when to invest.
- iii) In contrast, CGE can provide a tool to help us understand changes in consumption, **and** changes in production and investment decisions.
- iv) Similarly, whilst household models tend to take market prices as exogenous (i.e. as given and not influenced by the household itself) CGE can capture the interaction between households and markets. Village CGE modelling enables us to integrate different types of linkages in the economy and simultaneously capture the household effects and the structure of markets.
- v) Thus, CGE can capture the complexity of economic mechanisms. This means that it can understand the relative impacts of a number of policies and enable us to see the impacts of different combinations of instruments and interventions (complementarities) and of different sequences of intervention.
- vi) CGE models need to be linked with household survey data in order to acquire a disaggregated poverty profile that enables us to see the effect of different interventions on different groups of poor people.

Annexe 3.1 makes a strong case for doing more analyses of the impacts of social protection on agricultural investment and production, particularly using CGE. In sum, it argues that whilst the processes of intra-household decision making is best understood through anthropological and sociological approaches, whether households decide to consume more or differently, to save more, to invest in new assets, to produce new crops, or to change their productive activities will all have direct and immediate economic impact AND indirect impact at the meso or macro-level. Only with CGE can we begin to unpick these relationships and effects. This will provide a first step towards understanding what contribution social protection can make towards agricultural growth.

### **3.2 Political Economy, Policy Processes and Drivers of Change Analysis**

Whilst a key long-term goal of the linkages programme is the need to understand the economic impacts of social protection – i.e. the impact on growth, particularly in agriculture, it is also recognised that decisions about investing in social protection and agriculture programmes are as much about politics as they are about economics. We need to find ways of better understanding what makes politicians and policy-makers choose (or not choose) investments in agriculture over investments in other sectors, including social protection.

*Drivers of Change* is the name that some donors are giving to a learning exercise at country level that attempts to reverse the relationship between country-focused understanding and programme design. 'It is an effort to adopt more historically-informed, less technocratic approaches to aid policy, focusing on the way change happens, and how economic, social and political factors interact over the long-term' (Booth *et al* 2006).

There are dangers that the search for 'drivers' can contribute to the tendency to believe in simple solutions to development problems but Booth *et al* (2006) suggest that a better appreciation of the interlocking causes that make progressive change so difficult can become part of the solution rather than the problem. It is suggested that drawing on Drivers of Change analysis (already complete in Malawi, India and Zambia) would allow the linkage programme to assess the prospects for:

- i) breaking down the compartmentalised approaches of governments and donors in which social protection initiatives are designed by one ministry or department, and agricultural development initiatives by another, with very little interaction between them; and
- ii) new thinking in which social protection initiatives are designed with regard to their impact on productive sectors such as agriculture, and agricultural initiatives designed in ways that enhance social protection, either for producers or for consumers.

### **3.3 Using Household Economy Approaches**

Household economy approaches (HEA) are already used across southern and eastern Africa as policy support tools for showing the effects of shocks such as crop failure on food supply. By providing information about the responses of households to such shocks, HEA models can help to predict emergency assistance needs. They can also help to differentiate between the impacts of different kinds of social protection instruments. Seaman and Petty suggest that HEA can provide information to help to answer the following questions:

- How do we identify the needs of different populations?
- How do we choose between different policy options?
- How do we decide the level of transfer or other intervention?
- How do we predict and monitor the impact of interventions

HEA has a number of strengths including the generation of information that is accessible to non-technicians and can be used to support policy dialogues, a cheap and flexible mechanism for data collection, enabling a disaggregated view of poverty and the inclusion of seasonal effects.

However, it is not altogether clear whether HEA can help us understanding investment and productive behaviour rather than just showing the impact of shocks and mitigating responses on consumption and asset protection. It is also unclear whether the wider conceptualisation of shocks that we argue for in section 2 can be accommodated within HEA. This may be possible by using the Individual Household Method, a derivative of HEA. Finally, given that HEA works well in rural areas but less so in urban areas, the extent to which we can understand the demand-side effects of social protection on agriculture is not clear. HEA may be an option for this programme in later stages, but not over the next year of the programme.

