(FURTHER) REVISED DRAFT of Chapter 4

Social Protection and Livelihood Promotion in Agriculture: Towards Operational Guidelines

Paper for OECD Povnet

John Farrington
Renewable Natural Resources and Agriculture Team,
DFID, London
February 2005

Executive Summary

To allocate public expenditure, and to engage the private commercial and non-profit sectors, in ways that increase poverty reduction impacts, whether via Poverty Reduction Strategies or other instruments, is of growing concern to governments and donors. The poor benefit from growth in two main ways: through *markets* for products, factors of production or consumables, and/or (via taxation and redistribution) through *transfers*. In the minds of many, livelihood promotion has been associated with making markets work better, whilst transfers have been associated with social protection. A central argument of this chapter is that, in reality, some of these distinctions are artificial, and there are substantial unexploited complementarities between the two spheres. For the vulnerable, markets tend not to work well for numerous reasons. Among these are the facts that they have difficulty in retaining[1] productive assets, and that they perceive risks to be prohibitively high, with few means of insuring against risk. This paper is concerned with ways of managing the shocks and stresses underpinning risk and vulnerability so as to reduce (a) the prospects of having to "cash in" productive assets in order to meet the costs generated by shocks and stresses, and (b) the barriers to entry into economic activity which result from perceptions of risk. To reduce these shocks and stresses is an important step in reducing poverty, both directly and by promoting closer engagement by the poor in markets and in entrepreneurial activity. Taking agriculture as one example of a productive sector, and taking the World Bank's widely discussed Social Risk Management (SRM) framework as a starting point, this paper argues that practically all policy spheres contain options that have greater or lesser prospects for reducing shocks and stresses. Thus, some modifications to the framework may be necessary to ensure that the potential implications of agriculture policy decisions for reducing shocks and stresses are taken into account[2], and, in the same way, that the implications for agriculture of policies in other economic or social spheres to reduce shocks and stresses are also recognized. Modifications are also necessary to ensure that shocks and stresses in the *domestic* and *productive* spheres facing given households are treated coherently.

The paper argues that questions of how to operationalise the principles contained in the (modified) SRM approach are of crucial importance, but pose considerable challenges. Whilst "Rural Worlds 1, 2 and 3" provide a basis for this, a nuanced classification of rural space, people and institutions is needed if these challenges are to be met. Such nuancing is needed in order to identify, for instance, how to treat the chronically vulnerable (who cannot fully engage in productive activity), or how to treat those engaged in, for instance, labour markets which link across different Rural Worlds. The

---

[1] They also have difficulty in *accessing* productive assets in the first place, but "access" is a major debate in its own right and lies outside the scope of this paper.
[2] More detail on how this might be done is presented in Chapter XXXX of this volume.

paper concludes by proposing a number of recommendations for donors, including recommendations on how the principles underpinning a modified SRM approach can be operationalised.

Background and purpose

Recent interest in how livelihood protection and promotion might better interface with each other has been driven by:

- Awareness that in many countries some two thirds of the poor are found in rural areas, and two thirds of these in remote and difficult areas which are weakly integrated into market-oriented infrastructure and institutions. Whether in well- or weakly-integrated areas, the poor face particular kinds of shocks and stresses that make it difficult for them fully to take up opportunities in the productive sectors such as agriculture.
- An awareness that agricultural growth in weakly-integrated areas has been slow, and that, increasingly, people are moving out for part or all of the year to take up work in better integrated rural areas or in urban centres. In addition to the longstanding shocks and stresses faced by people in weakly integrated areas, this trend raises new needs in relation to e.g. family protection during periods of migration.
- On the social protection (SP) side, new conceptualizations that go beyond "social sectors" (such as health and education) and "social assistance" (e.g. welfare benefits for the elderly, sick or disabled). These see social protection both as a "trampoline" capable of helping those who might (for whatever reason) temporarily drop out of productive activity to "bounce back", and as a means of support to the critically vulnerable. The World Bank's Social Risk Management (SRM) framework (World Bank, 2001) is one of the best-known articulations of this view, and is gaining interest among donors and governments, but there are questions over how approaches of this kind can be operationalised, given for instance the administrative divisions between responsibilities for livelihood protection and promotion.
- An awareness that better joint management of protection and promotion is likely to be central to the promotion of "pro-poor growth". To address them is all the more urgent in the context of the high risks linked to growing commercial (including global) market exposure; reduced public investment in agriculture; the imperfections in agricultural input and output markets where privatization has been overhasty, and the constraints on recurrent budgets that any expansion of SP is likely to face.
- In areas seriously affected by HIV/AIDS, the need for coherent responses to both social protection and agriculture-related needs is particularly pressing.

