Linking Social Protection and Support to Small Farmer Development

Report of a workshop held at FAO, Rome, on 17-18 January, 2008 [1]

[1] This Workshop Report was compiled by Stephen Devereux (IDS Sussex) with input from Benjamin Davis (FAO), but aims to reflect the contributions made by all workshop participants.

Introduction

The opening session was chaired by Mr Kevin Gallagher (TCOS, FAO). The workshop was opened by Mr Hafez Ghanem (ADG, Economic and Social Department, FAO) and Mr. Jose Maria Sumpsi (ADG, Technical Cooperation Department, FAO), who welcomed the participants and explained the purpose of the workshop. Kostas Stamoulis (ESAE, FAO) presented the objectives and format of the workshop, and then set the scene by locating the topic of the workshop within the context of FAO's 'Strategic Framework for Hunger Reduction' which notes that progress in reducing hunger is extremely slow, that hunger is a major impediment to poverty reduction, poverty is predominantly rural, agriculture is key to rural household strategies to exit poverty, and there is an urgent need for a renewed commitment to agricultural extension services and to research and development. This logic leads to a "twin track" approach: (1) promoting agricultural ***production*** and rural development, with a focus on smallholders to achieve the largest direct and indirect impact; (2) facilitating direct ***access*** to food. Analytical issues under the first track include the links between agriculture and poverty reduction, and the resilience of food systems (which also relates to social protection). Analytical issues under the second track include quantifying the costs of hunger, and evaluating social transfer programmes.

The workshop was then organised into three sessions. In the first session the Conceptual Paper and the three country case studies – Malawi, Ethiopia, Ghana – were presented and discussed. The second session consisted of four panel discussions around topics arising from these project outputs – synergies and conflicts, appropriate mix of instruments, challenges of targeting, and the institutional and political context. The concluding session identified major themes emerging from the workshop, future directions for research, and next steps.

Conceptual Paper

The conceptual paper – 'Linking social protection and support to small farmer development' – was presented by Stephen Devereux (IDS Sussex), and discussed by Rachel Slater (ODI). The paper assesses the synergies and conflicts between social protection and agricultural policies in several aspects (including instrument selection and sequencing, targeting, thresholds and scale effects, and political economy aspects), summarises the three country case studies, and draws lessons for policy and implications for research. The presentation did not cover the country case studies, since these papers were presented separately by their authors, but focused instead on ten issues that are addressed in Chapter 1 and Chapter 2 of the paper.

1. Context

The context for exploring the linkages between social protection and small farmer development in Africa was sub-divided into two issues: the (under–)performance of African agriculture, and the strengths and limitations of the current social protection agenda. Four factors were put forward to 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 and 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.;
- Harsh agro-ecologies and unpredictable weather (low soil fertility, recurrent droughts or flood), which is a perennial fact of life in Africa but appears to be exacerbated by a recent trend towards more erratic weather and extreme weather events, associated with climate change.

The discussion of social protection as a response to agricultural failure reflected first on the 'old social protection agenda' (more accurately the 'old food security agenda'), characterised by state or parastatal intervention that aimed to correct for market failures or to substitute for missing markets. These interventions included:

- national strategic grain reserve management;
- pan–territorial and pan–seasonal food price policies;
- fertiliser and seed subsidies;
- subsidised input credit programmes for small 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 attempt to 'interfere' with the market but instead compensates poor and vulnerable people for 'entitlement failures' (including market failures), firstly with food aid but increasingly with (conditional or unconditional) cash transfers. As social pensions and pilot cash transfer programmes spread across Africa, the question that arises is: to what extent is this a 'welfarist' agenda (the main target groups being older people, orphans, people with disabilities or people living with HIV and AIDS) and to what extent does it address the complex vulnerabilities faced by small farmers?

Formulating an appropriate framework for delivering social protection to small farmers is far from straightforward. Three approaches emerged from the background work for this concept paper:

- A ***conceptual framework*** based on *vulnerability*:
  * eg. Social Risk Management (provides a typology of risks and responses).
- A ***policy framework*** based on *livelihoods*:
  * Livelihood <u>protecting</u> (maintain minimum subsistence)
  * Livelihood <u>diversifying</u> (reduce farmers' vulnerability)
  * Livelihood <u>promoting</u> (raise returns and build assets).
- An ***analytical framework*** based on *synergies* between agriculture and social protection:
  * Social protection <u>from</u> agriculture
  * Social protection <u>independent of</u> agriculture
  * Social protection <u>for</u> agriculture
  * Social protection <u>through</u> agriculture
  * Social protection <u>with</u> agriculture.

2. Instrument complementarities and trade-offs

1 *<u>Alleviating liquidity constraints</u>:* Social transfers can alleviate agricultural credit constraints, allowing purchases of inputs and assets (eg livestock). Social transfers are used not only for consumption needs, but also for investment in agriculture and enterprises. This is because of the indivisibility of domestic (social protection) and productive (agriculture) spheres – a point made convincingly by ODI. Two caveats were mentioned: (1) Cash transfers give more choice than food; (2) If social transfers are invested rather than consumed, is this evidence of mis–targeting or 'over–funding'?

2. *<u>Multiplier effects through local sourcing</u>:* This issue was illustrated by the case of school feeding schemes. School meals have several (potential) benefits in terms of both social protection and economic growth: (1) it transfers food to poor children (social assistance); (2) it insures against consumption shocks (social insurance); (3) it invests in human capital formation (livelihood promotion). There are, however, potential conflicts with agriculture: (1) educating farm children may cause a 'brain drain' out of agriculture; (2) imported food can undermine local food production and trade. Conversely, there are also potential synergies with agriculture: (1) educated (literate) farmers are more productive farmers (there is robust empirical evidence for this from Asia); (2) local purchase of food (rather than imported food

aid) provides a market for traders, gives production incentives to local farmers, and provides employment for local caterers. Much depends on how the project is designed.

