

S.6 Advancing Equitable Livelihoods Through the Scale Up of Economic Inclusion Programmes

1. What, in brief, is the solution?

Strengthening the economic inclusion of the rural and peri-urban populations and, the rural poor, to advance equitable livelihoods.

Globally, at least three quarter of the extreme poor live in rural areas. While, globally, about 76 per cent of the rural workers who are extremely poor engage in agriculture, around 4.5 billion people in the world depend on food systems for their jobs and livelihoods, along the rural-urban continuum. Indeed, peri-urban and urban areas also play a central role in food systems as not only main consumer hubs of food products, but also drivers of integrated and inclusive food systems, including by enabling access to markets for small holders, and basic infrastructure and services. On another hand, rural and peri-urban areas are key to ensure food security in a context of ever-growing demand for food, and are also at the forefront of the fight against climate change.

Economic inclusion is one key pillar of poverty eradication, but also central to foster more equal societies and to reduce disparities between urban and rural areas (FAO, 2019; World Bank, 2021). Social protection directly contributes to more inclusive food systems by enhancing food security and household assets.^[1] By combining social protection with livelihood interventions and/or financial inclusion initiatives (World Bank, 2021), and with migration remittances, when feasible, economic inclusion programmes address multiple constraints that poor households face in engaging in productive activities and support their investments for promoting a sustainable, inclusive and resilient food systems transformation.

2. What problem is it trying to address within food systems?

The transformation of food systems won't be effective if not inclusive of the rural poor. 80% of the extreme poor live in rural areas, and around 4.5 billion people depend on food systems for their jobs and livelihoods. For example, in West Africa, the food system accounts for 66% of total employment (82 million jobs as of 2017). Roughly 78% (64 million jobs) are in agriculture itself, 15% (12 million) in food marketing and 5% (four million) in food processing (GLOPAN). Embedding economic inclusion programmes within actions to transform food systems carries a significant potential in terms of poverty reduction, income generating opportunities and ensuring access to healthier diets.

Over the next 15 years, about 1.6 billion people will reach working age in low and middle-income countries. In many countries, food systems already provide more jobs than any other sector both self and wage employment, and it is expected to remain the top employer for the foreseeable future. But food systems already play a vital role in providing incomes and livelihoods to rural populations, such as small-holder farmers and many others in the rural economy, ranging from input suppliers to those engaged in downstream processing and distribution, as well as the final stage of supermarkets, canteens, food stalls and restaurants. As per capita incomes increase and eating patterns shift, the demand for jobs in these off-farm segments of the food system increases.

However, at the same time, food systems contribute to and are impacted by climate change – agriculture in particular is major source of greenhouse gas emissions (25%-30% of total). Food systems overuse natural resource and put at risk biodiversity. In addition, current food systems do not ensure access to healthy diets, and the double burden of malnutrition and obesity is increasing globally. Indeed, nearly 3 billion people are unable to afford a healthy diet and poor-quality diets are linked to 11 million deaths per

year. Even if food systems represent a largest part of livelihoods and jobs in the world, those are generally precarious and at risk – generally not always inclusive of the poorest.

Economic inclusion programmes can be central to address the inclusivity gap of food systems. Indeed, inequalities in present food systems exclude the poor and vulnerable populations from contributing to and benefiting from them, notably in terms of accessing healthy foods, and accessing markets, social protection and financial services to increase their incomes and managing risk. To ensure these programmes address these multiple challenges, these programmes need to be embed in food systems related policies, moving away from standalone and standalone interventions to sustain pathways out of poverty.^[2] In addition, an enabling environment securing access to basic services and infrastructure is also key to sustain the economic inclusion of the rural poor. Such inclusion further depends on the local context and analyzing the specific barriers and constraints that cause impoverishment and perpetuate the vicious circle of poverty is critical to inform economic inclusion pathways and the design of such programmes.

3. Why is addressing that problem important for achieving the goal of your working group?

Addressing that problem is critical to (1) contribute to the elimination of poverty by promoting full and productive employment and decent work for all actors along the food value chain, (2) reducing risks for the world’s poorest, enabling entrepreneurship and addressing the inequitable access to resources and distribution of value, and (3) improve social and economic inclusion, and resilience, through social protection and seek to ensure that food systems “leave no one behind.”

Indeed, rural areas have the key to the food system transformation agenda; on the other hand, 70% of the SDG targets relate to rural areas.^[3] Advancing equitable livelihoods to transform food systems therefore necessarily implies promoting the economic inclusion of the rural poor and populations in vulnerable situations in rural areas, which are central actors of such systems. Promoting economic inclusion of poor rural households is central to meeting some of the most critical challenges faced by food systems, including ensuring access to healthy diets, enhancing natural resource management and protecting biodiversity.

Specifically, achieving economic inclusion can help achieve several SDG goals that directly impact the rural poor’s livelihoods:

- 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
- SDG 10, reduce inequality within and among countries

4. How can this solution address that problem (theory of change)?

Economic inclusion programs are a bundle of coordinated, multidimensional interventions that support individuals, households, and communities to increase their incomes and assets. Economic inclusion programs therefore aim to

facilitate the dual goal of strengthening resilience and opportunities for individuals and households who are poor. These goals are met through strengthening community and local economy links (World Bank, 2021).

Economic inclusion programmes support asset accumulation and increased returns from assets, as well as address basic needs and human capital accumulation, which in turn also contribute to facilitating the accumulation of more productive assets.^[4] While pro-poor growth starts in agriculture, reducing rural poverty also requires creating off-farm jobs, fostering economic diversification and investing in human capital, health, education and infrastructure. Transforming food systems encompasses all these agendas, while also addressing climate change, biodiversity, natural resource management and healthier diets. In order to take advantage of food system transformation for rural poverty reduction, we need to make it as inclusive as possible. Indeed, the transformation of food systems cannot be sustainable without being inclusive.

