

Introduction

The imminent crisis for rural livelihoods, agricultural trade, and food security

In this emergency briefing series, ISF Advisors and the RAF Learning Lab will look at how the COVID-19 crisis is likely to affect different types of rural households in emerging markets and what the cascading effects may be on markets, food security, and national security.

This briefing series seeks to be pragmatic and elevate the real experiences of smallholders and service providers who are most affected by ripple effects in the economy. The series builds on the 2019 Pathways to Prosperity report and provides tangible recommendations to critical decision makers on how rural agricultural livelihoods can be supported.

A choice to start from the bottom up

A significant amount has been written about the limitations of the health and financial systems that emerging market governments will use to manage the crisis, emergency relief needs, and impacts on key parts of the economy. These are crucial big picture, top-down policies and economics to get right in the coming months. We believe there is also a pressing need to focus on the pending effects of the crisis on the rural poor, who are vulnerable to the virus and play a pivotal role in maintaining national, regional, and global food security.

COVID-19 is an extreme shock that is unprecedented in its impact on national, regional, and global markets. While this shock has swept through the developed world, we are only just starting to witness how the crisis will emerge in developing countries (outside China) – with the early experiences of Indonesia, South Africa, Nigeria, and India creating the first examples. So far, the response in these countries has focused on mitigating the impact on large, densely populated urban centers. However, the majority of the population in developing countries lives in rural areas. With only weeks left before COVID-19 becomes one of the largest humanitarian and economic crises the world has ever seen, we believe now is the time to consider one of the most vulnerable and pivotal groups in developing countries: rural households.

In the context of this emerging crisis, we believe two crucial issues must be confronted as a matter of priority:

1. The likely devastating effect of the crisis on the ±2 billion people in rural, agricultural households – people who typically account for 50-70% of the workforce and are among the most vulnerable populations on the planet.

2. How effects on rural smallholder producers, workers, and agricultural small- and medium-sized enterprises (SMEs) have the potential to cascade, stalling agricultural trade and leading to food security crises that can rapidly destabilize countries at a time when stability is crucial.

An integrated model

COVID-19 is both a health and economic crisis; it will affect all sectors and parts of society. While governments around the world are seeking, first and foremost, “to flatten the curve,” the health and economic effects of social distancing and economic shutdown are not proportionally felt across or within countries. In developing country contexts, one of the largest constituencies is the rural poor, particularly those households involved in the agricultural sector. In this crisis, this constituency is particularly important, as they are among the most vulnerable and they produce much of the critical local food supply for their countries.

In this Emergency Briefing Series, we use the simple cascading effects model below to organize our thinking – asking first and foremost about the likely effects of COVID-19 on different rural segments and then outlining the cascading effects on food markets, food security, and national stability. In Western countries, the response to COVID-19 has focused on the primary effects of the virus (death, illness, job loss); but in rural systems in Africa, the secondary effects of the virus may be as, or more, detrimental to people’s lives and broader development outcomes.

With so many intersecting issues that will play out differently across countries, we believe that it is useful to consider how outcomes cascade from the rural poor to agricultural markets to food security and finally to national stability.

For rural households the impact of the virus will likely be first felt in compromised livelihoods. This is both from agriculture, with local retail markets closing, and from households’ additional income streams of remittances, urban migrant work, or other additional businesses slowing or stopping. More commercial farmers will be affected by

migrant work, or other additional businesses slowing or stopping. More commercial farmers will be affected by slowing agricultural trade more broadly, particularly with less access to inputs and financing that will affect the next harvest season. The health impact however cannot be overlooked or understated. Rural households are particularly vulnerable to the health effects of the virus as they are less likely to have access to healthcare facilities with oxygen and ventilators. This is compounded by the fact that any added financial shocks of hospital admission or funeral costs for rural households can be devastating.

In agricultural markets any effects to rural household health and livelihoods may impact production directly, decreasing planting and harvesting. Further, social distancing and border closures will impact production and transportation, while changes in spending power of consumers will impact demand. Market linkages are particularly at risk, as food systems adapt to different ways of working and demand patterns. Limited access to inputs due to decreased distribution and financing will affect yields of future harvest cycles, even after the immediate risk of the virus has passed. Transportation has already been significantly affected, which has ramifications on market linkages. By sea, less cargo is being processed due to fewer ships and decreased capacity of ports. By road, curfews and geographic restrictions (both within countries and across borders) have slowed road transport. Within agricultural markets, agri-SMEs that keep agricultural markets moving are particularly at risk as credit lines slow down and operations are disrupted.