The purpose of this paper is to generate operational guidelines that may lead to a more coherent management of social protection and livelihood promoting interventions for low-income households and individuals whose livelihoods depend primarily on agriculture. This is seen as a contribution towards the operationalisation of new approaches towards social protection, such as the World Bank's SRM Framework, and is consistent with the need for coherence and practical orientation among donors and governments in developing poverty reduction strategies, such as Poverty Reduction Strategy Papers (PRSPs). In pursuit of this purpose, the paper:

- first, examines definitions of social protection and livelihood promotion, including the concepts of risk and vulnerability, and their effects;
- second, outlines the main features of the SRM framework, and proposes a number of modifications;

- third, moves towards operationalising these by examining them against particular sub-groups of low income people in rural areas, indicating how particular aspects of the framework can be applied to these, and how the framework may need to be modified.
- Finally, it sets out a number of recommendations for operationalising the SRM framework in the context of a new architecture of aid in which the search for coherence in approaches to poverty reduction in the context of PRSPs features prominently.

Social protection and livelihood promotion – defining the scope

Current perceptions of social protection (SP) focus on reducing both risk and vulnerability. SP comprises:

public interventions which (i) to assist individuals, households and communities to manage risk better, and/or (ii) which provide support to the critically vulnerable[3]

What makes current concepts of social protection new is that they represent a public commitment to reduce risk and vulnerability, different from the social sectors (such as health and education) and different from social welfare programmes, since they are concerned at least in part with the interface between protective measures and engagement by the poor in productive, growth-oriented processes. Others (Conway and Norton, 2002) have argued that a further novel feature of social protection is its concern with provision as a *right*, and not as paternalistic “handouts” by the state.
In all events, many of the *components* of social protection are not new: informal transfers within households, extended families or communities have long existed, both to meet crises and to support those chronically unable (or only partly able) to engage in the productive economy. For the better off, there has long been the possibility of purchasing insurance in the commercial market to cover certain types of risk. In some communities, there are voluntary mechanisms to provide funds to cover “stress” events, such as death donation societies. More formally, contributory pension schemes serve much of the same purpose. Many of these are discussed below. The challenge for SP addressed in this paper is that of bringing these and new SP measures together within some form of Social Risk Management framework so that interventions geared towards protection and those geared towards livelihood promotion complement each other, and this should not just be within the context of a productive sector such as agriculture, but also in coherence between measures addressed to the domestic sphere and those addressed to the productive sphere.

To economists, ***risk*** is the likelihood of occurrence of an adverse event, multiplied by some measure of the gravity of the event, and, in agriculture, is typically applied to events which, at least in principle, can be insured against in some way, such as crop failure or (e.g. through hedging) the collapse of market prices. Our preference here is to take a broader perspective by examining the *shocks* and *stresses* that underpin both risk and vulnerability. These can be *external* to the household (such as crop failure or price collapse, mentioned above), or *internal*, such as the loss of labour through sickness, injury and death, and the direct financial costs of these, as well as of other intra-household events such as marriage or illness among children or the elderly. Individuals or households likely to be affected particularly adversely by such events are ***vulnerable***, as a result of e.g. low asset status, low and variable income, disadvantageous location, a high proportion of dependents in household composition, and/or weak social networks[4]. There are important gender differences: certain types of shock or stress (usually, occupation-related) threaten men more than women, but others (such as caring for the sick or elderly) impact more on women. Women and

[3] Adapted from World Bank (2001)
[4] Some (e.g. Zimmerman and Carter, 2003) have formalised vulnerability in terms of asset portfolios and thresholds.

children (in S. Asia, typically girl children) are known to suffer more from reduced food consumption in times of crisis.

Livelihood promotion is concerned with enhancing the range of livelihood options open to the poor, and making these more accessible to them. Livelihood promotion has been interpreted primarily in terms of increased income opportunities, but the concern here is with measures to reduce production-related shocks and stresses that contribute to wide variance among incomes over time and space. For instance, agricultural research strategies concerned purely with raising incomes through increased per hectare crop yields are likely to require additional inputs of fertilizer and other agrochemicals, which exposes farmers to higher risk in the event of crop failure. A moderated strategy which sacrifices some growth in crop yield for greater stability (through e.g. drought tolerance, and resistance to pests and diseases) is likely both to increase incomes and reduce their variance. But some (such as Carney (ed) 1998) suggest that livelihoods embrace much more than income, such as status and "voice" (i.e. the ability to identify needs and articulate them to investment and service providers). The discussion below will not enter into these other dimensions of livelihoods in detail, other than to identify at appropriate points how voice can be strengthened.

The ***effects*** of high levels of shocks and stresses are evident in several dimensions, and this constitutes the basis for growing concern among donors and governments. For instance:

- Entrepreneurial shocks and stresses can cause farming to fail, resulting in indebtedness, loss of productive assets and reduced income for present and future generations.
- Domestic shocks and stresses can likewise drive households and individuals into greater poverty and at the same time impact on entrepreneurship by causing funds to switch out of enterprise in order to meet the domestic crisis. This "fungibility" of funds means that domestic and entrepreneurial shocks and stresses have to be treated simultaneously, a central argument in our analysis below. Poorer households, and women, children and the elderly within them, tend to be the most vulnerable and have access to fewer instruments to respond to shocks and stresses.
- *Perceptions* of high entrepreneurial risk can discourage poor households from taking up new activities, often keeping them in low-productivity, and low-return but fairly secure livelihood activities. These might include informal arrangements such as (typically in S Asia) seeking the protection of a "patron" who will provide credit in times of need (and thereby provide a degree of social protection) but in return demand priority access to the household's labour, the sole right to market its output, and the sole rights to provide seasonal credit. This "interlocking" of labour, product, input and credit markets makes it extremely difficult for poor households to take up new economic opportunities of the kinds that market signals might indicate.

