



The State of Food and Agriculture 2015 *IN BRIEF*

Social protection and agriculture: breaking the cycle of rural poverty



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The Millennium Development Goals (MDGs) on reducing poverty have been met by many countries, yet many others lag behind and the post-2015 challenge will be the full eradication of poverty and hunger. Many developing countries increasingly recognize that social protection measures are needed to relieve the immediate deprivation of people living in poverty and to prevent others from falling into poverty when a crisis strikes. Social protection can also help recipients become more productive by enabling them to manage risks, build assets and undertake more rewarding activities. These benefits spread beyond the immediate recipients to their communities and the broader

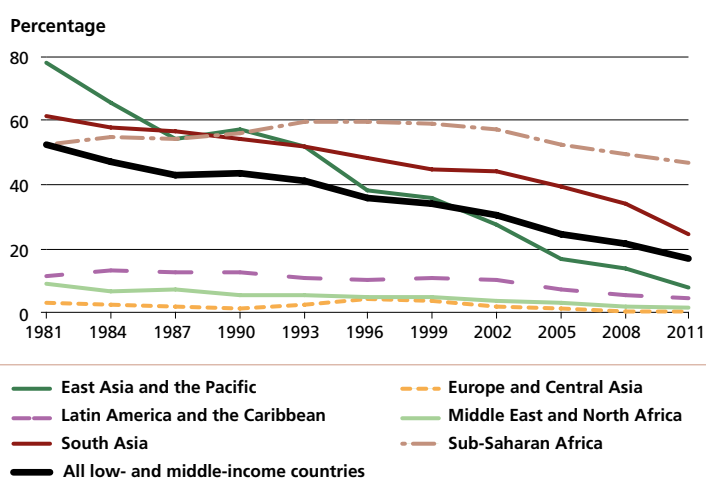
economy as recipients purchase food, agricultural inputs and other rural goods and services. But social protection can only offer a sustainable pathway out of poverty if there is inclusive growth in the economy. In most low- and middle-income countries, agriculture remains the largest employer of the poor and is a major source of livelihoods through wage labour and own production for household consumption and the market. Poverty and its corollaries – malnutrition, illness and lack of education – limit agricultural productivity. Hence, providing social protection and pursuing agricultural development in an integrated way offers synergies that can increase the effectiveness of both.

Trends in poverty

Although the shares of people living in poverty and extreme poverty have declined over the past three decades, the numbers remain high, with almost one billion people considered extremely poor and another billion poor. Extreme poverty has fallen substantially in many regions, especially in East Asia and the Pacific as well as in South Asia. In sub-Saharan Africa, little progress has been made and almost half the population is extremely poor.

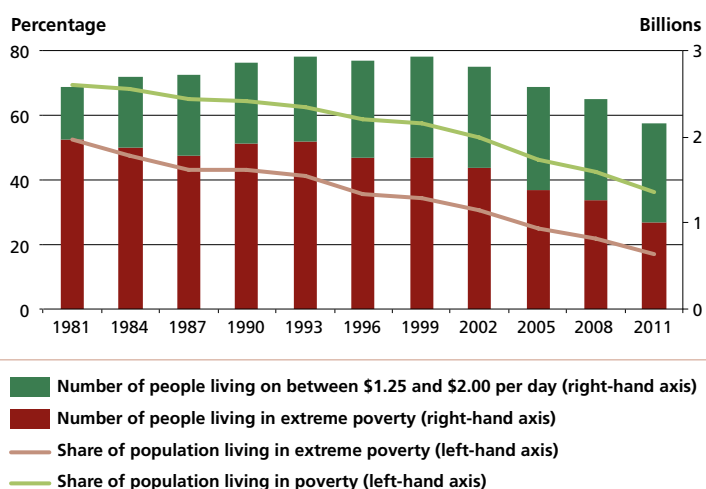
Extreme poverty is disproportionately concentrated in rural areas, and the rural poor are more likely to rely on agriculture than other rural households, especially in sub-Saharan Africa. It is the poor's reliance on agriculture for their livelihoods and the high share of their expenditure on food that makes agriculture key to poverty and hunger alleviation interventions.

Shares of the population in low- and middle-income countries living in extreme poverty, by region



Note: The figure refers to the international (extreme) poverty line of \$1.25 a day as measured in constant 2005 PPP dollars.

Number of people and shares of population living in poverty in low- and middle-income countries



Note: The figure refers to the international poverty lines of \$1.25 a day (extreme poverty) and \$2.00 a day (poverty) as measured in constant 2005 PPP dollars.



Beneficiary of Ghana's Livelihood Empowerment Against Poverty (LEAP) programme weaving textiles to produce mats.

