

Information Note no. 10 – June 2013

FAO's Comparative advantage in relation to Social Protection

Summary: Member countries have been undertaking social protection policies and programmes for a number of years, which have proved important in improving food security and nutrition, and in reducing rural poverty. In developing these social protection policies and programmes, many countries and donors have relied on FAO's unique expertise and comparative advantage, which lies at the interface between social protection and food security, social welfare and food production, and food availability and access. Such programmes are often implemented at country level by using complementary capacity available at other UN agencies, as required.

The proven success of social protection interventions is leading to their greater use and prominence by member countries in their policy response to developmental challenges, in particular those relating to rural poverty, agricultural productivity and food security. The linkage between social protection and productive support to farmers is being introduced in many countries. In this way, the new buying power created by social protection is harnessed to stimulate increased food production by small-scale farmers who are poor themselves, establishing the link between previously isolated policy components, and thereby catalyzing local economic growth.

FAO's new Strategic Objectives address these challenges directly. Therefore, FAO needs to build up its unique expertise to support member countries in their social protection interventions. The proposed strengthening of FAO's expertise in social protection as set out in the Programme of Work and Budget 2014-15 is a direct reflection of the evolving need of member countries.

I. Social protection interventions by member countries

1. Member countries have been making increased use of social protection interventions to respond to developmental challenges for a number of years, including policies on cash transfers, cash-for-work programmes, remittances and migration. Related policies and associated programmes have proven successful in addressing issues relating to food security and rural development, as well as enhancement of smallholder productivity and rural employment. Examples of such programmes include Mexico's *Oportunidades* cash transfer schemes and similar programmes in India, Kenya and Malawi among others. Some countries have also started to implement comprehensive food security programmes that link social protection policies and productive support to small-scale producers through initiatives such as:

- Brazil's Zero Hunger Programme, which creates virtuous cycles by increasing the purchasing power of poor rural families through the *Bolsa Família* cash transfer programme, thus stimulating the production of local small-scale producers, who receive productive support and who in turn supply institutional markets such as the School Meal Programme through the PAA (*Programa de Aquisição de Alimentos*) local purchase from family-farmers programme;
- Ethiopia's Productive Safety Nets Programme, which links cash and in-kind transfers within the context of a safety net grants scheme with resilience financing against drought and other shocks, institutional support and capacity development, and dedicated support targeted at food insecure households.

II. FAO's comparative advantage in relation to social protection

2. FAO's comparative advantage lies at the interface between social protection and food security; social welfare and food production; and food availability and access. Therefore, FAO makes use of its unique expertise in agriculture and rural development to provide capacity development and policy advice to member governments. This is aimed *inter alia* at: (i) ensuring social protection



programmes contribute to reducing hunger; (ii) maximizing synergies with agricultural policies; and (iii) articulating coordinated strategies for rural development.

3. Further details of FAO's current and future role in social protection are outlined in Annex 1. Notable examples of the Organization's current support of member countries include:

- *From Protection to Production Project (PtoP)* aimed at developing an innovative approach linking social protection to agricultural policies targeted at smallholder farmers in seven African countries: Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe. More information is provided in Annex 2.
- Supporting the government of Niger in the design and implementation of a *3N Initiative* aimed at hunger eradication by linking social protection with agricultural investment and empowerment of rural women.
- Providing technical support in Ethiopia to the *Household Asset Building Programme (HABP)*, a cornerstone of the government's *Food Security Programme* for chronically food insecure households in rural areas.

III. FAO's complementary partnerships with other UN agencies

4. In providing support to member countries on social protection, FAO focuses on its own comparative advantages and therefore does not engage in implementation of activities which other agencies are better placed to undertake (e.g. distribution of cash vouchers, international procurement of food aid, broad provision of microcredit, etc).

5. Rather, the Organization partners with other UN agencies with capacities that complement FAO's unique technical expertise to support social protection programmes in a holistic manner. Examples of existing partnerships include:

- *Purchase from Africans for Africa* - inspired by the Brazilian PAA experience, FAO and WFP are implementing the *Purchase from Africans for Africa* supported by the United Kingdom Department for International Development (DFID) and the Government of Brazil by engaging smallholder farmers in the supply of locally produced food for school feeding programmes;
- collaboration with WFP and UNICEF in the design and implementation of social protection programmes in Somalia;
- partnership with ILO to extend provisions of Social Protection Floor Initiative to rural areas.

