

Promoting the resilience of poor rural households



©IFAD/Qilai Shen

INTRODUCTION

Poor rural households are highly exposed to shocks since their livelihoods depend on an increasingly deteriorated natural resource base and on often volatile climatic and market conditions. They are also particularly vulnerable to shocks because they have few assets to fall back on and limited risk management strategies. The combination of exposure and vulnerability to shocks can make rural people poor, keep them poor, or prevent them from moving out of poverty. When shocks occur, people employ a range of coping strategies, which often involve incurring debt or selling assets, leaving individuals and households more vulnerable to future shocks.

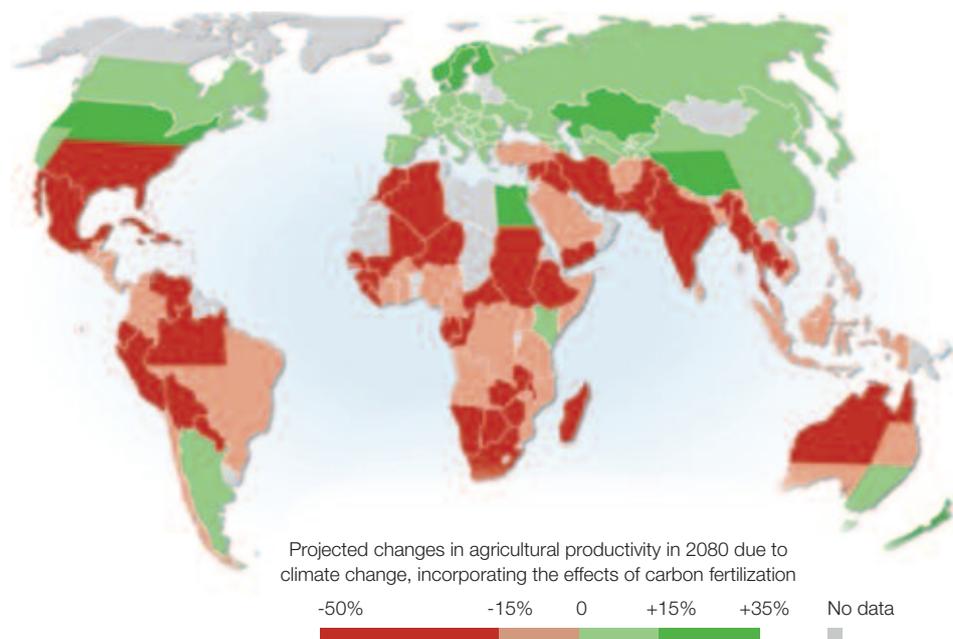
To achieve poverty eradication, special focus is needed on strengthening the resilience of poor rural households and their livelihoods to shocks. This is also critical for ensuring global food security and nutrition and sustainable natural resource management – key elements of the post-2015 development agenda in which rural poor households need to play important roles.¹ This requires both enhancing the capacity of poor rural people to manage the risks they face and lowering the level of exposure and vulnerability to them. Given the predominance of agricultural livelihoods among poor rural households, this agenda will often have a strong agricultural orientation, with a focus on improving sustainability and resilience in agricultural practices; however, the agenda also needs to be relevant to different types of livelihoods that sometimes exist within a single household.

KEY CHALLENGES

While all rural households, regardless of income level, are commonly exposed to a range of types of shocks, poor rural houses are often particularly exposed if they live in marginal and fragile ecosystems or practise rainfed agriculture. They also tend to be particularly vulnerable because

¹ The contribution of smallholder family agriculture to this Post-2015 Development Agenda is discussed in the IFAD Post-2015 Policy Brief 3, *Investing in smallholder family agriculture for global food security and nutrition*.