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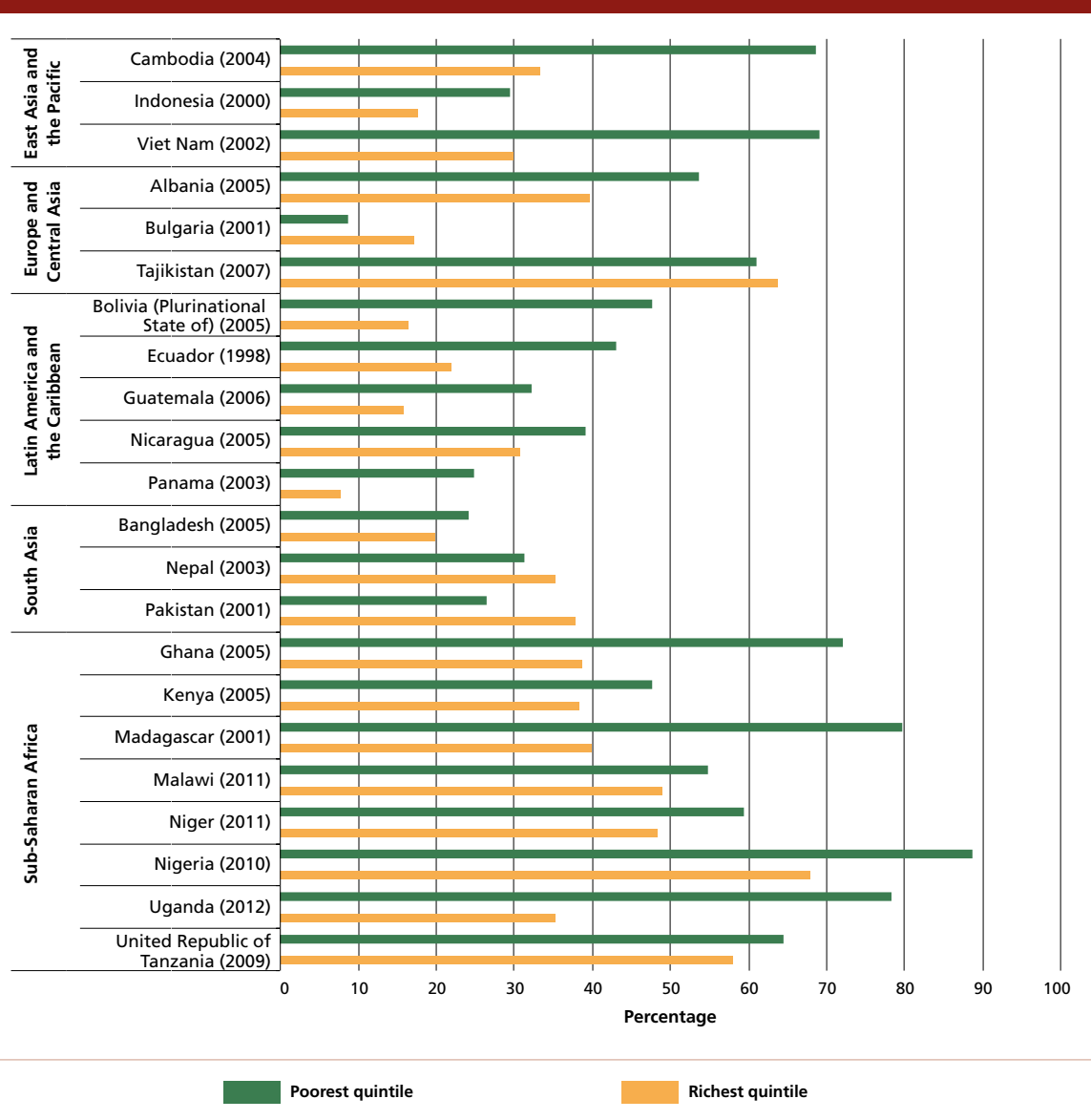
Why is poverty so persistent?

Poverty often begins with poor nutrition and health, especially in early childhood: the poor become trapped in vicious circles of hunger, poor nutrition, ill health, low productivity and poverty. Economic growth, especially agricultural development, has been essential for driving down poverty rates. However, even with economic growth, the struggle to escape from poverty is often slow as growth may not be inclusive. For some groups, such as children and the elderly, economic growth may

bring little relief or come too late to prevent deprivation and lasting disadvantage.

The pathway out of poverty is difficult. In addition, many non-poor households are vulnerable to poverty when faced with shocks of one kind or another. These shocks cause many households to fall below the poverty line because they suffer large income losses and do not have sufficient savings to buffer the shocks. Such shocks typically have long-lasting negative impacts on the poor.

Shares of income from on-farm activities by poorest and richest agricultural households in selected low- and middle-income countries



Note: On-farm activities include crop and livestock production but not agricultural wages, following Davis, Di Giuseppe and Zezza (2014). Agricultural households are those households holding a positive amount of agricultural land.

What is social protection?