### ***3.4 Using qualitative approaches***

Annexe 3.4 provides a more detailed discussion on the use of qualitative approaches in the linkages programme. Qualitative research methods refer to the collection of quality data rather than quantity. Data can be collected through methods such as interviews and focus groups with participants in order to explain people's behaviour and decision-making and to obtain a fuller, more detailed understanding of the context which is being studied.

Qualitative research methods enable us to ask questions to participants directly benefiting from or affected by social protection and agricultural policies and learn about their personal experiences. In this study it could allow us to try and understand how social protection and agricultural growth are linked by exploring decision-making in the household, the impacts of different sequences of instruments and household consumption, asset protection and savings and investment.

A number of existing studies examine aspects of the impact of social protection policies and programmes on economic growth and agricultural productivity. These studies have usually used a combination of quantitative and qualitative research methods to answer specific questions around linkages between social protection and growth. Interviews with members of households can enable a more thorough understanding of intra-household dynamics, and help to overcome the unhelpful and stereotypical assumption with cash transfer programmes that women spend money on consumption of basic needs (especially food) whilst men waste it on alcohol. Qualitative research on the impact of Ethiopia's Productive Safety Net Programme (PSNP) even looks at markets and prices and, through qualitative interviews,

is able to establish that the causes of price increases in the local area were more complex than simply supply and demand factors. They included the late implementation of PSNP distribution and highlighted the political reasons behind farmers' retention of surplus that subsequently created inflation in local markets (Kebede 2006).

Whilst qualitative methods have a number of strengths, and can even support quantitative data analysis on market and product prices by helping move beyond correlation of variables to causation of events, it is less use as a predictive tool. It cannot, for example, help us to predict market prices or the economic impact of transfers at district or regional level. It is also not possible to generalise from the results of qualitative research. There is a danger that what one person says is used as an indicator for a whole programme (for example where small sample studies and anecdotal evidence in Kalomo have turned into sweeping generalisations about the impact of cash transfers).

In summary, whilst qualitative methods do not provide rigorous impact assessments or predictive economic models, they can be very useful for understanding the linkages between social protection and agricultural growth at a household or local level. They also provide the only opportunity to understand the impacts of social protection on social networks and community relations. Finally they enable insights into precisely *how* different instruments can be complementary and *how* they might best be sequenced.

## 4. Findings and Outcomes from Country Consultations

### 4.1 Consultation objectives

The ultimate objective of the linkages programme is to enhance 'joined-up' agriculture and social protection policy processes in government, specifically by supporting the policy dialogues that DFID has with governments. For this to take place, close collaboration between the programme and a number of DFID country offices is required. In June 2006, at the outset of the project, five DFID country offices – Cambodia, Ethiopia, India, Malawi and Zambia - expressed interest in collaborating in the programme based on their existing concerns about linkages between social protection and agricultural policies and programmes.

During the inception phase, consultations were held with four of these countries.<sup>2</sup> The TORs for the consultation process are shown in Annexe 4.1. The objective of the consultations was to agree the work priorities, budget allocations and milestones for the programme with respect to each country. It was critical that each consultation identified:

- Ongoing Work (policies, programmes and institutions) in country that the linkages programme could complement;
- The added-value of the programme (given the limited funding for each country in the linkages programme); and
- Country-based activities that 'add up' to a coherent programme across all countries that generates policy conclusions and outcomes of wider relevance

Activities and outputs for the inception phase (July – Sept 2006) are shown in Box 1 in Annexe 4.1.

To agree with DFID advisors the work priorities, budget allocations and milestones for the programme with respect to each country.

#### Tasks

- 1) Identify work within DFID offices at country level which the programme might complement or add value to.
- 2) Identify work among other stakeholders at country level which the programme might complement or add value to.
- 3) Identify options for an influencing strategy including how policy processes around agriculture and social protection work in each country, and what the entry points into existing policy processes (e.g. second generation PRSPs) might be.