Map 1 Projected changes in agriculture in 2080 due to climate change



Source: Hugo Ahlenius, UNEP/GRID Arendal, reproduced in IFAD (2012). *Climate-smart smallholder agriculture: what's different?* Rome.

they have a limited asset base to fall back on when shocks strike, limited capacity and tools to manage risks, and weaker institutional, infrastructural and service networks. Typically, households and individuals who suffer from various forms of marginalization based on age, gender or ethnicity are the least resilient, resulting in, inter alia, more precarious tenure of productive assets and more limited access to financial risk management tools.²

Irrespective of their type of livelihoods, poor rural households confront a variety of simultaneous shocks, which is a key point to take into account when designing strategies to increase resilience. Personal and household-level risks are often substantial. For instance, malnutrition and illness can have major effects on the household economy through a direct and indirect impact on family labour. Other personal risks relate to exposure to violence, which is a risk particularly high in fragile and conflict-affected countries, often especially for women and girls. Poor governance may also be a source of risk leading to unforeseen expenses, such as bribes to avoid harassment, transport produce and access basic government services, as well as to unreliable provision or erratic quality of public services. Other sources of risk relate to ill-functioning markets and volatility of the prices of inputs and food. Particularly in poor, food-deficit countries, significant seasonal price fluctuations are a feature of rural life, and inter-annual price fluctuations can also be severe; indeed, since rural producers are usually price-takers, they are highly exposed to price-related shocks.

A key category of risks relates to environmental factors. Across much of the developing world, the natural resource base in rural areas is being degraded or becoming scarcer. Meanwhile, population growth pushes people into marginal areas, where they are often compelled to overuse the fragile resource base. This contributes to deforestation, soil erosion, desertification, increased water scarcity, reduced recharge of aquifers, and declining fish and marine resources. Natural resource degradation in turn has a negative impact on agricultural productivity and also leaves land and people more vulnerable to extreme weather patterns. Climate change has a multiplier effect in accelerating ecosystem degradation and making agricultural production more risky. Poor rural households face both climate-related shocks (e.g. floods, storms, wave surges, hailstorms) and climate-related stresses (e.g. loss and degradation of coastal ecosystems, glacial melt and sea-level rise). To manage the effects of a

² IFAD Post-2015 Policy Brief 2, *An empowerment agenda for rural livelihoods*.

Multiple benefits from “regreening” practices in the Burkina Faso dry zone

As a result of the increased integration of trees, crops and livestock, farming systems have become more drought-resilient, more productive and more sustainable. Benefits include:

- (i) Economic – Specific calculations of farm-level benefits are subject to various methodological and data limitations. However, the large-scale adoption of integrated farming systems suggests that they are highly cost-effective.
- (ii) Improved household food security – More advanced and productive farming systems are also more resilient to drought. Examples from neighbouring Niger show that, during the 2005 famine, villages that had invested in agroforestry had little or no infant mortality, because trees could be pruned or cut and sold, which generated some cash with which farmers could buy expensive cereals.
- (iii) Higher crop yields – In integrated farming systems, crop yields are likely to increase. This is especially true when nitrogen-fixing trees are used, which also results in savings on the costs for inputs/fertilizers. On-farm trees also reduce wind speed and evaporation. In addition, trees are more resistant to drought and rain variability than crops, and in fact contribute to crop survival.
- (iv) Diversification – Trees produce fruit and leaves with high vitamin content for human consumption. They also produce fodder, which allows farmers to keep more livestock, and to have more manure to fertilize the fields. Trees are also a source of medicinal products and fuel, which households can consume or sell. The more complex and more productive farming system that trees create reduces vulnerability and strengthens the resilience of rural communities to climate-related risks.
- (v) Sahelian women have gained the most from regreening, as the time spent on firewood collection has decreased from about 2.5 hours a day to 0.5 hours. Women have allocated the time saved to other activities, including producing and preparing food and caring for children.
- (vi) In terms of global environmental benefits, trees contribute to biodiversity conservation and mitigate climate change through carbon sequestration.

Source: IFAD (2011). “Regreening the Sahel: Developing agriculture in the context of climate change in Burkina Faso.” <http://www.ifad.org/operations/projects/regions/pa/infosheet/sahel.pdf>

variable climate, they have always drawn on traditional knowledge and historical observations; however, the speed and intensity of change is outpacing their capacity to manage its effects, and past experience is no longer a reliable guide for the future.