IV. Social protection in the reviewed Strategic Framework

6. The reviewed Strategic Framework contains five new cross-cutting Strategic Objectives for the future work of the Organization. Three of these relate respectively to food security and nutrition (SO1), rural poverty (SO3) and resilience (SO5). Social protection forms an important component of each one of these three objectives. Effective implementation of the reviewed Strategic Framework thus compels FAO's work on social protection in the coming biennium.

7. The growing use and importance of social protection policies and programmes by member countries, FAO's reviewed Strategic Framework, and the Organization's ability to work effectively with partners in a complementary manner require FAO to strengthen its unique expertise in supporting member countries in the area of social protection. This requirement is duly reflected in the PWB 2014-15, including: (i) incremental resources of USD 5 million to reinforce SO3 in the area of social protection; and (ii) naming a division within the Economic and Social Development Department the *Social Protection Division (ESP)*.

ANNEX 1

Social Protection for Food Security and Rural Poverty Reduction: The Role of FAO

Why social protection?

Farmers and rural households are exposed to high economic and man-made and natural risks and shocks that may threaten their livelihoods. Households in poor developing countries are typically ill-equipped to cope with these shocks. In the absence of insurance or other risk sharing arrangements, poor rural families may be forced to cope in ways that further increase their vulnerability and undermine the future income generation capacity. For example, they may sell off their assets, they may shift to produce less risky, but lower yielding crops, or they may take their children from school to work to generate an income for the family, but eroding future income earning capacity.

Against this background, **the provision of social protection has become an increasingly prominent policy response.** By ensuring predictability and regularity, social protection instruments enable households to better manage risks and engage in more profitable livelihood and agricultural activities. When directed to women, they not only strengthen women's empowerment, but they also improve households' welfare because of women's priorities for food and nutrition and their children's education and wellbeing. Rural communities are better off because of money injections in the local economy.

Social protection is no panacea. Programmes need to be carefully designed; if the focus is just on access to benefits, they may not provide sustainable ways out of poverty and food insecurity. In the case of great adversity, such as the prolonged drought in the Horn of Africa in 2008, social benefits may prove far from sufficient. Among the households affected, there were those that had just slowly managed to build or rebuild their assets through cash transfers they were receiving from the Productive Safety Net Programme (PSNP) in Ethiopia or the Hunger Safety Net Programme in Kenya. The drought wiped out these gains. This shows that in rural settings, social protection needs to go hand-in-hand with agricultural and rural development policies that help build greater resilience, improve productivity and support sustainable management of resources. *This is where FAO has a key role to play.*

The impact of social protection on food security, nutrition and agriculture

Social protection interventions are an essential element of both aspects of FAO's "twin track" approach to reducing hunger and poverty. Both short- and long-term interventions are required. Social protection can establish a bridge between the two tracks. First, it helps households to overcome undernourishment by providing them direct access to food or means to buy food. Second, it can increase agricultural productivity growth, improve livelihoods and nutrition, and promote social inclusion.

Recent experience with social protection programmes in Latin America and sub-Saharan Africa shows that these interventions can have a significant positive impact on the nutritional status of beneficiaries, especially children.

While less is known about the impact of social protection on agriculture, available evidence suggests there can be strong positive impacts if programmes are properly

designed and aligned with agricultural policies that support smallholder farmers. Cash transfer programmes in Malawi and Kenya have improved dietary diversity and increased investment in farm implements and livestock. Kenya's programme has also been responsible for a reduction of on-farm child labour. In Ethiopia, households with access to both the PSNP and complementary agricultural support measures were more likely to: be food secure, borrow for productive purposes, use improved agricultural technologies, and operate their own non-farm business activities.

Social protection schemes may also strengthen the local economy at large. In Lesotho, for example, every loti (the local currency) transferred by the Child Grants Programme generates an additional 1.23 loti in income, as beneficiary households purchase goods and services from their neighbours.

