



KNOWLEDGE MATERIALS

## Promoting economic diversification and decent rural employment towards greater resilience to food price volatility

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# Table of contents

Foreward.....	ii
Acronyms.....	iii
<b>1 Introduction: The impacts of high and volatile food prices on the livelihoods of the rural poor.....</b>	<b>1</b>
<b>2 Responding to high and volatile food prices through employment-enhancing economic diversification.....</b>	<b>3</b>
2.1 Ex-ante policy responses.....	5
2.1.1 Agricultural investments to create more and better rural jobs.....	5
2.1.2 Employment and entrepreneurship in the non-farm economy to diversify incomes.....	7
2.1.3 Extending access to social protection to the rural population.....	8
2.1.4 Group cooperation and social dialogue in rural areas to increase access to services and better jobs.....	9
2.2 Ex-post policy responses.....	10
2.2.1 Improving social protection to avoid distress coping strategies.....	10
<b>3 Lessons learned from past policy interventions.....</b>	<b>11</b>
3.1 Responsible agricultural investments for employment and entrepreneurship development.....	11
3.2 Income diversification to guarantee access to more productive jobs and higher incomes.....	14
3.3 Extending access to social protection to build long-term self reliance.....	16
3.4 Enhancing group cooperation and social dialogue to increase access to services and create better jobs.....	19
<b>4. Concluding remarks and areas for future policy analysis.....</b>	<b>20</b>
References.....	21

## Foreword

Any strategy that aims to sustainably manage food price volatility should also seek to improve and stabilize real incomes over the short and long term. Decent employment creation, including as a result of economic diversification, is crucial in this sense. Both income diversification (e.g. any movement towards off-farm employment) and enterprise creation (e.g. engaging in farm- and off-farm business ventures) can help build resilience. However, to optimize their poverty and distributional impacts, policy reforms designed to diversify livelihoods and create more productive and decent employment opportunities for rural people, should also be complemented with adequate social protection interventions.

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# Acronyms

AfDB	African Development Bank Group
Cirad	Centre de coopération internationale en recherche agronomique pour le développement (France)
DFID	Department for International Development (United Kingdom)
EPWP	The Expanded Public Works Programme (South Africa)
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FFS	Farmer field school
HLPE	The High Level Panel of Experts on Food Security and Nutrition
IEED	International Institute for Environment and Development
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
ILS	International Labour Standards
IMF	International Monetary Fund
MDG	Millennium Development Goal
NEPAD	The New Partnership for Africa's Development
ODI	Overseas Development Institute (United Kingdom)
OECD	Organisation for Economic Co-operation and Development
P4P	The World Food Programme's Purchase for Progress programme
PO	Producer Organization
PSNP	Productive Safety Net Programme (Ethiopia)
RIGA	Rural Income Generating Activities
SMAE	Small and Medium Agro-Enterprise
SOFA	The State of Food and Agriculture
SOFI	The State of Food Insecurity in the World
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UN HLTF	United Nations System High Level Task Force on the Global Food Security Crisis
UNICEF	United Nations International Children's Emergency Fund
UNRISD	United Nations Research Institute for Social Development
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WIEGO	Women in Informal Employment: Globalizing and Organizing
WTO	World Trade Organization







# 1 Introduction: The impacts of high and volatile food prices on the livelihoods of the rural poor

The poor are particularly vulnerable to the negative effects of high and volatile food prices. Available evidence, while not conclusive, indicates that both urban and rural poor, including poor farmers, are particularly exposed because they are typically net buyers of food (Ivanic and Martin, 2008).<sup>1</sup> Food accounts for as much as three-quarters of the expenditures of poor households in some countries. Given their limited access to credit and savings, an increase of food prices has a large impact on their immediate consumption (Ivanic *et al.* 2011).

Urban dwellers are often the first to be affected by food price increases, but the impact is also felt in rural areas where, despite continuous urbanization, about 70 percent of the world's hungry still live and work (IFAD, 2010a). In rural areas, cash-crop farmers, commercial grain producers, wage labourers and those with non-farm enterprises are more vulnerable (Benson *et al.*, 2008). Since they cannot rely on the consumption of food they produce

themselves, they are particularly affected by price shocks, especially during the lean season when food stocks are depleted and prices in local markets are higher (Heltberg *et al.*, 2012). Small-scale farmers are also affected by fluctuations in staple food prices because many of them, unable to produce sufficient food for their families, are net buyers of food (SOFI, 2011). Due to their scale of production and type of crops they produce, small-scale farmers often also fail to benefit from high global prices (IFAD, 2010a),<sup>2</sup> as they tend to be less engaged in international markets. In addition, existing financial and social protection systems, such as pension or insurance schemes, rarely reach the most vulnerable groups, especially in rural areas. Increased indebtedness is also a problem, as many households need to buy food on credit (Heltberg *et al.*, 2012). In general, as found by Compton *et al.* (2010) in the context of the 2007/08 crisis, and by Heltberg *et al.* (2012) in the context of the global economic crisis, most poor households are often left to cope on their own.



Women selling dried fish

- 1 Existing evidence indicates that the poor are those most affected. However, to the best of our knowledge, there are not yet any conclusive estimates on the actual impact of the 2007/08 food spikes and recent episodes of food price volatility on the poor (Zezza *et al.*, 2008; FAO, 2011b; Ivanic and Martin, 2008).
- 2 Even when transmitted, the short-lived nature of the spikes and the numerous constraints that poor farmers face, provide little opportunity for households to increase their output of food or augment their incomes (Ivanic *et al.*, 2011).





A farmer tending the garden in the backyard of her home

Women seem to have absorbed much of the shock associated with the recent crises in developing countries (Compton *et al.* 2010; Horn, 2009). This can be partially attributed to the fact that women are more likely than men to work in low-paying and informal occupations, even before a shock happens. In most societies, women also face a severe time burden because they must often combine reproductive and domestic responsibilities with productive work. As a result, coping strategies that often entail changes in time allocation, disproportionately affect them<sup>3</sup> (FAO, 2011a, p. 14; Heltberg *et al.* 2012).

Households employ a variety of strategies to cope with income uncertainty and other negative impacts arising from food price volatility. Household members may increase their working hours, look for extra jobs or even send additional family members out to work (Compton *et al.* 2010). They will often cut

back on basic expenditures, as well as buy cheaper products and in smaller quantities. Families may also decide to reduce their expenditures on health and education, pull children out of school<sup>4</sup> to work or take up socially unacceptable activities (such as begging, prostitution and theft). All of these strategies reduce their capacity to cope with future shocks. Migration for work is another regular strategy used in some areas to cope with frequent economic shocks and other risks. This can include reverse migration, with some family members returning from the city to the countryside. In the absence of formal social protection, many poor households can only rely on informal sources of support, which include help in finding jobs, as well as meals and small loans from friends and neighbours, and support from faith-based or community institutions. However, repeated community-wide shocks erode the capacity of these sources of informal social support to adequately respond to increasing needs for longer periods of time (Heltberg *et al.* 2012).