Economic inclusion, particularly in the context of food systems transformation, is about much more than income. It is about social inclusion, building agency, particularly women's agency, and participation in the process itself, especially at local and regional and territorial levels and of producer organizations and indigenous peoples, amongst others. Economic inclusion further support ensuring the human right to access to social protection, access to healthy and nutritious food, and access to basic services and infrastructure.

The solution calls for **strengthening the economic inclusion of the rural populations and, in particular the rural poor, to advance equitable livelihoods** by leveraging social protection systems to support the three main pathways out of poverty rural households (FAO, 2021):

- the agriculture path, to intensify production and sales: EI programmes can reduce poverty by increasing the capacities of small scale farmers to produce affordable healthy food and by supporting the adoption of climate-smart practices, pushing forward agroecology-centred approaches and long-term climate adaptation programmes (example: CASH+). In those, social protection is a necessary “buffer” that allows people to take some risks associated with adopting new livelihood strategies, as their basic needs are protected. However to be sustainable, those programmes should be focusing on high potential local value chains linked to market opportunities (school feeding) and eventually promote shorter value chains to reduce power imbalances, facilitate access to social security, improve work conditions, reduce informality in the sector and support access to AG insurance for improving resilience of those livelihoods in the long run;
- the diversification path, to generate income from agriculture and natural resource management as well as from non-agriculture related activities: EI can support the diversification of livelihoods and improve natural resource management (fish, forest, land and water for example) by creating job opportunities and facilitating transition to alternative source of income through the promotion sustainable agri-food value chains that requires specific skills (aquaculture as alternative to fisheries, processing, marketing, transport...) as in non-agricultural sectors. It could be done through the promotion of alternative jobs that are less dependent on natural resources (pescatourism for instance – via cash+) or via the promotion of green jobs (cash+ and labour market interventions or public works), to respond to growing opportunities associated to policies supporting employment-intensive green technologies; management and preservation of ecosystems and biodiversity; and green agricultural research and extension services.

- the non-agriculture path, which is associated with income strategies unrelated to agricultural livelihoods.

The different economic inclusion pathways create new earning opportunities on the labour market, and their success depend very much on the matching between individual skills and demand for skills. Support under those pathways 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 maximize employment generation and use of production by poorer producers, but that also respect environmental limits.

The different 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, as well as the importance of remittances for investing in the areas of origin.

5. Existing evidence supporting the argument that this solution will work, or at least achieve the initial outcomes

Numerous FAO, World Bank analytical and policy work around economic inclusion advance compelling evidence that demonstrates the impacts of economic inclusion in advancing equitable livelihoods in rural areas, including:

- Andrews, Colin, Aude de Montesquiou, Inés Arévalo Sánchez, Puja Vasudeva Dutta, Boban Varghese Paul, Sadna Samaranyake, Janet Heisey, Timothy Clay, and Sarang Chaudhary. 2021. "The State of Economic Inclusion Report 2021: The Potential to Scale. Overview." Washington, DC: World Bank.
- De La O Campos, A.P., Villani, C., Davis, B., Takagi, M. 2018. Ending extreme poverty in rural areas – Sustaining livelihoods to leave no one behind. Rome
- FAO, 2016. Strengthening coherence between agriculture and social protection to combat poverty and hunger in Africa. Framework for Analysis and Action. Rome.
- FAO, 2017. Cash+: FAO's approach. Rome.
- FAO, 2017. FAO framework on social protection: promoting rural development for all. Rome.
- FAO. 2019. FAO framework on rural extreme poverty: Towards reaching Target 1.1 of the Sustainable Development Goals. Rome
- FAO. 2020. The contribution of social protection to economic inclusion in rural areas. Rome.

6. What is the current and/or likely political support for this idea?

Strong. Beyond the centrality of promoting economic inclusion in rural areas, where most of the extreme poor live globally, to achieve SDG2, the central tenant of all the 2030 Agenda is to Leave No One Behind. Efforts to promote the economic inclusion of the rural poor, key actors to transform food systems in a sustainable and sustained way, including to ensure food security and nutrition for all, but also to better manage natural resources, are important to ensure the transformation of food systems is indeed inclusive.

The World Bank State of Economic Inclusion Report (2021) provides a compelling case for scaling up economic inclusion programs and stresses the current political support to this agenda, building on an extensive array of evidence. FAO's From Protection to Production project further evidences the positive impact of cash transfers in reducing rural poverty, while its Framework for Analysis and Action makes the case for building coherence between agriculture and social protection policies to strengthen rural livelihoods.

[1] Hidrobo et al, 2018. *Social Protection, Food Security, and Asset Formation. World Development, Volume 101.*

[2] Heinemann, A., Montesquiou, A. d. & Hashemi, S. M. 2018. *PEI Brief: Building the graduation approach into social protection systems. Washington, DC, World Bank.*

[3] Trivelli, C and Berdegue. J.A, 2019. *Rural transformation. Looking towards the future of Latin America and the Caribbean. 2030 - Food, agriculture and rural development in Latin America and the Caribbean, No. 1. Santiago. FAO.*

[4] Mariotti, C., Ulrichs, M., & Harman, L. 2016. *Sustainable escapes from poverty through productive inclusion: a policy guide on the role of social protection. Chronic Poverty Advisory Network Policy Guide No. 9.*