3. *Multiplier effects through cash transfers:* Cash transfers are used to buy goods and services, creating jobs and income. The evidence for macro–economic benefits of cash transfers (in terms of economic growth, or poverty headcount reduction) is limited and ambivalent. There is robust evidence for local multiplier effects of cash transfers, however: (1) Progresa in Mexico had positive effects on consumption and ownership of assets (land, livestock) in both included and ineligible families; (2) DECT in Malawi generated a regional multiplier of 2.11, with village traders and small farmers gaining most from increased demand; (3) the PSNP in Ethiopia benefited local traders – cash transfers boosted demand for basic commodities and stimulated market activity. One caveat was raised: Where markets are weak, cash transfers can have negative (inflationary) impacts, though this might be a transitional effect, until cash contributes to strengthening markets, promoting market integration and price stabilisation.

3. 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' (eg 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 (as was successfully piloted on the FACT and DECT interventions in Malawi).
3. *Labour market seasonality* causes seasonal unemployment, or conflict between on–farm and off–farm labour demand. The solution is not discretionary (often badly timed) public works, but a demand–driven 'Employment Guarantee Act', as has been implemented in India.

4. Thresholds and scale effects

1. *Asset thresholds:* inadequate assets create 'poverty traps' (eg a pair of oxen are needed for ploughing, so owning one ox is below the threshold). Asset thresholds can be addressed with productive asset transfers: (1) in Bangladesh, BRAC transfers assets that generate income (eg a cow), plus a stipend that protects consumption and the asset against forced disposal to meet subsistence needs; (2) in Kenya: livestock re–stocking is implemented as a 'productive safety net'; (3) in Ethiopia, the PSNP combines cash transfers with 'livelihood packages'.
2. *Price thresholds:* certain activities become worthwhile (or unprofitable) only above (or below) a particular price. Price thresholds can interact negatively with asset thresholds: on Ethiopia's PSNP, livelihood packages increase production (eg of honey) until prices could collapse.
3. *Market thresholds:* 'market failures' are caused by low levels of market activity (few players and low volumes); high transport, communication and transaction costs; weak contractual enforcement institutions, and supply chain failures. Market thresholds can be addressed by supporting market actors (eg with market information systems), institutional strengthening, and ensuring policy consistency between the state (and parastatals) and the private sector.
4. *Scale effects:* large numbers of people acting in similar ways can affect their operating environments: (1) large numbers of people harvesting natural resources may lead to degradation of the physical environment; (2) large numbers of buyers (sellers) of goods or services may lead to price rises (falls) in local markets. Scale effects can be positive or negative, and can vary over time. For instance, vicious cycles of low population density and low economic activity require special attention until economies of scale are achieved.

5. 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.

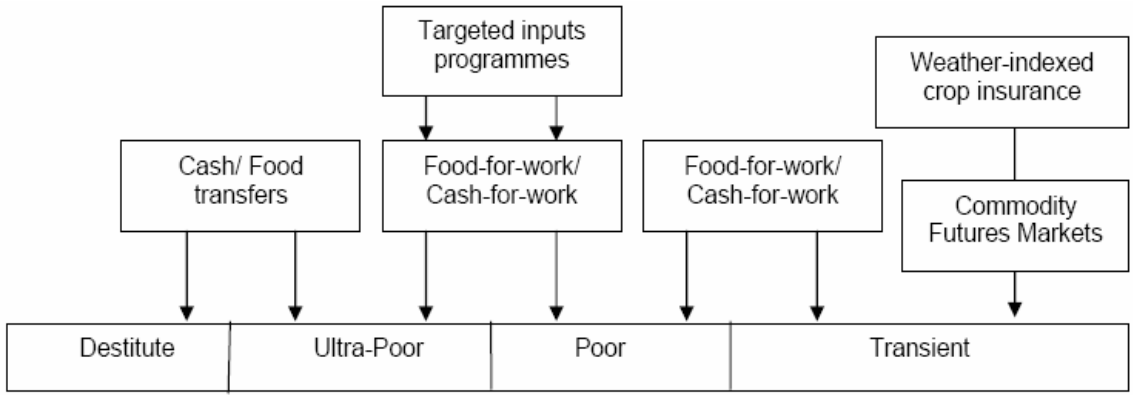
The "Wye College critique of the Washington consensus" criticised the sequencing of policy reforms: liberalisation removed state support to food security before markets were adequately developed and essential infrastructure was in place.

6. Predictability and risk–taking

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

7. Targeting

A perennial policy dilemma concerns the decision about who to target for public support. Should social protection target the poorest farmers (to protect minimum consumption levels) or less poor farmers (to promote agricultural growth and poverty reduction)? One solution proposed by ODI (see the schematic Figure below) is to target different groups with different instruments.



Some workshop participants found this diagram overly simplified, pointing out (for example) that cash and food transfers can be directed towards the poor as well as the destitute and ultra-poor – and often are in practice (e.g. conditional cash transfer programs in Latin America, and social pensions in Africa). There is no one solution: targeting should respond to a given policy objective, within budgetary and logistical constraints.

8. The political economy of national and international relations

Whether to fund social protection "or" agriculture, and which instrument or policy to select, involves economic and opportunity costs, but these are also political choices by governments and donors. There remain many political obstacles to expanded social protection in Africa, including: (1) fear of 'dependency'; (2) perceived 'unaffordability' of social transfer programmes; (3) negative elite perceptions about the 'undeserving poor'; (4) donor ideologies (e.g. anti–subsidies and parastatals). Possible solutions to these political constraints include: (1) 'co-responsibility' (i.e. impose conditionalities on transfers so that the beneficiaries make a contribution); (2) aim for 'graduation' (i.e. transfers must generate growth for at least some beneficiaries, notably small farmers); (3) change attitudes (eg with slogans such as "the poor are not irresponsible" (from the Kalomo project in Zambia); or campaigns for "social protection as a basic human right").

9. Conflicts and synergies with informal social protection

The 'crowding out' hypothesis asserts that public social transfers might displace private transfers, leaving recipients of formal transfers no better off than before, while undermining robust 'informal' social protection systems. Three rebuttals are presented in the paper: (1) Informal social transfers are mostly poor–to–poor and are collapsing under increasing stress (poverty, 'modernisation'), raising the need for formal social protection. (2) Evidence from cash transfer programmes tends to challenge the 'crowding out' argument: Progresa in Mexico, for instance, had no negative impact on private transfers. (3) Cash transfers may even strengthen informal social protection – in Zambia, cash transfer recipients started participating in rotating savings clubs to build savings buffers; in Ethiopia, the PSNP has regenerated a rotating savings scheme which provides some self-insurance and mutual insurance against livelihood shocks.