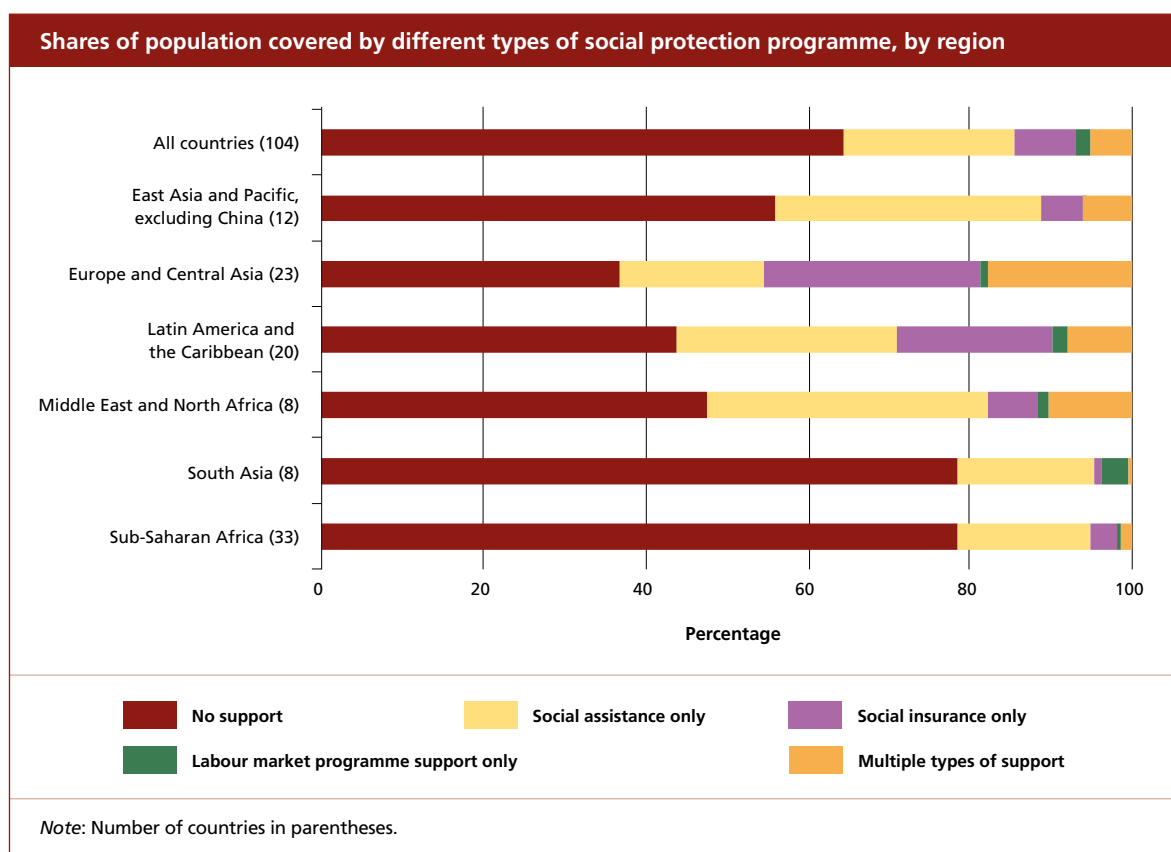
Social protection encompasses initiatives that provide cash or in-kind transfers to the poor, protect the vulnerable against risks and enhance the social status and rights of the marginalized – all with the overall goal of reducing poverty and economic and social vulnerability. Social protection includes three broad components: social assistance, social insurance and labour market protection. Social assistance programmes are publicly provided conditional or unconditional cash or in-kind transfers or public works programmes. Social insurance programmes are contributory programmes that provide cover for designated contingencies affecting household welfare or income. Labour market programmes provide unemployment benefits, build skills and enhance workers' productivity and employability.

Social protection programmes have expanded rapidly over the past two decades. Throughout the developing world, about 2.1 billion people, or one-third of the population, receive some form of social protection. There is wide variation among regions, with coverage lowest in the regions where poverty incidence is highest. This report focuses on social assistance, by far the most common form of social protection in the developing world.