In a context of repeated and sudden changes in food prices, a greater number of poor will probably try to diversify their income sources and increase their working hours. However, work opportunities may be scarce or households may not have more family members able to work (Heltberg *et al.* 2012, and Compton *et al.* 2010). Situations of economic strain tend to push the rural poor into hard informal and casual wage work in the agriculture sector. This can create care deficits and negatively impact nutritional outcomes. Overwork, especially if it is energy-demanding and hazardous, may lead to workers' malnutrition. In addition, it may reduce the time available for food preparation resulting in less nutritious and diverse diets.

3 Evidence from "a number of countries showed women devoting considerably longer hours and making more effort to gather wild foods and fuel, to travel around to shop more frequently in more affordable small quantities, and to bear the brunt of the stress involved in comforting, coaxing, and disciplining hungry or unhappy children [...] coping responses led to further, or second-order impacts: the women who work long hours to feed their families become exhausted and may have to leave infants in the care of minors" (Heltberg *et al.* 2012, p. 12 and 26).

4 Evidence from previous crises shows that, despite parents' cutbacks on other expenses to keep their children in school, large numbers of children were removed from school in some locations when food prices rose and household coping opportunities eroded (Heltberg *et al.* 2012).

## 2 Responding to high and volatile food prices through employment-enhancing economic diversification

Previous experience with food price shocks has shown that there are a number of policy interventions to be considered given the country-specific context and nature of volatility (i.e., internal/external sources; transmission of impacts on prices of locally important staples and overall food price inflation, etc.) (Galtier, 2009; HLPE, 2011; Grosh *et al.* 2011).<sup>5</sup> Measures can be broadly distinguished between those aiming at preventing (ex ante) and those aiming at mitigating the negative effects of a price shock (ex post).<sup>6</sup> A first lesson learned from recent price crises is the need to adopt a developmental stance, which implies building a coherent and comprehensive portfolio of policy measures that cover the short as well as the medium and longer term. The latter is particularly important to build institutional capacities and mobilise financial resources in the event of future shocks. Another lesson learned is that policy response in rural areas should further focus on agriculture, and particularly small-scale agriculture, in order to strengthen its productivity, sustainability and resilience. This goes hand in hand with a call for increasing public investments and creating a more stable market environment for smallholder farmers, reducing risk and stimulating on-farm investment.

Within this context, employment and social protection interventions are a powerful means to

creating more inclusive and diversified economies because they contribute to stabilizing incomes and thereby smoothing the impacts of price volatility on purchasing power. Table 1 shows ex ante and ex post interventions to address volatility according to whether they are market-based interventions, direct state interventions or interventions through civil society organizations. The table has been adapted from a broad review of policy responses to price volatility (HLPE, 2011, ch. 4) in order to visualize how employment and social protection interventions feature both among the ex ante risk management options and the ex post risk coping instruments.

Table 1 identifies four different types of ex-ante policy responses to food price volatility, namely: (i) generating more and better employment in the agricultural sector, (ii) generating more productive and diversified rural employment opportunities, (iii) extending access to social protection to the rural population, and (iv) enhancing group cooperation and social dialogue in rural areas. Ex-post responses are divided into (i) providing social assistance for vulnerable households and (ii) establishing community-driven and productive mechanisms for social assistance. The employment and social protection dimensions of these policy responses are discussed in the following subsections.

5 It is noted that the nature of vulnerabilities and the sources of resilience and available support mechanisms (largely informal) are context-specific. Impacts and responses differ by country, livelihood and occupation, age, gender, social and ethnic group, social relations and institutional frameworks. Impacts depend on factors such as the distribution of net sellers and net buyers of food staples in a given context, the specific commodities involved, the transmission of global shocks to local prices, the coping strategies available to households, the ability of consumers to substitute into other less expensive food items, and undoubtedly the policy responses taken by governments. Impacts also differ in their timing, duration and severity. There is also a need to differentiate between direct impacts from a shock and second-order impacts, which result from the consequences of coping responses. All of these differences are to be considered when assessing the responses by the poor to the crises or shocks (Heltberg *et al.* 2012; Clay *et al.* 2011; Ivanic *et al.* 2011).

6 It is acknowledged that both risk management and risk coping instruments are costly, and trade-offs exist in the optimum combination of both approaches (see HLPE, 2011). Besides, country specificities and the causes of instability will condition the effectiveness of each individual specific instrument. The same instrument may have a stabilizing effect, a destabilizing effect or no effect at all depending on the type of instability (Galtier, 2009).

**TABLE 1 Policy responses to food price volatility: employment and social protection interventions**

	<b>EX-ANTE</b> interventions relative to price shocks with an employment or social protection dimension		<b>EX-POST</b> interventions relative to price shocks with an employment or social protection dimension	
<b>Programmes</b>	<b>Manage price volatility</b>		<b>Cope with price volatility</b>	
Interventions through markets and with the private sector	Generating more and better employment in the agricultural sector	<b>Investment in agriculture</b> <ul style="list-style-type: none"> <li>• Increase domestic food production</li> <li>• Diversification and resilience of food systems</li> <li>• Growing local crops</li> <li>• Food storage systems at all levels including community storage</li> </ul>		
Direct state interventions		<b>Enhance productivity in smallholder farming</b> <ul style="list-style-type: none"> <li>• Resilience of farming systems</li> <li>• Targeted input subsidies (seeds, fertilizer)</li> <li>• Production for home consumption</li> </ul>	Improving social protection to avoid distress coping strategies	<b>Social assistance for vulnerable households</b> <ul style="list-style-type: none"> <li>• Cash and food transfers including cash and food for work transfers</li> <li>• School feeding programmes</li> <li>• Public works programmes</li> </ul>
	Generating more productive and diversified rural employment opportunities	<b>Employment in the rural non-farm economy</b> <ul style="list-style-type: none"> <li>• Decentralization</li> <li>• Small and medium rural enterprise programmes</li> </ul>		
Interventions through and with civil society	Extending access to social protection	<b>Negotiated ex ante social protection</b> <ul style="list-style-type: none"> <li>• Minimum wage, right to food</li> <li>• Contributory social insurance</li> </ul>	Improving social protection to avoid distress coping strategies	<b>Community-driven productive social protection</b> <ul style="list-style-type: none"> <li>• Workfare (coping) with community-driven development projects (managements)</li> </ul>
	Enhancing group cooperation and social dialogue	<b>Producer organizations' services to members</b> <ul style="list-style-type: none"> <li>• Rotating credit schemes</li> <li>• Group insurance</li> <li>• Local purchases for food distribution systems (e.g. WFP's P4P)</li> </ul>		

Source: Adapted from HLPE, 2011, p. 53, Table 13



## 2.1 Ex-ante policy responses

This section looks at ex-ante policy responses with an employment or social protection dimension. Focus is on agricultural investments to create jobs, promoting employment and entrepreneurship in the rural non-farm economy, and extending the coverage of social protection.

### 2.1.1 Agricultural investments to create more and better rural jobs

Increased investment in agriculture is one of the recommended long-term responses to coping with food crises. More investment in the sector can contribute to increase domestic food production through more diversified and resilient food systems. However, to be sustainable, these need to **respect some fundamental principles for responsible investments**,<sup>7</sup> which include: promoting corporate social responsibility and decent work standards, respecting existing rights to land and natural resources, strengthening food security and financial and value chain inclusiveness, and creating employment opportunities for the rural poor and other disadvantaged groups.

