

## Pathway 1

# Vulnerable households at the edge of the pandemic

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.

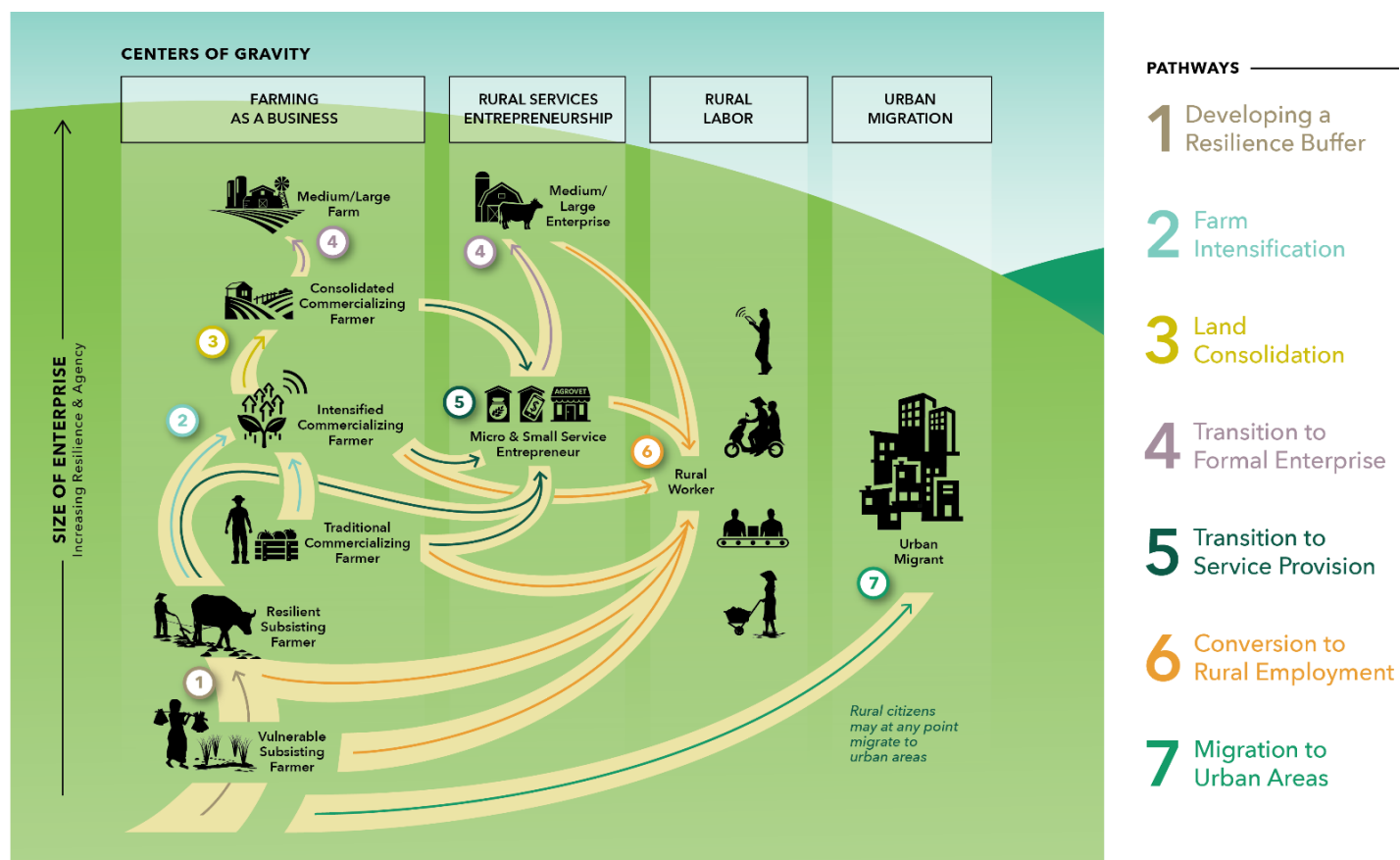
*This briefing series seeks to be pragmatic and elevate the real experiences of smallholders and service providers who are most impacted by ripple effects in the economy. The series builds on the 2019 Pathways to Prosperity report, and provides tangible recommendations to critical decision makers on how rural agricultural livelihoods can be supported. In this brief, we look at how the COVID-19 crisis will impact vulnerable subsisting farmers – in particular, how the economic repercussions could significantly impact long-term poverty relief.*

## The health and livelihoods of subsisting farmers are particularly vulnerable to external shocks

Smallholder farmers in pathway 1 are in a subsistence state, often farming less than one hectare with little or no surplus for trade. As illustrated below, these farmers are likely to live below the poverty line, with limited access to financial services. These farmers typically do not farm as a business; their farm income is supplemented with other non-farm sources, social networks, and government or donor assistance. Many subsistence farmers do not wish to remain in farming. Others have ambitions to generate increased income from the farm, but lack the tools necessary to increase volume and production value, as well as the tools needed to combat risks of adverse effects such as droughts and pests.