Table 1 provides examples of shocks and stresses according to the scale at which they occur (viz. micro, meso and macro). It is worth noting that micro-level shocks and stresses tend to be ***idiosyncratic*** – i.e. affecting individuals and households in a more or less random fashion – whereas at macro level they tend to be ***covariate*** – i.e. a drought or flood will generate a range of related negative impacts affecting in some way practically all the households over a wide area. Innovative ways are being sought of insuring against the latter (Hess, 2003) given that insurance companies operating on a limited scale are likely to be financially threatened by the scale of covariate adverse events.

SP covers a potentially wide range of arrangements, which can be grouped into three broad categories:

Prevention strategies, which reduce the risk of occurrence of adverse shocks or stresses. In the agricultural sphere these can include the breeding of livestock resistant to disease, and of crops resistant to pests, diseases and drought, or the implementation of soil and water conservation measures intended to reduce the likelihood of drought, landslides, erosion, flooding etc. In the domestic sphere they can include vaccination against illness or disease, improved diet, safer water, and so on.

Mitigation strategies, which reduce the potential impact of a shock or stress. These can include *portfolio diversification* strategies – such as the management of diverse farming systems combining elements which are not all subject in the same degree to the same covariate risks (such as drought or disease); *insurance* strategies (in both entrepreneurial and domestic spheres), and *hedging* against future price fluctuations.

Coping strategies, which relieve the impact once the event has occurred, such as relief operations in response to natural disasters or civil disturbances.

SP can enhance the resilience of poor households in the face of shocks and stresses by reducing their vulnerability. It can do so by e.g. enhancing the resource-base of rural households through increased income, and reduced variance in income, which, among other things will also translate into a strengthened asset base. It can also seek to (a) improve the access by poorer households (i.e. the most vulnerable) to information and to assets which they do not own, including water bodies, forest, grazing land (b) grant rights to poorer households, help in making them aware of these rights, enhance their capacity to make claims on the public sector in line with these rights, and promote stronger responsiveness by the public sector to such claims, and accountability to the claimants. To promote particular kinds of microsavings and credit may help in reducing vulnerability to shocks and stresses sufficiently to prevent the sale or mortgaging of productive assets such as livestock or land.

The need for a new initiative in Social Risk Management?

In addition to the requirements outlined above, a central perception among proponents of the World Bank's SRM Framework is that there is a need for a new initiative for two main sets of reasons. One is that traditional informal risk management arrangements, such as transfers within extended families, and intra-community support mechanisms, are breaking down as population pressure rises and employment patterns become increasingly casualised and migratory. In addition, new types of risk demand responses beyond what traditional mechanisms can provide. These include the risks of greater product price instability driven by globalization, the risks of product rejection as a result of higher product standards imposed by supermarkets, the risks that inputs will not arrive, or products not be marketed as a result of overhasty liberalization. The "rolling back" of the state has also impacted negatively on its capacity to reduce risk or vulnerability directly through traditional social protection measures such as transfers, or to do so indirectly through, for instance, public agricultural research which develops new crops resistant to pest or disease attack, or new approaches which allow risk to be spread through farming systems containing diverse and complementary elements – this is perhaps especially the case where such services have been privatized and new commercial research is driven more by "growth" than "growth with stability".

The main elements of the SRM framework are presented in Box 1[5], and Table 2 provides examples of types of SRM in both domestic and entrepreneurial contexts, and across the spectrum of informal, private commercial and publicly mandated arrangements.

Box 1 The World Bank's Social Risk Management Framework

[5] Although the SRM stresses *both* the "trampoline" function of SP in preventing people from dropping out of productive activity, or bouncing them back into it again, *and* that of protecting the "chronically vulnerable" who are unable fully to engage in productive activity, in reality, much of the concern hitherto has been with the former, not the latter.

Social Risk Management repositions the traditional areas of social protection (labour market intervention, social insurance and social safety nets) in a framework that includes three strategies to deal with risk (prevention, mitigation and coping), three levels of formality of risk management (informal, market-based, publicly-mandated) and many actors (individuals, households, communities, NGOs, governments at various levels and international organisations) against the background of asymmetric information and different types of risk. This expanded view of Social Protection emphasizes the double role of risk management instruments protecting basic livelihood as well as promoting risk taking. It focuses specifically on the poor since they are the most vulnerable to risk and typically lack appropriate risk management instruments, which constrains them from engaging in riskier but also higher return activities and hence gradually moving out of chronic poverty.