**Ensuring that investments in agriculture increase the demand for labour is especially important.** Indeed, greater investments in this sector will not only concern agricultural jobs. Increased productivity in agriculture often feeds into growth and generation of economic **opportunities in the labour-intensive, non-tradable, rural non-farm sector, including food-processing and retailing** (FAO 2012). The amount of income generated from work determines the amount and quality of food that workers and their families can purchase. As poor people spend a large share of their income on food, an increase in personal income can have immediate effects on household food security. If this income is sourced from secure working arrangements, households will gain in consumption stability and quality of life. In the long term, access to gainful and stable employment also enables households to invest in better nutrition, health and education. Such an investment in human capital will contribute to improved productivity and overall economic performance, with a multiplier effect on labour demand over time. Stable and gainful rural employment also enhances the capacity



Farmers in Pakistan digging a water canal in the sand

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of households to manage risks and shocks. Households can avoid coping strategies that reduce expenditure on basic needs (such as education, health and housing) or that would require them to sell important assets (such as cattle), which can all have negative and irreversible impacts in post-crisis recovery and for future wellbeing.

For public investments in agriculture to achieve their employment-enhancing potential, adequate employment policies and safeguards need to be in place. To promote not only more but also better employment opportunities, reforms are needed to **extend the outreach of International Labour Standards (ILS) to rural areas and the informal economy**. These include eliminating discrimination; strengthening the employability of the rural workforce; preventing child labour in agriculture and other rural sectors; promoting living wages, social protection and occupational safety and health; and guaranteeing freedom of association.

Public investment strategies should therefore **promote growth paths that improve both the quality and quantity of employment opportunities**. While such paths are context-specific, in agrarian economies, agriculture will certainly continue to play a central role. For several reasons, including increasingly open economies and globalized production and trade, the classic pattern of

<sup>7</sup> Further details on the FAO, UNCTAD, IFAD and WB proposed principles for responsible agricultural investment are available at: <http://www.responsibleagroinvestment.org/rai/node/256>



Farmers packing red and green basil

structural change, in which economic growth generates a shift from agriculture to industry and services, leading to an increased proportion of formal wage employment, does not happen automatically in all contexts. In some countries, like India, service-led development has provided an alternative to the manufacturing-led path, while low-income countries such as Kenya or Cambodia remain predominantly agricultural (UNRISD, 2011). Furthermore, policy choices influence the pattern of change. In many countries – where trade openness and global competition have been pursued together with macroeconomic policies that focus on tightening public expenditure – output and productivity growth has outpaced employment creation. Also, public expenditure contraction has traditionally come at the expense of agriculture and other employment-intensive social sectors, often leaving rural people with no other option but to move into the service sector and precarious informal employment. In many middle-income countries in Latin America, but also in the Philippines and in South Africa, paths to skill- and capital-intensive industrialization have exacerbated inequalities and have not delivered high rates of formal employment. These paths have led to dualism, with a formal sector offering high wages, benefits and security and an informal sector characterized by low incomes and less job security (UNRISD, 2011).

Direct state interventions to increase the productivity of smallholder farming are crucial in many contexts. A large share of agriculture and food systems in developing countries hinges upon small-scale agriculture. **Small-scale producers and their families**, as the main category of rural self-employed in the agricultural sector, represent around one third of the global population and 85 percent of farms worldwide (FAO, 2009b). They are among the most vulnerable rural workers: in most developing countries, the highest risk of extreme working poverty (those workers who live on less than US\$1.25 a day) is associated with employment in agriculture (ILO, 2012a). Making their work more productive and gainful would stabilize their incomes. It would also contribute to absorb a growing rural labour force, given the labour-intensive nature of small-scale production methods (Losch *et al.* 2012).

**Providing support to women farmers and addressing the gender gap in agriculture are essential in order to unlock the productivity potential of women as food producers.** On average, women account for 43 percent of the agricultural labour force in developing countries, ranging from about 20 percent in Latin America to almost 50 percent in Southeast Asia and sub-Saharan Africa (FAO, 2011a, p. 23). They face severe constraints in access to productive resources and services that hinder their productivity and limit their returns. For instance, women account for less than 5 percent of all agricultural holders in North Africa and West Asia and, on average, 15 percent in sub-



Saharan Africa (FAO, 2011a). Women in developing countries are also heavily burdened by their double role as workers and family care providers, which limits their time and mobility to engage in more productive work. To unlock their productive potential, initiatives should support access to social protection and care services that ease women's workloads, such as labour-saving technologies and practices (IFAD, 2010b).

Similar constraints apply to youth. In many countries, their participation in the agricultural sector is declining, largely because the risks, costs, low-profitability and labour-intensive nature of the sector is perceived as unattractive. Difficult access to land and other productive resources, as well as a lack of financial services and educational programmes tailored to their needs, has also contributed to pushing youth out of the sector and of rural areas as a whole (FAO, 2012a). Nonetheless, youth have a strong capacity for innovation and entrepreneurship (IFAD, 2011, p. 60) that makes them crucial actors for achieving a more productive agricultural sector. This is particularly true for Africa. The continent has the youngest population in the world, with almost 200 million people aged between 15 and 24. African agriculture employs 38 percent of working youth and 47 percent of working rural youth, even if mostly under vulnerable conditions (OECD, UNDP, UNECA, and AfDB, 2012). Hence, **agricultural interventions in Africa should recognize the central role of youth in the agricultural transformation agenda.** In particular, interventions should facilitate the entrance of youth, including young agricultural graduates, in the rural economy. This includes the promotion of an enabling environment that fosters the participation of young women and men in agribusiness and agro-industry, which will also contribute to rejuvenate the agricultural sector and reduce rural poverty. Land access and the transmission of farm assets to youth should be facilitated. University and vocational education or training should be reinforced to develop young people's capacities in post-harvest handling, value-adding, processing, agribusiness development and management.

## 2.1.2 Employment and entrepreneurship in the non-farm economy to diversify incomes

**Diversification through small and medium agro-enterprises (SMAEs) and employment in the rural non-farm economy can help to build resilient livelihoods in rural areas.** Indeed, producers often diversify in order to anticipate and cope with market failures or the diminishing/time-varying returns to factors of production, such as labour or land (Dethier and Effenberger, 2011; Barrett *et al.* 2001). Agricultural growth is, through increased production and consumption linkages, also a major driver of diversification into non-farm activities.

Currently, many rural households earn their incomes in both rural and urban areas and from multiple locations and countries by engaging in temporary forms of migration, such as seasonal or circular migration (FAO, 2012a). In Asia and Latin America, a large share of the rural labour force is already working full or part-time in non-agricultural jobs.<sup>8</sup> Income gains at the household level are generally associated



Young boys and girls noting possible pests and diseases in a school garden

© FAO/ Simon Maina

8 In most of the 15 countries analyzed based on FAO RIGA data, between 30 and 60 percent of rural households depend on at least two sources of income to make up three-quarters of their total income. On-farm production is a particularly important income source in sub-Saharan Africa (between 40 and 70 percent of rural households earn more than three-quarters of their income from on-farm sources). In other regions, livelihoods are more diversified: in Asia, between 10 and 50 percent earn more than three-quarters of their income from on-farm sources (in India, for example, only 1 in 5 agricultural households now earns all of their income from agriculture), while in Latin America the rate is only 10 to 20 percent. Yet, while specialization in agriculture may be the exception rather than the rule in much of the world, agriculture continues to play a key role in the economic portfolios of rural households: in 11 of the 15 sample countries, about 80 percent of rural households continue to engage in farm activities of some sort, even if it is only part-time and to grow some of their own food requirements (IFAD, 2010a, p. 54, based on RIGA data).



with a shift towards employment opportunities in the non-farm sector. Such gains can improve households' ability to stabilize their access to food when production and income are seasonal or when agriculture is subjected to price or quantity shocks. Being able to hedge against risk in this way may also enable farmers to adopt more risky high-return crops (Dethier and Effenberger, 2011; Barrett *et al.* 2001; Lanjouw and Lanjouw 1995, 2001).