With national food security there is a risk of disrupted supply of food from the affected local, regional, and global agricultural markets. While the FAO continues to reassure its members that there is sufficient food globally, the distribution of this food is impeded by national policies designed to contain the virus. This is particularly dangerous for countries that are net-importers of staple foods. Many rural households, especially those living in or at the threshold of poverty levels, are subsistence farmers. If the virus affects their ability to farm and produce their own food, there will be a significant increase in emergency food needed from government or other aid organizations. For commercial farmers this risk goes even further, potentially disrupting the food security of urban populations. It must also be noted that in some areas food insecurity is already at risk due to natural disasters such as drought and locust infestations. Food security in many developing countries is already in fine balance, and any disruption to rural livelihoods and agricultural systems can quickly create large populations of food insecure people.

The Cascading Rural Livelihoods Effects Model: COVID 19

Longer term

TIMEFRAME OF EFFECT

Immediate

NATIONAL INSTABILITY

Livelihood losses and hunger create unrest and civil disobedience, necessitating a government response and exacerbating the crisis

EXTREMITY OF CRISIS DEPENDENT ON...

- Extremity of cascading effects
- Strength of Government and security forces
- Quality of national management of crisis
- Goodwill of people to act in public interest
- Level of politicization and exploitation of the crisis by national elites

RURAL AND URBAN FOOD SECURITY THREATENED

Lower production and reduced physical access limit the availability of staple food in rural and urban areas, leading to increase in basic food prices

- Level of strategic national food reserves
- Level of international trade and supply lines to core staples
- Level of local production and food disruption
- Extent of panic buying and hoarding
- Level of operation of retail distribution points

AGRICULTURAL TRADE SLOWS

Local staple and cash crop export markets freeze up as movement is restricted, access to inputs decreases, and demand slows

- Level of primary production disruption
- Maturity of markets and institutions
- Level of Government shut-down of key markets
- Level of liquidity crisis for agri-SMEs
- Level of economic stimulus and liquidity stopgaps

RURAL HEALTH AND LIVELIHOODS THREATENED

Up to 2 billion people in rural households who depend on agriculture have their health and livelihoods compromised, impacting their production capacity and ability to reach markets

- Age and health status of rural populations
- Extent of urban-rural COVID19 transmission
- Strength of rural health system to deal with cases
- Government policies around social distancing and isolation
- Government social security and safety nets
- Rural school closures
- Decreased urban remittances and rural labor market disruption
- Level of health care expenditure required

Direct

IMPACT OF COVID-19 ON SMALLHOLDER HOUSEHOLDS

Indirect

National stability is related directly to the disruption of so many livelihoods (both rural and urban) and subsequent impacts on food security, and could quickly escalate into social and civil unrest. As families become hungrier and more people are directly impacted by the virus there is a risk that people will turn to violence or other illegal activities to survive. This is particularly dangerous in areas with active extremist groups who already use food insecurity as leverage to gain support. In addition, the use of food security as a lever for political gains may further destabilize countries, particularly where there are upcoming, or delayed, elections.

Not if, but how

With the extent of these different effects – on people, markets, and food security – being so dependent on a broad set of country-specific factors, it is tempting to wonder “if” these different cascading effects will eventually. However, we believe that the question cannot be “if,” but must be “**how.**” Experience from around the world has provided all the evidence we need to know that, in the absence of a vaccine, everyone is vulnerable. We also know that even the most mild forms of social distancing and economic constraint will disrupt markets and compromise supply.

Already, markets are seeing a rise in food prices and limitations on access to inputs for the next season – although early effects are largely dependent on the current harvest cycle. Service providers are having to pivot their services quickly to comply with government regulations, while also ensuring that they are able to keep their own operations afloat*. In India, the impact of the general lockdown and the return of migrant workers to rural areas is yet to be fully documented, but initial reports indicate dramatic decreases in food security. We believe that, as a practitioner community, everyone should be considering a worst case scenario as our baseline, and should be marshaling the full range of tools and resources at our disposal to work with that scenario.

