

FAO Podcast *The Work We Do*
Special Episode: Can Social Protection Prevent the Next Food Crisis?

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Transcript

Katrin:

I'm here with Ben Davis, the director of rural transformation and gender Equality division, and Marco Knowles, the senior policy officer in the same division. Could I ask you to give us some background on social protection and why this is such an important issue right now?

Ben:

Well, I think first and foremost, social protection is still very important, just given the very high levels of poverty and food insecurity in the world, over 800 million people globally are still living in extreme poverty. Three quarters of them live in rural areas. In some regions, it's particularly high in sub-Saharan Africa. More than 60% of the population of the rural population lives in extreme poverty as well as suffers from food insecurity.

And so, together with these already high levels of hunger and poverty, there's continued and growing uncertainty in the world. When we have climate change, slow onset climate change, temperatures slowly rising, which is affecting people's livelihoods, increases in the number of disasters. Weather related disasters, increasing conflict in many regions of the world.

The pandemic Covid, the massive global impacts of Covid. And as we've seen more recently with the war in Ukraine and of course the recent conflict, and in particular around the Strait of Hormuz. And all of this just creates more uncertainty. And it's the poor who really have the least capacity to manage and deal with that uncertainty. They're the most vulnerable, basically. And so that's why social protection is so fundamental at this point in time, in order to help people manage these increasing levels of uncertainty.

Marco:

The good side is that we know that there are instruments that work, and social protection is one of these. Robust evidence from multiple impact evaluations confirm that social protection is effective in reducing vulnerability, poverty and hunger. So it's not a question of whether we have the right instruments, whether social protection is effective. It's how do we scale it up.

Katrin:

Your division just published a brief on social protection. And when I think of social protection, I think of it as something that comes after a crisis has occurred. But the brief argues that it can prevent a deeper food crisis. Could you talk to us about that?

Ben:

Sure. I think it's normal that people have that perception because when these crises happen, obviously there's calls for what we can do, how can we help people adapt to these crises? But I think the fact is that most of us here, you and I, we live in a context where we have access to a social protection system. Whether it's insurance, unemployment insurance, whether it's different kinds of support when we need it. And so if you're able to have a system that's in place prior to a

crisis, it means that people are less vulnerable. They're able to better manage that crisis. Better decide for themselves how to deal with that crisis. And so it averts the worst impacts of the crisis.

Of course, it also assures a population that has much lower levels of poverty, much lower levels of food insecurity, because essentially, it's precisely the poor, particularly in lower income countries, that don't have any access to any kind of insurance. Don't have any kind of access to any kind of government support that will come to them in that time of crisis. And they often don't have any kind of household family savings. And so they end up depending on their family, on the community, which is very important, but often can't, when everyone's affected in a crisis, mitigate the impacts.

And so that's why it's important to look at social protection as a system, which should be in place beforehand in order to best attenuate the impacts of the crisis. Of course, it can also be increased if there's a massive crisis affecting large numbers of people, as in the case of Covid, it can be scaled up or scaled down. But it's fundamental to have the system in place beforehand so that the impacts are much less when a crisis happens.

Katrin:

Are we talking about the 600 million or so people who are living in rural areas?

Ben:

In particular, yes. Because again, there are much lower levels of access to social protection in rural areas of most countries, particularly low-income countries. And so they're much less likely to have any kind of social protection. The kind of social protection that you often get in a crisis tends to be immediate cash assistance or in some cases food, to help people with those immediate needs.

Marco:

Reinforcing the point that's been made with respect to having the systems in place, we saw that very clearly in responding to Covid. It was those countries that had better, more developed systems that they'd invested in over time that were able to provide the fastest responses, the more adequate responses, providing greatest coverage. Whereas countries with less mature systems had great difficulties in responding to Covid.

Katrin:

Is it because the countries with better established systems were able to target them better and more quickly?

Marco:

To target, to deliver more support as well. They had the financing mechanisms in place to expand coverage in a moment of need.

Katrin:

And they had everyone in a registry, things like that. Okay. Many people think of cash transfers as a way to help households buy food, but your brief argues that it's much more than that. It could help households purchase inputs or tools and even increase productivity. Could you tell us more about that?