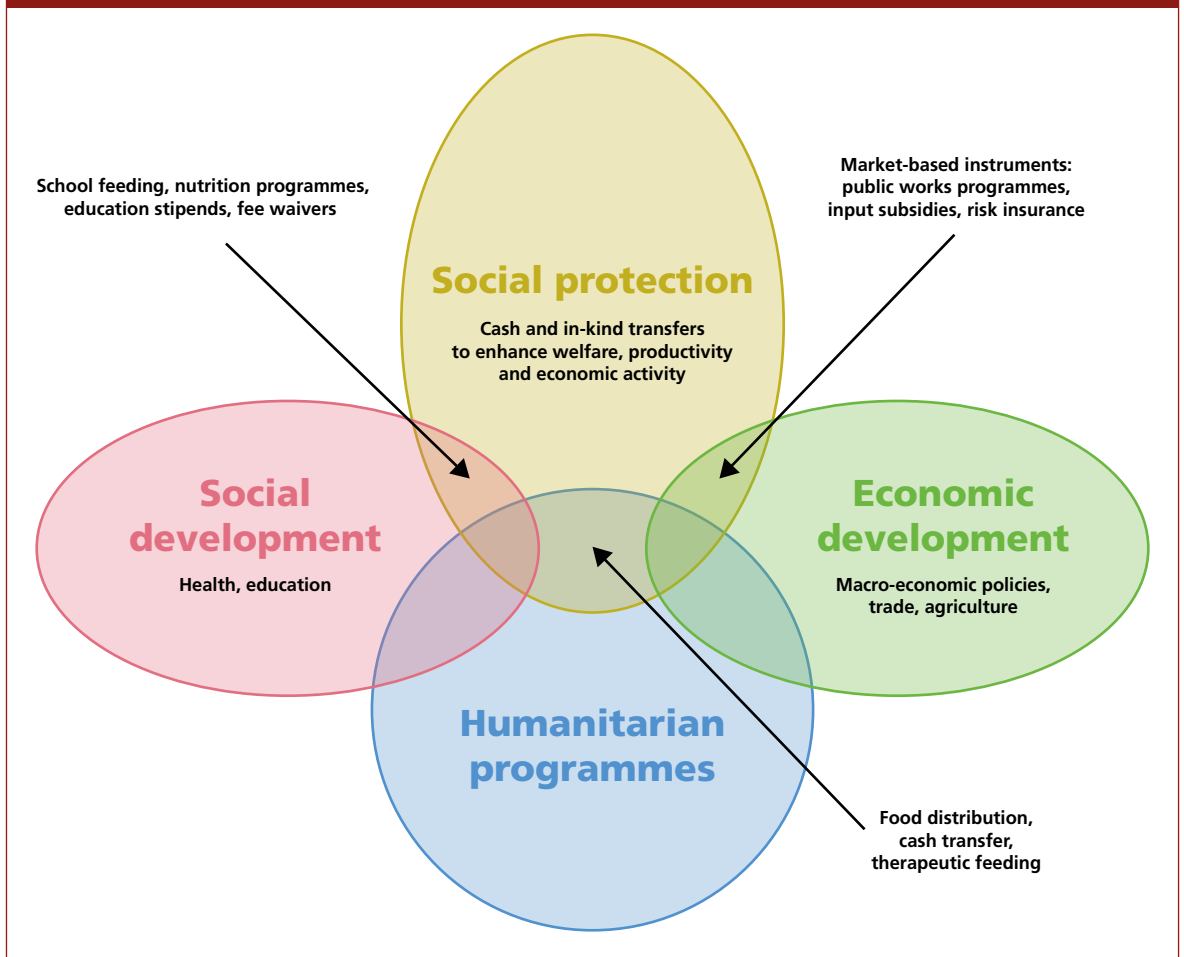


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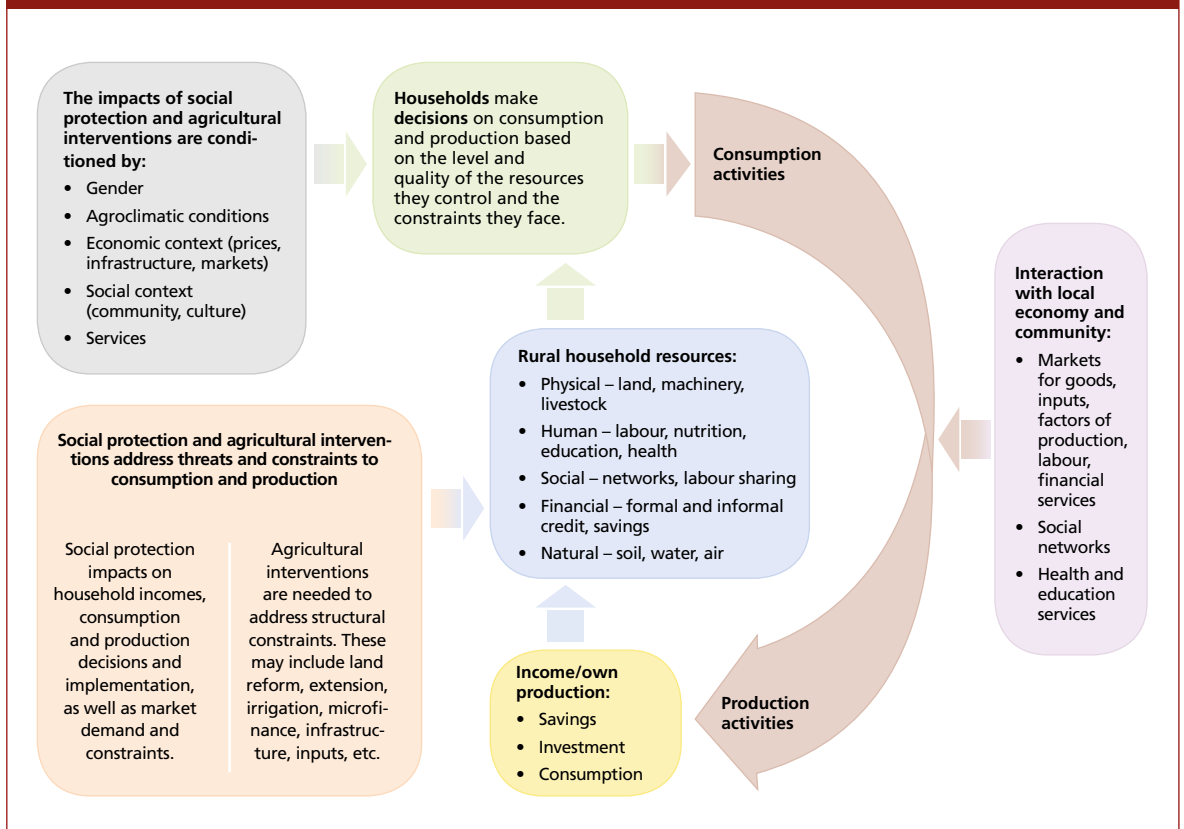
Primary school students get a healthy breakfast in a rural school in Peru, part of a national school feeding programme supported by FAO.