Country Case Studies

1. Malawi

The Malawi case study paper was presented by Andrew Dorward (SOAS). Malawi's economy is characterised by high dependency on agriculture, specifically low productivity white maize (70% of total cultivated area), high rural population densities and small land-holdings, lack of other exploitable resources, poor physical infrastructure, and low levels of education and literacy. The poor performance of the agricultural sector translates into high levels of poverty (55% of the rural population are poor) and low levels of national income (GNI per capita stands at US$170).

The paper identifies a "low-level equilibrium trap" in rural Malawi, where the low productivity of agriculture both causes and is exacerbated by various market failures (notably in the markets for agricultural inputs, credit, insurance, food and assets). Among the challenges that this raises, two are highlighted: (1) how can agricultural service markets (mainly for inputs and credit) and food markets be developed in the medium to long term? (2) how can agricultural services and access to food be provided in a way that 'crowds in' rather than 'crowds out' market development? The broader challenge is to deliver both social protection and agricultural support in ways that are synergistic rather than conflicting and contradictory.

Malawian politics is characterised as 'neo-patrimonial', meaning that the President uses state power and public resources to dispense patronage in order to sustain his power base. Different presidents deliver patronage to different client groups with different regional interests, and this is a core determinant of the prominence and resources given to agricultural policies, and the nature of these policies. A major challenge is to deliver short-term patronage without compromising the longer-term capacity of the economy to support such patronage. 'Patronage policies' was crucial in the promotion of agriculture under Dr Banda, until the failure of these policies to deal with core poverty and deliver food security led to their demise. Next, under President Muluzi, the failure of 'commerce based' patronage polices led to a resurgence of interest in fertiliser subsidies, as a response to high food price volatility and constrained market access to inputs by small farmers.

Dorward then elaborated on five types of linkages between social protection and agriculture in the Malawi context.

1. *Social protection **from** agriculture:* During Dr Banda's presidency (pre-liberalisation), farmers enjoyed access to input loans, improved seeds and fertilisers were available at subsidised prices, the marketing parastatal (ADMARC) was the sole seller of inputs to and buyer from smallholders, and pan-territorial and pan-seasonal prices were applied. In many respects this was an effective mix of policies that supported agricultural production and protected poor Malawians against market failures, but it depended on a specific convergence of political, socio-cultural and economic conditions that have subsequently changed fundamentally.
2. *Social protection **independent of** agriculture:* Economic liberalisation, multi-party democracy and currency devaluation led to the collapse of the agricultural credit system and the abolition of input and food price subsidies. A variety of safety nets were introduced in response to the

subsequent rise in household food insecurity, including targeted nutrition programmes, food aid, public works, school feeding, and (more recently) cash transfers. None of these has any direct linkage with agriculture, though there are some indirect synergies and conflicts.

3. *Social protection **for** agriculture:* The clearest example is weather-indexed crop insurance for cash crops (groundnut), which was piloted in Malawi in 2005/6. Although popular with small farmers it was heavily subsidised, so its sustainability is open to question, and it is not clear whether this type of insurance can be applied to food crops.

4. *Social protection **through** agriculture:* 'Inputs-for-work' have been implemented in Malawi, delivering 'productive safety nets' by paying public works participants with agricultural inputs that boost food consumption by promoting food production. Earlier (1998-2000), Malawian farmers were given free 'Starter Packs' of fertiliser and seed, with the same objectives. Though apparently successful in terms of raising the national maize harvest and stabilising food prices for poor consumers, these were also years of good rainfall.

5. *Social protection **with** agriculture:* Food security, and specifically fertiliser subsidies, became a major political issue in the 2004 presidential elections, with both major parties promising to reintroduce fertiliser subsidies. The Agricultural Subsidy Programme (2005/6) aimed to increase agricultural productivity and household food security through improved access to and use of fertilizers in smallholder maize and tobacco production. 50% of rural households received coupons or vouchers redeemable for fertiliser at one-third of the normal cash price. A bumper harvest followed (assisted by good rains) and the programme was extremely popular, however, there was substantial displacement of commercial sales. The programme was repeated in 2006/7, raising questions about its fiscal sustainability and political exit strategies, conflicts with commercial market development goals, and how this intervention contributes to longer term growth, development and poverty reduction in Malawi.

Dorward ended his presentation by emphasising three key conclusions:

1. ***Policy outcomes are complex and are determined both by choice of instruments and by the means of implementation.*** In Malawi, the use of subsidy vouchers and the way they are distributed and redeemed has profound effects on policy impacts, in terms of overall welfare and growth, the distribution of gains among poor and less poor Malawians, and the development (or inhibition) of commercial input delivery services.

2. ***Long-term growth and development objectives must be thought through and clearly articulated.*** Short to medium term decisions must take account of the longer term vision. Instruments must be modified and scaled up and out in ways that are consistent with long term aims and processes. Investments in agricultural productivity should be complemented with food security policies that enable some poor rural people to move out of agriculture.

3. ***A mix of complementary social protection, agricultural and economic and institutional policies is needed across different sectors,*** for effective promotion of short, medium and long term social protection, agricultural promotion and non-agricultural development, and poverty reduction.

2. Ethiopia

The Ethiopia case study was introduced by Stephen Devereux (IDS) and discussed by Laketch Mikael (World Bank, Ethiopia). Devereux titled his presentation 'The Politics of Dependency and Graduation', reflecting the Government of Ethiopia's preoccupations with ending 'dependency' on food aid by assisting small farmers to 'graduate' out of food insecurity through 'productive safety nets' plus livelihood extension packages.

The paper argues that agriculture and social protection are fundamentally interconnected in Ethiopia. Smallholder agriculture is the dominant livelihood activity for rural Ethiopians – and their dominant source of vulnerability: (1) chronic food insecurity and famines are predominantly rural; (2) humanitarian relief is usually triggered by harvest failure; and (3) small farmers are the main

recipients of emergency relief. Agricultural interventions promote food production; if agriculture fails, social protection protects food consumption.