Marco:

Yes. This is probably the most important misconception around social protection. It definitely

allows people to buy food. But it does much more than this. And that's what we're still struggling to change in terms of mindsets, within my own organization and outside, where the understanding is that social protection is simply a handout, that people will eat food with it, or that it will increase their propensity to drink or smoke. But rigorous evidence generated by FAO and its partners shows quite the opposite. The cash transfers are used productively. People invest the cash transfers in agricultural activities, be it purchasing additional livestock, purchasing agricultural inputs like fertilizers, agricultural tools. And this increases their overall agricultural production as well as their productivity and their participation in markets.

And we found that they also invest in off-farm activities. And all of this generates more economic activity in the economies that they live in. Because if I receive a cash transfer and I use this to purchase food from the local retailer, who then purchases additional rice from the rice producer, and that producer purchases inputs from another retailer in the local economy, that generates economic activity.

Ben:

I think it's important to understand why this is happening. When you're in a rural context in a lower income country, markets tend not to work as well because there's greater distance, less infrastructure, and greater transaction costs. Small-scale producers, the vast majority of the rural poor are small-scale agricultural producers, whether crop producers or livestock or fisheries. The vast majority of them don't have access to formal government programs, don't have access to formal credit. They struggle from limited access to cash and liquidity. They're living day to day. They don't have agriculture insurance. And so they're basically left to themselves to manage the risk and uncertainty that they face.

In this context, when basically every household is a small business, the decisions that you make, you can't separate the social decisions from the economic decisions. Because when you decide to send your child to school, you're deciding: do I send my child to school or do I invest a bit more in the family farm with the limited cash that I have?

Katrin:

You should be able to do both.

Ben:

You should be able to do both. But when you're constrained in that way, when you can't borrow, when you don't have a regular source of income, you're stuck making those decisions. And so that's why when you're able to provide regular and predictable social protection cash transfers, even if it's a relatively low amount of money, it gives a sense of predictability. It allows a family to look into the future, even if it's just a few months, and make decisions with a longer-term horizon. You can look into the future, you can invest. You're not always worried about day-to-day survival.

And so that's why it's very different than in an urban setting where you're a wage worker -- you tend to get the money, get the support, and that's your budget and you spend it on food. When you're a rural household and you have to manage all your household family consumption and social decisions and your productive decisions out of the same pot of money, the decisions are non-separable. They're made at the same time. And so that's why social protection is so important, because it allows those decisions to be separated. It allows families to invest in their children as well as invest in their production.

Marco:

I like to see it as a safety net and a trampoline. The safety net helps in times of need. And that security function allows people to take decisions that project them forward, come out of poverty, and make investments.

Katrin:

That's a great analogy. So governments often respond to crises by providing subsidies because they're fast, they're politically more visible. But your brief argues that social protection can be more effective than subsidies. Why is that?

Marco:

As you say, subsidies are the mechanism, the policy instrument that governments tend to refer to when there are price shocks. We saw this in 2007-08, during the financial crisis, we saw this with the soaring food prices in 2022. And we're seeing it again now, where 50% of the policy responses to the crisis in the Middle East are in the form of subsidies, and only 9% are in the form of social assistance, the typology of social protection most prevalent in low-income countries.

And as you said, it's because they're fast and politically visible. But there are two very important drawbacks. One is they're costly and financially unsustainable over time. And secondly, probably even more important, is that they're regressive. This means that the majority of the richer households that consume more energy, more fuel, more food, more inputs are those that reap the greatest benefits, and the poorer households less.

But we have a solution. There is social protection, which consists of programs specifically designed to reach and provide transfers to the poorest households and are therefore more progressive.

Ben:

And they're also more efficient. You can get a much stronger bang for the buck. And I think this brings us back to the discussion of the impact of the current crisis in the Strait of Hormuz, one impact of which is around inflationary price impacts. Much has been made of the constraints on fertilizer and the impact this is having on farmers worldwide. And so often the response to a crisis in such a context is subsidies to fertilizer.

Katrin:

Right. So farmers can farm.

Ben:

So farmers can farm. The idea here is that with social protection, as we discussed, when you provide social protection to a small-scale producer, you're essentially providing support to their small-scale production. But instead of limiting it to the one input that a subsidy targets, you're providing them with more flexibility in terms of how they want to reallocate their production to deal with this crisis.

Because if there's one thing we've learned, it's that agricultural production is characterized by heterogeneity, even within a country, even within a subregion, in terms of agro-climatic conditions and production systems. Subsidy responses tend to be blunt, because that's the easiest, fastest thing to do.

