THE CONTRIBUTION OF SOCIAL PROTECTION TO ECONOMIC INCLUSION IN RURAL AREAS
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1. Setting the scene

Context

Economic inclusion is at the forefront of the social protection agenda, and a concept increasingly recognized and developed by policymakers, non-governmental organizations (NGOs) and development partners at large. However, the actual underpinnings behind this term vary greatly, from broad, multisectoral, long-term approaches, to time-bound integrated bundles of interventions. Nonetheless, there is an increased understanding that effective economic inclusion processes and programmes will need to be integrated within broader systems, moving away from standalone and time-bound interventions (Heinemann, Montesquiou and Hashemi, 2018). The Food and Agriculture Organization of the United Nations (FAO) recognizes economic inclusion as one key pillar to eradicate extreme poverty, to foster more equal societies and to reduce disparities between urban and rural areas (FAO, 2019a).

While decades of steady poverty decline have more than halved the number of people living in poverty across the globe, these numbers are still high and far from the zero poverty aims of the Sustainable Development Goals (SDGs). Even more alarmingly, rural poverty reduction is stagnating and poverty levels show signs of increasing in some regions (FAO, 2019c). Rural dwellers make up 45 percent of the world’s population but still bear a disproportionate burden of poverty, malnutrition and poor quality of life. The global rural monetary poverty rate is 17 percent – compared to 7 percent in urban areas. Rural people comprise 79 percent of the 736 million extremely poor in the world (World Bank, 2018). Stubborn rates of rural poverty call for transformative policies that effectively link social, economic and environmental dimensions that contribute to addressing the causes of poverty in rural areas, including strengthening linkages between social protection, economic inclusion policies and natural resources management. At the same time, rural areas also hold the key for poverty reduction and to ensure food security in a context of ever-growing demand for food. They are also at the forefront of the fight against climate change.

So many of the rural poor depend on agriculture for their livelihoods, and it is central to poverty reduction. However, many of the extreme poor rely on subsistence-based agriculture, which is associated with low productivity levels, while others are wage labourers working in often unsafe and precarious conditions. Productivity growth in agriculture can have a strong impact on poverty. However, the structure of the economy and institutional arrangements also influence greatly the potential of agriculture to eradicate poverty (FAO, 2019a). Many low and lower middle-income countries are undergoing processes of structural transformation, which in rural areas means a shift towards market-oriented and diversified production systems, and the emergence of rural non-farm sectors. This represents an opportunity for rural areas to generate growth outside of agriculture. The potential of these processes to reduce poverty and create economic opportunities in or outside rural areas will also depend on the terms of structural and associated rural transformation. As rural-urban linkages strengthen and agriculture is increasingly connected to industry and services sectors, the process leads to increasing agricultural productivity, commercialization and diversification of production patterns and livelihoods within the agricultural sector and towards the rural non-farm sector (FAO, 2017b; Trivelli, Vargas and Clausen, 2017).
Historically, processes of structural transformation have led to the reduction of poverty, often drastically. This has not been the case everywhere, though, pointing to the need to establish policies and programmes that make the process pro-poor and inclusive to generate better livelihoods for all rural people.1 In fact, while poverty has sharply declined almost across the globe, inequality levels have remained high. Experience demonstrates that failure to improve shared prosperity jeopardizes poverty eradication efforts (Benfica, 2019; Cornia, 2004). Initiatives that seek to support the economic inclusion of the rural poor can contribute to inclusive transformation processes. Social protection policies and programmes, if sufficiently inclusive in their design and implementation, can also play a critical role in facilitating economic inclusion processes (Kangasniemi, Knowles and Karfakis, 2020; Trivelli, Vargas and Clausen, 2017).

Sustainability in the context of a changing climate is an important dimension to take into account when analysing poverty reduction and economic inclusion in rural areas. Agriculture is at the same time a major generator of greenhouse gases and can play a crucial role in the adaptation to and mitigation of climate change – potentially without compromising food production and jeopardizing food security (Tubiello, 2012; Ogle et al., 2014). Economic inclusion is not climate neutral per se, and at times there may be need for arbitration between poverty and climate action objectives. Ideally, pro-poor climate action and climate sensitive approaches come together to infuse economic inclusion programmes. This is the case in particular for green jobs, which aim to provide decent work across agri-food and other rural economic sectors through identifying the most promising value chains.

It is clear that promoting economic inclusion of poor rural households is closely linked to meeting some of the most critical challenges faced by rural areas, as reflected by the SDGs. Specifically, achieving economic inclusion – if sufficiently focused on resilience and sustainability – can help achieve a number of targets. This is related to the following SDGs in particular:

- SDG 1, end poverty in all its forms everywhere;
- SDG 2, end hunger, achieve food security and improved nutrition, and promote sustainable agriculture;
- SDG 8, promote sustained, inclusive and sustainable economic growth, and full and productive employment and decent work for all; and
- SDG 10, reduce inequality within and among countries.

At the same time, many, if not all of the other SDGs are critical to ensuring economic inclusion, such as access to health (SDG3) and education (SDG4), gender equality (SDG 5), access to infrastructure (SDG 9), affordable and clean energy (SDG 7) and water (SDG 6), as the following sections on conceptual underpinnings and theory of change will highlight. Further, economic inclusion can ensure “no one is left behind” by development efforts.

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1 A more equitable resource distribution – in particular, land reform – have allowed structural transformations to be inclusive, particularly in East and Southeast Asia (FAO, 2019a).
After presenting and clarifying these initial concepts, this paper will particularly examine the role of social protection policies and programmes in supporting economic inclusion processes for rural populations.

**Box 1. Definitions**

**Natural resource management:** This refers to the sustainable utilization of major natural resources, such as land, water, air, minerals, forests, fisheries, and wild flora and fauna. Together, these resources provide the ecosystem services that give better quality to human life. Natural resources provide fundamental life support, in the form of both consumptive and public-good services. Ecological processes maintain soil productivity, nutrient recycling, the cleansing of air and water, and climatic cycles (Muralikrishna and Manickam, 2017).

**Social protection:** In terms of engagement and support of the Food and Agriculture Organization of the United Nations (FAO) to countries, FAO has adopted the following operational definition: social protection comprises a set of policies and programmes that addresses economic, environmental and social vulnerabilities to food insecurity and poverty by protecting and promoting livelihoods (FAO, 2017a).

**Social assistance:** This refers to non-contributory transfer programmes targeted in some manner to the poor, excluded or vulnerable. These are cash and/or in-kind transfer programmes that seek to reduce poverty by redistributing wealth and/or protecting households against income shocks. Social assistance programmes are intended to ensure a minimum level of well-being and a minimum level of nutrition, or help households manage risk (FAO, 2003). These programmes vary from cash or near cash (vouchers) to in-kind transfers. Examples of social assistance schemes include: school feeding or mother/child supplemental feeding programmes; conditional or unconditional cash transfers; food vouchers; food and fuel price subsidies when targeted to the poor; labour-intensive public works schemes; and fee waivers for essential services (Grosh et al., 2008).