Given their exposure and vulnerability to shocks, the decisions of poor rural households on how to allocate and use cash, land and labour generally reflect not only available opportunities, but also the need to minimize exposure or vulnerability to shocks. Whether or not successful, such strategies can undermine people’s ability to move out of poverty by preventing or discouraging them from taking the risks involved in pursuing new opportunities.³ For example, lack of secure tenure rights may discourage investment to increase the productivity of a plot of land, or to shift to new crops that have high but unstable market demand, or to new practices that generate positive returns only in time. This is a challenge shared by large numbers of rural households: between 1 billion and 2 billion people globally live on and use land over which they have no legal title.⁴ Risks attached to lack of secure tenure are increasing in many areas, since many households and individuals, notably rural women, are vulnerable to improper land acquisition and fragmentation. Demand for land for agricultural production, mining, carbon sequestration and tourism is increasing, which is leading to growing competition in which poor households and individuals are often on the losing end vis-à-vis more powerful actors. An additional factor of vulnerability is related to weak governance of tenure systems and land transactions.

3 IFAD (2011). *Rural Poverty Report 2011*. Rome.

4 The land and natural resources that poor rural people depend on are frequently common-pool resources, forming an important safety net for the poorest people. However, this has limited legal recognition for community tenure and customary management systems. IFAD Policy on Environment and Natural Resources Management, see www.ifad.org/climate/policy/enrm_e.pdf



© IFAD/Rindra Ramasomanana

ENTRY POINTS AND APPROACHES FOR A POLICY AGENDA

Designing policies and investments to enable rural women and men to benefit from opportunities to respond to demand for rural goods and services linked to rural-urban integration should begin by having a clear idea of the nature of the risks they face and by understanding that avoiding or effectively managing risk is a priority for poor rural people.⁵ The challenge is to reduce the level of risk facing households while helping build their individual and collective capabilities.

Public institutions play an important role in this agenda, including by providing incentive systems and safeguards for responsible investment practices that preserve a healthy natural resource base, which can both diminish exposure to environmental shocks and limit their impacts. This agenda can also establish systems for the proper economic valuation of environmental assets and services, including services related to carbon sequestration, better land management and conservation, and ecosystem services. It is also up to the public sector to provide public goods that directly or indirectly enhance resilience – from inclusive social protection systems and education, to a resilience-oriented research and development (R&D) agenda for agriculture. A key area of responsibility of the public sector also concerns establishing enabling institutions and policies for transparent and well-functioning markets, and fair transactions, both of which are vital for reducing market-related risks. Finally, public institutions should provide inclusive and fair tenure systems regulating access to land, water, forests and other productive assets, protecting the entitlements of poor rural people, and facilitating fair and transparent transactions around these assets. In all these areas, public institutions are called on to address inequalities and discrimination, particularly by gender.

Together with the public sector, civil society organizations – particularly organizations of poor rural people – can play essential roles in promoting resilience. For example, across the

⁵ IFAD Post-2015 Policy Brief 1, *Leveraging the rural-urban nexus for development*.

IFAD and the Adaptation for Smallholder Agriculture Programme (ASAP)

Responding to climate change does not mean throwing out or reinventing everything that has been learned about development. Instead, it requires a renewed effort to tackle wider and well-known development challenges and putting a proper appreciation of risks at the centre of the development agenda. A coherent response to climate change requires continued focus on country-led development, community-based natural resource management, gender equality and women's empowerment, land tenure security, access to financial services and markets, environmental sustainability and institutional capacity-building. But beyond regular development best practice, what is really different about climate-resilient agriculture? For IFAD, it is about doing more of the things that work, and doing these things better.

ASAP's first principle is to scale up those tried and trusted approaches to rural development that have proven successful in delivering resilience benefits to smallholders. IFAD has a strong track record working with communities on a broad range of climate-smart approaches. These include drought and flood risk management, drought and salt-tolerant crop varieties, mixed crop-livestock systems, integrated water resources management, land regeneration, agroforestry and improving post-harvest storage. IFAD has the capacity to support more of these approaches and scale up what works.