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<sup>2</sup> It was not possible to carry out the formal consultation process in Ethiopia as the DFID staff there felt that other work (including a study on linkages between the Ethiopian Productive Safety Net Programme (PSNP) and other food security programmes in which Rachel Slater was involved) needed to be finalised before next steps could be taken.

- 4) Agree workplan (synthesis of evidence, new empirical work, shared lesson learning, etc), policy dialogue priorities and budget allocation for the programme.

The main findings from each country follow

## **4.2 Cambodia Findings**

Social protection is still at the very early stages in Cambodia. Social assistance is extremely limited in scope, and generally provided by donors and NGOs rather than by government. Insurances, whether personal, for assets, or for agricultural products (crops, livestock) is virtually non-existent, although a health equity fund, developed initially with GTZ support, seeks to provide some safety net of funds for poor people to access health services.

Agriculture and related products are being promoted mainly as part of Economic Concessions – a programme of allocating land to large corporations, many registered outside Cambodia, in the expectation that they will generate agro-industrial production, largely for export. This initiative has been largely unsuccessful. Land allocated to smallholders forms part of a Social Concessions programme, the expectation being that they will be unable to rise above semi-subsistence levels. A recent forum supported by the World Bank (National Forum on Cambodia's Agrarian Structure in the Context of Trade Integration, June 28-29 2005 at the Intercontinental Hotel, Phnom Penh) has challenged this view, and the Bank now supports smallholder farming, adding its efforts to those such as AusAid, which has been supporting agricultural research and extension for smallholders for almost a decade. However, there are few attempts to provide social protection in ways that will impact positively on agriculture (there is a large World Food Programme, with attendant questions over its impacts on local agricultural production and markets), or to design social protection within agriculture (such as new forms of crop insurance).

There are conflicting views over the likely impact of offshore oil discoveries on the government's willingness to provide social protection. Whilst some see this as potentially positive, others take the view that levels of corrupt diversion of funds will be such that little will reach central treasury for purposes such as these.

## **4.3 Ethiopia Findings**

No formal consultation process took place in Ethiopia so there is no country annexe in this case. However, based on discussions with DFID staff, and existing work undertaken by ODI in partnership with DFID, the Government of Ethiopia and other institutions (IDI, IDS, Indak), it is possible to make some tentative statements about the status of thinking in Ethiopia around agricultural growth and social protection linkages.

First, the debates about graduation in Ethiopia have progressed much further than elsewhere in Africa. This has happened because of attempts to move from emergency (food aid) appeals towards a more predictable response and resources for addressing predictable hunger, and because of the particular views of the Government around growth and social protection. The outcome of these two factors is the Productive Safety Nets Programme (PSNP) which provides either cash or food transfers, mainly through public works to around 8 million people each year. Both the name of the programme (**Productive** SNP) and articulation of graduation objectives in the programme implementation manual (PIM), demonstrate the government position that:

- Households should not, except under exceptional circumstances, receive transfers without completing public works and contributing to community asset development. The government is concerned that 'handouts' will create dependency on the PSNP and not foster economic growth
- Households should no longer have a food gap and move out of the programme (graduate) within 3 years. This has had implications for the targeting of the PSNP in its first year to households who were most likely to graduate (i.e. were already better off).

The GoE has also linked other components of its food security programme to the PSNP. So, for example, microcredit for agricultural activities is only to be made available for households who participate in the PSNP. The logic is that food or cash transfers to smooth consumption and protect assets will, in combination with agricultural credit to allow investments in productive assets, enable households to move out of food insecurity to an independent, resilient and sustainable livelihood.

However, given various GoE articulations of economic growth policies and strategies, including for rural development, the role of social protection in agricultural growth prospects are rather unclear. DFID staff suggest that, given the current enabling environment around growth in Ethiopia, three key questions are critical for Ethiopia:

- How far can any group of projects or programmes (for example the various components of the food security programme) influence the growth agenda in Ethiopia at present?
- Will reform (and what kind of reform) of the PSNP deliver faster / better links between growth and social protection in Ethiopia?
- What are the policy opportunities for influencing agricultural growth policy, and what role can improved information about the linkages between agricultural and social protection play in providing entry points to existing policy processes?

