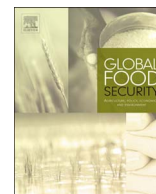




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## Global Food Security

journal homepage: [www.elsevier.com/locate/gfs](http://www.elsevier.com/locate/gfs)Poverty, social protection and agriculture: Levels and trends in data<sup>☆</sup>Sarah K. Lowder<sup>a,\*,1</sup>, Raffaele Bertini<sup>b</sup>, André Croppenstedt<sup>c</sup><sup>a</sup> Georgetown University, USA<sup>b</sup> Agricultural Development Economics Division of the Food and Agriculture Organization of the United Nations, Rome, Italy<sup>c</sup> Regional Office for Africa of the Food and Agriculture Organization of the United Nations, Accra, Ghana

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## ABSTRACT

This paper shows that despite progress in reducing extreme poverty, little progress has been made in reducing the number of people living on between \$1.25 and \$2 a day and it provides updated estimates of rural and urban poverty for regions throughout the developing world. It then shows the dramatic growth in recent decades in government expenditures on social protection, defined broadly. Next it shows that social assistance coverage is lowest and amounts transferred the smallest in parts of the world where poverty is most widespread. It shows that few households receive both social assistance and agricultural input subsidies. It concludes by summarizing levels and trends in poverty and social protection and identifying data gaps.

## 1. Introduction

Despite progress in reducing the prevalence of extreme poverty (share of population living on less than \$1.25 a day) in low and middle-income countries,<sup>2</sup> little progress has been made in reducing the number living on between \$1.25 and \$2.00 a day.<sup>3</sup> Furthermore, poverty persists, with recent estimates showing that about 2 billion people may be considered poor (International Monetary Fund and World Bank, 2015). Numerous sources have shown that poverty is more prevalent in rural rather than urban areas of the developing world (Ravallion et al., 2007; IFAD, 2010).

Social protection<sup>4</sup> is one of government's most direct responses to poverty. Social protection programs, when appropriately designed and targeted, help to fill income and consumption shortfalls of poor households. When provided at regular and predictable intervals, they have also had productive impacts by providing some degree of insurance as well as liquidity through which households may take advantage of economic opportunities. Furthermore, the benefits of social protection may have multiplier impacts on local communities and

economies (FAO, 2015).

Social protection programs have grown over the past three decades and benefit a large number of people. Yu et al. (2015) show significant growth in government spending per capita from 1980 to 2010, using an unbalanced panel dataset for 147 countries. Much of the growth is attributed to increases in spending per capita on education, health and social protection, with rapid rates of increase in countries of both the developing and developed world. The most comprehensive estimates (based on household survey data supplemented with administrative data) are that 1.9 billion people throughout the developing world receive social assistance (World Bank, 2015a).

This paper examines levels and trends in social protection; it focuses on social assistance for two reasons. First, available evidence shows that social assistance is by far the most common form of social protection in the developing world. Second, within most countries, the poor are more likely to receive social assistance than other forms of social protection, whereas higher-income groups tend to benefit more from social insurance and labor market programs (Fiszbein et al., 2014).

Agricultural input subsidies are one of government's key tools for

<sup>☆</sup> The views presented in this paper are those of the authors and do not necessarily represent the official view of FAO or its member countries.

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<sup>2</sup> The country classifications used in this article follow the World Bank Country Classification scheme from fiscal year 2012 (World Bank, 2012). Furthermore, the article uses the terms developing countries and low- and middle-income countries interchangeably.

<sup>3</sup> \$1.25 and \$2.00 a day refer to international poverty lines, with dollars measured in constant 2005 PPP dollars.

<sup>4</sup> This article considers social protection to encompass social assistance, social insurance and labor market policies (Barrientos, 2014; World Bank, 2014; United Nations, 2011). Social assistance programs are tax-financed, i.e. publicly provided, transfers that serve a "social assistance" function, reducing the incidence or depth of chronic poverty.

boosting agricultural production, especially that of smallholder farmers. Jayne and Rashid (2013) show that 10 African governments have spent about 1 billion USD annually on agricultural input subsidy programs; this is on average about one third of their total government expenditures on agriculture. Literature has shown the positive impacts such policies may have when well designed and that their impacts may be aligned with the poverty reduction goals of social protection policies. However, the literature also shows that there is significant room for improving the targeting of such programs so that they are more likely to reach poor farmers (Mason et al., 2013; FAO, 2015; Kilic et al., 2015). This paper is the first we know of to examine the extent to which households receive both social protection and agricultural input subsidies.

This paper first provides an overview of relevant definitions and concepts. In Section 3 it describes levels and trends in poverty and extreme poverty in low- and middle-income countries, by region. The following section considers the incidence of poverty in rural as opposed to urban areas, as well as sources of income for agricultural households. Section 5 examines government expenditures on social protection, broadly defined. Section 6 considers evidence on beneficiaries of various types of social protection with a focus on social assistance. It also considers the limited evidence on coverage of households by social assistance and/or agricultural input subsidies. It concludes by summarizing the key points regarding levels and trends in poverty and social protection and by identifying data gaps.