Agricultural policy in Ethiopia is predicated on the belief that agriculture is the backbone of the economy, despite its low productivity and high vulnerability. Successive attempts to raise farm yields and rural incomes have included: (1) Land redistribution – but farm sizes are so small that land reform failed to reach the 'asset threshold' required for self-sufficiency; (2) Sasakawa Global 2000 – basically a revolving seed bank that was compromised by weather risks; (3) 'Agricultural Development-Led Industrialisation' (ADLI) – which attracted insufficient investment and had overly optimistic projections of agricultural growth potential; (4) 'PASDEP' – the current poverty reduction strategy, which envisages small farmer commercialisation (diversification into cash crops, market focus and export orientation) as the driver of rural growth and poverty reduction.

Social protection interventions in Ethiopia explicitly support agriculture. The work conditionality on 'employment–based safety nets' allows the government to mobilise labour for pubic works activities that build infrastructure and assets to promote agricultural productivity and access to markets: feeder roads, soil and water conservation, vegetable gardens, micro–dams for irrigation. The Productive Safety Net Programme (PSNP) contributes to several social protection outcomes: (1) the PSNP objective of smoothing food consumption provides 'protection' against hunger; (2) the PSNP ambition of protecting household assets ensures 'prevention' of impoverishment; (3) the PSNP goal of building community assets via public works supports 'promotion' livelihood.

The PSNP aims at 'graduation' of beneficiaries through a combination of predictable multi-annual transfers, asset creation, and income generation through complementary livelihood extension packages (which can be for either agricultural or non-agricultural activities). A preliminary impact evaluation found that most PSNP households reported higher food consumption, their assets were protected or enhanced, and some had invested transfers received from the PSNP in their farming activities by buying fertiliser or seeds.

The presentation concluded with three lessons on the linkages between social protection and agriculture policies, drawn from the Ethiopian experience.

1. ***Negative synergies can and should be avoided.*** In Ethiopia, these policy conflicts include (1) badly timed public works that interfere with farming; (2) input loans that push poor farmers into indebtedness (and in years of harvest failure, into prison for defaulting) – but improved programme design and delivery could prevent such unintended contradictions from occurring.
2. ***Effective social protection requires effective design and consistent implementation.*** Maximising the PSNP's synergistic potential requires: (1) predictable and sustained transfers (as intended); (2) adjusting transfers to match rising food prices; (3) stronger linkages to other sectors (agriculture, off–farm livelihoods, education, health).
3. ***Maximising positive synergies requires complementary interventions.*** A combination of social protection (predictable PSNP transfers, weather insurance, Household Extension Packages) plus support to agricultural commercialisation (through PASDEP) could transform rural livelihoods and achieve tangible agricultural growth and sustainable poverty reduction.

3. Ghana

The Ghana case study was presented by Colin Poulton (SOAS). The presentation reviewed the evidence on poverty in (northern) Ghana, summarised the livelihood strategies of poor groups, analysed challenges to agricultural development in the region, sketched the evolution of social protection policy in Ghana, and considered the imminent LEAP social grants programme and its potential impacts on agriculture.

Although poverty has generally been falling in Ghana since the early 1990s, progress has been slower among food crop farmers than for other livelihood groups, and poverty remains far higher in the three northern regions (Northern, Upper West, Upper East) than anywhere else. Analysis of the 'poorest' groups in northern Ghana finds that they start with few inherited assets and/or have

to cope with disability, and they are vulnerable to further shocks (e.g. drought, bush fire, malaria, an accident, widowing or the loss of animals through theft). Many no longer engage in agriculture at all, being unable to sustain a viable livelihood from farming. They struggle to obtain enough food, especially during the 'hungry season' months (March-July), and they depend on family or community assistance to survive.

'Less poor' groups are dependent on agriculture, but face input constraints (land or labour) which limit their ability to accumulate assets or savings, and restricts their ambitions to basic survival. Interestingly, when asked how they would use a hypothetical lump sum transfer, the poorest group replied that they would buy food for their families, while the 'less poor' prioritised investing in agriculture, suggesting that they would be responsive to commercial opportunities if their input constraints are alleviated.

Poulton next addressed this paradox: why do small farmers in northern Ghana give priority to semi-subsistence production of staple food crops, even though returns to other crops (such as groundnuts) are demonstrably higher? One explanation is the volatility of staple food prices, which can result in food prices doubling or even trebling during each 'hungry season'. This makes farmers understandably reluctant to depend on the market for their subsistence food needs. Another explanatory factor might be the 'compound' system in northern Ghana: the compound head has authority to demand labour from all other household members on the main compound food plot, to ensure a basic level of staple food supplies for the whole household. This functions as an informal social protection system, but it means that staple food production is prioritised within local farming systems even though this strategy may no longer be economically optimal.

Ghana has a long history of social protection interventions, going back at least to 'PAMSCAD' (initiated in 1987/88), which provided a safety net for poor groups, especially non-export crop farmers, who were adversely affected by structural adjustment reforms in the 1980s. PAMSCAD was project-based, and included employment generation schemes, community initiative projects, assistance and retraining to redeployed public workers, and basic needs provision for vulnerable groups. Unfortunately, it had limited implementation capacity, especially in rural areas, and was susceptible to political capture, becoming a vehicle for compensation to retrenched civil servants.

'Vision 2020' (1996) envisaged a "comprehensive social support system" for the "disadvantaged and vulnerable", but this did not happen due to poor coordination between lead institutions, plus low budgetary allocations. More recently, Ghana's Poverty Reduction Strategy (GPRS) identified small farmers as one of 13 identified "vulnerable" groups, and the northern savannah regions as the most vulnerable. Interventions under GPRS included expansion of social security schemes, upgrading of slums, and disaster management – but these had little impact on agriculture-based livelihoods.

Ghana's new 'National Social Protection Strategy' (2007) aims to provide a coherent framework "to help lift the socially excluded and vulnerable from situations of extreme poverty and to build their capacity to claim their rights and entitlements in order to manage their livelihoods, to make their contributions and meet responsibilities towards national development". The key instrument for implementation of the NSPS is a social grants programme called 'Livelihoods Empowerment Against Poverty' (LEAP). Apart from delivering social transfers, LEAP also builds links with other initiatives, e.g. the school feeding programme, an education capitation grant, the national health insurance scheme, and the expanded immunisation programme.