Katrin:

So how would it look in practice? Farmers need to purchase fertilizers, the government subsidizes it, so you don't really feel the impact of price increases. I would think that's a good thing; I can go ahead and plant my seeds as I usually do.

Ben:

Again, the fertilizer policy itself is a blunt, one-size-fits-all response. If you give a bag of fertilizer to everyone in the country, that doesn't necessarily respond to what's actually going on. If instead you gave the cash equivalent, and you made sure that fertilizer markets were functioning in local areas, then farmers can decide exactly the amount of fertilizer they want to use on their particular land. Or maybe they want to invest it in some other way.

Because there's been a big impact on food prices as well, and small-scale producers are usually net buyers of food. Even though they're small-scale producers, that doesn't mean they produce all their own food. They're still impacted by high food costs. So it allows them the choice of: do I invest in this input, that input, this amount of fertilizer, or do I use it on the consumption side to maintain my family's food needs? It's both more efficient and provides a lot more flexibility to small-scale producers to respond as they see fit. It is important that this is accompanied by making sure that fertilizer and other input markets are functioning, and that people aren't taking advantage of scarcity.

Marco:

Also with subsidies, sometimes you face very simple practical difficulties -- like the size of the sack of fertilizer not being adequate to the size of the landholding that small-scale farmers have. You hear stories of farmers getting a sack of fertilizer and then having to resell it because it's too much, or having difficulties even transporting it to their land. Cash is much more flexible, easy to transfer. And it also stimulates the market for different things.

Katrin:

We covered the policy aspects quite a bit, but this is also a deeply political issue. Many people might think that social protection aligns more with socialist governments. What are your thoughts on this?

Marco:

There are very many different perceptions of this, from both more left-leaning and right-leaning governments. There are some voices that say this is an instrument used by right-wing governments to maintain control of people by keeping wages low and using cash transfers to keep the population quiet. Others would say it's a more left-leaning policy response -- a tool of redistribution associated with more left-wing policies. You can look at it from different perspectives.

Katrin:

Well, what are your thoughts?

Ben:

I think social protection is a broad array of programs, and there's a longstanding debate about the size and extent of the safety net within society, whether it's around unemployment insurance, food assistance, public health care. These are all debates that go on in society. I think cash transfers in

particular, in a way, transcend that whole discussion. They've been adopted by countries of all political stripes over the last 30 years.

Cash transfers are one of the most researched policy instruments in the world, because they're cash. You give it out, and it's relatively straightforward to evaluate rigorously. And there's a lot of evidence documenting the very positive impacts across a whole range of social indicators, as well as indicators on household economic activity, labor market participation, investment in children's education, and so on.

But I know that different countries have different attitudes towards cash transfers. In some contexts, people see them as handouts that lead to dependency. Perhaps that's one of the most important debates around this issue.

The research we were carrying out, which Marco referred to, a project done with UNICEF between 2009 and 2015 in eight countries in sub-Saharan Africa, precisely examined this question. In many of those countries at the time, there was great skepticism around cash transfers, especially from ministries of planning and budget, who felt they were handouts that just dissipated in society without being invested productively.

Part of the whole idea of this research initiative was to understand what people actually did with the money. These were unconditional transfers: just cash given to people. And what we documented across all these countries was a whole series of very positive impacts. For the most part, households took this money and invested it in food, in their children, and in their economic activities because almost all of them were self-employed agricultural households. We found impacts in terms of people buying more inputs, increasing the amount of land they cultivate, children going to school, improved dietary diversity, improved food consumption. And most importantly, particularly for the ministries of finance, we actually developed models to show what the multiplier effect was within a community.

We found that most of these programs have a local economy multiplier of over two, meaning for every dollar invested, two dollars were generated. And most of those benefits went to non-poor community members, like store owners. It's a classic effect: when you increase spending, it has a ripple effect through the economy.

In a number of the countries in this project, that was the decisive bit of evidence for ministries of budget and planning to allocate money, because they could see there was an investment impact to the program. It wasn't being wasted.

And again, that goes to show that the politics of cash transfers are neither right nor left. They do touch on fundamental societal discussions about the appropriate size of government and how much support people should get. But I think the one definitive thing that all this research establishes, particularly when it's very poor people receiving these transfers, is that none of this money goes to waste. When you're living day to day, earning less than the minimum wage, getting 20 or 30% of your salary as a transfer isn't going to make you stop working.