**Social insurance:** This includes all contributory programmes from employees, employers or the state. The objective of these programmes is to protect individuals or households against the harmful impact of shocks resulting from personal circumstances, life-cycle or livelihood risks. Examples include publicly provided or mandated insurance schemes against old age, disability and death of the main household provider; maternity and sick leave; and social health insurance. Agricultural insurance schemes, which cover policy holders against the loss of agricultural production due to natural hazards, are another example of social insurance. In all these cases, beneficiaries receive benefits or services in recognition of their contributions to an insurance scheme (Grosh et al., 2008; FAO, 2015a).

**Labour market policies and interventions:** These provide unemployment benefits, build skills and ensure better access to the workforce (FAO, 2015a). They are classified into active and passive labour market policy measures. Active measures refer to (i) job search assistance, (ii) (labour market) training, (iii) private-sector employment incentives and (iv) public-sector employment. Passive measures are policy or programmes that aim to establish minimum standards for employment and ensure decent and inclusive work (FAO, 2015a).
Conceptual underpinnings: What do we mean by economic inclusion?

The concept of economic inclusion refers to a process composed of mechanisms that enhance the income-generation capacity of the poor, or marginalized individuals within non-poor households, addressing social, environmental and productive constraints in a sustainable manner, to ensure a certain level and stability in income sources, out of poverty. The process is economic inclusion, while the goal is to sustainably escape poverty, and possibly progress towards higher income levels (Mariotti, Ulrichsand and Harman, 2016). While the terms economic and productive inclusion have been used interchangeably, in this paper we have chosen economic inclusion. Recently, the term productive inclusion has been more and more used as a way to label bundles of interventions that seek to provide a time-bound, intensive support to poor or extreme poor households, in order to push them out of poverty (Mariotti, Ulrichsand and Harman, 2016; Rigolini, 2016).

These interventions focus on individuals and households alone, which means they are limited in scope and cannot address some of the major constraints that rural poor households face. These are often systemic and external to the individual or even the households. The FAO framework on rural extreme poverty (FAO, 2019a) also refers to “economic inclusion” rather than “productive inclusion”. For this paper, the rationale is to differentiate from the programmatic term and highlight that economic inclusion involves a broader, rights-based approach to include productive and other economic supports, is focused on the system as well as on individuals and households and is more closely intertwined with social dimensions. Improving the process in which individuals or groups take part in society is critical. Economic inclusion can therefore not be disentangled from social inclusion, and must ensure the sustainability of its processes and the full realization of basic human rights – as set out in Articles 22 and 23 of the Universal Declaration of Human Rights (UN General Assembly, 1948). This concept of double inclusion is also widely used in Latin America (FAO, 2019c). An important point to consider is that, for some households or individuals, economic inclusion will not be “productive,” in the sense that they may not have the possibility to engage in income-generating activities. But they still need to be included in and able to

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2 It is often inferred that household-level poverty data evenly reflects poverty levels of the individuals who comprise the household. However, by extrapolating data on nutrition status for 30 sub-Saharan Africa countries and using it as a proxy for individual poverty levels, a recent study found that although incidences of undernutrition tend to be higher in poorer households, nutritional deprivations are spread quite widely through both the wealth and consumption distributions. This is to the point that the probability of being an underweight woman or child and living in the poorest household wealth quintile is actually low (Brown et al., 2017). This is a clear indication that household poverty levels cannot appropriately capture individual poverty and deprivation, and an individual approach is needed as well.
access services and programmes in the same or better terms than others, and receive higher support from the state to ensure their economic and social inclusion.

Any programme aiming to connect poor and vulnerable population groups (poor, youth, migrants, refugees, women, etc.) with markets and economic opportunities can, at some level, support economic inclusion. However, one should pay attention to the terms of inclusion and ensure that risks are evenly shared among actors and that processes are sufficiently inclusive. For this reason, approaches that are centred in or specific to economic inclusion will need to integrate a broader set of parameters to ensure transformation, sustainability and resilience. Therefore, aside from contemplating productive and financial dimensions (such as access to productive inputs and assets and financial services), economic inclusion programmes should also ensure access to basic services (in particular those building human capital) and social protection, including insurance. This will guarantee a certain level of protection of income as well as promote a sustainable management of natural resources. In turn, it will promote resilience and be supported by conducive enabling environments, in particular adequate policy frameworks, which include economic inclusion as policy outputs.

We have identified two parallel streams of work to support economic inclusion. On the one side, economic inclusion can include a set of interventions focused on individuals or households that would strengthen their capacity to engage in and take advantage of economic opportunities. On the other side, it will require the identification of economic opportunities at the territorial level and beyond and the implementation of mechanisms needed to make them inclusive.

The FAO approach to economic inclusion, with its comparative advantage, focuses specifically on the economic inclusion of poor and vulnerable households and individuals living in rural areas. Therefore, the type of activities to be promoted through FAO-led or supported economic inclusion initiatives tend to focus on agriculture and non-agricultural activities (but food systems-related), including opportunities in natural resource management, urban food systems and rural-urban linkages, and inclusive value chains in food markets, as well as traditional agribusiness, animal and crop production, forestry and seafood.

This paper will not examine the theoretical and programmatic details of economic inclusion pathways and corresponding interventions. Instead, after schematically presenting the main pathways, it will focus on analysing the contribution of social protection in each case. A broader framing document should be developed, analysing and better detailing the pathways and how each sector can support them, and what that entails for FAO operations.

2. Brief overview of economic inclusion pathways

While defining its strategic objective to reduce rural poverty, FAO identified three main pathways out of poverty for rural households:

a. the agriculture path, to intensify production and sales;

b. the diversification path, to generate income from agriculture and natural resource management as well as from non-agriculture related activities; and
c. the non-agriculture path, which is associated with income strategies unrelated to agricultural livelihoods.

It is important to note that these are not linear pathways.

Schematically, in practical terms, one could define two main productive options for economic inclusion: i) promotion of self-employment and ii) promotion of wage employment, both in and/or outside of agriculture and natural resource management, ensuring the respect of decent work standards and providing levels of earnings sufficient to live above the poverty line (Mariotti, Ulrichs and Harman, 2016).

The rural poor face a complex set of constraints that limit their access to production assets (first and foremost, access to land and productive resources), information, knowledge, product and factor markets, services, inputs and technologies. They also lack access to basic services, in particular, health, education and basic infrastructure, which create an intergenerational poverty trap. Therefore, economic inclusion interventions need to support asset accumulation and increased returns from assets, as well as basic needs and human capital accumulation, which in turn also contribute to facilitating the accumulation of more productive assets (Mariotti, Ulrichs and Harman, 2016). In addition, an enabling environment securing access to infrastructure and quality services is also key (FAO, 2019a). An analysis of the specific barriers and constraints that cause impoverishment and perpetuate the vicious circle of poverty is critical, to inform economic inclusion pathways.

The present section will briefly and non-exhaustively detail the main components of each pathway in order to highlight the main type of support needed. This will allow a better framing of the role that social protection policies and programmes can play. It is important to underline that, while we will detail each pathway in a separate manner, these are not mutually exclusive. One can be at the same time engaged in agricultural production and have a small business, for instance, and that is already a reality for many of the world’s poor (Banerjee and Duflo, 2007).

Human capital is an important intangible asset for supporting economic inclusion of the rural poor engaged in all three pathways. Education, nutrition and food security status are crucial intangible assets sustaining the labour force and, therefore, production and productivity. Ensuring access to quality essential services, in particular health and education, is key for the sustainability of the economic inclusion processes.