LEAP aims to systematically target the "extreme poor", including "subsistence farmers and fisher folk", who account for about half of the estimated beneficiary population. Other beneficiary groups include the extremely poor above 65 years, care-givers looking after individuals affected by HIV/AIDS or severe disabilities, and pregnant women with HIV/AIDS. A basic grant equivalent to US$8 will be provided per household per month. Grants will be unconditional to "individuals with no productive capacity", but will otherwise be conditional on enrolling and retaining children in school, registration within the National Health Insurance Scheme, registering births, attending post-natal clinics, and immunisation of children. An untested question: Is conditionality feasible?

LEAP has the potential to impact positively on agriculture in northern Ghana. At the individual level, investment of social transfers in farming will boost production and enhance household food consumption. At the market level, increased production should boost marketed surpluses, while additional demand for food from cash recipients should send signals to producers and traders to deliver more supplies to local markets, stabilising supplies and prices. On the other hand, LEAP transfers will probably not be sufficient to alleviate input constraints entirely (eg to hire labour or rent land), and among the poorest households most of these transfers will be consumed rather than invested, so the productivity impacts are likely to be limited.

Panel Discussions

Topic 1 – Synergies and Conflicts

Introducing this discussion on "current and potential synergies and conflicts between agricultural and social protection policies", Stephen Devereux argued that it is time to move beyond a disaggregated approach to 'livelihood protection' (social welfare and safety nets) on the one hand, and 'livelihood promotion' (investment in agriculture and other 'productive' sectors) on the other. The challenge is to maximise synergies between 'protection' and 'promotion', for instance by investing in programmes that create 'springboards' from welfare to development (an example being school meals schemes that protect the nutrition of children while simultaneously investing in their education). Devereux drew a distinction between the macro and micro levels of analysis.

Macro–Synergies: Effective investments in agricultural development: (1) reduce budgetary requirements for social protection; and (2) promote economic growth and increase resources for financing social protection. There is "intuitive evidence" for these propositions but they need further empirical validation.

Micro–Synergies: Effective investments in social protection help the rural poor to: (1) reduce seasonal cash–flow bottlenecks; (2) expand assets for self– and mutual insurance; (3) use productive assets more efficiently; and (4) adopt higher return livelihood activities. Evidence for these impacts ranges from "anecdotal" to "robust" – some persuasive empirical studies have confirmed these benefits in particular cases (the Employment Guarantee Scheme in Maharashtra being a widely cited case in point).

Macro–Conflicts: Agricultural and social protection policies compete for limited financial resources and influence – especially if they are seen as different policy sectors (by Ministries and donors) and are implemented in an uncoordinated way. The logic underlying this assertion is intuitively appealing, but is increasingly supported by studies of policy processes that are generating more robust data.

Micro–Conflicts: On the one hand, social protection interventions could undermine investment incentives to invest in agriculture and trade (food aid may depress food production and market development; participation in employment–based safety nets may conflict with on–farm labour demands). On the other hand, agricultural policies could increase the vulnerability of particular people (eg by increasing food prices – good for farmers with surpluses but damaging to the market-dependent poor consumers, including deficit producers). The evidence here is robust but conflicting.

Topic 2 – Appropriate Mix of Instruments

Benjamin Davis introduced this topic, noting that the idea behind this session was to get into a detailed discussion of the particulars of different instruments, or combinations of instruments. This is particularly relevant for FAO, not only for the Special Programme on Food Security (SPFS) in its country-level dialogues, but also to engender a corporate-level understanding of food security thinking and policy. Although a broad food security framework exists, there is little practical experience or policy depth as yet. FAO has recently recognised that it is vital to move beyond a productionist approach to food security. Increasing the productivity of smallholders may or may not be the most important objective – the most food insecure people may be casual labourers, or

have no access to land, or not be involved in agriculture at all. Selecting an appropriate mix of instruments depends critically on a clear articulation of objectives and some underlying logic of development, it is dependent on specific circumstances (the nature of poverty and food insecurity, the socio-economic context, implementation capacity, etc), and it is always the result of an imperfect policy process.

Some of the instruments discussed in this workshop raise questions that have not yet been answered. On input subsidies – of great interest to FAO – there is a powerful story from Malawi of the political context that makes input subsidies feasible, but in which other countries does the same story hold? Do we have any current successful asset transfer programmes? Most of these case studies use mechanisms such as subsidies, loans, or conditionalities. On direct transfers, are we beyond the food *versus* cash debate now? As for school feeding, this is often presented as a win-win solution with no trade-offs, but what are the costs – both actual and opportunity costs? Finally, on conditional cash transfers, is there nothing they can offer to Africa? Admittedly they come from a different context (driven by a broader development logic, not agriculture), and from countries with stronger administrative capacity and provision of services. But they have many innovative features worth exploring; especially 'second generation' CCTs – e.g. the use of cash transfers as collateral in Ecuador, and building viable exit strategies into programmes.

Ugo Gentilini (WFP) presented on 'How social protection polices and transfers can be designed to meet context-specific challenges'. Ugo argued that social protection overlaps with both social policy (e.g. education, health) and economic policy (e.g. agriculture, trade). At the intersection between social protection and social policy are entitlement-based instruments such as nutrition programmes and school feeding. At the intersection between social protection and economic policy are Incentive-based instruments such as index-based risk transfer products (insurance) and input subsidies. This raises questions at the conceptual level about policy boundaries, at the operational level about sources of financing for different instruments, and at the empirical level about whether an appropriate mix of instruments can provide a pathway out of poverty. The plenary discussion supported the following "preliminary conclusions":

1. The selection of transfers should be an outcome of sound assessments, and the selection should be context-specific and based on evidence.

2. On the cash / food debate, cash and food are instruments, not strategies, and the debate has moved from a rigid "cash *versus* food" opposition to a more flexible "cash *and* food" approach. People face diverse needs and constraints, which call for an array of options and complementary, mutually supportive transfers.

3. Rapid progress is needed toward demand-led social protection. This requires progressive capacity building and gaining further experience through piloting, to fill identified knowledge gaps, such as the growth and market impacts of social transfers. Key issues demanding urgent policy attention include sustainability, institutionalisation, and exit strategies.