**Interviews with RAFL and ISF stakeholders*

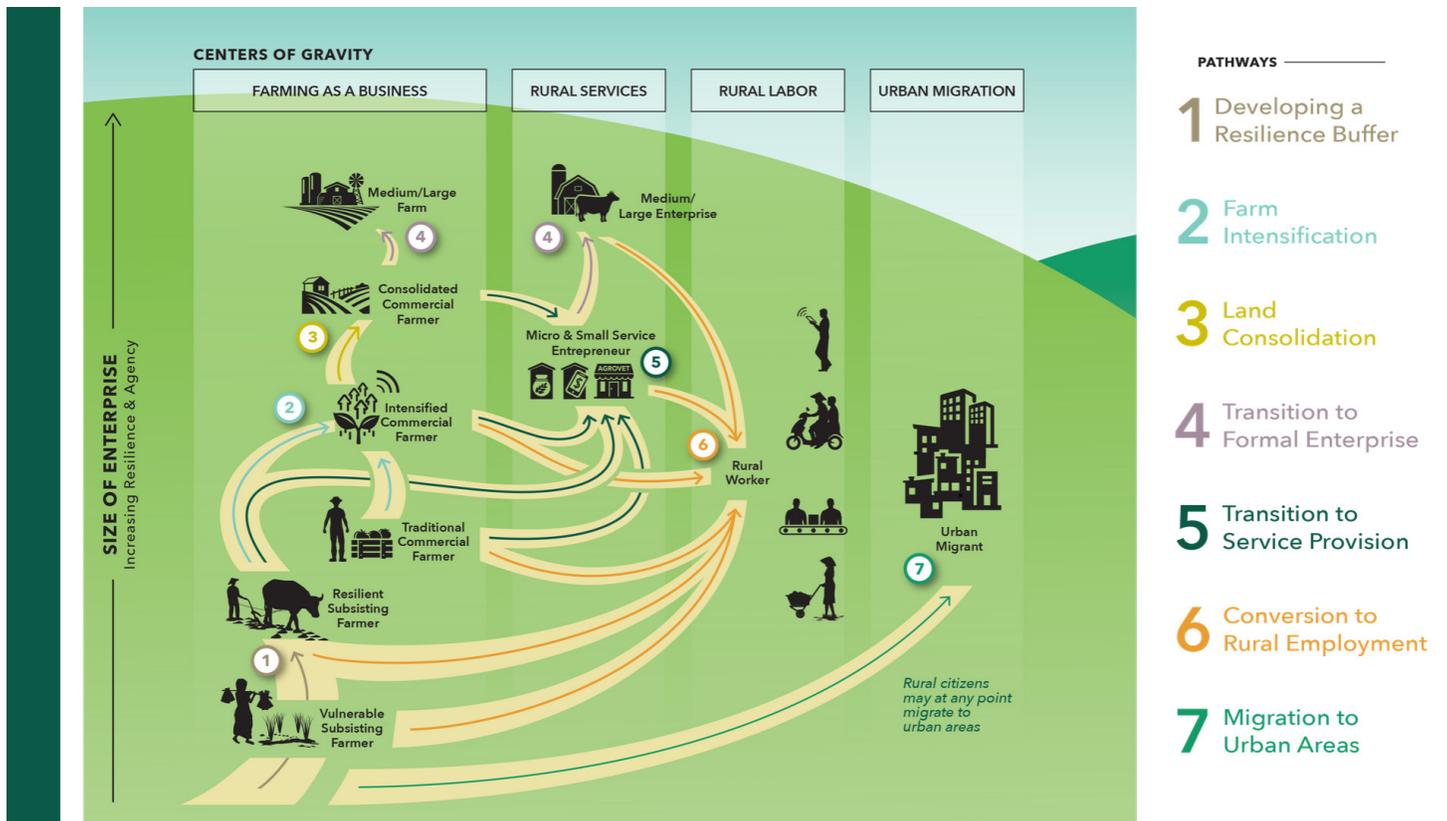
A pathways view to inform a systems response

The development community has come a long way in the past 10 years in understanding that not all smallholder farmers are the same. The pathways model shows the interdependence of actors within rural livelihoods strategies, and the various journeys that they have taken to increase resilience. Each pathway has dedicated service needs – ranging from financing to training – and a variety of target outcomes to improve livelihoods in the long term. These outcome areas include resilience, employment, nutrition, and gender, among others.

COVID-19 threatens rural livelihoods by disrupting the enabling ecosystems and the services that the pathways depend on. These threats are both direct, with farmers struck with the virus unable to work, and indirect, with government measures and economic slowdowns disrupting the trade of agricultural goods. Many rural households also rely on multiple income streams, many of which will be disrupted with economic shifts. These threats risk leading to long-term national and regional food security challenges, and potential broader instability and unrest.

Each pathway will be impacted at different levels by COVID-19. The effects, both primary and secondary, will be defined in each of the forthcoming installments in this briefing series. Long-term impact on development outcomes will also be assessed, providing clear insights into where service providers, donors, and governments can and should act quickly and decisively to mitigate the impact of COVID-19 on rural livelihoods and food security.

RURAL PATHWAYS MODEL



Looking ahead

This series will seek to bring some of the most current, comprehensive understandings of rural smallholder households to bear in order to identify and, where possible, quantify likely effects of COVID-19 on rural populations and markets.

This Briefing Series will provide recommendations on how service providers, donors, and governments can ensure that the short-term shock of COVID-19 in rural systems is amortized as much as possible, while long term efforts to increase resilience of rural systems continue to be supported.