**SMAEs play a critical role in driving the modernization of agricultural sub-sectors**, by linking farmers to markets and creating non-farm employment opportunities for the rural poor. However, they also face several bottlenecks. They usually start as family-type businesses using personal savings and loans, but long-term access to monetary resources can often prove challenging due to a limited supply of adapted financial services. SMAEs often operate in the informal economy where the inadequacy and cost of utilities (such as

power and water), infrastructure, transport and other operations are a major cost affecting their long-term competitiveness. Policies should aim to create an enabling environment for them to grow, simplifying the regulatory burdens and supporting SMAEs capacity to compete with cheaper international imports or to define locally customized and affordable quality management and certification schemes (FAO, 2012a).

### 2.1.3 Extending access to social protection to the rural population

Complementary to employment opportunities, **social protection instruments<sup>9</sup> help limit the potential harm from high and volatile food prices and improve the capacity of poor households to manage and cope with shocks.** In particular, social protection can (i) prevent the increases in poverty and inequality caused by high food prices; (ii) help households maintain access to food and essential services for health and education; and (iii) help governments avoid less efficient “quick fix” interventions, especially when programmes are perceived as fair and compensatory (Grosh *et al.* 2011, p. 4). In general, social protection can prevent a general disinvestment by the poor in their human and physical capital which might have large and lasting effects.<sup>10</sup> Social protection becomes particularly important to support people against the risk of shocks, which may lead to a loss in sources of income for the unemployed or to unaffordable food prices for the working poor. Social protection is also crucial for those who are not able to work like, for instance, persons with disabilities, the elderly and children.

According to ILO estimates, around 80 percent of the global population lacks access to comprehensive social protection systems (ILO, 2010a) and less than 20 percent of agricultural workers have access to even basic social protection (ILO, 2011a). As a result, a widespread absence



A farmer in Tanzania transporting a banana harvest to make a sale

© FAO/ Simon Maina

9 Social protection is defined here broadly and thus includes a wide range interventions such as cash and food transfers, school feeding programmes, productive safety nets, guaranteed employment schemes, and other programmes such as food-for work or food-for-training.

10 A dramatic example of disinvestment in human capital is child labour. Worldwide, 215 million children aged between 5-17 years are child labourers. A staggering 60 percent of them work in agriculture (ILO, 2010b). Furthermore, around 59 percent of hazardous child labour is estimated to be in agriculture (ibid). When child labour occurs as a cheap alternative to adult labour, this leads to low-paying jobs and low bargaining capacity for adults as well. Involvement in child labour is detrimental to investment in human capital in the short-run, and in the medium and long run decreases the chances of decent youth and adult employment and perpetuates low agricultural productivity (FAO, 2012a).

of adequate access to social services and buffer mechanisms, can make a sudden reduction in income catastrophic. What is more, the lack of social infrastructure and remuneration for unpaid care work, undertaken mainly by women and girls, can hamper their current and future participation in formal labour markets. Hence, **extending access to and coverage of social protection, and moving towards a rights-based and universal national social protection system, is crucial for the rural poor to be better prepared against income fluctuations induced by food price volatility.** This is also of outmost importance to ensure structural transformation processes with positive poverty and distributional impacts, reducing gender inequalities and protecting all segments of the population that cannot or should not participate in paid employment (such as children, the elderly or women during maternity etc.). Even when employment levels are high, complementary social policies need to be in place. Minimum wage regulation should also be addressed to raise the purchasing power of the lowest income earners. In particular, adjustments of minimum wages should account for changes in food prices (ILO, 2011b, ch. 4, p. 92 ). Besides, minimum wages have an indirect effect in wage development in the informal sector (Herr and Kazantziska, 2011).

It is necessary to put in place statutory minimum wages for those working in agriculture and to strengthen the representation of rural workers in collective bargaining processes. Rural workers are usually geographically dispersed and therefore unlikely to engage in collective bargaining. They also experience significant fluctuations in income as a result of price volatility and climate influence, while low productivity negatively influences their remuneration (Marinakis, 2009). Many countries still do not include agricultural workers in minimum wage legislation or offer a threshold of protection below the standard minimum wage (Eyraud and Saget, 2005). The Declaration on Social Justice for a Fair Globalization, adopted by the ILO Conference in June 2008, recalls the importance of guaranteeing a minimum living wage to all who are employed. Considering the rates of working poverty in rural areas, setting a minimum wage clearly represents one of the tools necessary for increasing the purchasing power of the lowest-paid workers.



A community of farmers collectively make their crop plans with an emphasis on improving water use efficiency

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#### 2.1.4 Group cooperation and social dialogue in rural areas to increase access to services and better jobs

**Rural organizations<sup>11</sup> play an important role in increasing the resilience of rural people.** Evidence shows that, when efficient, rural organizations, such as producers' organizations (POs) and cooperatives, play a major role in food production on local, national and international markets (FAO, 2012b). Effective POs can provide producers with a wide range of services: enhancing their access to natural resources, as well as input and output markets, information and knowledge and facilitating their participation in policy-making (ibid). Rural organizations also contribute to addressing the social protection needs of their members, through programmes such as rotating funds, group insurance and local purchase for social programmes (HLPE, 2011). In addition, they can play an important role in generating employment opportunities in areas such as production, marketing, credit, insurance and transportation. Cooperatives, for instance, tend to offer jobs to local people since they are rooted in their communities, and they also tend to be more stable employers because they are less likely to relocate to lower wage areas. The services and products rural organizations offer assist in keeping money within the community and therefore promote further employment opportunities in other enterprises (ILO, 2008b). In doing so, they contribute to a vibrant rural economy. Finally, rural organizations help workers who are typically not unionized to gain representation and voice in social dialogue in rural areas, which are characterized by limited outreach of social partners (ILO, 2008a)

<sup>11</sup> Rural organizations are here understood as "groups of individuals working together and jointly managing common resources towards a shared goal, ranging from informal rural producer groups (self-help groups, networks, etc.) to formal POs (cooperatives, unions and federations of POs)" (FAO, 2012b, p. 21).



Villagers in Niger harvest water from a well to water crops

## 2.2 Ex-post policy responses

This section looks at ex-post policy responses with an employment or social protection dimension. Focus is on social protection interventions that improve risk coping strategies.

### 2.2.1 Improving social protection to avoid distress coping strategies

**Social protection interventions have the advantage of providing both short-term risk coping with long-term risk management instruments.** In the event of a shock, **workfare programmes** provide immediate income to food-insecure participants while using their labour contribution to build infrastructure and towards other public investments in the social sector, in environmental services and community-driven programmes. By integrating a more developmental perspective into them, they can also improve the sustainability of agricultural production and represent a longer-term investment in the human capital of the rural poor (HLPE, 2011; Dethier and Effenberger, 2011). For instance, public employment guarantee programmes such as those in India and Bangladesh, include components

for skills development and actively promote the participation of women and youth. These kinds of programmes can also foster group cooperation and facilitate access to credit and other productive resources.