Source: adapted from Holzmann and Jørgensen (2000)

The World Bank argues that improved SRM is important in a *static* sense since it can contribute to:

- reduced vulnerability; enhanced consumption smoothing; and improved equity.

And, in a *dynamic* sense, enhance:

- income and consumption smoothing; the effectiveness of informal provisions, and the cost-effectiveness of public provision.

Implementation of the SRM is expected to contribute to poverty reduction by:

- reducing transitory (consumption) poverty;
- preventing declines into deeper poverty and destitution; and
- supporting upward trajectories out of poverty through its support for entrepreneurial risk-taking.

Public (government and donor) support for SRM is justified on the grounds that it has to substitute for widespread market failure, or get markets working. This applies to several types of market:

- first, markets for insurance are highly imperfect – knowledge is often imperfect, information asymmetric, and transaction costs high – so that many types of risk are in effect uninsurable;
- second, asymmetries in information and power act as barriers to entry in other markets (for products, labour and credit, for instance);
- third, some are excluded on social, ethnic or religious grounds from markets which are *segmented*, and in other cases, the poor attempt to avoid risk by entering relations with patrons that often result in *interlocked* markets.

The poor will always face difficulties of these kinds in entering markets; the provision of new forms of social protection will not guarantee that such barriers can be broken, but may provide a platform so that some, at least, can enter new markets.

Making the SRM framework operational

The SRM framework has the potential to make substantial improvements to the livelihoods of the poor, but its implementation involves a number of potentially complex interactions and complementarities. Questions of how the SRM framework can be operationalised will require careful consideration in four dimensions:

- in relation to different categories of poor people;
- in relation to interactions between productive sectors (where entrepreneurial activity is focused) and domestic spheres (since funds are fungible between the two);

- in relation to the interface between protection and promotion options within the sector; and
- in relation to location-specific socio-cultural and economic conditions.

Addressing different categories of poor people

The OECD Povnet Agriculture group has been considering a concept of “Three Rural Worlds” advanced by the International Institute for Environment and Development as an aid to understanding who the clients of agricultural interventions are, and how they might best be reached (see Chapter XXX of this volume).

Basically, the concept postulates:

- A Rural World #1, in which farming is well-established and well-linked into market-oriented institutions and infrastructure. Fluctuations in commodity prices as a result of globalization and liberalization are a major component of entrepreneurial risk in this context.
- A Rural World #2, in which farming is less commercialized, and semi-subsistence, though with some commercial engagement. Links to market-oriented infrastructure and institutions are less strong, and major sources of risk include not only price fluctuations, but also unreliability of input supply and marketing, and climatic shocks.
- A Rural World #3. which is near-subsistence farming, often in more remote and agro-ecologically more difficult areas, so that major sources of risk are climate- rather than market-related.

This schema helps to identify how SRM might be applied in practice – for instance, it suggests a spectrum in which those in RW #1 are concerned mainly with entrepreneurial risk, and rely mainly on private sector mechanisms for this, and so the main policy imperative is to get insurance and related markets to work better, whilst those at the opposite extreme (RW #3) need protection mainly against weather-based risk and against domestic shocks and stresses, and that combinations of informal and publicly-mandated approaches lend themselves best to achieving this. Given that it is a production-focused schema, those using it would need to be sure that, in the contexts to which it is applied, it permits adequate coverage of those who cannot engage fully in the productive economy (such as the very elderly, the sick and those with many dependents), and of those (such as migrant labourers) who cross from one RW to another in search of work. More nuanced policy analysis requires a breakdown between domestic and productive spheres, which is considered in the next section, and between different categories of labour, to which we turn later.

Addressing interactions between domestic and productive spheres

Money is fungible, so that shocks and stresses in the domestic sphere may cause diversion of funds from the productive, and vice versa. This argues strongly for treating the two spheres jointly and not separately. However, in practice this has rarely happened, and the factors that have prevented it need to be addressed if the future prospects for joint treatment are to be better. These include:

- the fact that they are generally mandated to different government departments, and to different offices within donor agencies;
- the limited resources in most developing country governments for support to households through e.g. transfers; the pressure from the IMF and other agencies to keep down recurrent budgets;

- the weak political power of those unable to engage in the productive economy, so that no electoral advantage is perceived in supporting them; and
- the longstanding lack of interest among donors in even experimenting with innovative ways of making SP transfers (such as social pension payments) given their perception that these are an open-ended commitment into which they do not wish to be drawn.

As Tables 2 and 3 suggests, there can be several ways of providing SP to the domestic sphere. These may include support for micro-savings and credit schemes (possibly on the Grameen Bank model), the provision of micro-insurance against sickness, injury and death, and regular payments such as social pensions to the elderly and widows, allowances to orphans or the disabled, school fee allowances, school feeding schemes etc. To transfer funds to those unable to engage in the productive economy is regarded by some as little more than a "handout". However, whilst such transfers may be too small to allow a build-up of assets, they do at least allow the recipients to engage in the economy as consumers, and may allow existing informal intra-household resource transfers to be switched into agriculture. Further, in some settings (e.g. S Africa – Devereux (2003)) there is evidence that part of social pensions paid to the elderly are invested in productive activity.