The scope of social protection



Social protection linkages to household consumption and production activities and the local economy



Is social protection affordable?



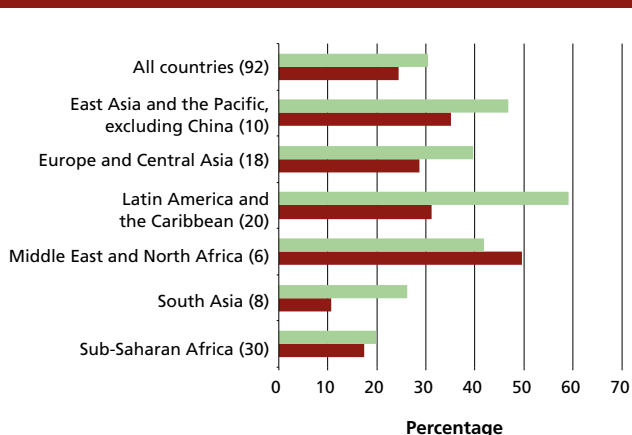
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A grandmother and young family members collect fibre and seeds of native cotton in Peru as part of social protection measures for the vulnerable in many FAO projects.

Most countries, even the poorest, can afford social protection programmes that could be of significance in the fight against poverty. Spending on such programmes has been low relative to GDP. For more comprehensive programmes, financing may require difficult expenditure choices. Donor support will be essential in the short-to-medium term for maintaining programmes in some countries.

Yet, mobilizing domestic fiscal resources from the outset are important in principle and to establish a politically and financially sustainable basis for social assistance programmes. Pilot programmes and careful monitoring and evaluation can help start the policy dialogue needed to build a national consensus on the nature, scale and financing of social assistance within a country.

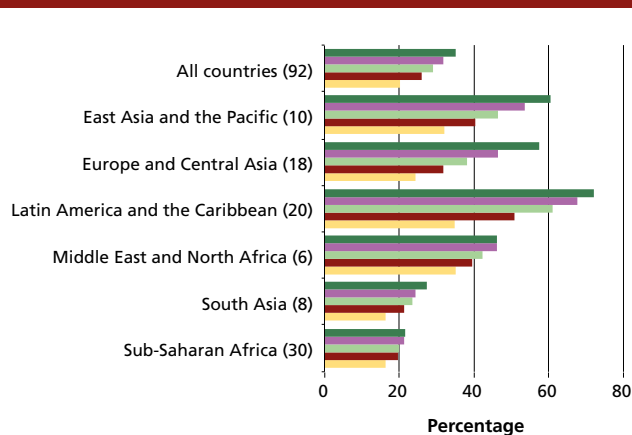
Shares of rural and urban populations covered by social assistance, by region



Legend: Rural (green), Urban (red)

Note: Number of countries in parentheses.

Shares of rural population covered by social assistance, by income quintile and region



Legend: Poorest quintile (dark green), 2nd quintile (purple), 3rd quintile (light green), 4th quintile (red), Richest quintile (yellow)

Note: Number of countries in parentheses.

Social protection can help reduce poverty and food insecurity



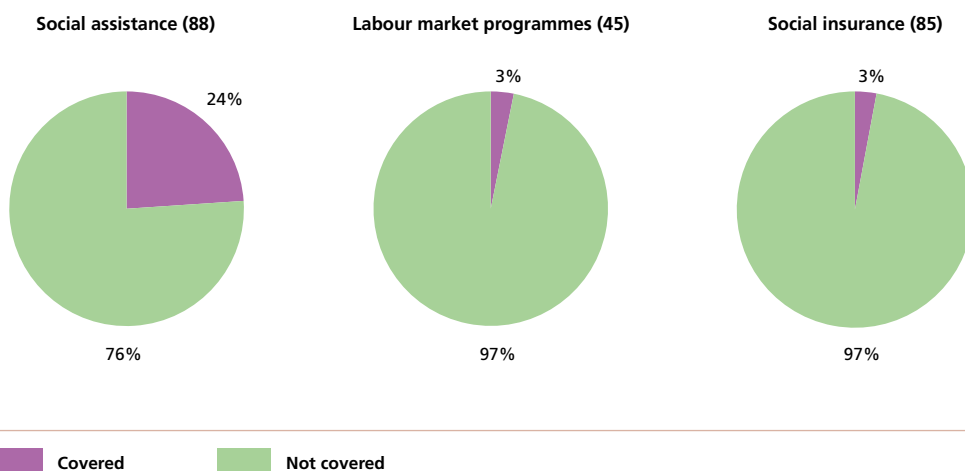
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A woman from a village near Tansen, in Nepal, carries her spade back from volunteer work for the widening of a 65 km footpath into a jeep track.