But climate change also requires new ingredients in rural development programmes to improve their effectiveness and impact in a changing and increasingly uncertain environment. Such new approaches include the use of downscaled climate models for long-run scenario planning, community-based climate vulnerability and capacity analysis, and empowering local institutions to engage with national climate policy. They also involve improving the collection, analysis and dissemination of meteorological data, establishing evidence-based monitoring systems for climate resilience, providing access to risk transfer and insurance schemes, and re-assessing infrastructure and land-use plans taking new and emerging risks, such as sea level rise, into account.

In line with this logic, IFAD's response to the climate change challenge focuses on:

1) basing projects and policies on a deeper risk assessment and a better understanding of the interconnections between smallholder farming and wider landscapes; 2) substantially scaling up successful multiple-benefit approaches to sustainable agricultural intensification. These not only build farmers' resilience to climate shocks but also contribute to other public policy goals such as reducing poverty, conserving biodiversity, increasing yields and lowering greenhouse gas emissions. 3) Enabling smallholder farmers to become significant beneficiaries of climate finance and achieve (and measure) a wider range of multiple benefits, going beyond the traditional 'poverty and yield' approach.

Source: <http://www.ifad.org/climate/asap/asap.pdf>

world, there are grass-roots institutions that provide, inter alia, mutual assistance to their members in case of shocks. In rural areas, such institutions include, among many others, self-help groups, local savings and credit associations, church or other religious associations and extended family networks. Membership-based organizations with market-related functions can also significantly reduce risk, as in the case of farmers' organizations that increase the bargaining power of small rural producers and enable access to credit or provide quality assurance for access to a warehouse receipt system. Organizations based on joint management of natural resources can also improve sustainable management practices and facilitate access to knowledge, information and technology in order to prevent, prepare for, and address shocks. The private sector's role includes the provision of market-based risk management tools (e.g. in the area of rural finance, including value chain financing), as well as the development and dissemination of resilience-enhancing production technologies, and engagement in responsible, transparent and fair market transactions.



© IFAD/Santiago Albert Pons

There are a variety of approaches to promoting resilience for rural households. In the domain of agriculture, for instance, there are multiple approaches to sustainable and resilient agriculture intensification. Globally, there is need to scale up an ‘evergreen revolution’ for a sustainable agriculture that balances crop/livestock, fisheries and agroforestry systems, avoids excessive use of inputs, and does not compromise soil fertility and ecosystem services, while also increasing productivity and incomes. Agroforestry, better management of grazing land or pasture, terracing, minimum tillage and integrated pest management are all examples of knowledge-intensive, context-specific, multiple-benefits approaches that help build healthy and diverse landscapes, and that can be scaled up for a positive impact on resilience. Multiple-benefits approaches also give higher value to natural assets, which can facilitate the opening of new markets for poor rural people, such as certified agricultural products, payments for water-related ecosystem services, and voluntary offsets of carbon and biodiversity. These approaches can therefore impact both on rural households’ vulnerability to environmental shocks and on their income opportunities.

Critical for the uptake of such approaches is building the capacity of farmers and community organizations in order to enable them to shift to new practices. In this regard, one innovative experience in building capacity for resilience among poor rural households, the Adaptation for Smallholder Agriculture Programme (ASAP),⁶ a multi-donor programme launched by IFAD in 2012. ASAP aims to improve the climate resilience of large-scale rural development programmes and improve the capacity of at least 8 million smallholder farmers to expand their options in a rapidly changing environment. The programme is promoting a scaling up of proven practices and approaches for increasing agricultural output while reducing vulnerability to climate-related risks and diversifying livelihoods. It also empowers community-based organizations to make use of new climate risk management skills, information and technologies, such as improved weather station networks, geographic information systems, and more robust and flexible infrastructure.