## 2. Definitions and concepts

The most common measures of poverty are national or international poverty rates often based on expenditures as a proxy of income. The World Bank provides measures of poverty using the international extreme poverty and poverty lines of \$1.25 and \$2 a day, respectively, measured in 2005 PPP dollars. They report incidence of poverty as well as number of poor.

These poverty measures have their origins in the poverty lines that were widely disseminated for the first time through the World Bank's World Development Report (1990). The authors of that report established two international poverty lines which they based on a survey of the national poverty lines of 32 countries with varying levels of development. They converted the national poverty lines from local currency units to constant 1985 dollars in purchasing power parity and as a result chose \$275 per person per year and \$370 per person per year as the international poverty lines. \$370 was close to the average of the national poverty lines used in several low income countries including Bangladesh, Egypt, India, Indonesia, Kenya, Morocco and Tanzania and \$275 per person per year was roughly equal to the poverty line used for India. The full methodology for the calculations are described in Ravallion et al. (1991). Over the years the poverty lines have been updated to use new purchasing power parities (see, for example, Chen and Ravallion, 2004); at one point the measures took on the names “dollar a day” and “two dollar a day” poverty. Since the time of writing of this paper the World Bank reclassified the poverty line to \$1.90 per day in constant 2011 PPP dollars (which corresponds to the \$1.25 per day in constant 2005 PPP dollars presented in this paper) (World Bank, 2015b). Using the 2011 dollars in PPP the estimates of poverty rates and the number of poor are, for the most part, the same as reported in this article.

Numerous government policies and programs are intended to respond to poverty; social protection is one of the major types of response. Although there is no single internationally accepted definition of social protection, a broadly representative definition is “all public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalized; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalized groups” (Devereux and Sabates-Wheeler, 2004, p. 9).

A similar definition was adopted by the European Report on Development (EUI, 2010). Most definitions are broad, but governments, donors and other actors often have particular viewpoints and objectives. UNICEF, for example, has a child-focused approach (Gentilini and Omamo, 2009). Although there is still debate in some circles over the nature of the concept, it is generally agreed that social protection includes three types of programs; these are: social assistance, social insurance and labor market policies (Barrientos, 2014; World Bank, 2014; United Nations, 2011). This categorization is used in this article.

*Social assistance* programs are tax-financed, i.e. publicly provided, transfers that serve a “social assistance” function, reducing the incidence or depth of chronic poverty. If transfers are guaranteed and predictable (Devereux, 2002), they act as insurance, by smoothing consumption and preventing destitution following a temporary shock (Devereux, 2001; Lichand, 2010). The most common programs are: (1) unconditional transfers, i.e. programs that distribute cash or vouchers, or are in-kind (such as food), without anything required of the recipient; (2) conditional transfers, which require recipients to meet some specified conditions, typically to improve the human resources of their children; (3) public works programs, also referred to as cash- or food-for-work, or guaranteed employment programs, which require beneficiaries to work to create or maintain household or community assets (Barrientos, 2014; World Bank, 2014 and United Nations, 2011a).

*Social insurance* programs are typically financed by contributions from employees, employers and/ or the state, and are based on the insurance principle, as individuals or households protect themselves against risk by pooling resources with a larger number of similarly exposed individuals or households. They address life-cycle, employment and health contingencies. Social insurance institutions provide coverage for designated contingencies affecting household welfare or income. Entitlements are mostly based on workers' contribution records, and transfers are normally financed out of social insurance funds (Barrientos, 2014; World Bank, 2014 and United Nations, 2011).

*Labor market programs* provide unemployment benefits, build skills and enhance workers' productivity and employability; these are distinct from public works programs which are classified as social assistance. It has become commonplace to distinguish “passive” labor market policies from “active” ones, with passive interventions aimed at securing basic rights through, for example, legal frameworks aimed at ensuring minimum standards for employment and work, safeguarding workers' rights in the workplace and active interventions enhancing employability (Barrientos, 2014; World Bank, 2014; United Nations, 2011 and Barrientos and Pellissery, 2012).

## 3. Levels and trends in poverty and extreme poverty

Despite enormous progress since the 1980s, poverty persists in the developing world, with more than 2.1 billion or one-third of all people in low- and middle-income countries being poor in the year 2011, living on less than \$2.00 a day. About 1 billion or one in six people, are extremely poor, living on less than \$1.25 a day (Fig. 1). Most progress has been made in terms of reducing the number of extremely poor people as well as the incidence of extreme poverty. Very little progress has been made in terms of reducing the number of people living on between 1.25 and 2 dollars a day, with their number increasing from 1981 to 2005 after which point the situation reversed and there was a decrease, albeit a small one, in the number of people living on between \$1.25 and \$2 a day (Fig. 1).

Much of the progress in reduced incidence of poverty reflects reductions in the number and share of people living in extreme poverty (those living on less than 1.25 dollars a day). The incidence of extreme poverty has fallen substantially in many regions, especially in East Asia and the Pacific as well as in South Asia (this, of course, reflects the massive decrease in poverty rates for China and less dramatic, however, substantial decreases for India). In sub-Saharan Africa, little progress has been made and almost half the population (46.9%) remains

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