For economic inclusion pathways related to agriculture and natural resource management, intensifying and diversifying agricultural production – either crop, livestock, forest products, fishing and aquaculture – is key (Diwakar, Shepherd and Eichsteller, 2018). For this, an increase in tangible assets (livestock, fishing nets, ploughs, land, etc.), including access to productive resources, such as land, forests and fishing resources, will be needed. In addition to tangible assets, accessing information and knowledge will be critical to improve production and transformation. Facilitated access to markets, and an improvement in

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the terms of engagement with the local economy, can also be key. These dimensions will need to be supported by access to production support, agricultural extension services, access to financial services and improved rural infrastructure, among other things (Diwakar, Shepherd and Eichsteller, 2018).

Accessing public goods, such as water resources for fishing or aquaculture, forests, grazing grounds, etc., is an important factor when it comes to income generation, and while these assets are often for public use, better connection and information on how to better access them is critical. Given the strong seasonal nature of agricultural activities, producers engaged in these paths also need specific support that facilitate diversification of agriculture, natural resources and livelihoods over seasons. For instance, developing inclusive value chains could be an important area of action in order to provide markets for the rural poor. At the same time, developing agricultural activities can put an additional strain on the environment, contributing to soil depletion, soil and water pollution, greenhouse gas emissions, deforestation, soil erosion, etc.

Economic inclusion processes need to be environmentally friendly as much as possible by supporting climate adaptation and mitigation. For instance, supporting the adoption of climate-smart practices, or pushing forward agroecology-centred approaches, can at the same time support income generation and preservation of the environment. It can also be a trade-off, as income growth can be dependent on environmentally unsustainable practices, and protection of the environment could mean in the short or long term a loss of income source, for some. Economic inclusion processes need to take into account these trade-offs, to ensure they are minimized, if possible.

Economic inclusion pathways which rely wholly or in part on small business creation (self-employment outside of, or indirectly related to, agriculture, fisheries or forestry) require access to tangible productive assets, which will vary depending on the economic activity pursued, as well as adequate skills (soft and technical/business) training and access to markets. In this pathway, risk elements are particularly related to high levels of competition, low rates of return and high levels of business risk, and limited market size.

Economic inclusion pathways that rely on decent employment depend very much on the availability of jobs, but also on the matching between individual skills and demand for skills. Support under this pathway should be connected to developing skills (soft and technical), and providing labour intermediation services in order to link job seekers with job opportunities. Working with the public and private sectors to offer decent rural employment, which provides the rural poor with an adequate living income, and protect them from occupational risks and income shocks, will be key. This will need approaches to local economic and territorial development that assess trade-offs and maximise employment generation and use of production by poorer producers, but that also respect environmental limits.

Both pathways related to employment, wage or self, may be linked to migration processes. Human mobility is part of the process of economic, social and human development. As societies undergo transformation, people inevitably move within and between countries in search of better opportunities. The shifting of economic activities across sectors and borders, and the consequent declining share of labour employed in agriculture are typically accompanied by a movement of labour from rural to urban
areas, where more productive sectors in manufacturing and services are often located (FAO, 2019c). Mechanisms to support safe, orderly and regular migration are also indirectly key to successful economic inclusion processes linked to it. In fact, migration can also represent a risk for sustained poverty escapes because of its own various risks (Diwakar, Shepherd and Eichsteller, 2018).

All pathways require a financial inclusion approach in order to support the accumulation of savings and the access to credits and loans. Such tangible financial assets accumulation will permit productive investments and will support any income strategy.

Social inclusion approaches, as a concept referring to social capital accumulation and social networks expansion, are also key strategies to build these intangible assets. Strengthening social and economic institutions, organizations and communities is crucial for developing collective action around rural populations’ rights to economic and social policies, as well as their access to programmes, markets and natural resources – and their management.

For all pathways, inclusive and functioning rural infrastructure, such as electricity, water and sanitation services, and roads, have a major influence on agricultural and non-agricultural productivity, as well as non-agricultural employment and income-generating opportunities. This could be, for example, by removing bottlenecks or by facilitating access to factor and product markets, but also by directly generating labour and services demand (Ali and Perna, 2003; OECD, 2007).

Even for households and individuals who have an adequate endowment base and are pursuing an effective livelihood strategy, the exposure to shocks and stresses coupled with a weak enabling environment could inhibit their ability to manage risks. Building household and individual resilience is therefore of paramount importance to achieving a sustained economic inclusion path and poverty escape. Evidence demonstrates that social protection systems and social protection interventions can relax these constraints, enabling successful livelihood strategies for the poor as well as enhancing asset accumulation strategies (Frankenberger et al., 2013; Asfaw et al., 2014; World Bank, 2009).

Centrally, social protection plays a key role in supporting basic consumption. By ensuring basic needs are secured, social protection therefore allows households to invest their income and take bigger risks. For instance, accessing social protection allows households to invest in human capital, for example, by sending their children to school. For those dependent on agriculture and natural resources for their livelihoods, it allows them to invest in productive activities, even ones that are riskier, but have higher returns. Social protection systems can therefore act as an enabler, to allow for initial asset accumulation, and as an enhancer, to build non-material assets and further strengthen and facilitate income strategies. Social protection policies and programmes are organized in systems supported by adequate administrative tools to ensure that households and individuals can receive support based on their specific situation, and can therefore benefit from different type of programmes or services, according to their needs.
3. Multisectoral interventions for economic inclusion: the role of social protection

The role of social protection in supporting economic inclusion processes

As mentioned above, social protection can serve as an enabler and an enhancer of income strategies. The present section seeks to further detail the mechanisms by which social protection can play these roles.

Social protection encompasses the sets of policies and programmes aimed at preventing or protecting all people against poverty, vulnerability and social exclusion throughout their lifecycles, with a particular emphasis towards vulnerable groups (ISPA, 2016). FAO has adopted the following operational definition: social protection comprises a set of policies and programmes that addresses economic, environmental and social vulnerabilities to food insecurity and poverty by protecting and promoting livelihoods (FAO, 2017a). Traditionally, social protection has been understood as encompassing: social assistance programmes, which refers to non-contributory transfer programmes targeted in some manner to the poor, excluded or vulnerable; social insurance, which includes all contributory programmes from employees, employers or the state, and seeks to protect individuals against specific shocks; and labour market policies and interventions, which provide unemployment benefits, build skills and ensure better access to the workforce (FAO, 2015a).

Social protection can have the following four crucial functions (Devereux and Sabates-Wheeler, 2004; FAO, 2015a):

1. **A protective** function in providing means (cash or in-kind) to access food and mitigate the impact of shocks.
2. **A preventive** function in averting deeper deprivation by strengthening resilience against shocks (and stresses) and preventing loss of incomes and assets. It can support the accumulation of resources to sustain livelihoods (e.g. through asset transfers and public works).
3. **A promotive** function by directly supporting investments in human resources (nutrition, health, education and skills development) and by reducing liquidity constraints and income insecurity to induce investments in farm and non-farm activities.
4. **A transformative** function in the lives of the poor through reorienting their focus beyond day-to-day survival towards investments for the future, by shifting power relations within households (as social protection can empower women) and by strengthening the capabilities and capacities of those living in poverty to empower themselves. A key transformative function of social protection also lies in its role to eradicate child labour.