Social protection instruments such as cash transfers or **productive safety nets** also enable farmers to make more productive investments that will translate into asset building and increased productivity, and ultimately into reduced poverty and increased food security (Slater and McCord, 2009 pp. 24-25; FAO, 2012a; HLPE, 2012). Social protection instruments need to be nutrition-sensitive. Nutrition education can help households to make better use of scarce resources, while micro-nutrient supplementation programmes can help mitigate against lower dietary diversity resulting from changes in food consumption patterns due to food price increases (Grosh *et al.* 2011).

In conclusion, building livelihood resilience heavily depends on measures that reduce risks and promote sustainable agriculture systems as well as decent rural employment in both farm and non-farm activities, ensuring a reliable and accessible supply of quality goods and services, including safety nets and other social protection measures. Human and social capital are central to livelihoods; hence, increasing individual and collective capabilities and adopting human rights-based approaches (including decent work, social protection, gender equality and legal protection) are key to resilience. Beyond the household level, livelihoods-centred policy responses to price volatility will also build long-term resilience at the macro level, contributing to better performing rural economies and, ultimately, to sustaining global food security. As stability relates to sustainability, decent rural employment and social protection can contribute to enhancing the systemic capacity of agriculture and rural economies for innovation and growth; all of which are crucial to protect and increase future productivity. They are investments in the human capital of a society which can lead to a more educated, skilled, healthy, fulfilled and therefore productive rural workforce (FAO, 2012a).



### 3 Lessons learned from past policy interventions

Increased awareness about the importance of promoting employment-enhancing economic diversification and social protection has also translated into lessons learned which can prove useful for other countries and thus for improving the resilience of those more exposed to food price volatility. Building on the dimensions for policy response identified in the previous section, main lessons learned are reviewed in the following sections.

#### 3.1 Responsible agricultural investments for employment and entrepreneurship development

- Increased agricultural investments are needed to build dynamic, diversified and resilient food systems.** Yet increasing their quantity will not be sufficient. Foreign direct investment (FDI) remains the largest external financial flow to Africa. Nevertheless, in recent decades FDI did not lead to more inclusive growth or sufficient jobs, as most inflows were directed to extractive industries (OECD, UNDP, UNECA, and AfDB, 2012). More FDI is needed but they should stimulate the diversification of Africa’s economy and exports, as well as promote technology transfers, productivity increases and employment creation. Policy reforms should also support the transformation of the workforce, in terms of skills and composition, so as to adequately respond to changing labour needs that the diversification of the economy will entail. For instance, although Eastern Africa receives the continent’s lowest FDI levels, inflows are relatively more diversified which has helped to increase productivity (ibid, p. 44). However, a positive trend appears to be emerging given recent investment and tax reforms that attempt to capitalize investment spillovers on job creation, diversification and small business development. Even so, efforts must be scaled-up and regional platforms will be crucial in coordinating across member countries (ibid).



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Women in Niger extract oil from peanuts with a pestle and mortar for eventual sale



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A farmer harvesting tomatoes



Vendors selling vegetables at a central market

- In particular, investments should **not jeopardize the current status of employment and access to productive resources of local people**. Displacement of workers and job losses, casualization and informalization of work arrangements, as well as increased time burdens for women not compensated by adequate social protection systems are only some of the risks that should be minimized in order for agricultural investments to be responsible. This is of particular importance in the current African context. There is an emerging trend<sup>12</sup> of investment policies in the region, which increasingly involve the private sector through public-private partnerships (PPP) and facilitate employment generation and investment by small businesses through linkages with larger investors (OECD, UNDP, UNECA, and AfDB, 2012).
- One of the main bottlenecks for translating growth into adequate employment creation in most African countries is on the demand side: **the existing private and public employment capacity is too small**, especially in terms of creation of formal wage employment (OECD, UNDP, UNECA, and AfDB, 2012). This represents a structural challenge, which was not addressed by strong growth rates prior to the recent economic crisis. Even countries with rapid growth in wage job creation over the last decade, such as Uganda, Tanzania, Rwanda, and Ghana, were unable to expand the wage labour force significantly, also because they had too small a base (WB, 2010). According to recent World Bank enterprise surveys<sup>13</sup>, access to electricity and finance in particular, are among the greatest impediments to business growth in low income countries in Africa - more than labour regulations and the lack of an educated workforce. Conversely, in middle income regions such as North Africa, corruption and skills mismatches represent much more important obstacles (OECD, UNDP, UNECA, and AfDB, 2012).
- Small and medium enterprises (SMEs) can play a critical role in increasing domestic labour demand. Mozambique provides an interesting example of policy reform facilitating SME growth and employment through a simplified regime for smaller enterprises. Similarly, South Africa has renewed tax incentives for manufacturing investment with a special focus on job-creation, a simplified tax regime for SMEs and actively seeks to facilitate the development of small industry and labour-intensive projects (OECD, UNDP, UNECA, and AfDB, 2012).
- Differences in job creation potential between domestically-owned and foreign-owned enterprises are to be considered too. According to a recent World Bank study (WB, 2010), differences in capital intensity, market access and managers' education explain to a large extent the wide gap in productivity between domestically-owned enterprises and foreign-owned enterprises in Africa. The study suggests that policies should support existing industrial clusters and the micro and small domestic enterprises within them. This would apply also to non-traditional, non-manufacturing clusters such as in the agricultural sector where clusters are driven by value chain linkages. In particular, training programmes should increase the managerial skills and knowledge among micro and small entrepreneurs. Clusters' growth also seems to have positive implications for the labour market, with cluster-based enterprises absorbing more permanent workers and outside enterprises absorbing more apprentices who are unskilled (ibid).<sup>14</sup>

12 For further information, see NEPAD-OECD Africa Investment Initiative, launched in 2006 as a partnership between the OECD Investment Committee and NEPAD available at: <http://www.oecd.org/investment/investmentfordevelopment/africa.htm>

13 Further information available at: <http://www.enterprisesurveys.org/>

14 For the agribusiness sector however the findings from quantitative analysis are not conclusive about the superior business performance of cluster-based enterprises as opposed to outside enterprises. Even though outside outgrowers are not geographically concentrated in any one area, they may be connected to downstream exporters, which facilitate their sales performance (WB, 2010).