Topic 3 – Implications and Challenges of Targeting

This session asked what are the major benefits and disadvantages or difficulties in targeting, in the context of achieving synergies and avoiding conflicts in social protection and small farmer programmes? Andrew Dorward facilitated this discussion, noting that targeting raises not just one question – how to do it? – but several, including: why? why not? what? who? and when? On 'who to target?' for instance, any number of potential target groups could be appropriate for different interventions with different objectives: the labour poor, or poor labourers; 'vulnerable groups'; the poorest farmers, or middle-income farmers; or characteristics could be targeted (by gender, land ownership, assets, human capital, social capital, income sources, or geographical regions). The 'who' decision should be linked to the 'what' and 'why' questions – for instance, improved access to food can be achieved not only through direct transfers, but also through interventions in wages and/or food prices (their level or stability).

Nicholas Freeland (Programme Director) introduced the Regional Hunger and Vulnerability Programme (RHVP), which seeks to address the prevalence of chronic vulnerability in southern Africa, by promoting a shift from emergency relief (primarily food aid) towards long-term, institutionalised social protection. Preliminary lessons from 20 case studies of social protection programmes commissioned by RHVP in the region include several challenges associated with targeting social transfers. Targeting the 'poorest' can be difficult for communities to grasp ("we are all poor" is a typical response), targeting can be socially divisive, targeting criteria can be manipulated or can create perverse incentives, and the dynamic nature of poverty creates a need for regular retargeting. Moreover, many approaches to targeting appear to target for exclusion rather than for inclusion:

- self-targeting on public works – excludes individuals with no labour
- community-based targeting – excludes individuals with no voice or status
- means-testing – excludes individuals with no documentation
- agricultural subsidies – exclude individuals with no cash to buy inputs
- free agricultural inputs – excludes households with no land.

Categorical targeting is often preferable, provided the criteria are simple, easily understood, and applied to individuals rather than households (e.g. age, pregnancy, disability, or living with HIV).

Topic 4 – Institutional and Political Context

This session was introduced by Kostas Stamoulis, who noted that many institutions are involved in delivering agricultural support and social protection, including governments, donors, NGOs, communities and markets. Stamoulis drew a distinction between donor-led and government-led programmes, which differ fundamentally in terms of their ownership, accountability, and ability to enforce conditionalities. Donors have more limited instruments – SWAPS, budget support – and sometimes work outside governments, raising questions of who their appropriate partners are. What are the proper entry points, both within and beyond government? Some activities can be delegated to others – planning, design, implementation, monitoring and evaluation – but often there are trade-offs between efficient delivery (especially with complex programmes) and institutional capacities, and coordination is always a major challenge when multiple stakeholders are involved.

Another important question is whether public programmes crowd out private initiatives, and how this can be avoided. Microfinance can crowd out private credit markets. Social protection might undermine solidarity networks. Agricultural transformation might involve shifts in emphasis (e.g. a move towards trade liberalisation, changes in food systems), which might conflict with ongoing social protection programmes. Flexibility is needed, because contexts are always changing. For instance, what are the implications for agriculture and social protection policies of the emerging era of high food prices?

Philip White (RHVP) asked why it is important to analyse institutional and political contexts, and argued that this is not just a question of what policies to follow, but also how policies are made. In the southern African context of 'partial democratisation', the implications for prospects of adopting and implementing social protection and agriculture policies that actually benefit smallholders are unclear. What institutional structures are pre-conditions? How far can policy include reshaping of institutions? White then identified several political constraints on pro-poor policies, including:

1. 'Democratic deficits' in formal institutions – authoritarian strands, dominant party systems, stalled constitutional reviews – resulting in lack of accountability and a limited voice for the poor. White emphasised that this is not just an African phenomenon.
2. 'Neo-patrimonialism' – a useful related concept, but has limited explanatory power. We need to look beyond formal structures and stated policies to explain policy outcomes and practices in specific contexts. Rent-seeking and elite corruption must be analysed in terms of their forms, scale and impacts on social protection. Do patronage relations in politics influence

what resources are used and their patterns of distribution? At the 'micro-political' level, petty corruption in social protection programmes can also affect access to assets and transfers.

3. 'Coordination constraints' exist between bureaucratic entities that compete for resources (ministries, departments and agencies that deliver social protection are typically weak); between national and local government levels (does decentralisation include control over budgets, for instance?); and between local actors (what role for chiefs and CBOs or FBOs?).
4. Aid partners can also be a constraint on effective delivery of pro-poor policies. Relations between national governments, donors and international NGOs are crucial, as is the degree of aid dependence. Donor interactions are rarely well coordinated, as they pursue separate and often contradictory agendas. The resulting 'policy intrusion' can be undermining: donors offer 'correct' models that are often inconsistent with each other and change over time.

Strategies for addressing the social protection and agricultural policy needs of small farmers are also determined by local conceptualisation of these issues, such as definitions of poverty and vulnerability, and perceptions about their causes, which affects approaches and policies adopted. A good example is the degree of 'denial' about HIV and AIDS, which varies from country to country and can change in each country over time.

White identified several strategies for dealing with these institutional and political realities. Donors and NGOs often operate by by-passing government, but this delays addressing the institutional realities and can result in a proliferation of isolated and uncoordinated projects. Alternatively, other donors and NGOs opt to work with (rather than outside of) government, accepting the constraints that this imposes on their operations but aiming for long-term institutionalisation and scale-up of their activities. Several processes underway in many countries are encouraging, such as institutional reforms (constitutional reviews, increasing stakeholder and media involvement), and horizontal accountability mechanisms (parliamentary oversight, public accounts audits and anti-corruption agencies). Ways forward include (1) constitutional guarantees of rights to social protection; donor conditions for popular participation in design, M&E, and auditing of programmes and projects; (3) participatory budgeting and budget scrutiny.

Roundtable Discussion on Future Directions

Based on the preceding discussions, Devereux identified a number of 'trade-offs' that must be addressed if synergies are to be maximised and conflicts minimised. These included:

(1) Low food prices (good for social protection) *versus* higher food prices (good for agricultural production).

(2) Social transfers (unconditional) *versus* micro–credit or input loans (do transfers crowd out loans?)

(3) Instrument–driven approach (cash, food, inputs) *versus* needs–driven approach (vulnerability analysis).

(4) Promoting agricultural livelihoods (input subsidies, fomenting land markets) *versus* diversification out of agriculture: reinforcing vulnerability, or reducing vulnerability?