Through these functions, social protection can support economic inclusion by:

1. improving risk management,
2. releasing liquidity and financial constraints,
3. supporting productive and human capital accumulation, and
4. supporting reallocation of resources.
As such, social protection is critical for all economic inclusion pathways and at different stages of the process. While all human beings are entitled to receive social protection as a fundamental human right, the type of social protection they need varies. Table 1 summarizes in more detail how different social protection instruments can act as enablers to making the necessary investments to kick start or further develop an income strategy, and as enhancers in protecting incomes against shocks and building capacities and capabilities that can further strengthen income strategies. Even as households move out of poverty through economic inclusion, social protection needs to be made available to them as a combination of assistance and insurance in order to avoid backslides in times of shocks, either economic or life-cycle.
Table 1. Summary of social protection’s role in income strategies

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<td><strong>Social assistance interventions</strong></td>
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<td><strong>Social insurance interventions</strong> (usually contributory and hence target mostly non-poor individuals)</td>
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<td><strong>Labour market interventions</strong></td>
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Social protection’s role in risk management

Managing risks and vulnerabilities is central to ensuring that income diversification strategies can be successful, because the rural poor are particularly exposed to risk. Risk is composed of three factors: hazard, exposure to a hazard and vulnerability, understood as the ability to cope with this hazard. Poverty, inequality, health, access to services and social status are determinants of vulnerability (Brooks, 2003). Poor households are not only usually more exposed to risks, as they have a greater likelihood of living in high-risk geographical locations (highly exposed), they also have more limited capacity to cope with shocks due to low incomes, lack of savings, weaker social networks, low asset bases and heavy reliance on agriculture and natural resources (FAO and Red Cross Red Crescent Climate Centre, 2019).

For instance, each year, close to 100 million people are being pushed into extreme poverty because they must pay for health expenses out of their own pockets (Shepherd and Diwakar, 2018). This shows how critical it is to address health risks and invest in health services in order to support economic inclusion. Households without any social protection support are more likely to engage in various negative coping strategies in the face of shocks, such as depleting assets (natural resources and other), taking out loans from informal moneylenders, dropping children out of school that can lead to hazardous child labour, etc. These all have potentially negative impacts on future household wellbeing and its ability to sustain economic activities. Therefore, the poor are also likely to be more severely affected by the impact of a shock when a hazard occurs (Rentschler, 2013).

In the context of a changing climate, the increase in the frequency and severity of extreme weather events put the rural poor at particular risk. Social protection can play a role in the different components of risk. Its policies and programmes can reduce some of the risks rural poor are facing by improving their capacity to cope with the impact of a shock. In the short term, to respond immediately to a shock (or also in preparation of one), social protection programmes and, in particular, social assistance, can create a buffer effect that positively influences the capacity of shock absorption by stabilizing consumption and reducing negative coping strategies (Kuriakose et al., 2012). The buffer effect of social protection helps relax the liquidity constraints faced by poor and vulnerable households, which is key in allowing them to better manage risks and hence engage in more risky but remunerative activities (FAO, 2017a). This can in turn reduce their vulnerability to future shocks, particularly when productive investments are climate-sensitive, especially for agricultural activities.

This risk management function of social protection is the key basis upon which all economic inclusion pathways rely. Only when people can rely on an income buffer that acts as a safety net can they take the...
risks that are inherent to engaging in income-generating strategies. In the context of rural transformation, which can hugely influence the viability of different economic inclusion pathways, social protection is seen as facilitating transitions for the poor and vulnerable, and ensures they can participate in the process and reap some of the benefits. For those who cannot participate in the structural transformation process, social protection can also offer protection against poverty (Kangasniemi, Knowles and Karfakis, 2020). Therefore, social protection can help households and individuals manage the risks inherent in agricultural work and the adoption of enhanced sustainable practices, as well as those related to shifting from agriculture to non-agricultural work. This is particularly relevant for households that are relying on fisheries and forests for their livelihoods, where measures to preserve natural resources may greatly impact the livelihood of these communities. Social protection measures, especially those specifically designed to accompany natural resource management reforms, can buffer the negative economic impact and support the development of new livelihoods.

Social protection as an enabler and enhancer of income strategies

FAO, through the From Protection to Production project in particular, has extensively analysed the productive impacts of national cash transfer programmes (see Box 2). Social assistance interventions, such as social cash transfers or cash for work, can have an impact on production and income. Centrally, this stems from the fact that consumption and production decisions made by the poor are interdependent. Social protection, and in particular cash transfers, can impact production decisions through different pathways. First, by improving savings or alleviating credit constraints, cash transfers can relax liquidity constraints faced by poor rural households. This allows households to invest additional resources in their income-generation activities by procuring productive assets or reallocating their labour between productive activities (for example, from daily wage labour to agricultural production). When combined with agricultural interventions, for instance, this can also allow poor agricultural producers to access technology, knowledge, inputs and factors of production that can increase their production and/or productivity (Tirivayi, Knowles and Davis, 2016). Such impacts are positive for all economic inclusion pathways.

Box 2. From Protection to Production: Building the economic case for social protection

The Food and Agriculture Organization of the United Nations (FAO), in partnership with United Nations Children’s Fund (UNICEF), national research institutions and the national governments of seven countries in sub-Saharan Africa (Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe), has generated evidence on the economic and productive impact of national cash transfer programmes in the region. The development of rigorous impact assessments was carried out in close coordination with government counterparts and embedded in national policy processes and platforms.

This contributed to strengthening the case for social protection as an investment, not a cost, while addressing public misperceptions around dependency and labour disincentives. It provided a solid base to show how
Cash transfers can help poor and marginalized families to build assets, empower themselves and generate economically productive activities.

The From Protection to Production (PtoP) project is part of a broader initiative, the Transfer Project, which is a multi-country cash transfer research initiative. Established in 2008, the project is a collaborative network between UNICEF Innocenti, FAO, the University of North Carolina, UNICEF regional and country offices, national governments and local research partners. The Transfer Project is a thought leader on cash transfers in Africa that goes beyond measuring typical economic outcomes to find out if and how cash transfers impact other aspects of people’s lives.

Source: FAO. 2017a. FAO’s Social Protection Framework. Enhancing food security, nutrition and rural development outcomes for all. Rome, FAO.

Evidence shows that social protection schemes generally increase agricultural input use, agricultural asset accumulation and, to some extent, agricultural yields (Tirivayi, Knowles and Davis, 2016). In Zambia, for instance, an impact evaluation showed the child grant programme of the Social Cash Transfer programme led to an increase in the area of worked land as well as an increase in the use of agricultural inputs. This, in turn, led to an increase of approximately 37 percent in the value of overall production, which was primarily sold in markets, rather than consumed. In Lesotho, the child grant programme also led to an increase in crop input use and expenditure, which led to an increase in maize or sorghum production, as well as in the frequency of garden plot harvests (FAO, 2016).