One of the benefits of a closer coherence between interventions in domestic and productive spheres is the prospect of avoiding negatives, such as are caused, for instance, when poorly-timed food aid disrupts local agricultural markets.

Identifying synergies between social protection and livelihood promotion

The SRM framework is presented by the World Bank largely as a "win-win" scenario, in which SP protects people against sliding into poverty, and at the same time allows increased entrepreneurial risk-taking by providing social protection. In principle this can generate synergies in the narrowly defined sense of making the whole greater than the sum of its parts. Table 2 provides examples such as migration, holding multiple jobs, and insurances where this can occur.

But many of these interventions are conceived as a "trampoline" which allow those producers who face temporary setbacks to "bounce back" into the productive economy. There are very few efforts to bring those largely outside the productive economy into it – from a situation in which they mainly rely on social protection, to one in which they benefit more from livelihood promotion. This kind of trajectory represents synergy of a different kind. One such effort is the work done by the Bangladesh Rural Advancement Committee (BRAC) in its Income Generation for Vulnerable Group Development (IGVGD) programme (Matin and Hulme, 2003).

BRAC has faced a number of field-level implementation constraints in its IGVGD programme. To keep costs down, it is obviously desirable for community development workers (who would normally handle social protection) to cover interaction with the poor over both livelihood protecting and promoting issues. However, they may lack the skills or inclination to become advisers in micro-enterprise or agriculture. The same applies to agriculture advisers – they may be a poor second-best when it comes to providing assessments and advice in relation to SP. If this applies to the well-motivated staff of a dynamic NGO, it is likely to apply even more to public sector staff in social welfare or agriculture departments.

Addressing trade-offs within SP and within agriculture

Not all possibilities will be "win-win". In a productive sector such as agriculture, policy decisions supporting high levels of growth may generate high levels of risk, and some growth may have to be sacrificed in order to reduce risk. Decisions over how certain SP measures are designed and implemented can impact differently on a productive sector such as agriculture.

For instance, where transfers to the poor form part of the SP portfolio, the trade-offs between transfers in cash and in kind need to be assessed. Food transfers (as an example of the latter) tend to be politically popular, but are costly to administer and may suppress demand in local food markets. Cash transfers require robust transfer mechanisms if they are not to be diverted, but the advent of computerization may assist in automating payments. Cash transfers may boost demand for agricultural products in local markets.

On the agriculture side, trade-offs are found in many areas, including the decisions regarding priorities for agricultural technology: a policy which “goes for growth” may generate high-yielding, but also high-risk crop varieties. One which is more concerned with risk management may trade off some growth and so generate varieties which are resistant to pests and diseases, drought avoiding etc.

There is substantial unexploited scope for introducing the perspectives of the one side into the design and implementation of the other, i.e. for giving aspects of SP more of a growth-promoting dimension, and for designing agriculture initiatives in ways aiming to reduce potential shocks and stresses.

Areas in which this might be done include (Farrington et al, 2004a; 2004b):

- On the social protection side, SP can be growth promoting where, for instance, it stimulates thrift and credit schemes, creates physical assets through employment schemes, and promotes personal insurance, but (cash) transfer payments can also be indirectly growth promoting.
- On the agriculture side, several types of agricultural strategy can both promote growth and reduce risk, including revisions to legislation and regulation, investments in infrastructure and soil and water conservation, innovative types of insurance, and appropriately focused provision of services, including research and extension.

Addressing location-specific conditions

Shocks and stresses in both productive and domestic spheres will clearly vary according to a wide range of conditions. It is not possible to consider the full range of these here, but a number of illustrations can be given:

Agro-ecological conditions will influence the “riskiness” of production, as will the extent to which infrastructure (such as irrigation) has been constructed to counteract these. Market-related risks will impact differentially according to the types of crop typically grown in different areas, the extent and quality of links with international markets, the international market conditions for such commodities and the extent to which these penetrate major consumer markets in a given country. Labour markets may be characterized by different levels of casualisation, different types and levels of migration, different pressures on wages coming from rural non-farm or urban labour markets, and different types and degrees of segmentation. Factors of this kind will determine the types of SP needed (such as employment creation schemes) and by whom. Location will also determine the likelihood of events such as flooding, which will impact on both production and domestic spheres. Differences in social network will determine the extent to which informal protection mechanisms can be called upon during crisis.

Even these few examples suggest that policies seeking greater coherence between livelihood protection and promotion will have to be based on a clear understanding of contextual difference in spheres such as:

- agro-ecology;
- infrastructure;
- links with market-oriented infrastructure and institutions;
- the nature of labour markets;
- the degree of market segmentation;
- location, for instance in relation to market access and such shocks as potential natural disasters;
- social networks.