Marco:

It's actually just the opposite. It enables you to work.

And with digitalization, there's even more control over cash transfers. It's even easier to monitor how they're being used. Maybe there's also a reservation about transferring income to a household because of the perception that an individual should earn his or her income. But the question that's not being asked is: what are the structural reasons that explain that person's poverty? And that is the responsibility of society.

Katrin:

Covid has shown us that countries can roll out social protection programs and scale them up very quickly, but it also exposed a lot of weaknesses in doing that.

Marco:

Yes. We saw a huge social protection response to the income shock caused by Covid. In the first few months of 2020, there were around 4,000 social protection responses across 222 countries and territories. A massive response. That's a good sign because it showed what can be done through social protection. But it also exposed big weaknesses in the systems and huge differences across countries in their ability to respond. In some contexts, it took months to respond, which meant a great deal for a poor person living hand-to-mouth, going months without any income had serious impacts. In other countries, the responses were small, both in scope and in the value of the transfers provided. And we saw big gaps in inclusiveness: only 23% of responses were gender sensitive, and people living with disabilities had difficulties accessing transfers.

Katrin:

What does that mean, only 23% was gender sensitive?

Marco:

Taking into account the way in which women access these transfers, and how they can use them.

Ben:

I'd add one thing. There was a clear correlation between the ability to scale up and the strength of the preexisting social protection system. Those that already had a system in place were much more able to respond quickly and extensively. Those that didn't, as Marco said, were much more delayed and not as comprehensive in rolling out. And of course, having an existing social protection system is correlated with a country's income level. So lower income countries, which were more vulnerable, didn't have a social protection system and struggled much more to roll out their programs quickly.

Marco:

Most of these responses were very short-lived. One-off. It gave the perception that social protection was being expanded, which was true in the short term. But once the crisis was over, these programs were no longer there. The good news is that there was a social protection response. The flip side is that it may have reinforced the misperception that social protection is for shocks, that it's a safety net, whereas the point we're making, which I think is very important, is that it's much more than that. It's a tool for development.

Katrin:

For poorer countries that already have very limited fiscal space or heavy debt burdens, if they wanted to do this, where should the money come from?

Marco:

There are different sources. One is debt relief. A decision the international community can take. Then there's closer alignment between different sources of funding: for instance, humanitarian assistance funding and climate finance being more aligned with social protection systems, to enable them to respond better to the changing climate. And nationally, there are bold decisions that can be taken. For instance, redirecting financing from subsidies to social protection.

But this also creates a challenge. Looking at bringing together different forms of finance creates complexity, more transactions, more different partners to work through. And this is where the Global Alliance Against Hunger and Poverty can play a role in facilitating that dialogue and alignment between international and national sources of funding, aligning all of these behind national priorities and implementation.

Ben:

It's tough. Particularly low-income countries face significant fiscal constraints. So it's important to keep this in mind in policy discussions and recommendations. You can't expect a low-income country to have the same capacity to build a system as a middle-income country. You need to think of solutions and programs that are more adapted to that reality: a reality where there's still a primary focus on the fundamentals of economic growth, including agricultural production.

It's important to think about social protection in those contexts in a way that's complementary to the development strategy of a country. And since small-scale producers are a big part of that, it's important to link and coordinate social protection much more closely with the fundamental economic policies that are trying to drive foundational economic growth.

Katrin:

So right now, with severe disruptions to fertilizers, farmers are facing higher production costs and lack of inputs. It seems we're heading toward more turbulent times, with food inflation coming down on us. What is your recommendation to countries, and what would a well-executed social protection program look like in this context?

Marco:

First is expanding and investing in coverage of social protection, and ensuring that coverage is adequate, that the value of transfers is adequate to meet the different costs that smallholders and rural populations are facing, from food to agricultural inputs to the cost of living.

Second, it would be about better integrating social protection with the agricultural sector and rural development policies more broadly. As Ben was saying, it all comes together. Social protection is not something separate unto itself. It needs to integrate with different policies.

Third is mobilizing the financing. As I was saying earlier, that includes dedicated social protection finance but also aligning with different sources of financing available through humanitarian assistance and climate finance.