Social protection instruments can indirectly impact agriculture production by preventing detrimental risk-coping strategies and promoting off-farm investments (Tirivayi, Knowles and Davis, 2016). There is evidence of the impact of cash transfers on the livelihoods of beneficiary households, particularly with regard to agricultural activities and social capital (Daidone et al., 2019). The research concludes on the importance of the design of social assistance programmes to achieve economic impacts. Features such as the level of transfers, the predictability and regularity of payments, and the type of messaging associated with the disbursement are critical factors to enhance economic impacts. An additional strong message that comes out of FAO-generated evidence on the economic and productive impact of cash transfers is that a combination of social protection and agricultural interventions are needed to maximize this impact (Veras Soares et al., 2017; Daidone et al., 2019; Tirivayi, Knowles and Davis, 2016). These findings have pushed FAO to conceptualize and disseminate the Cash+ approach (see Box 4), which combines social protection benefits with productive support. However, as discussed previously, economic inclusion requires a more long-term and holistic approach, in which Cash+ or graduation interventions play a specific but limited part.

**Box 3. Graduation programmes, definition and typology**

The Ultra-Poor Graduation approach, or just the graduation approach as it is most commonly known, is an intervention that provides a combination of intensive support to extremely poor households for a period with the objective to “graduate” them progressively into sustainable livelihoods.
The approach was initially developed and implemented by the Bangladesh Rural Advancement Committee under the name “Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor.” It was later tested in six countries and evaluated by the Consultative Group to Assist the Poor and the Ford Foundation, together with partners, before expanding more globally to more than 30 countries (Partnership for Economic Inclusion, 2018).

While the approach is tailored to each context, the principles of the graduation approach can be summarized as follows:

- targets the most vulnerable in a community;
- provides a package of interventions, including one initial productive asset transfer, related training and support for the asset chosen, general life skills coaching, regular consumption support for some fixed period and typically access to savings accounts and health information or services; and
- is time-bound to usually 36 months (sometimes less).

Governments are increasingly interested in introducing a graduation component within broader social protection systems. However, there are increasing debates particularly related to the time limitations of the intervention, as well as affordability.

Sources:

Box 4. The Cash+ approach: Increasing the productive impact of social protection

The Cash+ approach refers to integrated intervention that aims at boosting the livelihoods and productive capacities of vulnerable households through the provision of a flexible combination of items.

**Cash transfers** are typically unconditional, although the exact modality, amount and frequency of the transfers are determined by the context;

**Productive assets and inputs** for agriculture, livestock, fisheries and aquaculture, and forestry, and productive uses of other renewable natural resources can be offered. Productive assets and inputs can include crop seeds, tools, fertilizers, livestock, fishing kits, homegrown gardens and processing equipment, etc. They can be provided either in-kind or through the use of vouchers.

**Technical training** adapted to the needs of beneficiaries is offered. This component can include training on sustainable farming and pastoral practices, including input use, business and other soft skills, nutrition education, agricultural value chain development, access to markets, finance and information. Training can be provided through farmer or pastoral field schools.
The work of the Food and Agriculture Organization of the United Nations (FAO) on Cash+ is based on field experience and research, which shows the potential of this tool to sustainably enhance the economic and social impacts of cash transfers when combined with productive support and/or technical training.

FAO is currently supporting the Governments of Armenia and Kyrgyzstan to complement their regular social transfer programmes with productive interventions and strengthening local social services. In the Kyrgyz project in particular, social workers are being trained and local structures are being supported to follow up with beneficiary households on a regular basis and connect vulnerable households with services (e.g. social and extension services). The design of the Cash+ packages was based on a quantitative and qualitative assessment of beneficiaries’ profiles, needs and opportunities. The pilot programmes seek to build upon local structures and strengthen the capacities of the government to provide an integrated package of support that will progressively lift households out of poverty.

The Cash+ approach varies from the graduation approach not so much in its components, but in that Cash+ seeks to build coherence between social protection sectors and agriculture, forestry and fisheries through a programmatic angle, and go along policy and broader programmatic-level work to develop coordination and integration in a sustainable manner.

Source: FAO. 2018b. FAO and Cash+: How to maximize the impacts of cash transfers. Rome, FAO.

Social protection can also help reduce the trade-offs between economic inclusion and environmental sustainability. In particular, social protection can support the adoption of climate-smart practices and technologies, when supported by adequate information and knowledge access (Kim et al., 2017). Similarly, supporting income strategies that contribute to protecting or positively managing natural resources, such as green jobs, can have positive environmental impact.

In a further step, economic inclusion processes play an active role in climate change adaptation and even mitigation, e.g. linking with payment for environmental services schemes. In particular, when income strategies are linked with forest resource management, economic inclusion can have a double impact. This is the logic behind the Poverty, Reforestation, Energy and Climate Change (PROEZA) programme, which is currently implemented in Paraguay with Green Climate Fund financing (see Box 5).

**Box 5. PROEZA: An innovative approach to support poverty reduction and climate adaption and mitigation**

The Poverty, Reforestation, Energy and Climate Change (PROEZA) project presents an innovative approach to improve the resilience of households vulnerable to the impacts of climate change in Paraguay. It proposes a paradigm shift towards low-emission sustainable development pathways with a dual approach: on one hand, achieve climate mitigation and adaptation and, on the other, contribute to extreme rural poverty reduction.

PROEZA aims to:

- implement incentives to mitigate climate change through planting fast-growing trees in mixtures with valuable native species; and
• contribute to the reduction of rural extreme poverty, particularly within forest communities and indigenous peoples, through the diversification of production and options to increase family incomes through the establishment of climate-smart agro-forestry production systems and/or multifunctional “close to nature” planted forests.

One important innovation of the project includes strengthening the existing national social protection programme. In this context, building on Paraguay’s national flagship social assistance programme, Tekoporã (a conditional cash transfer social protection programme), allows to (i) ensure the poorest are benefiting from climate adaptation interventions, while (ii) addressing the economic barriers to progressively transition from subsistence to productive and sustainable livelihoods.

To reach the poorest, PROEZA will target participants of Tekoporã and will provide a “cash transfer top-up” during the project’s duration (five years) as an incentive payment conditional to the successful establishment and care of agroforestry production systems promoted by PROEZA. This is aligned with the Food and Agriculture Organization of the United Nations (FAO) approach to rural poverty reduction, economic inclusion and social protection, as well as pro-poor climate change action.

These all together aim to (i) address the economic and social barriers faced by the poor that prevent the adoption of more sustainable practices and (ii) safeguard the environment, including climate-smart agriculture. The project also acknowledges the need for differentiated packages across income groups and, thus, proposes specific activities for poor and extreme poor families, addressing their barriers for adopting sustainable practices, as well for medium-sized landowners to incentivize the adoption of certified New Generation Plantations.

PROEZA introduces an innovative approach to altogether achieve rural poverty reduction and environmental sustainability. It is the first of its kind combining social protection, adaption and mitigation measures in the forestry sector.


Existing evidence also shows that households participating in cash transfer programmes diversify their income-generating activities. The additional income releases liquidity constraints, increases savings and allows for better labour allocation, which in turn allows households to increase and diversify their engagement in non-farm businesses. (Daidone et al., 2015)

Social protection also has important effects on the capacity of the poor to enter the labour market and the terms under which they do so. It can influence the supply of labour as well as the demand. On the supply side, in the short term, receiving social assistance can directly support the reallocation of labour, and evidence shows that the additional income in the household resulting from a cash transfer will encourage other members to seek employment. Labour market programmes and policies to promote decent rural employment play a critical role here. In order to develop the labour supply, active labour market policies and programmes can actively develop skills and capacities that match the labour market
needs – and can concern both enterprise development skills as well as technical skills – in order to increase the employability of individuals. Skills development should concern both soft skills, as well as more technical vocational skills (DFAT, 2017). Additionally, in the longer term, social protection can contribute to building the human capital of future generations by creating positive impacts on health, dietary diversity and food security and, critically, education.4

On the demand side, social protection can also generate employment through public employment programmes, also known as public works programmes, offering cash or food in return for labour (Slater and McCord, 2014). These measures, typically targeted towards the poorest segments of the population, are usually conceived as a safety net and can sometimes increase the labour demand if the scheme includes some sort of skills development. The effect of these programmes on employment is typically short term, unless it has an impact on employability, for example through skills training (Kluve, 2016). The demand for labour is dependent on macro factors, which go beyond social protection. However, complementary interventions that link macro policies to stimulate employment creation can be paired with social protection ones, such as described here.