(5) Permanent programmes *versus* temporary programmes with exit strategies.

(6) Transfers to households *versus* support to markets and the enabling environment (projects versus systems?)

(7) Cash *versus* food versus cash *plus* food? Cash/ food *versus* inputs *versus* assets?

(8) If food prices are high or variable, should policy-makers subsidise access to food (targeted transfers) and/or investment in food production (input subsidies), and/or stabilise food prices (pricing policy, open market operations)?

During a discussion on future directions for research in these areas, Tim Waites (DFID) pointed out that much of the evidence for impacts of social protection to date has been limited to case studies that are best characterised as 'anecdotal' rather than rigorous – and that sometimes there is no evidence at all, only assertions based on 'intuition'. DFID and other stakeholders are keen to upgrade the quality of evidence from 'intuitive' or 'anecdotal' to 'robust', to improve the credibility of the possibly exaggerated claims made for social protection, especially in terms of its potential contribution to the MDGs and to sustainable poverty reduction.

In this concluding session, Devereux listed some 'Major themes emerging from the workshop', under two headings: policy choices and policy processes.

1. Policy choices

1. Targeting: (1) *Exclusion error:* How to avoid 'targeting for exclusion' in rural areas: people with no land, labour, cash, documents, or voice – people who are economically and social marginalised? (2) *Inclusion choices:* Who to include: the 'poorest of the poor' (eg the rural landless) or the 'upper poor' (i.e. those who have some potential to 'graduate')?
2. Scaling up: Are so-called 'pilot projects' genuine pilots (i.e. small-scale interventions designed to go to scale) or experiments (i.e. 'vanity projects' that have little prospect of going to scale)? Which lessons are scaleable and which are not (eg is community-based targeting, popular in pilot projects, feasible at national level)? Has the time come to stop pilot projects and switch donor and NGO support to institutionalised, government-owned, national programmes?
3. Choice of instruments: Is an appropriate mix of instruments to provide 'productive transfers' such as inputs or livestock to farmers (as a form of investment in agriculture), complemented by 'social transfers' in the form of cash and/or food to the labour–constrained poor (as a form of social welfare for 'vulnerable groups')? How to coordinate these two sets of interventions?
4. Beyond transfers: What is missing from the current agenda, with its preoccupation on social transfers? Do farmers need 'social' protection as well as 'economic' protection (eg labour rights, or affordable access to adequate education, health and other social services)?

2. Policy processes and policy spaces

5. Ownership: Who 'owns' social protection and agricultural policies: governments, international donors, civil society, large farmers, or small farmers? How to increase the involvement of small farmers in policy decisions that affect them directly? Can we identify appropriate roles for different actors in design, financing and delivery? What is the overall vision, and whose vision is it? What is the driver of policy choices: policy objectives or available instruments?
6. Path dependency: The policy process at different times in each country will reflect current priorities and debates but also the historical trajectory of policy choices. In Malawi, the current dominance of 'fertiliser politics' in policy debates reflects a historical preoccupation with inputs delivery for Malawian farmers. The 'productive safety net' agenda for farmers in Ethiopia 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 aggregate economic growth.
7. Exits: It is critical to distinguish between two categories of beneficiaries of social protection measures: those who have 'graduation' potential (eg small farmers), and those who do not (eg labour-constrained 'vulnerable groups'). While an exit strategy is appropriate for policies targeted at the former group, it is inappropriate for the latter category. Governments and donor agencies also need to reflect on the sustainability of their commitments, and their exit strategies if they cannot commit to long-term financial and technical support to interventions.
8. Linkages to food security: Insofar as the 'new social protection agenda' focuses on small farmers, this implies a focus on achieving household food security. Does 'social protection for small farmers' in effect imply convergence around a rejuvenated food security agenda, where "**Food Security = Agriculture policy + Social transfers**"?

Ways Forward for FAO

Introducing this discussion on implications for FAO, Kevin Gallagher made a presentation titled 'Midway to 2015: Linking social protection with small holder agriculture in the context of food security', which updated the meeting about TCOS activities on the Special Programme for Food Security (SPFS), and National and Regional Programmes for Food Security (NPFS, RPFS). The shift from pilot projects under the SPFS to large-scale NPFS was characterised as "shifting gears":

From: Pilot SPFS		To: Large-scale NPFS
Productivity and income enhancements for small farmers only	➔	Productivity and income enhancements and direct access to food for all poor
Relatively few farmers (hundreds or thousands of farming households)	➔	Large number of rural and peri-urban people (millions of farming and non-farming households)
Better off amongst the poor	➔	Food-insecure, vulnerable families as well as better-off
High productivity gains	➔	Sustainable production growth, livelihood diversification and improved nutrition
Public sector extensionists and purchased inputs	➔	Community based facilitators, better use of local resources
Central management	➔	Decentralized management

Since countries are expected to drive their own National Programmes for Food Security, FAO's role is largely supportive. FAO facilitates the formulation process and provides technical support as required, assists in resource mobilisation within the donor community, arranges for technical assistance mainly through South-South cooperation, provides in-country administrative support on request, and reports on progress *vis-à-vis* 2015 MDG targets.

The discussion noted that the shift from SPFS to NPFS was partly a response to concerns about the limited ambition and impact of SPFS pilot projects, and an attempt to scale up for macro-level impact – a debate that is also current in social protection discourse. However, given FAO's small budget for NPFS and their limited capacity in-country, concerns remain about whether the NPFS will achieve its more ambitious objectives, and how this initiative will interact with existing national food security activities and evolving Social Protection Strategies and Programmes, which often have strong and explicit linkages to agricultural policy, as noted repeatedly in this workshop.

FAO's comparative advantages in-country are stronger in areas such as legislation (food quality standards, trade regulations, etc), forestry and fisheries, and relatively weaker in agriculture and livestock. However, no other institution, with the possible exception of IFAD, has a vested interest in ensuring that the linkages between social protection and agriculture are made at national level. It was recommended that FAO should strive to make the case for strengthening these synergies within whichever policy process (NSPS, NFSS, Agriculture Policy, CAADP, PRSP, draft Social Protection Strategies) has political momentum within a country.