- Finally, a major limitation of the large number of government programmes directed at employment creation is a **general lack of knowledge on the performance and impact** of such programmes, which is also attributed to the scarcity of employment data. A second problem is a frequent lack of coordination between government agencies leading to scattered and sometimes competing efforts that are not integrated into effective strategies (OECD, UNDP, UNECA and AfDB, 2012).
- **Direct state interventions to increase the productivity of small-scale producers** are long-term instruments for agricultural development. However, they often raise issues of targeting and sustainability. National-scale input subsidies, for instance, had positive impacts on agricultural production and food security in many countries. However, if generalized, these can become inefficient, expensive and difficult to target at poor, small-scale producers (HLPE, 2012). After the crisis of 2008, much of the assistance did not adequately address the specific constraints faced by smallscale producers, such as access to land, labour or water, which prevented them from making the necessary investments to produce a surplus (Compton *et al.* 2010). Moreover, a balance needs to be found between the support to smallholder agriculture and the identification of more productive sources of employment in rural areas. Landless rural households that diversify toward the non-farm sector would, for instance, benefit relatively more from policies promoting such employment opportunities.
- **Support to small-scale agriculture should be associated with state interventions to reduce dependence on volatile sources of income and growth, such as overreliance on a narrow range of exports.** Strengthening domestic demand as a way of lessening export dependence and building more resilient production systems was a strategy adopted in Asia after the recent global crisis, including in China, India, Indonesia, Viet Nam and the Philippines, (UNDP, 2011).<sup>15</sup>

China implemented a series of measures to broaden the economic base, including in less developed and rural areas. Measures included, for instance, the introduction of a rural pension scheme and the intensification of key national experimental zones for development. There were also projects to develop low-income housing, education, medical infrastructure in rural areas, and other types of infrastructure improvements, including farmland development and water conservancy projects, railways, and freeways (UNDP, 2011). In addition to such measures, providing appropriate incentives to the private sector, and especially to SMEs, can make it more profitable for companies to invest in sectors that are oriented less towards exports and more towards meeting domestic demand. A focus on employment creation programmes and on increasing the capacities of the rural poor, especially of women and young people, will also be important to increase domestic demand and build more dynamic local economies.

- **Value-addition for agricultural products is another possible strategy to manage risk. It also represents a means to promote better employment opportunities.** Price volatility amongst primary commodities is usually higher than for processed products (IFAD, 2009). In this sense, it will be important to support SMAEs engagement in inclusive value chain partnerships, given their importance for linking farmers to markets and creating non-farm employment for the rural poor. SMAEs require support to produce specialized goods or services of high quality and in appropriate quantities, within tight timelines. Direct support may take the form of skills development, financial incentives, technical support to post-harvest and logistics systems, enabling environments, etc. Often, small companies cannot afford the certification fees charged to large firms. Yet, with assistance, locally customized quality-management schemes can be put in place (FAO, 2012a).

<sup>15</sup> It is acknowledged that, for small economies with limited internal markets, exports remain a precondition for increased domestic demand and economic growth. In that regard, promoting regional trade can be important for these countries to diversify exports (UNDP, 2011).



### BOX 1 Farmer Field Schools Initiative: The cases of the Nyabyumba United Farmers Group (Uganda) and collective action by small-scale farmers in Githunguri, Kenya

Kenyan smallholders encounter difficulties to access markets for indigenous vegetables due to consumer and retail demands for quality and standardized products. In Uganda, the potato seed market was the main market for the United Farmers Group (UFG), but its decline pushed UFG to diversify to new agri-food markets.

Given these country contexts, the FAO, through the implementation of Farmer Field Schools (FFS), has contributed to improve farmers' collective action and developed capacities on good farm management practices. As results, small scale producers have benefitted from enhanced linkages with input suppliers, transporters and retail actors, increased quality of their products, improved access to credit, as well as greater capacity to supply markets on a consistent basis, analyze and design business strategies, and adopt new technologies.

All these innovations translate into greater income, and favour livelihood diversification. In addition, the FFS integrates gender and youth issues in the approach which helps to close the gender gap and address youth challenges in the agricultural sector.

Sources: Ngugi *et al.* (2006); Aliguma *et al.* (2007)

### 3.2 Income diversification to guarantee access to more productive jobs and higher incomes

- **Policies and investment strategies need to take into account the diversity of livelihoods of smallholders and the complexity of farming systems.** African farming systems in particular are often based on a variety of products: cereals, roots and tubers, livestock and dairy products, forestry and artisanal fisheries (IFAD, 2009). An exclusive focus of policy responses to food price volatility on only selected products – such as cereals – could therefore be counterproductive (*ibid.*). Also, smallscale and family farmers base their livelihood strategies on a variety of income sources – agriculture, off-farm employment, remittances –with the aim of minimizing their risks (*ibid.*).
- **Policy reforms should support income diversification by farmers, including non-farm employment.** However, households are often pushed into the non-farm sector due to distress factors, such as lack of on-farm opportunities due to drought or small land holdings. For instance, there is evidence from the Horn of Africa that pastoralist communities are diversifying into low input and output sedentary farming and sale of natural products such as charcoal and firewood. To date, this diversification has not brought positive effects in terms of greater resilience. Most households have been pushed out of pastoralism by a combination of shocks, such as drought and other stresses (population growth, grazing, land encroachment) and because of their lack of assets, rather than pulled out by more remunerative non-pastoralist opportunities. This is evident from the fact that agro pastoralists are generally substantially

poorer than specialized pastoralists (Headey *et al.* 2012). Therefore, in order to guarantee access to more productive jobs and higher incomes, policy reforms should **enhance demand-pull diversification**.<sup>16</sup> Demand should be created by markets growing and becoming more accessible, for instance, by favouring consumption and (forward and backward) production linkages between agriculture and the non-rural sector and smoothing the functioning factor markets in labour, land and capital. Integrated territorial approaches can be promoted in that regard (Barret *et al.* 2001).

- A major crosscutting factor is the need to increase the individual and collective capabilities of rural people that, together with adequate information systems, would enhance their **employability** and therefore capacity to access decent jobs in the farm or non-farm economy. Flexible skill building programmes to address the needs of the informal sector and improve employability of women, youth (i.e., new entrants into the labour market) and laid-off workers would be of particular importance (Heltberg *et al.* 2012).
- Overall, and as a consequence of limited formal wage employment creation, the informal economy – including household enterprises<sup>17</sup> – absorbs most of the labour force, and especially young entrants into the labour market, into low-skill, low-productivity jobs (WB, 2011). The **informal economy** is therefore to be seen as part of the solution to Africa’s youth employment challenge (OECD, UNDP, UNECA and AfDB, 2012). Devising policies to support youth entrepreneurship in particular, and to increase the productivity of micro and small informal enterprises should thus be a priority for increased resilience. Adequate targeting of young women and men based on their skills, motivations and business plans is of fundamental importance in this regard. For instance, in Benin, the “Fonds National de Promotion de l’Entreprise et de l’Emploi des Jeunes” (FNPEEJ) supported access to credit for young entrepreneurs. However, due to the non-repayment by up to 81 percent of beneficiaries, it generated an enormous deficit hindering the long-term viability of the programme (OECD, UNDP, UNECA and AfDB, 2012).

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<sup>16</sup> Demand-pull diversification is a response to new market or technological opportunities, while distress-push diversification is driven by the lack of opportunities on-farm. Factors that lead to demand-pull diversification include the increased income of lower and middle-income households and increased demand from urban areas for rural products. Davis and Pearce (2001) discuss the importance for policy makers to distinguish between distress-push and demand-pull since each may require different policy responses. The former may involve developing appropriate social safety nets and other interventions to mitigate the short-run negative effects that sometimes accompany this type of diversification (for example, over-rapid urbanisation, negative environmental impacts, etc.). Where demand-pull factors are driving the process of diversification, policy makers might seek to provide a suitable “enabling environment” to support the development of the rural non-farm economy and sustainable rural livelihoods. Nonetheless, it is recalled that deciding on whether demand-pull or distress-push factors are at work may not be straightforward (Davis, 2004).