Social protection plays a specific role after the initial asset accumulation phase, as an enhancer of income strategies. Through various interventions, it will seek on the one side to protect assets and resources and support additional asset accumulation and, on the other side, support productivity through development of physical and human capital, among others. In this stage in particular, as contributory capacity increases, supporting access to social insurance is critical to protect livelihoods and income. More generally, the absence of adequate social assistance and social insurance to cushion against shocks and offset the related costs are associated with an increased risk of impoverishment.

Social cash transfer programmes also increase social capital and allow beneficiaries to “re-enter” existing social networks and/or strengthen informal social protection systems and risk-sharing arrangements (Daidone et al., 2019). This can translate into increased participation into savings and lending groups, for instance, which can play a critical role in being able to invest in income-generating activities.

Active labour market policies promoting core labour standards and decent working conditions are crucial for enhancing decent rural employment. This means opportunities for work that are productive and that respect core labour standards,5 provide a fair income (whether through self-employment or wage labour), grant safe and healthy working conditions, allow workers to have a voice in the workplace and ensure equal opportunities and treatment for women and men (FAO, 2015b). In addition, active labour market policies can enhance income strategies, for example, by developing skills to move to better jobs and supporting formalization processes.

4 The first generations of impact evaluations, in particular in Latin America, have highlighted many positive effects of cash transfers on human development. Such findings have also been confirmed by evaluations carried out later in Africa, and elsewhere. The literature on this topic is abundant and can for instance be found in reports by Rawlings and Rubio (2003); Agüero, Carter and Woolard (2007); Samson and Miller (2012); Niño-Zarazúa and Neidhöfer (2017); and Miller and Samson (2012).

5 Employment that respects the core labour standards: a. Is not child labour; b. Is not forced labour; c. Guarantees freedom of association and the right to collective bargaining and promotes organization of rural workers; d. Does not entail discrimination at work on the basis of race, colour, sex, religion, political opinion, national extraction, social origin, etc.
Because informality is widespread in rural areas and closely intertwined with poverty, formalization processes are very important to support economic inclusion. These processes can include: formalizing informal economic units; formalizing informal jobs (extension of the scope and application of labour law and social security); and development of formal labour job supply. Formalization is hence critical to the development of new and more dynamic enterprises as well as more productive and higher value jobs, and to the improvement of labour conditions (ILO, 2019). While formalization processes require tax, legal and trade reforms, among other actions, social protection can also play a part in its operationalization by implementing contribution subsidies. Some examples of formalization include Argentina’s Monotributo Social Agropecuario and Uruguay’s Monotributo scheme for poor households and the Monotributo modalities for associative ventures. Another example is the case of Brazil, where the Food Purchase Programme prioritized small-holder farmers enrolled both in the Registry of Family Farmers and registered in the Cadastro Unico as receiving benefits under the Bolsa Familia Programme.

Specific measures to extend social protection and, in particular, social insurance, need to be adapted to the heterogeneous employment situations of rural workers, be they self-, wage-, informally or formally employed. Hence, when effectively implemented, social protection interventions can directly enhance the conditions for economic inclusion. Economic inclusion will also be sustained by increasing synergies between social protection delivery mechanisms (that help register, inform, collect contributions and deliver social protection benefits), to reduce costs and create linkages between social protection interventions and other labour market interventions (skills training, support to microenterprises), by enhancing intangible assets accumulation (ILO, 2017a).

As households move out of poverty and their contributory capacity becomes both higher and more stable throughout the year, they will need a combination of social assistance and social insurance, with a growing role for social insurance. Social insurance is critical to protect income from both idiosyncratic and systemic shocks, and ensure access to other types of insurance, such as disaster risk or production insurance, through financial inclusion. Among others, formalization processes will be crucial to open access to social insurance. It is worth noting that continuous investment of the state in social assistance schemes over time is central in order to provide permanent or temporary support to vulnerable segments of the population: children, people with disabilities, the elderly poor, particularly excluded groups, etc.

Linked to this is the notion that economic inclusion will, for some households, prove to be a longer and rockier road, as poverty affects not only the ability to accumulate assets, but also to project into the future, engage with others and feel confident in one’s abilities. Tackling these psychological barriers should also partly be a task of social protection, and innovative measures could be put in place in order to connect households with services and information, and build self-confidence (Camacho et al., 2014). Short term graduation programmes, for example, include coaching components and are perceived as key success factors. There should be further research on how to develop cost-efficient and scalable coaching solutions.
The specific role of social protection in migration is an inherently complex phenomenon, with people moving because of a combination of reasons. Rural migration often takes place in steps, as people first move from rural communities to secondary towns, then large cities, before eventually migrating abroad (FAO, 2019c). In all cases, consequences of migration pose challenges and opportunities for economic inclusion and rural development. Social protection systems can address some of the adverse drivers pushing people to migrate, as well as facilitate migration within or across countries. Equally important are ensuring access to social protection and services for migrants in host communities as well as extending the portability of social protection benefits.

Social protection can facilitate migration and support migrants in transit and at their destination to reduce associated risks and support communities at the source. Social protection can also reduce migrants’ vulnerability to risks and shocks, and ensure the migration process is safe. It can also open up economic inclusion opportunities through its preventive, promotive and transformative functions.

Preventive measures include insurance for international migrants in destination countries provided by governments of origin countries, and insurance schemes for international returning migrants in countries of origin. Protective measures include cash transfers, legal aid, counselling, shelter, and so on (Sabates-Wheeler and Waite, 2003). Some promotive measures include labour market policies, social services for migrants and bilateral labour migration agreements, as well as temporary and seasonal migration schemes based on a rights-based approach. Transformative measures can be favourable legislation for migrants, international conventions protecting migrants abroad or protection for migrants’ household members (e.g. access to health and education for children). Additionally, when associated with remittances, social protection could also contribute to the economic inclusion of families at the source.

Depending on their migration status (e.g. economic migrant, refugee, regular or irregular migrant), migrants could face more barriers to or be excluded from access to social protection versus non-migrants. Alternatively, specific vulnerabilities related to migration may not always be considered in the provision of social protection benefits. That’s the reason why social protection systems need to better integrate the migration dimension, including through effective portability mechanisms. Fifty-five percent of migrants are entitled to access social protection benefits but cannot take these benefits home, or to another country (UNDESA, 2018). Ensuring labour migrants are eligible for, and participate in, social protection schemes – and that they can transfer benefits they have contributed towards – can help them secure both their and their family members’ economic inclusion pathways.