CAADP, for instance, was drafted (by FAO) as a traditional agricultural development approach, with few linkages to the MDGs and little recognition of social protection, but efforts are underway to strengthen the social protection component of CAADP, which FAO should actively support. Conceiving of "Food Security = Agriculture policy + Social transfers", as proposed earlier in this session, could be useful for building convergence between these parallel policy processes, with the hunger MDG as an overarching target, driving and linking all these activities.

Annex 1. Workshop Programme

Workshop Programme

Linking social protection and support to small farmer development in the context of food security

Workshop, January 17-18, 2008

Rome, Italy
FAO Headquarters
Mexico Room

DAY 1

Session I. Conceptual background and case studies (9:00-13:00)

- Chair: Abdul Kobakiwal (FAO-TCOS)

Welcome (9:00-9:15)

- Hafez Ghanem, ADG, Economic and Social Department

Setting the scene (9:15-9:30)

- Kostas Stamoulis (FAO-ESAE)
    - what is behind the workshop, presentation of main issues, objectives of workshop

Presentation of concept paper (9:30-11:30)

- Linking social protection and support to small farmer development
    - Presentation: Stephen Devereux (IDS)
    - Discussant: Rachel Slater (ODI)

Break (11:30-12:00)

Country case studies: Malawi (12:00-13:00)

- Presentation: Andrew Dorward (SOAS)

Lunch (13:00-14:15)

Country case studies: Ethiopia (14:15-15:15)

- Presentation: Stephen Devereux (IDS)
- Comment: Laketch Mikael (World Bank)

Country case studies: Ghana (15:15-16:15)

- Presentation: Colin Poulton (SOAS)

Break (16:15-16:30)

Session II. Panel discussion around specific topics

Topic 1. Synergies and Conflicts (16:30-17:45)
Further discussion on the major synergies and conflicts that can arise and should be encouraged (discouraged) from social protection and small farmer development, drawing on experience in different contexts? Moving towards conclusions on priorities and/or high potential issues.

- Facilitator: Stephen Devereux (IDS)
- Panel: Matteo Rizzo (Save the Children)

Dinner (20:00 -)

DAY 2

Topic 2. Appropriate Mix of Instruments (9:00-10:15)
What are the appropriate instruments for achieving synergies and avoiding conflicts in different contexts?

- Facilitator: Benjamin Davis (FAO)
- Panel: Ugo Gentilini (WFP)

Topic 3. Implications and challenges of targeting (10:15-11:30)
What are the major benefits and disadvantages and difficulties in targeting, in the context of achieving synergies and avoiding conflicts in social protection and small farmer programs?

- Facilitator: Andrew Dorward (SOAS)
- Panel: Nicholas Freeland (RHVP)

Break (11:30-11:45)

Topic 4. Institutional and political context (11:45-13:00)
What are the key issues in terms of the institutional and political context (including role of government, donors, and multilateral agencies) for achieving synergies and avoiding conflicts?

- Facilitator: Kostas Stamoulis (FAO)
- Panel: Phillip White (RHVP)

Lunch (13:00-14:15)

Roundtable discussion on future directions (14:15-18:00)

- Major themes emerging from the workshop
  - Stephen Devereux (IDS)
- Future directions for research
  - Benjamin Davis (FAO)
- Next steps
  - Kostas Stamoulis (FAO)

Annex 2. Workshop Participants

External Participants

David Alomia	Government of Ecuador
Henk-Jan Brinkman	World Food Programme (WFP)
Karl Deering	Concern (UK)
Stephen Devereux	Institute of Development Studies (IDS)
Andrew Dorward	School of Oriental and African Studies (SOAS)
Arabella Fraser	Oxfam (UK)
Nicholas Freeland	Regional Hunger and Vulnerability Programme (RHVP)
Ugo Gentilini	World Food Programme (WFP)
John Gicharu	IFAD
Rebecca Holmes	Overseas Development Institute (ODI)
Laketch Mikael	World Bank (Ethiopia)
Changano Ngoi	Government of Zambia
Colin Poulton	School of Oriental and African Studies (SOAS)
Matteo Rizzo	Save the Children (UK)
Manohar Sharma	International Food Policy Research Institute (IFPRI)
Rachel Slater	Overseas Development Institute (ODI)
Hardwick Tchale	World Bank (Malawi)
Karen Tibbo	CARE (South Africa)
Tim Waites	Department for International Development (DFID)
Max John Wengawenga	Government of Malawi
Philip White	Regional Hunger and Vulnerability Programme (RHVP)

FAO Participants

Shukri Ahmed
Luca Alinovi
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Benjamin Davis
Kevin Gallagher
Henri Josserand
Marco Knowles
Abdul Kobakiwal
Matern Maetz
Eliana Marino
Alberta Mascaretti
Mark McGuire
Jorge Ortega
Luca Russo
Fintan Scanlan
Kostas Stamoulis
Keith Weibe
Alberto Zezza

Annex 3. Project Outputs

Stephen Devereux, Andrew Dorward, Bruce Guenther, Ramatu Al-Hassan, Colin Poulton and Rachel Sabates-Wheeler (January 2008) **Linking Social Protection and Support to Small Farmer Development**, *Concept paper commissioned by the Food and Agriculture Organisation of the United Nations (FAO)*, Brighton: Institute of Development Studies.

Stephen Devereux and Bruce Guenther (January 2008) **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'*, Brighton: Institute of Development Studies.

Andrew Dorward, Bruce Guenther and Rachel Sabates-Wheeler (January 2008) **Social Protection and Agriculture in Malawi**, *Country case study paper prepared for a review commissioned by the FAO on 'Social Protection and Support to Small Farmer Development'*, London: School of Oriental and African Studies, University of London.

Colin Poulton and Ramatu Al-Hassan (January 2008) **Social Protection and Agriculture in Ghana**, *Country case study paper prepared for a review commissioned by the FAO on 'Social Protection and Support to Small Farmer Development'*, London: School of Oriental and African Studies, University of London.

Stephen Devereux (February 2008) **Linking Social Protection and Support to Small Farmer Development**, *Report of a workshop held at FAO, Rome, on 17-18 January, 2008*, Brighton: Institute of Development Studies.

Note: Versions of the Concept paper and the three country case studies will also be published as Working Papers by the Future Agricultures Consortium (www.future-agricultures.org), with due attribution to FAO.