These farmers rely on an ecosystem of rural infrastructure, local input markets, and government extension services or donor programs for their livelihoods. Primary service needs for this pathway include access to basic inputs (typically subsidized or partially subsidized), training on agronomic practices, simple farm technologies, and funeral/health insurance. Commercializing farmers are highly dependent on their surrounding ecosystems to continue to operate farming as their primary livelihood source. These ecosystems have proven highly vulnerable to the effects of COVID-19, differing in severity depending on the value chain.

# Pathways to Prosperity



## Illustrative snapshot of vulnerable subsisting farmer

Number of smallholder households (Mn)

HH below poverty line

Illiteracy rate

Access to formal financial services

Access to mobile phone

Female or joint decision in agriculture

	NIGERIA	BANGLADESH	TANZANIA
Number of smallholder households (Mn)	11.66 (18%)	10.66 (11%)	5.09 (20%)
HH below poverty line	88%	91%	97%
Illiteracy rate	41%	73%	45%
Access to formal financial services	16%	46%	33%
Access to mobile phone	69%	68%	69%
Female or joint decision in agriculture	32%	35%	63%

CGAP nationally representative surveys of smallholder households in Bangladesh, Côte D'Ivoire, Nigeria, Mozambique, and Tanzania, 2016 and 2017. While the surveys are nationally representative overall, sample sizes become small when broken by subsegments. Therefore data should be interpreted with caution and under the recognition that these are illustrative examples of relative and self reported measures of poverty.

## The COVID-19 crisis risks pulling many Pathway 1 families further into extreme poverty

For rural households, the immediate impact of the crisis is not a direct health impact, but rather an indirect economic impact. The virus has originated primarily in urban centers, and government responses have focused on containing the virus and “flattening the curve” as much as possible. If the virus spreads to rural areas – as it has already done in some geographies – weaker health systems may cause the direct impacts of the virus to be felt more acutely, compounding the indirect economic impacts. In the long term, whether the virus spreads to rural areas or not, it is likely that food systems will be disrupted and economic challenges will continue, particularly impacting vulnerable rural households.

### **Crisis lands: Immediate impact from government response to virus (0-1 month from first case)**

COVID-19 has spread through person-to-person transmission, and in most countries this means it has originated in urban areas via people returning from overseas travel. Thus, in the initial weeks of the virus arriving in a country, subsistence farmers are less directly at risk. They are, however, immediately vulnerable to the prevention measures implemented by government officials (e.g., social distancing, lockdown, etc.) and to the subsequent economic downturn.

Subsistence farmers are vulnerable to any financial shocks and do not have high levels of savings. In Kenya, for example, only 23% of the poorest farmers have any money set aside for emergencies<sup>1</sup>. Local employment that provides day-to-day income will most likely be cut off as a result of government restrictions on movement. Families may also find themselves without the usual income from urban or international remittances. Due to COVID-19, remittance flows in Africa have already dropped around 40%<sup>2</sup>. These rural households are also likely to have additional mouths to feed with children home from school and other families returned from urban areas.

As the virus begins to spread, there is also the risk of misinformation spreading, particularly as subsistence farmers may be relying on secondhand sources. Across the world, there are reports of tea, cognac, cow urine, and even onions being advertised as cures for the virus<sup>3</sup>. In India, the rumors about contracting coronavirus through chicken consumption were so widespread they caused the price of chicken to drop<sup>4</sup>. Misinformation could have a significant impact on the ability of governments to

the price of chicken to drop<sup>4</sup>. Misinformation could have a significant impact on the ability of governments to effectively communicate social distancing, self-isolation, and other important guidelines to slow the spread of the virus.