Institutional issues

Insofar as Poverty Reduction Strategies form the basis for poverty-focused policy, the conventional pattern is that governments with donor support will take prime responsibility for the design and implementation of social protection and livelihood promotion policy. Active engagement by NGOs and by the private commercial sector offers illuminating exceptions to this rule. Box 2 provides an example of efforts by an NGO in Bangladesh to support transitions from livelihood protection to promotion. Commercial sector engagement can come in several spheres: in new, weather-based crop insurance, there is at least in principle a role for the private sector (Hess, 2003) as there is also in personal insurance, and for insurance to be linked with microfinance contracts (Sadoulet, 2005). There is also a role for private agents to support price-stabilising engagement in "futures" markets (Skees et al, 2005).

Box 2 Institutional issues in protection and promotion: the case of the BRAC Income Generation for Vulnerable Group Development (IGVGD) Programme, Bangladesh

IGVGD was initiated by BRAC to address the needs of chronically poor households. These are households that cannot escape extreme poverty and are predominantly assisted with only 'protective' measures of development, such as food aid, and who have little opportunity or space to engage in 'productive' income generating schemes, or invest in productive assets and resources. IGVGD attempts to reach this group, the 'hardcore poor' and build up their productive capacity by simultaneously providing a protective base. This is achieved through collaboration with the WFP and local government to distribute a monthly wheat ration (for two years), plus training and credit provision by BRAC. Credit is used to set up income generating activities, such as poultry, livestock and sericulture. IGVGD targets widowed or abandoned female heads of household; households owning less than 0.5 acres, and earning less than 300 taka/month.

IGVGD has been successful in reaching the very poor and increasing the economic position of beneficiary households. Average incomes have risen significantly and ownership of homestead plots, land, beds and blankets increased. After two years, when wheat distribution ends, many participants experience a drop in income and consumption but the income generating activities founded on the microcredit intervention kept many incomes above pre-programme level. The programme has been impressive in successfully 'graduating' households of such low-income and low-asset holdings to access regular microfinance programmes.

In spite of these successes, there remain several difficulties. One is the question of field staff capacity: can a fieldworker concerned with, e.g. agricultural extension be mandated and re-trained to provide SP inputs? Conversely, can a social worker be trained to provide advice relating to the productive sectors? If this proves impossible, can the costs of running two parallel services be sustained? Another is the difficulty of reaching those who have most difficulty in becoming upwardly mobile, and those who cannot raise their levels of economic activity. Experience shows that some households could not recover from loss of food subsidy and had to mortgage assets and use the loan for consumption. Thus, whilst the combination of protection and promotion, where protection acts as a base for productivity, can be a successful ladder for households able to seize economic opportunity, other households need additional inputs such as social development/social mobilisation, or asset transfers. BRAC's new scheme 'Challenging the Frontiers of Poverty-Reduction Programme' aims to provide these inputs.

Source: Matin and Hulme (2003)

Guidelines for making SRM operational

Mainstreaming SP and SRM

The major difficulty with SRM is that social protection can be provided at many different levels of intervention and in many different ways. At one extreme, policies to achieve macro-economic stability or greater transparency in fiscal administration or improved transport and communication infrastructure can in some measure, and to some groups of people, help to provide social protection. In some contexts, policies to reinforce the rule of law might be an important step towards social protection. At the opposite extreme, specific kinds of targeted transfer might be needed in order to meet the SP needs of very poor individuals and households. In between, lie a very wide range of options and requirements. The scope of this paper is sectoral. For this reason, it has not considered these higher-level policies, but that is not to say that they are unimportant – certainly they need to be addressed by others concerned with macro-level economic management[6].

The overwhelming reality is that ministries and departments concerned with the productive sectors have far more resources than those concerned with, for instance, social welfare, and, given the pressure to keep recurrent expenditure down, this appears unlikely to change. A logical conclusion is that the policy areas covered by, for instance, agriculture departments, should be investigated with two things in mind: one is to review the scope of policies mandated to them, and to consider whether these might be broadened to include others that offer more scope for SP – promoting new forms of insurance (against crop failure, livestock death, price fluctuations etc) provides one example; the other is to consider trade-offs within existing policy areas, for instance how more social protection might be gained within them at the expense perhaps of a little less growth.

To ask then who is left out from such efforts to enhance SP from within the productive sectors leads to two further sets of conclusions: one concerns the other contributions that "freestanding" SP can make to the productive sectors by way of, for instance, personal insurance and credit schemes of various kinds. The other concerns the ways in which SP can address domestic requirements and yet still impact on the productive sectors through consumption effects (as with, for instance, cash transfers) or through allowing existing informal transfers to be diverted into the productive economy.

The first recommendations therefore concern the "mainstreaming" of SP and SRM:

> ***Recommendation #1***. Identify how far policy at the highest levels (in relation to macro-economic and fiscal management; trade and investment, the legal framework…) is cognizant of the SP and SRM requirements, and what scope there is for modifying policy in order to mainstream these considerations.
>
> ***Recommendation #2***. Repeat this process within the productive sectors, to identify within these the types of policy arena likely to impact on the poor, and how far the tradeoffs within these (typically between growth and social protection) have been examined to date, and how they can be adjusted to obtain better balances between growth and social protection favourable to the poor. Within these sectors, identify how far public expenditure has been substituted by private commercial engagement, what the implications have been for the balance between SP and growth, and how imbalances might be redressed

---

[6] The relationships between agriculture and other sectors, and between agriculture and "higher level" policies (termed "horizontal" and "vertical" linkages respectively) are explored later in this volume (Chapter XXX).