FAO's role and current work

The justification for FAO's role in social protection stems from its mandate "to raise levels of nutrition, improve agriculture productivity, better the lives of rural populations and contribute to the growth of the rural economy." It also stems from FAO's expertise in rural and agricultural development and its increasing knowledge base as to how social protection not only provides direct income security to poor and vulnerable households, but also how – when adequately designed – social protection schemes can simultaneously foster:

- (i) agricultural productivity and market access of smallholder producers (through instruments like cash transfers, input vouchers, input trade fairs, weather-indexed and other insurance schemes for smallholder farmers and pastoralists);
- (ii) food and nutrition security (including cash transfers, school feeding, agricultural input vouchers or food subsidies);
- (iii) human capital and skill development (cash transfers conditioned to children's education or maternal and child health care); and
- (iv) job creation and diversification of rural livelihoods (such as cash and food-for-work programmes).

Accordingly, and working through partnerships, **FAO is supporting countries with technical assistance, policy advice and capacity building** along a variety of dimensions of social protection, and is seeking to achieve greater policy coherence and synergies between social protection, food security, agricultural development and rural poverty reduction, *inter alia*:

- supporting the Government of Niger in the design and implementation of the programme for the eradication of hunger within the context of the *3N Initiative* which links a comprehensive social protection programme with an agricultural investment programme and a programme for people's empowerment focused on rural women (the latter aims to improve their access to agricultural inputs and to cash transfer benefits);
- engaging with Ethiopia's PSNP to provide technical support to the Household Asset Building Programme (HABP), one of four components of the Government of Ethiopia's Food Security Programme for chronically food insecure households in rural Ethiopia;
- working closely with WFP and UNICEF in the design and implementation of social protection programmes in Somalia;
- developing an innovative approach (PtoP: from Protection to Production), in collaboration with UNICEF and other partners, that links social protection to agricultural policies targeted at smallholder farmers; and
- providing support to "Purchase from Africans for Africa", supported by DFID and in collaboration with WFP, which engages smallholder farmers in the supply of locally-produced food for school feeding programmes.

Social protection under FAO's reviewed Strategic Framework

Consistent with its reviewed Strategic Framework, FAO's work on social protection will strengthen focus in the coming years on supporting countries, partners, and regional and global initiatives in three core areas of work:

1. incorporating social protection into national strategies and actions to fight hunger and malnutrition;
2. maximizing synergies between social protection and agricultural policies and articulating a coordinated strategy for rural development and poverty reduction; and
3. incorporating social protection into strategies and actions to increase resilience to shocks.

FAO has been unable so far to translate in significant measure the importance of social protection within the purview of its mandate into effective results and impact, primarily due to insufficient capacity and expertise required to work in synergy with the Organization's other technical components. Consequently, for effective delivery under the reviewed Strategic Framework, FAO will need to dedicate additional resources to strengthen its capacity in the area of social protection, specifically for: (i) the development of guidelines, methodologies, approaches and tools for policy analysis; (ii) providing support to countries in the three core areas of work; (iii) strengthening capacity of FAO's staff on social protection; and (iv) strengthening its contribution to regional and global initiatives, policy dialogues, and partnerships.

FAO's role in social protection is premised on partnerships. FAO's expanded role in social protection will seek to further invest in strengthening its partnerships, in particular those with other Rome-based agencies.

FAO's focus on the three core areas will enhance and complement WFP's work. The two agencies will seek to join forces on: (i) collecting, analysing and disseminating data on risk, vulnerability, food security and nutrition; (ii) designing safety nets that provide food assistance for food and nutrition security; (iii) operationalizing and implementing safety nets; (iv) evaluating and generating evidence on safety nets; and (v) undertaking cross-cutting technical and analytical studies. FAO and WFP have already developed a joint strategy on Information Systems for Food Security and Nutrition.

FAO supports IFAD in mainstreaming social protection policies and programmes in their rural development programmes. For example, FAO is developing jointly with IFAD an index-linked weather insurance scheme to reach poorest livestock producers and plans to further strengthen collaboration in rural employment with a focus on youth and decent work.

FAO has endorsed the Social Protection Floor Initiative and is intensively working with ILO to extend its provisions to rural areas and will collaborate in policy support to member countries. FAO is also partnering with the World Bank, ILO, UNDP, INGOs and other UN agencies in harmonizing and standardizing the indicators and methodologies for social protection analysis and monitoring. Together with UNICEF and Save the Children, FAO is leading the Transfer Project, an innovative research and learning initiative to support improved knowledge and practice on social transfers in Africa.