Effective strategies for improving livelihoods and maximizing the benefits of migration for rural households and communities includes fostering rural-urban economic linkages; enhancing and diversifying rural employment opportunities, especially for women and youth; helping the poor to better manage risks; and leveraging remittances for investments in the rural sector. Social protection plays an important role in achieving all those results.

Social protection schemes act as enablers of income strategies through different channels, most importantly by improving risk management and relaxing liquidity constraints. Social protection
interventions also enhance asset acquisition strategies by allowing access to credit and savings, by protecting assets and by supporting the accumulation of human and social capital – in turn, allowing households to better manage risks and to engage in more profitable livelihood and agricultural activities, making for a virtuous circle.

Social protection is therefore an essential component of economic inclusion programmes and strategies, and needs to be designed and implemented in a comprehensive and inclusive way – and alongside complementary interventions that seek to support individual and household capacities and capabilities, as well as creating a conducive and inclusive environment. This calls for the coordination of policies as well as instruments to more broadly coordinate interventions between sectors, supported by appropriate tools.

**Key principles for inclusive social protection systems**

The previous section detailed the specific role that social protection plays in supporting economic inclusion processes. It is important, however, to highlight that social protection services and programmes need to be appropriately designed and implemented in order to achieve their potential. The present section therefore identifies and presents some key principles that must rule social protection systems in order to fully contribute to economic inclusion processes.

**Extension of social protection to achieve universality**

Maximizing the potential of social protection policies and programmes requires that all individuals have access to appropriate coverage based on their needs. Universal access to social protection is a fundamental human right, and it is a SDG target (1.3). However, currently, only 45 percent of the global population has access to some form of social protection. Rural populations are often excluded from social protection schemes because they face specific barriers (ILO, 2017b). They tend to have much lower levels of social insurance coverage because of higher levels of informality, issues of trust and/or because widely agriculture-related work (employed or self-employed) is explicitly excluded from national insurance schemes.

Administratively, extending schemes to rural areas is more cumbersome and is limited by low institutional capacity. Aside from fiscal constraints, which limit the people who can be covered by a scheme, financial barriers also faced by potential beneficiaries hinder their capacity to apply to and receive benefits. Women and other vulnerable groups are particularly affected by these barriers. These elements limit the expansion of coverage of both social assistance and insurance (Allieu and Ocampo, 2019). Removing these barriers is critical to achieving universal coverage. Just as important, ensuring that existing policies and programmes respond to the specific needs and characteristics of rural populations is entirely part of the universal coverage challenge.

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A basic level of support through social protection interventions gives the rural poor the security to take risks with investments and to look for decent work in rural or urban settings. However, the full spectrum of social protection interventions and their universal extension are required as the rural areas are transforming and rural households are accumulating assets. In fact, while individuals are becoming productive and diversifying their sources of income, their needs and circumstances are changing. Therefore, they should be linked to different interventions to ensure that they can make the most of different schemes. A long-term success of the economic inclusion approach is indeed contingent on a comprehensive social protection system that proposes a full scope of preventive, protective, promotive and transformative measures to address the wide range of vulnerabilities faced by rural poor, but also support livelihoods. In fact, continued universal protection through the social protection system – through different types of interventions and schemes – is crucial to enabling the poor to engage in productive activities and decent employment, and to prevent citizens from being pushed back into subsistence mode when a shock occurs. Therefore, the combination of social assistance and social insurance mechanisms can play an important role in ensuring gradual progress of the rural poor into the trajectory of economic inclusion pathways (Behrendt, 2017).

Social protection systems with a life cycle approach

The concept of vulnerability refers to a situation of high exposure to certain risks, combined with an inability to prevent, protect or defend against those risks and cope with their negative consequences. Examples of life risks occurring at the individual level impacting household economic activities include mainly those associated with health, such as illness, disability, old age, death, maternity, birth and so on. For the individuals, certain identifiable periods in a life cycle bring particular risks related to age: the perinatal period, infancy, childhood, adolescence and youth, adulthood (working life) and older age (García and Gruat, 2003). At the same time, the degree of exposure to risks and the ability to cope with risks vary from one stage of life to another. Rural poor have generally less ability to manage risks and, therefore, are more vulnerable than the wealthiest groups of a population. Risks linked to a specific life event are more likely to affect income and assets of the rural poor and also put their livelihood strategies and economic inclusion at risk. Social protection systems must then be designed as a response to reduce vulnerabilities across the life cycle, aiming to ensure cumulative benefits. In fact, life events jeopardize economic opportunities and productive activities.

Life cycle effects on poverty are still strong in most developing countries because of the lack of protection (Diwakar, Shepherd and Eichsteller, 2018). For instance, strong life cycle effects and social protection relieves households of the poverty-inducing effects of having children. This can be done through improving social protection systems that work towards the provision of free and high-quality schooling, free health care or effective health insurance, nutritional support during childhood, child grants and good family planning services (Diwakar, Shepherd and Eichsteller, 2018).

Beyond the risk management aspects, the life cycle approach ensures that the type of support received is adequate to achieve a broader set of objectives. For instance, during the first 1 000 days of life, social protection has a key role to play to promote early childhood development, which is critical to live a full,
healthy and productive life later on. In the working age stage, it will be particularly relevant to design and implement adequate and complementary programmes that seek to promote economic inclusion. In this stage, ensuring access to income support when needed, and/or income protection through different insurance instruments, is one component. Ensuring the promotion of healthy diets and nutrition practices will also be key, while accessing active labour market programmes is crucial.

Ensuring that women can equally participate and access these opportunities will require a gender-sensitive approach. Thus, it will ensure equal access to social protection programmes for women and men; address gender inequalities in resources, assets, employment and financial services; strengthen women’s voices, bargaining power and decision-making roles, and reduce their work burdens; and avoid reinforcing gender inequalities and exacerbating gender-specific risks (FAO, 2018a).

A life cycle approach offers protection to all, regardless of income levels. Income levels will, however, influence whether the type of support provided is contributory or non-contributory. Access to social assistance should be ensured for those who live in poverty, face shocks, or specific life-cycle or permanent vulnerabilities, and at the same time, transitions towards social insurance should be developed. The coverage gap currently affects those living in poverty and affected by vulnerabilities, especially in certain regions of the world. But it also dramatically affects people who live just above the poverty line, or have precarious or informal employment arrangements, impeding their coverage by social assistance and social insurance. Extending access to social insurance, including through total or partial subsidization, is an important step to support the sustainability of economic inclusion processes by avoiding impoverishment caused by life-cycle or employment-related risks.

Building coherence between social protection systems and other sectors

The present document argues that social protection is a key component of economic inclusion processes, but needs to be implemented alongside parallel interventions that focus on individuals and households, as well as on the territory they live in. Social protection policies and programmes need to be implemented in coherence with other measures such as those mentioned in section 2 and, in particular, agriculture, fisheries, forestry, natural resource management, climate change adaptation and mitigation, and sectoral financial inclusion policies and programmes. The work of FAO on building coherence between social protection and agriculture can provide useful guidance that can be extrapolated to this context (FAO, 2016b). Coherence requires action at different levels, both policy and programmatic, and operational. The enabling environment must be conducive, with a policy architecture that defines the joint role played by each sector in economic inclusion, and can provide the strategic vision and guidance necessary to translate political commitments for coherence into action. A coordination mechanism should be in place, supported by strong institutions and sufficient human and financial resources, pushed by political commitment.