In addition, many countries are developing policies and institutions for social protection. Since the 1980s, social protection programmes have multiplied, primarily as a tool to reduce poverty. Conditional cash transfers, for instance, are widespread in Latin America; they typically target very poor families and seek to combine short-term poverty alleviation or improved nutrition with the long-term objective of breaking the cycle of inter-generational poverty by making transfers conditional on school attendance or immunization of children. Other programmes are based on employment guarantee and public works schemes, such as India’s

6 See www.ifad.org/climate/asap/index.htm

Table 1 Access to agricultural insurance in different regions

| Access to insurance | Insurance (% , age 15+) | Agricultural insurance (AI) premiums | Government support to agricultural insurance premiums |
|------------------------------------|--------------------------------------|--------------------------------------|---|
| | personally paid for health insurance | US\$ | US\$, % of total AI premiums |
| East Asia and the Pacific 1) | 36.80 | 160 million, 0.7% ^b | 0 million, 0% ^b |
| Europe and Central Asia 2) | 4.50 | 4.0 billion, 16% ^c | 1.5 billion, 37% ^c |
| Latin America and the Caribbean 3) | 6.80 | 770 million, 3% | 260 million, 36% |
| Middle East and North Africa 4) | 2.50 | included in 6) | included in 6) |
| South Asia 5) | 5.50 | 5.6 billion, 16% ^d | 1.8 billion, 32% ^d |
| Sub-Saharan Africa 6) | 3.20 | 180 million, 0.7% | 1.0 million, 3% |
| United States and Canada | ? | 13.6 billion, 56% | 7.8 billion, 73% |
| World | 17.10 | 24.3 billion | |

Sources: World Bank (2012). *The Little Data Book on Financial Inclusion 2012*. Washington, D.C.; and Microinsurance Network (2013). *The Emergence and Development of Agricultural Microinsurance*

- 1) Cambodia, China, Indonesia, Lao People's Democratic Republic, Malaysia, Mongolia, Philippines, Thailand, Viet Nam
- 2) Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Latvia, Lithuania, former Yugoslav Republic of Macedonia, Republic of Moldova, Montenegro, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan
- 3) Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Uruguay
- 4) Algeria,^a Djibouti, Egypt, Iran,^a Iraq, Jordan, Lebanon, Morocco, Syrian Arab Republic, Tunisia, West Bank and Gaza, Yemen
- 5) Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka
- 6) Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic,^a Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Gabon, Ghana, Guinea, Kenya, Lesotho, Madagascar,^a Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia,^a South Africa, Sudan, Swaziland, Togo, Uganda, United Republic of Tanzania, Zambia, Zimbabwe

^a Not included in calculation of regional aggregates because sampling excludes more than 20 per cent of the adult population

^b Australia and New Zealand only

^c All Europe only

^d All Asia

National Rural Employment Guarantee Act and Ethiopia's Productive Safety Net Programme, both of which provide part-time employment to millions of poor rural people. Social protection is not only intrinsically important, but can also facilitate investment among rural households by providing a safety net. Moreover, it can cushion the impact of price spikes on consumers and is a valid alternative to policies that, in order to protect them in the short term, hinder the transmission of price increases to producers.

Another issue that has been drawing attention in recent years concerns market-based risk management tools for poor rural households. These include a range of approaches for the delivery of financial services in rural areas and contractual arrangements within agricultural value chains. A wide range of financial products can enhance resilience, from savings and credit, to insurance. Value chain financing (e.g. in the form of forward sales and other provisions in value chain arrangements) can help mitigate risks for actors in the chain, particularly on the production side. However, access to formal financial services, including insurance, remains very limited among poor rural households.

There is much innovation in the area of rural finance today. IFAD is also highly active in this area through a variety of rural finance institutions working on rural savings, credit, equity financing, value chain financing, remittance transfer and remittance-based investment products, and insurance. For example, the Weather Risk Management Facility⁷ is a joint IFAD and World Food Programme initiative to support the development of weather risk management instruments in developing countries, notably through weather index-based insurance, an insurance product correlated to weather patterns for local crops. With a broader approach, the newly launched Platform for Agricultural Risk Management is a multi-donor initiative hosted by IFAD aiming to promote risk management capacity for the agriculture sector in developing countries, with a holistic perspective to risk assessment, capacity-building and product development.