Maybe to add, on the inequalities between countries that Ben mentioned: you're seeing it already now in the responses to the current crisis. The large majority of responses, maybe 95%, are from countries that are not low income. Only around 5% of responses are from low-income countries,

and in some cases these are the countries most affected by increases in food prices and energy costs.

Katrin:

We kind of covered what a truly shock-responsive social protection might look like. Did you want to talk about that?

Marco:

I think there's been too much attention on shock-responsive social protection, which has taken attention away from its other functions. Social protection is now considered very much the instrument for responding to shocks -- a drought, a flood -- but there's not enough recognition that social protection has an important role in enabling households to adapt their livelihoods over the longer term.

For instance, changing agricultural technologies, or moving out of farming in contexts where that makes sense, as in Botswana, where a social protection program is being used to enable farming households to transition to working as eco-rangers, because farming is increasingly exposed to climate change there. And there's also the role social protection can play in climate mitigation. We have evidence from India, Brazil, and Ethiopia showing that social protection programs are contributing to climate mitigation through improved natural resource management.

There's too much attention on shock response because it's visible. It's also easier for funders to point to. But other programs that take years to bring change are no less important.

Katrin:

So how do you change that perception?

Marco:

Evidence matters, but it's not everything. It's engaging in dialogue, understanding why there are these misperceptions, what belief systems are behind them, and engaging with that. As you said, there are about 20,000 rigorous impact evaluations of social protection, and yet so many longstanding misperceptions persist. So it's about continuing to generate evidence, but also trying to better understand why people hold these different views and skepticisms around social protection.

Katrin:

Are there any successful country examples you could share?

Marco:

Brazil is one. A country that has expanded coverage enormously and as a consequence has eradicated hunger. South Africa has very broad coverage of social protection. And then we have other countries experimenting with innovative approaches. For instance, Paraguay, through a project that channels climate finance through the national social protection system, encouraging farming households to adopt agroforestry practices, because these are considered better suited to the increasingly dry conditions they live in. This also contributes to carbon sequestration and climate mitigation. There's a lot of experimentation taking place, some very bold programs, some tweaking around the edges, but interesting changes happening.

Ben:

What's interesting about cash transfer programs is that almost every country in the world has implemented some kind. So there are lots of interesting experiences in different contexts and places. China had a very important social protection system, quite different in the way it was integrated with development policies, which contributed to the elimination of rural poverty in 2020, reaching the 2030 agenda ten years early.

There are important lessons there. But even countries with far fewer resources and much less state capacity have been able to implement very important programs. Ethiopia has had historically significant programs with large numbers of beneficiaries, targeted in the agricultural sector.

Marco:

And now the new area of exploration is the role of social protection in climate change and climate adaptation. There are innovations around this, but also growing questions about how much we can expect from social protection. It's being used as a tool for many different objectives: poverty reduction, women's equality, disability inclusion, and now climate change. All of this requires partnering and integration with different ministries. So we face challenges and we need to be careful in our advice in managing the trade-offs between the ideal and the realism of what can be achieved.

Katrin:

If we were to have this conversation again in ten years, what would success look like? What would you like to have seen?

Marco:

Two things for me. One is that social protection becomes an integral part of rural development and climate action policies, so that all rural development and climate action policies and programs include social protection where it's relevant. And second, that every rural household -- woman, man, boy, girl -- has access to social protection throughout the year, not only in times of crisis.

Ben:

My vision might be a bit more modest. Looking back over the past 15 years, there's been a big change in how social protection relates to other sectoral policies like agriculture and rural development. And as Marco said, the next big push is around climate and climate action. I would be happy to see a 50% increase in coverage across countries, globally averaged. These really are long-term processes.

No one would expect a low-income country to automatically have the same coverage as a European country. It requires a strong public sector, a strong tax base, significant budgetary allocation. I don't expect immediate results, but what's important is this progressive realization of the right to social protection: a slow but constant expansion of coverage, both in terms of the number of people covered and in terms of the intellectual conceptualization of social protection and the role it plays, broadening into these other development areas.

Katrin:

Is there anything else you'd like to share?

Marco:

Going back to some of the things we discussed earlier . . . when we think of the misperception of social protection as giving an undeserved handout to people, if we imagine in our own lives how important it is to have access to additional income when needed. For instance, in the case of a loan, and what that enables us to do. I think it's important to change mindsets and how these social protection programs are perceived.