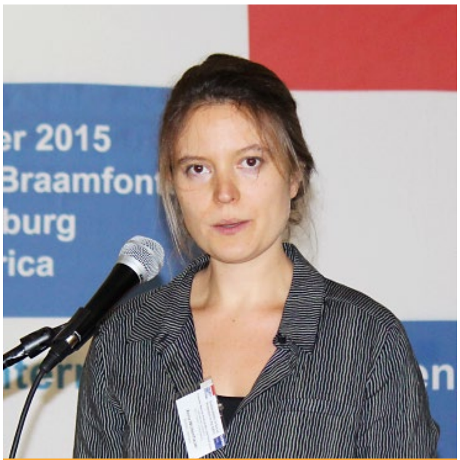
SASPEN brief

Southern African Social Protection Experts Network 7/2016

Can Social Protection Bring Developmental States Back to Africa? Findings from Zambia



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In 2015, SASPEN and Friedrich-Ebert-Stiftung Zambia hosted a high level **international expert conference on Sustainability of Social Protection** in Johannesburg, South Africa, Oct 20-21.

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Introduction

In Southern Africa, since the mid-2000s there has been an increase in expenditure on social protection programmes. National governments are often at the centre of the new policies, while at the same time there is much donor and multilateral engagement and financing (Deacon 2007; Freeland 2013). Social protection is widely conceived of primarily in terms of smoothing consumption patterns and alleviating the most severe forms of poverty. In fact, the turn has arisen from a new focus on poverty (Barrientos and Hulme 2009: 443). And even when there is an attention to the productive effects, policies and discourse tend to remain focused on the individual or household level (Covarrubias et al. 2011; Devereux and Sabates 2016).

While the new policies have doubtlessly contributed to improved social security for many poor people, they should not replace more fundamental structural interventions in the economic and social structures of the countries in Southern Africa. Namely policies that not only redistribute the gains from economic growth, such as through social protection, but also include more people in the creation of economic output. The post-2000 economic growth seen in many countries of Sub-Saharan Africa was largely due to high returns in economic enclaves such as on mineral resource exports (UNECA 2011: 82). This growth was hence not very inclusive or socially transformative in the long run as it created little spill-over to the majority population through production linkages and employment (Resnick and Thurlow 2014: 1). Policies for economic diversification and upgrading, long-term job creation, fiscal reforms, better access to resources and land, and negotiating more favourable trade relations would be needed for this end.

I argue, however, that social protection programmes need not be seen as diverting attention away from the latter big reforms (Koehler 2011) but that they instead provide a crucial window of opportunity for bringing in more fundamental structural interventions. This is due to two reasons: firstly, the current wave of social protection policies has rehabilitated the state as a key driver which is needed at the centre of developmental change; and secondly, linking social protection and economic reforms has the potential to spur economic transformation with a broad societal base.

In the following, I will elaborate these arguments further by briefly showing the changing attitude towards states, and the possibilities for inclusive structural transformation through acknowledging the importance of agriculture. After that I will bring in some exemplary evidence from Zambia that points to the potential synergies between social protection and agricultural interventions – i.e. between redistributive and productive policies. I will conclude, however, that even these should not substitute for macro-level interventions.

Return of the state

The notion of the developmental state captures the public responsibility and potential for initiating structural transformation[1]: It denotes states who see their "mission" as ensuring economic development (usually seen as high rates of accumulation and industrialisation) while also having the capacity and autonomy to put it into effect (Mkandawire 2001: 290). However, after an initial period of strong state engagement, wide-spread scepticism about African governments' ability to promote economic and social development in the high time of neoliberalism in the 1980s and 1990s led to a cut-back of the public sector and a closure of many planning ministries. Today there is growing realisation that states have key roles to play that market actors cannot take over as international development discourse is focused on institutions, "governance" and state effectiveness (see e.g. the World Bank's World Development Reports 2002 and 2017; or the UNECA Report 2011 entitled "Governing development in Africa – the role of the state in economic transformation"). After it had become clear that industrialisation does not happen automatically (Storm 2015: 669), even industrial policy is back in development debates (e.g. Rodrik 2007; Wade 2009), although there remain different views as to how much states should intervene to create new comparative advantages (Lin and Chang 2009). States' involvement appears to be accepted especially in poverty reduction strategies such as under the guidance of the Poverty Reduction Strategy Papers or Millennium Development Goals (Fritz and Rocha Menocal 2007; UNECA 2011: 87). But to what extent African states today have the leverage to become encompassing "developmental states" is unclear. Yet, the concept of the developmental state is resurfacing in academic and political discourse and even some governments, such as in Rwanda, Ethiopia and South Africa, use it to describe their national development visions (Booth et al. 2015; Routley 2014).