### **One Acre Fund quickly mobilized its teams to preempt government lockdowns in Uganda, Rwanda, and Kenya.**

*It was able to accelerate input distribution and compress a planned 25-day program into nine days, ensuring inputs were in the hands of farmers before any lockdowns came into effect. It also installed strict social distancing guidelines for its operations. One Acre Fund is now working on soap distribution and handwashing awareness for its farmers and leveraging its digital platform to enable agents to communicate with farmers throughout the crisis.*

### **Managing the spread: Impact when virus spreads to rural areas (1-4 months from first case)**

Once the virus has arrived, social distancing outside the home may be easier in rural areas, but risks within the home remain. Subsistence farmers tend to have limited space in a home for self-isolation and lack access to running water and sanitation facilities. In Tanzania, for example, only 2% of subsistence farmers have access to running water in their home<sup>5</sup>. If/when the virus spreads to rural areas, there may be a loss of productivity due to sick family members. Rural health clinics will be less equipped to manage COVID-19 patients. For example, in Least Developed Countries, only 55% of healthcare facilities had basic water services<sup>6</sup>. There are also significant limitations on access to oxygen and ventilators – critical tools in treating extreme cases of COVID-19<sup>7</sup>. This compounds the existing health risk, particularly for rural communities where elderly populations and groups living with TB or HIV are common.

Beyond the health risks, the most detrimental impact is likely to be on families' overall financial resilience. Subsistence farmers have limited savings, and the shock of a healthcare bill or funeral cost will be compounded by current economic uncertainty. In a survey conducted by CGAP, 30% of households in Mozambique (largely noncommercial smallholders) attributed their greatest monetary difficulties to a health emergency, more than any other potential reason surveyed (8). The usual tools that subsistence farmers have to pay these bills will also have been removed or changed. Community savings



groups have had to change their methods of operating, and assets that farmers typically could have sold may lose their value. In addition, donor programs that typically provide safety nets may be forced to stop operating or divert their resources to more direct COVID-19 response.

Access to farming inputs is critical to ensure medium- and long-term food security for subsistence households. Government restrictions on movement and international disruptions have significantly slowed the arrival of inputs into rural areas. Their distribution is further hampered by the closing of agro-dealers in some areas due to unclear regulations or business liquidity challenges. Many subsistence farmers rely on donor-supported organizations or government extension programs for fertilizer and seeds. The delay or change in these programs is likely to last months, possibly into the next harvest. A study conducted in Liberia found that almost 54% of respondents reported a decrease in production during the Ebola epidemic<sup>9</sup>.

The group most vulnerable as COVID-19 spreads to rural areas is women, as any crisis tends to exacerbate already existing structural inequalities. The disproportionate burden on women and girls as caregivers, household managers and participants in the informal and insecure economy is brought into stark relief by the pandemic. Case studies from Ebola outbreaks clearly show that women suffer disproportionately during health crises. In Liberia, 75% of the Ebola deaths were women, in large part because women tend to be the primary caregivers for sick family members<sup>10</sup>. During the Ebola outbreak in Sierra Leone, lack of access to reproductive healthcare services caused at least as many deaths as Ebola and teen pregnancy rose by 50%<sup>11</sup>. Rates of gender-based violence (GBV) are likely to increase, as are those of child marriage. In Lebanon and Malaysia, the UN has already reported double the number of calls to GBV helplines as this time last year<sup>12</sup>. As women are, in turn, most likely to be part of frontline medical staff in rural areas, it is crucial that they are protected and supported.

### **"The new normal": Long term impact as country goes back to "normal" (4+ months from first case)**

The average age and health status of subsistence farmers makes them particularly vulnerable to the physical impacts of COVID-19. The potential loss of family members, particularly the head of household, is likely to create trauma and financial disruption that can take years to recover from. The lagging emotional effects of loss, depletion of savings on medical bills and funeral costs, persistent health issues, and disruption of farming seasons is likely to take families below the extreme poverty line.

Rural economies may lag behind more urban areas in re-opening, creating a longer term recovery horizon. This slower reopening will impact the ability of subsistence



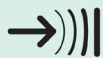




farmers to earn additional income through day laboring, and may impede the provision of seeds and inputs at critical planting times. Disruptions will also have long-term food security implications as smaller yields create food shortages in families. When these effects occur across whole communities, traditional support networks – such as savings and religious groups – may be disrupted, further destabilizing communities.