> ***Recommendation #3***. Identify what measures such as insurance need to be undertaken to gain win-win outcomes by complementing production focused measures

> ***Recommendation #4.*** Identify who from among the poor remain marginal to these processes, and identify what can be done for them by way of direct SP measures

A further set of recommendations is concerned with coherence of approach between domestic and production spheres, and with the need to recognize contextual differences.

> ***Recommendation #5***. Identify the major dimensions of risk and vulnerability within the country(ies) concerned, and how these vary according to such factors as: agro-ecology; infrastructure; links with market-oriented infrastructure and institutions; labour markets; the degree of market segmentation; location, particularly as it relates to market access and potential natural disasters, and social networks.

> ***Recommendation #6***. Recognising that SP can be promoted at national, provincial, community, household and individual levels, identify the main groupings that require some difference of approach; identify in particular the differences in vulnerability among, and different types of risk faced by, for instance, men and women, male and female children, widows, and the elderly.

> ***Recommendation #7.*** On the basis of a sound understanding of the above, identify how coherence can best be achieved between domestic and productive spheres in terms of both SP and livelihood promoting measures.

There are then important questions of how all of the above can best be achieved. Agreement on the recommendations is first required among donors and other international agencies, and the OECD Povnet provides a starting point. At country level, there is already a mechanism seeking coherence in approaches to poverty reduction, in the form of Poverty Reduction Strategy Papers and the associated committees, and these provide an appropriate locus for discussing and implementing the principles on which these recommendations are based.

> ***Recommendation #8***. Use existing fora of donors and international agencies to obtain agreement on the principles underpinning greater coherence between social protection and livelihood promotion.

> ***Recommendation #9***. Use Poverty Reduction Strategy processes as a means of discussing and implementing the principles on which these recommendations are based.

What is clear from several assessments of PRSPs, however, is that, whilst they make strong statements of intent on poverty reduction, they are less clear on the ways in which public investment, service delivery and public-private partnerships will change in order to deliver these intentions. This calls for experimentation with new approaches in these areas, and a coordinated lesson-learning approach

> ***Recommendation #10***. International agencies, governments and NGOs need to experiment with new ways of adapting policies in the productive sectors to be more socially protecting, and of adapting SP policies so that they support pro-poor growth objectives. They should also experiment with new forms of public investment, service delivery and multi-agency partnerships to deliver these new approaches more effectively.

Recommendation #11. New knowledge is also needed on how new SP measures impact on traditional mechanisms, and how they might be modified to build on these where appropriate.

Recommendation #12. Capacity needs to be built among senior officials concerned both with SP and livelihood promotion so that each appreciates more fully the perspectives of the other, and takes decisions in a coherent manner.

Table 1 Sources and forms of shocks and stresses, by scale

<table>
<tr><th></th><th>Micro (idiosyncratic)</th><th>Meso</th><th>Macro (co-variant)</th></tr>
<tr><td>Natural</td><td></td><td>Rainfall
Landslide
Volcanic eruption</td><td>Earthquake
Floods
Drought
Strong winds</td></tr>
<tr><td>Health</td><td>Illness
Injury
Disability</td><td>Epidemic</td><td></td></tr>
<tr><td>Life-cycle</td><td>Birth
Old-age
Death</td><td></td><td></td></tr>
<tr><td>Social</td><td>Crime
Domestic violence</td><td>Terrorism
Gangs</td><td>Civil strife
War</td></tr>
<tr><td rowspan="3">Economic</td><td colspan="2">Unemployment
Harvest failure
Ethnic discrimination</td><td>Output collapse</td></tr>
<tr><td>Business failure</td><td>Riots</td><td>Financial collapse.
Technology or terms of trade shocks</td></tr>
<tr><td></td><td colspan="2">Resettlement</td></tr>
<tr><td>Political</td><td></td><td></td><td>Potential default on social programme.</td></tr>
<tr><td>Environmental</td><td></td><td>Pollution
Deforestation
Nuclear disaster</td><td></td></tr>
</table>

Source: adapted from Holzmann and Jorgensen (2000)

Table 2 Matrix of social risk management (examples)

Arrangements/ strategies	**Informal/personal**	**Formal/financial market-based**	**Formal/publicly-mandated/ provided**
Risk reduction	Les risky production Migration		Labour standards VET Labour market policies Disability policies
Risk mitigation			
Portfolio	Multiple jobs Investment in human, physical and real assets	Investments in multiple financial assets	Multi-pillar pension systems Social funds
Insurance	Marriage/family Community arrangements Share tenancy Tied labour	Old-age annuities Disability/accident	Mandated/provided for employment, old-age, disability, survivorship, sickness, etc.
Hedging	Extended family Some labour contracts		
Risk coping	Selling of physical and real assets Borrowing from neighbours Intra-community transfers/charity Sending children to work	Selling of financial assets Borrowing from banks	Transfers/social assistance Subsidies Public works