INFORMATION NOTE

RECOGNIZING THE LINKAGES BETWEEN SOCIAL PROTECTION AND AGRICULTURE

The issue

Since social protection and smallholder agricultural interventions often cover the same geographic space and target the same households, there are opportunities for synergies and complementarities that strengthen livelihoods of poor rural households.

Social protection policies aim to reduce socio-economic risks, vulnerability, extreme poverty and deprivation, while smallholder agricultural policies focus on improving productivity in crops, fisheries, forestry and livestock and access to markets. Both areas of policy are important elements in poverty reduction strategies, but little attention has been paid to the interaction between them and the implications for design and implementation of related policies and programmes.

Poor rural households that mostly rely on agriculture for their livelihoods are often affected by limited access to resources, low agricultural productivity, poorly functioning markets and repeated exposure to risks. Social protection can help alleviate credit, savings and liquidity constraints by providing cash and in-kind support. In addition, the regularity and predictability of social protection instruments help households to manage risks better and to engage in more profitable livelihood and agricultural activities. Agricultural policies and programmes can help smallholder households manage risk by stimulating farm output, income and overall household welfare.

The impact of social protection on agriculture

Specific impacts of social protection on agriculture vary depending, among other things, on the type of instrument used, the household member receiving the transfer, socio-economic status, livelihood activities and contextual factors such as land tenure arrangements, institutional capacities, access to markets, culture and agro-climate. Most of the available evidence on the direct and indirect impacts of social protection on agriculture comes from evaluations of cash transfers and public works schemes, but there is also some evidence from provision of school meals and education fee waivers.

Cash transfers and public works schemes can directly impact agriculture by increasing investments in agricultural assets, input use and farm output, shifting household labour from agricultural wage labour to on-farm labour, and increasing the quantity and quality of food produced at home. These schemes also indirectly impact agriculture by preventing risk-coping strategies that deplete household agricultural assets (e.g. selling ploughs or fishing equipment to buy food) and, together with school feeding and education fee waivers, by increasing investments in human capital

(child education and health). These interventions can also support non-agricultural livelihoods through increasing off-farm investments by microenterprises and making labour allocation decisions more flexible. Cash transfers and public works interventions create significant income multipliers in local economies as beneficiary households spend the transfers on goods and services mainly sold or produced by non-beneficiary households. In addition, cash and in-kind transfers can increase social capital and strengthen informal safety nets and risk-sharing arrangements.



Agriculture has a social protection function

Agricultural interventions such as input subsidies and technology transfers can also contribute to social protection schemes. Specifically, smallholder agricultural interventions can reduce household vulnerability and risks as measured by indicators of livelihood security.

Many agricultural interventions increase household income and income generation capabilities, and interventions that improve access to microcredit, infrastructure, irrigation, extension and input technology can lead to improvements in household consumption, food security, risk-taking and the accumulation of durable assets. Such programmes become social protection interventions in their own right when specifically focused on the poorest and most vulnerable households.

Knowledge and capacity gaps

To understand better the role of social protection in agriculture, more evidence is needed on its impacts on risk management, input use, and crop, fishery, forestry and livestock production; the uptake of agricultural technologies to adapt to climate change; and natural resources management.

Numerous reports exist on impact evaluations of conditional and unconditional cash transfer programmes in Latin America and sub-Saharan Africa, but other regions have been studied less. In addition, the interactions between multiple social protection interventions at local and national level have generally not been addressed and nor have the impacts of programmes that currently integrate social protection and agriculture.

Similarly, regarding agriculture, most research does not follow the methodological standards needed for rigorous impact evaluations. Future studies of agricultural interventions should emphasise the impact on risk coping, informal risk management, human capital accumulation and the local economy.

There is an important knowledge gap on institutional arrangements, at central and decentralized levels, which can facilitate greater collaboration among those involved in social protection and agriculture.

A comprehensive approach to developing capacities at national level among stakeholders is needed to ensure greater coordination among social protection and agriculture policies and programmes.

The role of FAO

FAO's responsibility lies at the interface of social protection, food and nutrition security, agriculture and livelihoods. Accordingly, FAO's work on social protection focuses on supporting governments and other partners to maximize synergies between social protection and agricultural policies and in articulating a coordinated strategy for rural development. This involves developing human and institutional capacities to manage policy processes, providing direct policy and programming advice, generating actionable knowledge, facilitating and engaging in policy dialogue among stakeholders working in different sectors, and developing analytical and policy tools.

For more information

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