7 See www.ifad.org/ruralfinance/wrmf/

Weather Index Insurance (WII) pilots in China and Ethiopia under the Weather Risk Management Facility (WRMF)

The WRMF has piloted WII in China and Ethiopia, conducting detailed monitoring and evaluation exercises to assess and document the results. In China, the first application of a WII product in the country was designed to reduce smallholders' vulnerability to drought and heat waves. The Ministry of Agriculture, the Research Institute of Meteorological Science, the Institute of Environmental and Sustainable Development of the Chinese Academy of Agricultural Sciences, and the Guoyuan Agricultural Insurance Company worked with the WRMF to implement this pilot. In Ethiopia, a WII product was developed to reduce the drought risk faced by smallholders growing haricot beans. Low-cost automated weather stations were also installed as part of the pilot. The National Meteorological Association, the Nyala Insurance Company and the Luma Adama Farmers' Cooperative Union worked together with the WRMF team in a successful pilot that increased awareness of and demand for this type of insurance in the country.

Source: <http://www.ifad.org/ruralfinance/pub/wrmf.pdf>

IMPLICATIONS FOR THE POST-2015 DEVELOPMENT AGENDA

The post-2015 development agenda can be structured to encourage governments and other actors to focus on strengthening the resilience of poor rural people and their livelihoods. A number of targets that provide the basis to achieve this have already been proposed, particularly focusing on the promotion of more sustainable practices in agriculture. For example, the HLP report proposes targets for increasing agricultural productivity with the adoption of sustainable practices, reduction of post-harvest losses and food waste, and safeguarding ecosystems, species and genetic diversity, reducing deforestation and improving soil quality.⁸ The Sustainable Development Solutions Network proposes among its goals to “reduce human-induced climate change and ensure sustainable energy;” “secure ecosystem services and biodiversity, and ensure good management of water and other natural resources;” and “improve agricultural systems and raise rural prosperity.”⁹ The Global Compact proposes a target on “stopping and turning back annual increases in greenhouse gas emissions and deforestation resulting from farming and livestock production.”¹⁰

Some proposals also suggest targets that may contribute to an enabling environment for rural households' resilience, such as policies and legislation that address drivers of ecosystem degradation and enforce payment for pollution and use of environmental services, and joint public and private commitments to sustainable management of environmental resources. Possible targets related to inclusive governance and principles of public-private partnership for investment in agriculture and related value chains could also impact positively on this environment, as could targets related to rural coverage of key services and infrastructure currently prominent in the post-2015 debate. A rural approach to such targets could have a positive impact on the resilience of rural households. Similarly, an appropriate rural focus and rural-urban disaggregation of targets related to inequalities, gender equality and women's empowerment could contribute to building capabilities for resilience among rural poor people. The same holds true of possible targets in the area of disaster risk management.¹⁰ In sum, just as risks affecting poor rural households are multifold, strategies to address them are varied and depend on many factors. Hence, there is a need to mainstream resilience considerations through a broad set of targets with a comprehensive appreciation of the complex risk environment affecting rural households and the agriculture sector.

8 The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, 2013, see www.un.org/sg/management/pdf/HLP_P2015_Report.pdf

9 Sustainable Development Solutions Network (May 2013), Action agenda for sustainable development, see www.unsdsn.org/2013/06/06/action-agenda-sustainable-development-report/

10 UN Global Compact (2013), *Corporate Sustainability and the United Nations post-2015 Development Agenda*, see www.unglobalcompact.org/docs/news_events/9.1_news_archives/2013_06_18/UNGC_Post2015_Report.pdf

11 Compilation of proposed post-2015 goals and targets on disaster resilience and climate change, see www.unisdr.org/2013/docs/newyork/climateDRR_compilation.pdf



International Fund for
Agricultural Development
Via Paolo di Dono, 44
00142 Rome, Italy
Tel: +39 06 54591
Fax: +39 06 5043463
E-mail: ifad@ifad.org
www.ifad.org

www.ruralpovertyportal.org

ifad-un.blogspot.com

[instagram.com/ifadnews](https://www.instagram.com/ifadnews)

www.facebook.com/ifad

www.twitter.com/ifadnews

www.youtube.com/user/ifadTV