#### **4.4 India Findings**

India has a large number (approx 200) of Centrally Sponsored Schemes, many of which have a poverty focus, and all of which are conceived without consideration of possible impacts on agriculture. In addition, there are many overlaps among schemes, and many impose complex eligibility criteria which poor people cannot understand. On the other hand, progress in agriculture has been driven by imperatives towards food self sufficiency with little consideration of how it might be made more socially protecting (other than reduced consumer prices). The near-achievement of self-sufficiency, plus recurrent drought in more marginal areas (attributable in part to

climate change) has changed the agricultural context considerably and generated more fertile ground for considering how agriculture can be more socially protecting.

Meetings with key informants in DFIDI, central government and state-level governments (particularly Madhya Pradesh) generated considerable information which confirmed that social protection and agriculture are largely being strategised independently of each other. However, many felt that the new National Rural Employment Guarantee Act (NREGA), at an annual budget of over £600M, represented a major opportunity for both livelihood protection (via wage payments to low income rural people) and promotion (via the use of NREGA funds and labour to finance local public works including infrastructure). Other initiatives were also being taken to protect rural livelihoods in ways that would have positive effects on agriculture, including micro-insurance (e.g. via ICICI bank). However, with the exception of the SEWA (Self-Employed Women's Association) initiative, these cater for middle and higher income rural households. The high transaction costs incurred by SEWA point to the need for a database of individuals or households eligible for provisions of this kind, such as membership lists of local self-help groups, or lists of registered gatherers of non-timber forest products. To operate such provisions without such a prior database would be administratively near-impossible. In addition, there are some (in fact, very few) provisions that make agriculture and NR-based activities more socially protecting. These include price stabilisation schemes by state organisations mandated to purchase non-timber forest products, such as in Orissa. They also include weather index-linked crop insurance (being trialled by BASIX), but these would require considerable simplification.

#### **4.5 Malawi Findings**

The findings from Malawi are discussed in significantly greater detail in a country-specific report in Annexe 4.4. Stimulating agricultural growth is one of the main challenges for Malawi, especially in the smallholder agriculture sector which is characterised by small and declining land holdings, low input and low output production, and net consumption of food by most households. DFID Malawi has articulated a large part of its vision for how to get growth in smallholder agriculture in its own strategy paper, a paper which also suggests that social protection will be an important component of any smallholder agriculture growth strategy. However, some of this strategy remains undefined, particularly around how different social protection interventions and agricultural programmes can prevent loss of / protect / promote productive assets. At the same time, DFID staff in Malawi identified a particular need to disaggregate between different kinds of vulnerable smallholder households to identify the most appropriate instruments for each.

As DFID Malawi moves towards a clearer articulation of how it will use social protection to support growth in the smallholder sector, it is working closely with the Government of Malawi and other key stakeholders to try and move the dialogue around social protection forward. This includes the linkages to agricultural growth. This process faces a number of challenges:

First, from a conceptual point of view, consultations with GoM, DFID and other donors, NGOs and the private sector highlighted the fact that there is a lack of common understanding of various issues around social protection. This includes how we think about 'graduation'. The conceptualisation of vulnerability focuses on unpredictable shocks (such as drought) at the expense of understanding long-term downward trends and household stresses). There is therefore a need for a common language and conceptual understanding of social protection and growth, particularly to facilitate the dialogue between governments and donors.