At the programmatic level, coherence can translate into different modalities. Single interventions can address various needs at the same time. For instance, social protection programmes that are targeted to small-scale farmers and are tailored to their specific needs and characteristics can be labelled as coherent with agriculture. Integrated interventions can combine different components. This is, for example, the
case of the graduation or Cash+ approach. The third option is to implement different programmes in synergy. That is the case when different interventions reach the same target group and provide complementary interventions (for instance, a cash transfer programme that would reach the same households as an input subsidy scheme).

Knowledge gaps

The impact of social cash transfers on poverty and the vulnerability of rural households and individuals have already been extensively documented. There is also growing evidence from FAO, the Partnership for Economic Inclusion, the Consultative Group to Assist the Poor, the Abdul Latif Jameel Poverty Action Lab, Innovation for Poverty Action and others, on the impact of agriculture and social protection interventions, or packages of interventions such as graduation, as described throughout this document. However, there are major gaps still to fully understand the impact of social protection on economic inclusion and how to coordinate interventions that focus on the individual, household and territorial levels. One very important area to develop is to explore the impact of social protection on livelihoods outside of farming, and to explore livelihoods related to pastoralism, fisheries and forestry. The other one is to explore the role of different instruments, beyond cash, in impacting economic inclusion processes.

Beyond these broad areas of research, the present subsection highlights operational areas for evidence generation.

Measurement of economic inclusion

In order to implement economic inclusion programmes, measuring the progress of individuals towards a sustainable poverty exit and better livelihoods is critical to ensure the effectiveness of the approach and to introduce constant improvements. Economic inclusion is a concept that could be measured by a set of indicators (access to education, access to labour markets, wage gaps, inequality measures, etc.). This allows for a quantitative representation of the concept of economic inclusion and is crucial for monitoring and evaluation purposes. Data is a key driver of transformation across all sectors, as it enables programme implementers and policy makers to track progress towards the achievement of objectives, learn from experiences and understand whom to target and the level of support needed.

This would require:

- a statistical definition and rationale for the set of indicators;
- a robust and tractable method for computation;
- the appropriate data sources; and
- the identification of effective ways to collect data.

Operational design of social protection programmes to promote economic inclusion

Design features of cash transfer programmes can influence impact and enable them to have a stronger effect on diversifying livelihoods and increasing productive activities (Daidone et al., 2019). Future
research on economic inclusion impacts of social protection interventions should therefore be operational and try to provide responses to the following research questions:

- What other types of social protection instruments have an impact on production, labour supply and allocation, etc.?
- What is the best combination of social protection services and programmes (complementarities) to ensure effective access to economic opportunities?
- What amount of transfer is required to enhance and sustain economic inclusion in the longer term? Is this amount the same for different pathways, when the objective of a specific social protection intervention is to promote economic inclusion?
- How to optimize the role of cash/in-kind transfer for economic inclusion through its seasonality, regularity, size, periodicity and frequency?
- How to optimize the combination of transfer and insurance to support economic inclusion processes?
- Tailored approach and market size: Market size represents an important bottleneck to economic inclusion, especially when too many poor receive similar support and training focusing on similar micro-business or job opportunities. In this case, economic inclusion programmes should respond to the existing needs and be based on market analysis. However, how can they integrate the absorptive capacity of the local economy in the overall economic inclusion agenda? How to consider this, while results from households of similar economic inclusion interventions could be different, especially in the context of an open economy and labour market? The same applies for rural poor aiming to seize economic opportunities within the agricultural sector, with natural resources, the local ecology, climate variability and the physical terrain all representing major constraints. How to integrate the limitation of natural resources in a larger economic inclusion agenda?
- How to ensure social protection programmes do reach and cover indigenous peoples and that their design, particularly conditionalities, if any, are implemented in accordance to their possibilities?
- What is the role of rural extension services and rural financial services in promoting economic inclusion?
- How do we build institutional capacity to provide appropriate follow up and accompaniment?
- What is the impact of social insurance on the determinants of economic inclusion?
Conclusion

Rural development initiatives aiming to alleviate extreme poverty from below by supporting economic inclusion of the rural poor must seek complementarities between social protection, agriculture and natural resource management and climate change interventions, and between social protection and livelihood diversification interventions. Such dual-approaches can increase the likelihood of success for sustainable economic inclusion processes. Synergies and coherence in the programmes and sectors that support economic inclusion can positively influence pathways out of poverty through multiple channels at the individual level.

These are:

- enabling risk management by the rural poor so they can sustain their income and livelihoods strategies, and address existing vulnerabilities;
- enhancing tangible productive assets accumulation;
- enhancing intangible assets, human and social capital, acquisition;
- improving the productivity of those assets;
- preventing loss of those assets; and
- enhancing financial inclusion.

Social protection interventions can reduce the vulnerability of poor rural households by enabling their income strategies through relaxing liquidity constraints. Social protection also plays a crucial role in enhancing asset acquisition strategies through different impacts, such as alleviating credit, savings, productive (including natural) assets conservation, accumulating human and social capital, supporting households to better manage risks, and helping them engage in more profitable livelihood and agricultural activities. However, supporting economic inclusion requires an approach that includes supporting the capacities and capabilities of individuals and households to engage in income-generating strategies, the existence of economic opportunities in the territories where they live, and the ability of the poor to access these opportunities.

An additional challenge will lie in reconciling support to communities dependent on natural resources for their livelihoods, while also supporting environmental preservation. While mostly exposed to risks of various natures (including climate change), these communities are currently underserved by social protection systems. Building synergies between social protection, natural resources management and disaster preparedness can result in promising pathways to improve the social well-being of these communities in a sustainable manner.

Box 6: Summarizing key principles of social protection for economic inclusion processes

Supporting economic inclusion processes requires coherent parallel interventions focused on:
• enhancing the capacity of individuals and their households;
• making economic and productive processes more inclusive at all levels; and
• addressing the failures and limitations, at all levels, that impede the full realization of economic and social rights.

Social protection can support individual and household income strategies, acting as enablers by improving risk management and relaxing liquidity and other constraints, as well as developing skills. Social protection interventions also enhance asset acquisition strategies by allowing access to credit and savings, by protecting assets and by supporting the accumulation of human and social capital – in turn, allowing households to better manage risks and to engage in more profitable livelihood and agricultural activities, a virtuous circle.

In order to make this happen, social protection systems need to have the following characteristics:

• at scale and adequate – all should receive social protection according to their specific needs and profile;
• gender-sensitive;
• addresses the needs and risks specific to each stage of life; and
• coordinated with other sectoral policies and programmes.

Economic inclusion is a long-term process that requires coherent sectoral and intersectoral policies and programmes that support the potential of individuals, households and territories.
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Economic inclusion is at the forefront of the social protection agenda, and a concept increasingly recognized and developed by policymakers, non-governmental organizations (NGOs) and development partners at large.

The Food and Agriculture Organization of the United Nations (FAO) recognizes economic inclusion as one key pillar to eradicate extreme poverty, to foster more equal societies and to reduce disparities between urban and rural areas.

This paper focuses on identifying the particular role that social protection benefits and programmes can play in economic inclusion processes, specifically for rural populations. It seeks to inform future policies and programmes, and contribute to the present debate around economic inclusion.