Source: adapted from Holzmann and Jorgensen (2000)

Table 3 Managing shocks and stresses in relation to the agriculture sector

Types of rural household		Domestic	Production-related
Established farmers	Types of shock and stress	Illness Injury Disability Death Costs of weddings and other rituals	Collapse in prices resulting from globalisation Extreme weather events (drought, hail, flooding) Degradation of soil, water and other NR Inadequate access to input, finance and output markets owing in part to failed liberalisation
	Types of response	Promote private sector insurance schemes	Promote private sector input supply and marketing, and insurance schemes (which may require public start-up and regulatory controls); develop new types of crop insurance and price hedging (Hess, 2003). Public/private partnerships to control erosion and soil
Marginal farmers	Types of shock and stress	Illness Injury Disability Death Costs of weddings and other rituals	Extreme weather events (drought, hail, flooding) Degradation of soil, water and other NR Inadequate access to input, finance and output markets owing in part to failed liberalisation (Possibly) collapse in prices resulting from globalisation
	Types of response	Promote micro-savings, micro-credit, micro-insurance	Promotion of private sector inputs supply and marketing may have to be accompanied by measures to reduce market segmentation and interlocking; Insurance and savings schemes may require a strong public or community-based leadership
Labourers	Types of shock and stress	Illness Injury Disability Death Costs of weddings and other rituals	Loss of rural employment opportunities and/or reduction in real wages attributable to the above Loss of opportunities for seasonal/permanent migration attributable to same or other causes
	Types of response	Promote micro-savings, micro-credit, micro-insurance. Investigate possibilities of occupation-linked insurance and pensions	Public works programmes Support for seasonal migration through improved information, accommodation, education provision for children, easier means of making remittances etc
Those unable to engage fully in productive activity	Types of shock and stress	Illness Injury Disability Death Costs of weddings and other rituals	Reduction in informal intra-household transfers resulting from above shocks/stresses in agriculture Reduction in opportunities for gathering fodder/fuel from commons owning to NR degradation
	Types of response	Social pensions for the elderly, widows and disabled; school feeding programmes; promotion of infant health and nutrition; distribution of free or subsidised food	Social pensions for the elderly, widows and disabled; school feeding programmes; promotion of infant health and nutrition; distribution of free or subsidised food Schemes to rehabilitate the commons and ensure equitable access

References

Carney, D. (ed). (1998) *Sustainable rural livelihoods: What contribution can we make?* London: DFID.

Conway, T. and Norton, A. (2002) 'Nets, Ropes, Ladders and Trampolines: The Place of Social Protection within Current Debates on Poverty Reduction', *Development Policy Review* 20 (5): 533–40. London: Overseas Development Institute.

Dercon S. (ed) (2005) Insurance against poverty. Oxford: OUP

Devereux, S. (2003) 'Policy Options for Increasing the Contribution of Social Protection to Food Security', Second Draft *Forum for Food Security in Southern Africa*, London: Overseas Development Institute, accessed October 2003 at: http://www.odi.org.uk/Food-Security-Forum/docs/SocProtection_theme4.pdf

Farrington, J., Slater, R. and Holmes, R. (2004a) 'Social Protection and Pro-poor Agricultural Growth: What Scope for Synergies?' *Natural Resource Perspectives* 91, London: Overseas Development Institute.

Farrington, J., Slater, R. and Holmes, R. (2004b) 'The Search for Synergies between Social Protection and Livelihood Promotion: the Agriculture Case', *Draft Working Paper*. London: Overseas Development Institute.

Hess, U. (2003) 'Innovative Financial Services for India: Monsoon-indexed Lending and Insurance for Smallholders', *Agriculture and Rural Development Working Paper* 9, Washington DC: World Bank.

Holzmann, R. and Jørgensen, S. (2000) 'Social Risk Management: A New Conceptual Framework for Social Protection and Beyond', *Social Protection Discussion Paper* 0006, Washington DC: World Bank.

Matin, I. and Hulme, D. (2003) 'Programs for the Poorest: Learning from the IGVGD Programme in Bangladesh', *World Development* 31 (3): 647–65.

Sadoulet, L (2005) Learning from Visa: incorporating insurance provisions into microfinance contracts. Pp387 – 421 in Dercon (ed).

Skees, J, Varangis, P, Larsno, D.F., and Siegel, P. (2005) Can financial markets be tapped to help poor people to cope with weather risks? Pp422-438 in Dercon (ed).

World Bank (2001) *Social Protection Sector Strategy: From Safety Net to Springboard,* Washington DC: OUP for the World Bank.

Zimmerman, F.J. and Carter. M.R. (2003) Asset smoothing, consumption smoothing and the reproduction of inequality under risk and subsistence constraints. *Journal of Development Economics*, 71, 233-260.