<sup>17</sup> A household enterprise is defined as a non-farm business operated by individuals working without any employees outside the family. This group within the enterprise sector can also be referred to as “nano-enterprise” sector, to distinguish it from the micro-enterprise sector, which includes enterprises with a few employees (WB, 2011).

### 3.3 Extending access to social protection to build long-term self reliance

- Extending access to social protection to larger shares of the population is important to respond to the global economic and financial crisis, as well as to increasing food price volatility. Countries with fully-fledged social protection systems are better positioned to respond to shocks of massive scale (Heltberg *et al.* 2012). Countries that have already rolled out programmes in the context of previous crises, like Bangladesh, Guatemala and Pakistan, are now better prepared than in the past (Grosh *et al.* 2011). Having these programmes in place prevents overreliance on informal safety nets and can avoid eroding the resource base of the already vulnerable. Hence, policy-makers are increasingly oriented to adopt a long-term and more comprehensive response with respect to social protection, taking a wider “systems” approach. In fact, policy good practice is increasingly focused on establishing **national social protection floors**<sup>18</sup>, which are rights-based and ensure access to basic social protection and social services for all, subject to country circumstances as well as institutional and financial capacity. In Mozambique, for instance, since 2008 and with support from the ILO, there has been much effort to strengthen national capacities to design and implement social protection policies and to extend basic social security by gradually increasing the coverage of the Food Subsidy Programme.<sup>19</sup>
- **Using cash transfers or direct food assistance, targeted to those with the greatest need, may be the most effective and equitable way of reaching individuals and groups affected by**

**a food price crisis** (Grosh *et al.* 2011). Cash transfers can influence the livelihood strategies of poor smallholders, and have a significant impact on enhancing productivity and market integration of smallholders. Several African countries have successfully used this kind of instrument. Cash transfers are increasingly one of the most important types of safety net programmes in the region. In view of that, FAO’s programme “From Protection to Production” is drawing relevant evidence to inform policy about the impacts of cash transfer schemes in Africa on investment and production.<sup>20</sup> Furthermore, **social assistance programmes** are crucial for reducing the likelihood of households to revert to detrimental coping strategies. Governments should assist vulnerable groups, especially the disabled and children, through **school-feeding and nutritional programmes, as well as subsidized health and other basic social services**. For example, during the 2007/8 food crisis, school feeding programmes became particularly important in several developing countries (e.g. Haiti, Liberia, Togo and Senegal), with small existing programmes that could be quickly scaled up (Grosh *et al.* 2011).

- **Combining public purchase programmes through local procurement with safety net programmes** can be a win-win strategy for stabilizing prices and promoting food security for the most vulnerable. Public procurement provides better and more stable prices for producers, especially for smallholders at a disadvantage in participating in markets.<sup>21</sup> Social transfers to vulnerable people linked with their economic or social inclusion (e.g. through schooling or access to health facilities) help to reduce vulnerability and thus limit the impact of high

18 A national social protection floor is a nationally defined set of basic social security guarantees, which aim at ensuring basic income security and access to essential health care and other social services for all. They should secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion, and allowing a life in dignity. The importance of establishing national social protection floors is framed within one of the UN-wide responses to the global crisis, namely the Social Protection Floor Initiative, led by ILO and WHO in collaboration with other UN agencies, including FAO. In 2012, ILO Recommendation N. 202 was approved and requests countries to implement their social protection floors as early as possible in national development processes. Further information available at: [www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS\\_182200/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_182200/lang--en/index.htm)

19 Further information available at: [http://www.ilo.org/global/meetings-and-events/regional-meetings/africa/arm-12/WCMS\\_164843/lang--en/index.htm](http://www.ilo.org/global/meetings-and-events/regional-meetings/africa/arm-12/WCMS_164843/lang--en/index.htm)

20 Further information available at: [www.fao.org/economic/PtoP/en/](http://www.fao.org/economic/PtoP/en/)

21 Focus is here on providing support to producers at greatest disadvantage in coping with food price volatility. It is acknowledged that public procurement policies should be designed so as not to negatively affect private sector and market development. The strategic choice of target group, crops, prices and volumes, as well as intermediaries, should be considered in the design of the programme. It might also be advisable to foresee a process of graduation from the programme for the targeted group, by providing adequate support to favour their inclusion in markets. For instance, by favouring group creation and business skills development, as well as providing support to access to finance.



food prices on poor consumers. For example, the Brazilian “Programa de Aquisição de Alimentos” links a cash/food transfer programme with a public purchasing programme based on local procurement from family farming. The public purchasing programme has created a stable demand and supports over 100,000 small-scale farmers, redistributing their agricultural output by providing food via municipal programmes to food insecure households (4.7 million people affected) (Blein and Longo, 2009; see also FAO, 2009a, p. 43). Recently, the World Food Programme (WFP) started a pilot programme “Purchase for Progress” (P4P) in 21 countries that seeks to buy food from local farmers and then distribute the food locally for emergency needs and food security.<sup>22</sup>

- **Public Employment Programmes should adopt comprehensive approaches that build on existing skills, address market gaps and build self-reliance beyond basic survival needs.** The specific needs and aspirations of women and youth should be an integral part of the design. Programmes should not compete with farming calendars and special attention is needed to prevent gender biases, avoiding heavy manual work for women and taking into account women’s time constraints. Furthermore, by integrating developmental objectives into the design of these interventions, governments can also achieve longer-term impacts, for instance by supporting capacity building and skills development. Other important steps include actively promoting the engagement of women and youth, fostering group cooperation and facilitating access to credit as well as other productive resources. A good example is the Indian National Rural Employment Guarantee Scheme, which has played an important role in enforcing minimum wages. The scheme guarantees one hundred days of work per year at the minimum wage for all rural households. There is evidence



School children participating in a school feeding project

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that it has led to an overall upward pressure on rural wages, including those of women, and has also led to improved household incomes (ILO, 2012b, p. 10). Design of these programmes should ensure predictability and some elements of guarantee from the outset, in order to increase efficacy and smoothen the transition to more developmental interventions. Attention should also be paid to assessing how the programmes can be scaled-up in response to different kinds of shocks and given different intervention contexts. Programmes must also be sustainable and designed according to the financial resources available at the country level.

- Finally, for all these programmes, **sound technical and administrative capacity, as well as financial resources, are crucial.** Evidence from the food price and economic crises has shown that many countries did not have the administrative frameworks in place to be able to implement safety nets and other social protection interventions at short notice and for the numbers of people affected. Neither did they have the fiscal capacity. Unless they effectively plan the fiscal sustainability of their social programmes, governments may encounter difficulties in delivering.<sup>23</sup> Price volatility

<sup>22</sup> Further information available at: [www.wfp.org/purchase-progress/](http://www.wfp.org/purchase-progress/)

<sup>23</sup> Evidence from previous crises shows that where administrative frameworks were lacking, countries often resorted to across-the-board market and trade interventions, which are typically regressive in their impact (Grosch *et al.* 2011; Heltberg *et al.* 2012; FAO, 2011c).

can also create social tensions in developing countries where food is a high proportion of people's expenditure and so, in times of crisis, may crowd out other expenditure (Clay, Keats and Lanser, 2011). This reveals the importance of contingency planning that is designed to better equip countries to deliver targeted assistance when and where it is most needed. Evidence from the previous crises has shown that there was room for improvement in the design of the programmes in many countries. For instance, exclusion errors and problems of outreach were reported. Programmes may

also have relatively static targeting systems, which could pose problems depending on the profile and volume of the affected population in the event of a shock. Similarly, programme registration may be confined to some periods and / or the number of recipients may be capped to fit a certain budget envelope. Hence, for these programmes to be more effective it is crucial to take longer-term commitments and invest in strengthening the capacities and ensuring sufficient resource allocation (Grosh *et al.* 2011; Heltberg *et al.* 2012; FAO, 2011c).