Developmental states and agriculture

For economic growth to be inclusive and for domestic demand to take off, in Southern Africa policies need to be directed at the farming sector, as it currently provides the largest share of employment and is likely to do so for some time (Routley 2014: 170). A focus on agriculture is, however, not due to the alleged comparative advantage in primary products. Instead, a gradual move into higher value added activities requires an initial investment in the rural sector and the creation of a higher skilled population to eventually seize new employment opportunities in towns. Johnston and Mellor in their classical paper have summarised agriculture's contribution as providing food, export earnings, labour, capital and rural demand (Johnston and Mellor 1961: 572). From a basic Keynesian point of view, to strengthen domestic demand in rural areas is vital for upholding and fostering emerging industries. So agriculture is an important engine of growth (Tiffin and Irz 2006: 80).

In South Korea and Japan, two of the East Asian "miracle states", investments were channelled into new manufacturing activities and the creation of a skilled labour force. But not only industrial policies were crucial for the structural transformation that occurred during the growth processes since the 1960s: also a pro-poor land reform and other redistributive and social security interventions were key ingredients. Their industrial development has in fact been agriculture-led (Briones and Felipe 2013: vii). So while often the emphasis is on industrial policies and the relative growth of the manufacturing sector and decline of agriculture, the discussion about developmental states should factor this in more strongly (Routley 2012). However, the ratio of agricultural public expenditure and agricultural GDP has only been between five and seven percent in Africa since 1980 (Benin and Mogues 2012: 252). And where agricultural growth has taken place, it has not resulted in rural poverty reduction because it has largely been limited to better-off and commercially operating farms (Hichaambwa et al. 2015). In Zambia, 70 per cent of farmers cultivate less than two hectares of land and are not able to sell crop output and hence cannot make use of government-supported producer prices (Jayne et al. 2011). As argued above, structural transformation requires not only the redistribution of the gains from economic growth but also the inclusion of more people in the creation of economic growth. In Zambia this necessitates the support to small-scale agricultural production. A comparative look at an agricultural subsidy programme and a welfare programme can show the strengths and weaknesses of both in achieving this. In the following, I will hence review some findings from the Zambian Child Support Grant and the Farmer Input Subsidy Programme to point to the existing and the potential synergy effects between social protection and productivity enhancing policies (see also Tirivayi et al. 2016).

1 According to Timmer and Akkus, structural transformation comprises "a falling share of agriculture in economic output and employment, a rising share of urban economic activity in industry and modern services, migration of rural workers to urban settings, and a demographic transition in birth and death rates" (Timmer and Akkus 2008: 2).

The Zambian Child Grant Programme

The American Institutes for Research conducted experimental impact evaluations of the Zambian Child Grant Programme (CGP) which was initiated by the Zambian Ministry of Community Development, Mother and Child Health in three pilot districts in 2010 (Seidenfeld, Handa and Tembo 2013). The experimental evaluations after 24 and 36 months use a difference-in-differences approach and reveal several productive effects: The programme led to an increase of 21 per cent on the share of households possessing livestock, to an increase of 18 per cent on the size of operated land, and to a 50 per cent increase in the value of overall harvest. Moreover, the study reveals a 12 per cent increase on the number of households selling some of their crops and a 16 to 18 increase in the number of households running non-farm businesses. Beyond the household level, the money received through the cash grant was shown to have a large multiplier effect as more than half of all goods were purchased close-by. Based on the Local Economy-wide Impact Evaluation Model (LEWIE), the authors estimate that non-participants received an indirect benefit of around 60 per cent of the cash grant. This shows not only that poor people make rational expenditure decisions but that investing in rural households creates demand for domestic products and effectively enables them to invest in human capital and new businesses.