***Rural workers are typically subsistence farmers who have diversified their income streams and focused their livelihood strategy on employment within their community.***

*This labor may be agricultural or non-agricultural, formal or informal. These rural workers, Pathway 6 in the Pathways to Prosperity model, are a crucial part of rural economies and make up to 20% of households. The economic pressure caused directly or indirectly by COVID-19 on rural communities risks depressing all forms of local income-generating opportunities, and therefore reducing employment of these rural workers. This risks pushing more families back into purely subsistence farming, and removes the additional income that provides a resilience safety net for families and customers for local businesses.*

Youth, underemployed and disadvantaged in many rural areas before the pandemic, will particularly feel the long-term effects of COVID-19. Youth already had a three times higher unemployment rate than adults before the crisis, and the expected economic slowdown will undoubtedly decrease their prospects<sup>13</sup>. This may create further instability in rural areas as youth do not see a clear future for their families, and feel stuck in a subsistence farmer life.

Vulnerable subsisting farmers already live at the edge of poverty, and the direct and indirect impacts of the virus risk pushing them further in. This crisis has the potential to erase progress made over the past decade in food security, financial inclusion, and gender equality. Early studies show that, without critical action to protect the most vulnerable, the impacts of COVID-19 in the Middle East, North Africa, and sub-Saharan Africa could result in poverty levels similar to those in 1990<sup>14</sup>.

	<div> <div> <b>CRISIS LANDS</b>  Immediate impact from government response to virus  (0-1 month from first case) </div> <div> <b>MANAGING THE SPREAD</b>  Impact when virus spreads to rural areas  (1-4 months from first case) </div> <div> <b>"THE NEW NORMAL"</b>  Long-term impact as country goes back to "normal"  (4+ months from first case) </div> </div>		
<b>Health</b> 	Transmission of virus originates primarily in urban areas	Rural clinics not equipped to cope; Older populations disproportionately in rural areas; Prevalence of underlying conditions (e.g., HIV, TB)	Other health conditions deprioritized by donors due to COVID-19 response (e.g., HIV, TB, maternal mortality, etc.)
<b>Production</b> 	Limited immediate impact; in fact, some farms may increase production if family members return to farm from school/urban employment	Extension workers and input-based service delivery models will be constrained in their ability to support due to movement constraints and social distancing requirements	Lag effect of poor inputs and less access to extension services and agronomic training will lead to lower yields
<b>Resilience</b> 	Reduced remittances from family members working in urban areas/ internationally will impact cash availability; Unclear information (and misinformation) makes farmers unsure whether to sell or stock staple crops	Unexpected medical bills or funeral costs from virus will be significant financial shock; Ability to save impeded by disruptions to microfinance institutions and informal savings groups; Assets, usually sold when needed for emergency cash, will be less valuable due to market effects	Lost family members will cause emotional distress but also reduce income gain; As the effects of the virus continue, any savings will be quickly depleted
<b>Employment</b> 	Fewer income-generating opportunities due to government restrictions on movement and closure of small businesses	Once government restrictions ease, some local industry may recover; however, this will be very slow	Many rural enterprises will remain closed temporarily or permanently with collapsing demand and liquidity challenges, reducing rural employment
<b>Nutrition and Food Security</b> 	Rural households will eat only what they grow and not buy additional products, impacting nutritional diversity; Children will no longer receive nutritional enhancement from school feeding programs	Families may have depleted food stocks faster than normal (more people in the house, etc); Volatility in food prices and closure of local markets will limit ability to buy additional food	Disrupted input supply chains and continued economic slowdown will severely affect the next harvest and could cause longer-term food insecurity
<b>Gender</b> 	Women are likely to have increased care responsibilities with children home from school; Reduced employment as food service industry contracts and domestic work (predominantly female workforces) slow; Expected increase in gender-based violence as financial pressures increase within households	Likely to be caring for elderly relatives or working in health facilities, women may be at higher risk of contracting the virus; Health resources are likely to be diverted from women's health to COVID-19, leading to increase maternal mortality and unwanted pregnancies	Fewer girls returning to school as cost of education is deprioritized and child marriages increase; Health systems diverted from women's health over long periods of time; Shifts in social norms with women at home more often
<b>Youth (ages 15-24)</b> 	Disruption in education with school closures; Fewer income opportunities as off-farm income is limited due to travel restrictions	Burden of labor may be on youth as older family members face health issues; Off-farm income options will continue to be limited, and competition for jobs higher	Youth already have high exposure to unemployment, and the economic slowdown will exacerbate this; Prolonged unemployment may lead to an increase in criminal or illicit activities; Youth are at increased risk of recruitment into fundamentalist extremism

Immediate ————— **TIMEFRAME OF EFFECT** ————— Longer term —————→

Low **SEVERITY OF IMPACT** High

## How donors, governments, and investors can best support vulnerable subsisting farmers

We believe an immediate and considered response that specifically addresses the needs of vulnerable subsisting farmers is critical. More than almost any other constituency in the developing world rural subsistence households risk becoming the invisible victims of the health and economic impacts of COVID-19.