Social protection programmes are effective in reducing poverty and hunger. In 2013, social protection helped lift up to 150 million people out of extreme poverty, that is, those living on less than \$1.25 a day. Social protection allows households to increase and diversify their food consumption, often through increased own production. Positive impacts on child and maternal welfare are enhanced when programmes are gender-sensitive or targeted at women. This is especially important because maternal and child malnutrition perpetuate poverty from generation to generation.

Increased food consumption and greater dietary diversity do not automatically lead to improved nutrition outcomes. Nutritional status depends on a number of additional factors, including access to clean water, sanitation and health care, as well as appropriate child feeding and adult dietary choices. Thus, for social assistance programmes to improve nutrition outcomes, they must be combined with complementary interventions. Numerous agricultural interventions, such as home gardening and small livestock breeding, can also contribute to improving nutrition.

Shares of extreme poor in low- and middle-income countries covered by social assistance, social insurance and labour market programmes



Note: Number of countries in parentheses.

The potential impact of social protection on investment and growth

The livelihoods of most poor rural households in the developing world are still based on agriculture, particularly subsistence agriculture. Many of these farmers live in places where markets – for agricultural inputs and outputs, labour, and other goods and services such as credit and insurance – are lacking or do not function well. The uncertainties of weather, particularly with accelerating climate change and the lack of affordable insurance, are at the heart of the vulnerabilities of households dependent on agricultural livelihoods.

The time horizon of vulnerable agricultural households is reduced because they focus on survival. As a result, they are especially prone to adopt low-risk, low-return agricultural and other income-generating strategies, and may seek to obtain liquidity or diversify income sources in casual labour markets. For similar reasons, households may underinvest in the education and health of their children, as well as adopt negative risk-coping strategies such as distress sales of assets, reducing the quantity and quality of food consumption, begging or taking children out of school, and exploiting natural resources in an unsustainable manner.

Social protection can positively influence the investment decisions of poor households. It helps households manage risk. Social protection provided at regular and predictable intervals can increase predictability and security for agricultural households, partially substituting

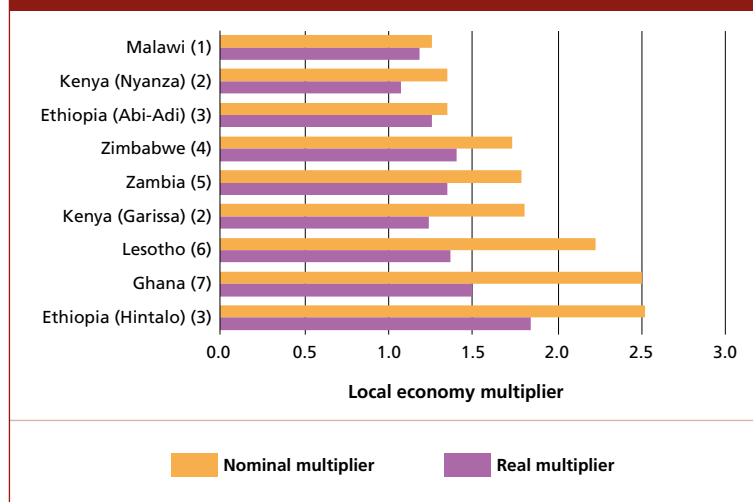
for insurance and providing a crucial source of liquidity. A growing body of evidence shows that social assistance programmes not only prevent households from falling into deeper poverty and hunger when exposed to a shock but, by helping the poor overcome liquidity and credit constraints and manage risks more effectively, it also allows them to invest in productive activities and build assets.

The evidence shows that social protection fosters more investment in the education and health of children, and reduces child labour, with positive implications for future productivity and employability. When well implemented, social protection can also facilitate increased investment in farm production activities, including inputs, tools and livestock, as well as in non-farm enterprises. Even relatively small transfers help the poor overcome liquidity and credit constraints and provide insurance against some risks that deter them from pursuing higher-return activities. The evidence is clear that transfers also foster greater inclusion by facilitating poor households' participation in, and contribution to, social networks, which help households cope with risk and play a supportive role in the social fabric of communities.

Social protection does not reduce work effort. But it does give beneficiaries greater choice, and many shift time previously dedicated to casual agricultural wage employment of last resort to own-farm work or non-farm employment. Taken together with the increase in farm and non-farm production activities, social protection strengthens livelihoods rather than fostering dependency.

Social protection has positive impacts on local communities and economies. Public works programmes can provide important infrastructure and community assets and, when designed and implemented properly, contribute directly to the local economy. Cash transfers increase the purchasing power of the poor, who demand goods and services largely produced in the local economy. Moreover, such additional income contributes to a virtuous circle of local economic growth. Complementary programmes may be necessary to reduce supply-side constraints, thus preventing significant price rises and increasing the real-income and production impacts of the programme.