Zambia's Farmer Input Support Programme

Zambia's Farmer Input Support Programme (FISP) was reintroduced by the Ministry of Agriculture in the 2001/02 agricultural season, and has been studied in depth by the Indaba Agricultural Policy Research Institute (IAPRI). The scheme is aimed at reducing poverty and improving overall food security and agricultural productivity by supplying selected smallholder farmers (holding between 0.5 and 5 hectare of land) with subsidised fertiliser and maize seed. However, the FISP is found to have very minimal poverty reduction effects (receiving 200 kg of subsidised fertiliser reduces the likelihood to fall below the extreme poverty line of 1.25 USD/day by one to two percentage points) and only a small positive impact on maize production, with each additional kg of fertiliser received increasing maize output by 1.8 kg and maize yield by 0.74 kg/ha (Mason and Tembo 2014). This is due to significant crowding-out effects where each kg of subsidised fertiliser results in only 0.58 kg additional fertiliser used. A likely cause is the skewed distribution of FISP fertiliser to wealthier farming households, with 68.2 per cent reaching the top two income quintiles in 2010/11. Moreover, in-kind support rather than cash leads to distribution irregularities and reduces the spill-over effects to the local economy. However, the newly introduced e-voucher system is already starting to overcome some of these problems as it makes farmers more flexible in the choice of their inputs and creates spill-overs to local traders (IAPRI 2016).

Conclusion

I have argued that the current turn to social protection opens up a window of opportunity for increased state engagement in economic growth – one that is broad based and inclusive of the poor population. But for this to happen, classical social policies and economic policies need to be well coordinated to create synergy effects. In Southern Africa, focusing on small-scale farming households can achieve food security and poverty reduction in the short term while leading to increased productivity and diversification in the long term.

Reviewing the CGP and FISP in Zambia has shown that social protection earnings are invested in productive activities, create demand and spill over to the local economy; and that subsidised agricultural inputs could have more substantial impacts if poorer farming households were targeted who are not able to pay commercial prices. Only when acting in a more redistributive way, such a programme will have significant demand-strengthening and truly productivity-increasing effects. The CGP appears to be more effective in this.

While the above comparison remains somewhat tentative, these programmes clearly show that poverty reduction and increased productivity need not be seen as taking place in separate spheres but that they ultimately share the aim of making an economy more inclusive and growth more broad-based. Yet, despite their undoubted positive effects, programmes targeted at individual households cannot substitute for macro-level investments such as in infrastructure, irrigation, market access and training facilities, research and development, or even pro-poor land reforms. And all these necessitate public coordination and therefore states with developmental visions as well as capacities and policy space.

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About SASPEN

The Southern African Social Protection Experts Network, SASPEN, is a not-for-profit loose alliance of stakeholders, scholars and consultants who engage with social protection in the SADC region. It promotes the fostering, expansion and improvement of social protection in SADC countries and engages in dissemination and sensitisation by providing platforms for exchange regarding social protection programmes, frameworks, research and consultancies and by creating network structures to link participants with each other and to relevant institutions. Activities of the network may include country workshops, international conferences, seminars, publications, joint research, dissemination of information.

The network aims to provide a basis for (i) sharing of experience and information based on research and in-depth knowledge of social protection issues, (ii) constructive debate, discourse, discussion and reflection among experts and with stakeholders and role-players, and (iii) rendering a range of services to support the promotion, development and implementation of social protection in SADC countries, with reference also to strengthening social protection floor initiatives – on a commissioned, requested or self-initiated basis.

The exchange and interaction within the network is guided by the principles of independence of individual participants, collaboration in network activities, professionalism and objectivity.

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