**To reach this highly dispersed, isolated, and disconnected segment we believe governments, donors, and service providers must avoid five major pitfalls:**

### Pitfall #1

**Treating the most vulnerable as a general national constituency, not recognizing the specific challenges of protecting rural communities from COVID-19.**

It is clear that the virus affects all citizens, from farmers to Prime Ministers. But to ensure that the most vulnerable of those citizens are protected, we need tailored responses. The urban poor were most at risk after the immediate arrival of the virus to developing countries; and therefore the initial policy and relief responses were focused on protecting their lives and livelihoods during a general or partial lockdown. If these measures are simply replicated as a broader national strategy, vulnerable subsisting farmers may be left behind. For example, communal handwashing stations are effective in informal urban settlements; however, in less dense rural areas, each farm needs its own station. A dedicated planning strategy for the rural poor should be created with the cooperation of government ministries, donor organizations, and private sector players that reach last mile customers. These planning strategies must also include specific strategies to reach women and youth - some of the most vulnerable in rural communities. This is already a topic of donor discussions, with many ideas of how to reach rural populations, but discussions must move to how these ideas will be implemented in different country, district, and even village contexts.



### Action Needed

National planning for supporting subsistence smallholder households connected with district and sub-district implementation, driven by governments and supported by donors.

## Pitfall #2

**Moving slow and going low on rural social safety net programs, leaving the most vulnerable constituency without any support.**

As rural communities are the last to be affected by COVID-19 in most countries, they have been seen as a secondary priority. However, these communities are already feeling the impacts of government shut-downs and social distancing measures – delaying support for them risks pushing them faster towards extreme poverty. Women are already more at risk in rural communities because entrenched gender inequalities mean that women and men have differential access to resources to help them cope with and recover from a shock. Past health crises such as Ebola have shown that women and girls often face more negative impacts than men. They must therefore be prioritized in any social safety net programs. As many countries don't have the credit ratings to borrow the necessary relief funds, the UN, AfDB, and others are mobilizing large relief packages however distribution has been slow. Governments and relief agencies should use existing infrastructure from the public sector (e.g., input distribution, government schools), donor program networks (e.g., Compassion, Save the Children) and private sector (e.g., mobile money networks) to provide quick cash transfers or other support to vulnerable rural families and pre-empt the effects of the crisis in the medium and long term. The WFP is already testing mechanisms, such as digital vouchers and take-home packages to replace school feeding programs, an important safety net for many families<sup>15</sup>. The immediate need for support during this crisis also provides a unique opportunity to accelerate the testing of direct cash transfers as an effective tool for aid delivery – a topic that has been the subject of much debate in recent years.



## Action Needed

Access to large relief funds and broad-based social security rolled out through existing last mile distribution infrastructure, often through new and innovative partnerships.

## Pitfall #3

### Turning a blind eye to other rural crises and creating a catastrophic convergence of effects.

There are a number of urgent crises in rural areas that have not halted with the arrival of COVID-19 – including locust invasions in East Africa, refugee camps in North Africa, and severe droughts in southern Africa. These crises risk being more detrimental to vulnerable subsisting farmer livelihoods than COVID-19, and need to be managed concurrently. If donors and governments do not sufficiently address these crises, any investments and efforts to protect communities from COVID-19 will be significantly undermined, and in some cases wasted. FAO has been leading the charge on communicating the urgency of the locust crisis in East Africa, but more attention is needed, and quickly, to drive true action and avoid a catastrophic event.



### Action Needed

Concurrent funding and management of other rural crises that will coincide with the COVID-19 outbreak.

## Pitfall #4

### Shutting down critical agricultural arteries and last mile capillaries, priming rural areas for a nutrition and food security crisis.