The local income multiplier effect of social cash transfer programmes



Understanding what works: implications for programme design and implementation

Not all programmes are equally effective, and their impacts can vary greatly, both in size and in nature. Even among programmes that appear quite similar, for example cash transfers for the poor, differences in programme design and implementation can lead to very different outcomes. For example, targeting households with fewer adults of working age will have implications for labour impacts on livelihoods.

Targeting can help achieve programme objectives at lower costs

Social protection programmes generally have objectives that define the intended beneficiaries. How well programmes can achieve their objectives will depend, among other things, on how well they reach their target group. Social protection programmes use a combination of targeting methods to deliver larger and better transfers to selected individuals or households. While targeting can be an effective instrument for reducing poverty and inequality, efficient implementation is key and depends largely on institutional capacity.

Level, timing and predictability of transfers matter

Most social assistance transfers are designed to cover the cost of a minimum basket of food consumption; so, if additional impacts are sought, then transfer levels should be increased accordingly. The available data show a wide variety of transfer levels, with many countries providing average social protection transfers to beneficiaries several times greater than the poverty gap (at \$1.25 a day), while in many of the poorest countries transfers are well below what it would take to close the gap.

Just as important, perhaps, are the timing and predictability of transfers. Beneficiary households will spend irregular lump sum transfers differently than they would predictable and regular transfers. If transfers are not regular and reliable, it is difficult for households to plan and smoothen consumption over time, and thus move towards sustained change in the quantity and quality of diets. Moreover, regularity and reliability increase the time horizon of beneficiary households, allowing them to manage risks and shocks more effectively and thus avoid “negative” coping strategies and

risk-averse production strategies and, instead, increase risk-taking in more profitable crops and/or activities. Regular and reliable payments increase confidence and creditworthiness, while reducing pressure on informal insurance mechanisms.

Household-level factors and gender influence programme impacts

Targeting criteria have strong implications for the demographic characteristics of beneficiary households, such as age of adults and children, which condition the impact of the programme. Households with more available labour, for example, are in a better position to take advantage of the cash for productive investments, in both the short and longer run.

Women and men use transfers differently. Many social protection programmes target women because research shows that giving women greater control over household spending leads to greater expenditures on food, health, education, children’s clothing and nutrition. In addition, studies show that the impacts of transfer programmes vary with gender. For example, women and men may not invest in the same type of livestock: women generally focus on small animals while men focus on larger livestock. Transfers also impact men and women, and boys and girls, differently in terms of labour allocation and time use.

Markets matter too

The nature of the local economy also shapes the type and extent of the prospective productive impacts of cash transfer programmes. In some rural areas, low population density, illiquid markets, low levels of public investment and inadequate public infrastructure can pose particularly binding constraints and make in-kind transfers more effective. Where markets are more developed, the effects of cash transfers on livelihood strategies tend to be stronger. The importance of market conditions varies with available factors of production.

Social protection and agricultural development

Notwithstanding its proven effectiveness, social protection alone cannot sustainably move people out of poverty and hunger. Agriculture and social protection are fundamentally linked in the context of rural livelihoods. Poor and food-insecure families depend primarily on agriculture for their livelihoods, and make up a large proportion of the beneficiaries of social protection programmes. Stronger coherence between agriculture and social protection interventions can help protect the welfare of poor, small-scale agriculturalists, helping them manage risks more effectively and improve agricultural productivity, leading to more sustainable livelihoods and progress out of poverty and hunger.

However, relatively few agricultural interventions are coordinated or integrated with social protection programmes. Developing synergies is an opportunity, but also a necessity, because of the difficult public expenditure trade-offs implied by constrained government budgets. It is not only imperative to help the poorest meet basic consumption needs, especially when they are unable to work, but such help is itself a foundation for gradual improvement of the livelihoods of the poor. Leveraging public expenditures on agriculture and social protection programmes in support of each other not only furthers this transformation, but also strengthens agricultural and rural development.

Options for combining agricultural policies with social protection

A continuum of options exists for bringing together and better coordinating social protection and agricultural interventions and policy. These options range from stand-alone, sector-specific social protection or agricultural programmes, which are designed to bring the two together in integrated results in both sectors, to joint programmes in which formal interventions of both types are brought to bear on specific target populations, and to sectoral interventions that are aligned to maximize complementarities and reduce contradictions. Approaches can be combined or sequenced in a variety of ways.

Social protection and agricultural input subsidies

Input subsidies, in particular fertilizer subsidies, have regained widespread popularity in Africa, Asia, and Latin America and the Caribbean, especially following the sharp increases in food prices and fertilizer costs in 2007–08. Insofar as input subsidy programmes contribute to greater food security through greater availability and lower prices of staple goods, they also benefit the poor, and are aligned with and contribute to the objectives of social protection policies and programmes. But, in general, such programmes neither target nor reach the poor.

Fertilizer subsidy programmes absorb a large part of government agricultural budgets in many countries. Linkages of these single “stand-alone” input programmes with social protection could include improving the reach of input subsidies to the poorest households by, for instance, improving targeting and/or adjusting the size and type of input packages to the specific needs of the poorest small family farmers. Targeting the poorest is best achieved through input packages designed to meet their actual needs. Another option is to combine these programmes with social cash transfer programmes that provide the poorest beneficiaries with the additional liquidity needed to pay for the “unsubsidized” part of the input.