## **BOX 2 Public employment programmes with a developmental perspective: Ethiopia and South Africa**

- Ethiopia's "Productive Safety Net Programme" (PSNP): The PSNP, launched in 2005, aims to provide transfers to food-insecure households, strengthening livelihoods and shifting away from emergency food aid distribution. The programme promotes "graduation", defined as the moment when households can meet basic food needs and are able to face modest shocks. The number of people covered by the programme was 8 million in 2008. The programme provides transfers (cash and/or food according to regions) in return for working, and provides direct support to household with no labour or other means of support. Transfers were un-indexed, but in response to rising food prices and declining value of cash transfers in 2008, the payment was raised from Birr 6 to Birr 8 per day. A recent impact evaluation by Berhane *et al.* (2102) finds evidence that the PSNP public works component has contributed to protecting and improving household-level food security.
- South Africa's "Expanded Public Works Programme" (EPWP) aims to address unemployment in the short-medium term, providing additional work opportunities and training for participants. Its second phase was launched in April 2009. The goal is to create 2 million full-time jobs, the equivalent of 4.5 million work opportunities over the following five years. The average duration of employments is assumed to be 100 days, and no person may be employed for more than 24 months, with few exceptions. All work opportunities are combined with training, education or skills development, with the aim of increasing the possibility to find a job after leaving the programme. Non-state actors have been involved, and a minimum wage, as well as a wage incentive within government to encourage job creation, has been introduced. Participants are entitled to skills training related to the work carried out for at least 2 days per month. Training includes: literacy and numeracy, vocational skills and business skills.

Sources: for PSNP: Wheeler and Devereux (2010), Berhane *et al.* (2012); for EPWP: McCord (2005), Hemson (2007), and the EPWP website ([www.epwp.gov.za](http://www.epwp.gov.za)).

### 3.4 Enhancing group cooperation and social dialogue to increase access to services and create better jobs

- **By providing a full range of services**, rural organizations such as POs and cooperatives, can help small producers overcome critical obstacles to development (FAO, 2012b). In order to effectively enable small-scale producers to influence policymaking, rural organizations need strong capacities to develop and support a dense network of relationships. In addition to establishing strong bonds among individuals at grassroots level, rural organizations have to

develop intergroup relations with other small-producer groups in order to build themselves into secondary and apex organizations. Rural organizations also need to establish relations with market actors and policy-makers, which can help them to access markets under fair conditions and develop capacities to influence policy processes that affect food security. Governments should ensure that **policies are negotiated and articulated with the active involvement of producers' organizations, consumers, market intermediaries, and other stakeholders.**

#### BOX 3 Niger warehouse receipt system: cooperative ensuring linkage between storage and access to credit to small-scale producers

In Niger, the warehouse receipt system or inventory credit system was designed to tackle constraints faced by small scale producers to access secure storage and credit. The borrower enforces a loan contract by using agricultural production stocks as secure collateral. The success of this arrangement lies in the linkages between grassroots cooperatives and finance institutions. A cooperative provides storage facilities to small scale producers. These stocks operate much as a savings account and are used by producers as collateral guarantee to obtain credit from a microfinance institution. Similar arrangements operate in Ghana, Madagascar, Uganda and Tanzania. In a context of food price volatility, these arrangements are crucial as they enable farmers to wait until prices are higher and thus avoid distress off-season sales of their produce. By accessing credit, farmers can also start new income-generating activities, thus diversifying their income sources.

Sources: Ngugi *et al.* (2006); Aliguma *et al.* (2007)



## 4 Concluding remarks and areas for future policy analysis

Policy-makers are increasingly aware of the need for policies to adapt to a changing global context, which is characterized by worldwide increases in food price volatility, slow recovery from the global financial and economic crisis, continued demographic growth and by the effects of climate variability. In view of the challenges ahead, policy-makers need to move towards viable and effective policy mixes that strengthen the resilience of the most vulnerable population groups through income diversification and decent rural employment.

**Building the resilience of those who are most exposed to food price volatility requires policy-makers to pay adequate attention to promoting diversification in the farm and non-farm economy and decent rural employment, together with complementary social protection.** Specifically, five categories of interventions should be pursued, namely: (i) increasing responsible agricultural investment in agriculture, (ii) enhancing smallholder productivity, (iii) expanding the non-farm economy, (iv) extending access to social protection to the rural population; and (v) promoting group cooperation and social dialogue in rural areas. For each intervention, lessons have been learned from past experiences. Overall, without accounting for employment and social protection dimensions, policy interventions will be less effective in reducing the effects of price volatility on incomes and purchasing power, especially amongst the most vulnerable.

**Experience from previous crises has shown that it is important to take a longer-term perspective.** It implies putting into place the instruments and mechanisms that enable a country to adequately respond to a shock as it occurs. Governments need to plan the fiscal sustainability of their programmes to prevent difficulties in delivering once the need arises. This requires contingency planning, as well as putting in place the basic administrative structures and accountability systems. Over the longer run, improved rural labour market institutions are crucial to ensure that processes of agricultural and rural development are inclusive, and to enable the rural

poor to access better employment opportunities as they arise during these processes of transformation.

**The right policy mix, and respective targeting and other programme design features, will depend on the national context, its linkages to the global economy, and on the population groups most affected. The policy mix and its corresponding sequencing should also account for potential trade-offs. In that regard, policy analysis at country and regional level is needed** to assess the absorptive capacity of the agricultural sector, the potential for migration and non-farm diversification within the most vulnerable regions and out of them, as well as the cost-effectiveness and time frame of different interventions in livestock, irrigation, rain-fed farming and rural non-farm development.

**Policies and programmes to protect against price volatility through inclusive economic diversification, decent rural employment and social protection need further experimentation, robust evaluation and impact assessments** to gather a richer and deeper insight into their impacts and costs. Evidence is needed, for instance, to understand the impacts of cross-cutting interventions – such as education and skills development, the implementation of gender-sensitive approaches and community development – on building resilience. Better measurement and monitoring of employment patterns should feed into information and monitoring systems to assess hunger and malnutrition, and thus contribute to more effective policy design and targeting.

Finally, for the attainment of the global goals of eradicating poverty and hunger, it is also important to consider the negative impacts of unequal income distribution in developing economies. There is a growing consensus that the persistence of high levels of inequality in many developing economies has not only made it more difficult to reduce poverty – but has also stunted growth itself (UNDP, 2011; Birdsall, 2005). Hence, trends and policy effects on income distribution are to be considered in the design of policy measures in order to promote inclusive growth patterns, including by fostering employment enhancing growth and comprehensive social protection systems.

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