Second, whilst there is a wealth of information on social protection and on agriculture in Malawi, there has been no systematic synthesis of what we know about the linkages between the two. At the same time, existing evidence (for example regarding starter pack / TIP) is disputed, and thus there is little that DFID can currently do to present coherent and comprehensive evidence to key decision-makers in government. This is a significant problem given that the national, political and institutional context plays a large part in influencing social protection in Malawi and given the fear about the 'dependency' that may result from supporting 'unproductive' households indefinitely. The lack of systematic synthesis also means that, whilst estimates suggest that a significant proportion of foreign aid – perhaps as much as 20% - goes into social protection, there are significant gaps. Whilst inputs and vouchers programmes, and MASAF public works activities reach large numbers of people, there are households (that may have land and labour) who receive no support. It is not clear what kind of intervention will best suit the needs of different poor people and what capacity they have to make the most of opportunities. Shifts in mechanisms for supporting poor households have moved away from inputs distribution to subsidy schemes but, whilst some will not be able to afford even subsidised inputs, alternative safety nets are not in place.

Other challenges include the lack of coherence between policies (many of which are seen as profoundly sensible, including by private sector stakeholders) and projects which appear to be developed on an ad hoc basis with no link to a broader strategic vision or framework. This is complicated by the jumble of humanitarian and development programmes and projects at any one time in Malawi.

Given the establishment of a National Social Protection Steering Committee and a supporting technical committee, the Linking Agricultural Growth and Social Protection Programme is seen as a timely programme that could help DFID Malawi overcome some of the challenges identified. It also links with existing DFID programme work – including support to the government's input subsidy that will seek to widen access to inputs whilst involving the private sector. Each of these provides important entry points to policy processes, as do the potential future agricultural SWAp, and 2007 budget processes.

## **4.6 Zambia Findings**

Largely as a result of the Kolomo cash transfers pilot in Southern Province, social protection is already on the agenda in Zambia. The main focus of efforts towards building a social protection programme in Zambia thus far have followed the principles of the Kolomo pilot and have focused on the bottom ten percent of households – often termed ‘non-viable’ households. These tend to be households without labour, for example, the elderly who look after a large number of orphans or vulnerable children (OVCs).

Beyond the expansion of cash transfers, the main other sources of formal support are the fertiliser support programme (which provides subsidised fertiliser for hybrid maize) and the food security package (which provides fertiliser and seeds to vulnerable households). Many ‘vulnerable but viable’ households do not access the food security package because of funding shortfalls. A much larger amount of money (about 80% of the Ministry of Agriculture budget) goes into input subsidies. The logic suggests a sequence from food security pack to fertiliser support programme - an assumed process of graduation. However, there is recognition in some parts (including DFID and the Ministry of Community Development and Social Services (MCDSS)) that current programming is not reaching all the poor households that may need it and that, whilst different instruments will work for different groups, the appropriateness of both the food security pack and the fertiliser support programme are not clear. The impacts on the private sector and markets are rarely considered (except, for example, by the Michigan State University Food Security Research Project (FSRP)). However, inputs subsidies are a significant burden on the state. They will be phased out by 2008, but it is not clear what will replace it.

To this end, DFID is working with the MCDSS and other partners to move towards improved social protection programming that includes:

- an improved wider conceptualisation of vulnerability
- recognition of the different vulnerability profiles of poor people and
- the different pathways that each might follow to get out of poverty and the support that they might require.

Activities include attempts to provide a wider view of shocks and vulnerability through the Comprehensive Vulnerability Assessment and, most importantly, the establishment of a technical working group in MCDSS that focuses on how to respond to the needs of low capacity households. The poor are increasingly categorised into two groups: the bottom quintile and the second and third quintiles. The bottom quintile typically have no labour and may not have land; whilst the second and third quintiles (low capacity) have some land and labour but are still very vulnerable.

Building evidence at district and national level to help understand the composition and needs of these different groups in Zambia is critical for a number of reasons. First, the logic of graduation that appears to pervade social protection and agricultural programming is not actually very well

understood. The conditions under which households might move from food security pack to fertiliser support are not well understood. Second, just under 79% of people in Zambia live in poverty, so there are critical questions about what combination of social protection and agricultural programmes are likely to best support different groups. Finally, in terms of other existing programming, there appears to be a lot of overlapping rather than complementary coverage, particularly by NGOs, which makes it difficult to observe the impact of programmes individually.



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