Farmers in a leper colony in India clearing a local irrigation system with assistance provided by an FAO project.

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Beneficiaries of the Livelihood Empowerment Against Poverty programme queue at a pay point in Ghana's Ga South Municipal District to receive grants.

Credit to agriculture

Credit constraints are a major barrier to agricultural investment. Relatively little credit is allocated to agriculture and many agricultural producers are credit-constrained. In many countries, addressing credit market failures – through special programmes, credit guarantee schemes and specialized banks – is a priority. Nearly all Asian, Latin American and Caribbean countries, and a majority of African countries are taking measures to facilitate the provision of credit to the agriculture sector.

Directly targeting the poorest with (micro) credit has proven difficult. There is increasing evidence that, on its own, microcredit is not sufficient to help poor households exit poverty or to improve their welfare as measured by consumption, health, education and women's empowerment.

Institutional procurement programmes

Lack of adequate markets is an important limiting factor on agricultural growth and rural development. So-called institutional procurement programmes (IPPs) promote rural development by creating a market for small family farm produce. Interventions that link social assistance with institutional demand also typically focus on supporting poorer small family farmers who are constrained in their access to resources.

Brazil was the first country to develop an institutional food procurement programme by connecting development of guaranteed demand for small family farm produce with a food security strategy. The Brazilian experience is being adapted to the African context through the Purchase from Africans for Africa programme. Home-grown school-feeding programmes, sometimes building on the Purchase for Progress (P4P) programme of the World Food Programme (WFP), are an example of IPPs that are popular in many countries.

Bringing the sectors together: the critical issue of targeting

A fundamental operational issue to be addressed in bringing the sectors together is targeting interventions. The experience of several countries shows that single or unified registries or unified targeting systems are particularly useful if several programmes have overlapping objectives and target populations.

While the effectiveness of specific programmes is served by better targeting, this need not contradict the universal provision of some form of social protection to all vulnerable people when they need it to avoid long-lasting harm from external shocks.

Key messages of the report

▣▣ **Social protection programmes reduce poverty and food insecurity.** Effective targeting and adequate transfers are important determinants of success. Social protection contributes to higher incomes and food security not only by ensuring increases in consumption, but by enhancing a household's ability to produce food and augment income.

▣▣ **Programmes targeted at women have stronger food security and nutrition impacts.** Programmes that are gender-sensitive, reduce women's time constraints and strengthen their control over income enhance maternal and child welfare. This is especially important because maternal and child malnutrition perpetuate poverty from generation to generation.

▣▣ **Social protection stimulates investment in agricultural production and other economic activities. Social protection enhances nutrition, health and education, with implications for future productivity, employability, incomes and well-being.** Social protection programmes that provide regular and predictable transfers promote savings and investment in both farm and non-farm activities, and encourage households to engage in more ambitious activities offering higher returns.

▣▣ **Social protection does not reduce work effort.** But it does give beneficiaries greater choice, and many shift time previously dedicated to casual agricultural wage employment of last resort to own-farm work or non-agricultural employment. Taken together with the increase in farm and non-farm production activities, social protection strengthens livelihoods instead of fostering dependency.

▣▣ **Social protection has virtuous impacts on local communities and economies.** Public works programmes can provide important infrastructure and community assets and, when designed and implemented properly, contribute directly to the local economy. Cash transfers increase the purchasing power of beneficiary households, who demand goods and services, many of which are produced or provided in the local economy by non-beneficiary households. Complementary programmes may be necessary to reduce production constraints to prevent inflation and maximize the real-income and production impacts of the programme.

▣▣ **Social protection, by itself, is not enough to move people out of poverty.** As poor households typically face multiple constraints and risks, joint, coordinated and/or aligned social protection and agricultural programmes are likely to be more effective in helping poor households move out of poverty in a sustainable manner.

▣▣ **There are clear opportunities to leverage social protection and agriculture programmes to further rural development.** Developing synergies is an opportunity and also a necessity because of constrained government budgets. It is imperative to help the poorest meet basic consumption needs, especially when they are unable to work. Such help can itself become a foundation for gradual improvement of the livelihoods of the poor. Given that the majority of the rural poor depend largely on agriculture, agricultural interventions are needed to overcome structural supply-side bottlenecks holding back growth. Leveraging public expenditures on agriculture and social protection programmes in support of each other not only furthers this transformation, but also serves to strengthen agricultural and rural development.

▣▣ **A national vision is needed of how agriculture and social protection can gradually move people out of poverty and hunger.** National vision and commitment, supported by permanent domestic resource mobilization, must support coordinated action at the national and subnational levels. Policy and planning frameworks for rural development, poverty reduction, food security and nutrition need to articulate the role of agriculture and social protection in moving people out of poverty and hunger, together with a broader set of interventions. The type of agricultural interventions combined with social assistance depends on the context and constraints, but must also consider issues such as local implementation capacities and available resources. In all cases, interventions must be designed to address a range of constraints to allow the poorest to transform their livelihood strategies to escape and remain out of poverty.