While social distancing and movement restrictions are crucial to slow the spread of the virus, agricultural channels must remain open. Cutting off these access points for vulnerable subsisting farmers removes both their opportunities to earn additional income through employment and buy the right inputs for their farms, and risks their food security when they need to buy food to supplement their own crops. Many governments have followed the initial Chinese model of “green lanes” – however, in countries with large populations of vulnerable subsisting farmers these lanes must go much deeper and reach more rural communities. In Kenya, for example, seed and fertilizer companies have been able to reach regional distribution centers, but their typical last mile distribution centers are closed. Governments must ensure that county and local officials are correctly informed of regulations, and have the means to ensure effective implementation at the most local level. Vulnerable subsisting farmers have no political or social capital with local security forces, and this imbalance of power must be acknowledged when policies are rolled out, with community leaders engaged as much as possible.



### Action Needed

Hyper-localized management of critical agricultural trade and commerce to protect food access, including public food reserves.



## Pitfall #5

**Overestimating the resilience of commercializing farmers and underestimating their importance in national food security.**

**Not protecting microfinance and other last mile financing institutions, leading to a collapse in vulnerable rural credit markets.**

Vulnerable subsisting farmers typically rely on microfinance institutions (MFIs), donor-supported lending programs, savings groups or SACCOs, and their community for financial services. As governments change rules around physical meetings these providers must be proactively protected and helped to adapt as needed to personal protective equipment (PPE) and social distancing guidelines. Moving to digital lending can be an advantage in some cases; however, this should be done with care if countries and organizations are not already using digital transactions. With mobile phone ownership still low in many rural areas of the developing world, digitization risks exacerbating the digital divide, especially for women. Some organizations have been very quick to react to the crisis, and have adjusted their services. For example, BRAC Bangladesh mobilized PPE for its staff among other activities, allowing it to keep its services running. Already using digitally enabled lending in many countries, One Acre Fund is working with local authorities and companies to ensure there are mobile money agents operating in their farmer communities. Governments should also ensure any changes in lending regulations, such as loan delay or forgiveness schemes, consider the impacts on MFIs serving the most vulnerable.



## Action Needed

Careful government treatment of last mile credit lines and protection of financial access for the most vulnerable.

**The long-term strategy to support vulnerable subsisting farmers is highly dependent on what happens in the immediate and short-term waves of this crisis.**

Unlike other pathways, subsistence farmers are less integrated into formal markets and structures. This creates a need for more direct interventions to ensure they have the resources, support, and access needed to withstand the health and economic shocks the virus will bring.

**If vulnerable subsisting farmers are not sufficiently prioritized in early responses, there is a risk that families will move further back into extreme poverty, precipitating rural food crises and instability.**

Governments and donors must be prepared to support subsistence farmer livelihoods as they adjust to a “new normal” that in the best case involves prolonged mask wearing and handwashing, but in the worst case leads to significant food insecurity and national instability.

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## Footnotes

- <sup>1</sup> "Exploring the Impact of COVID-19 on Livelihoods in Africa: Part 2 - the Effect on Financial Health", Digital Frontiers Institute, April 2020
- <sup>2</sup> "Exploring the Impact of COVID-19 on Livelihoods in Africa: Part 2 - the Effect on Financial Health", Digital Frontiers Institute, April 2020
- <sup>3</sup> "As coronavirus spreads, so too do the quack cures", The Guardian, April 16, 2020
- <sup>4</sup> "Telangana: Poultry prices dip as people chicken out on coronavirus fear", Times of India, March 15, 2020
- <sup>5</sup> Smallholder Farmers' DataPortrait, <http://www.fao.org/3/a-i5251e.pdf>, 2015
- <sup>6</sup> Wash in Healthcare Facilities, Global Baseline Report 2019, WHO and UNICEF, April 2019
- <sup>7</sup> Coronavirus exposes Africa's oxygen problem, The New Humanitarian, April 2020
- <sup>8</sup> Jamie Anderson and Wajiha Ahmed, "Smallholder Diaries: Building the Evidence Base with Farming Families in Mozambique, Tanzania, and Pakistan", CGAP, February 2016
- <sup>9</sup> "The impact of the Ebola virus disease (EVD) epidemic on agricultural production and livelihoods in Liberia", PLOS Neglected Tropical Diseases, August 2, 2018
- <sup>10</sup> Keith Mulvihill, "Why more women than men are dying in the Ebola outbreak", Graphic Online, August 23, 2014.
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- <sup>12</sup> Patty Alleman, Joy Anderson, Catherine Poulton, "Flattening the curve: Finance and the pandemic of gender-based violence", UNICEF, April 9, 2020
- <sup>13</sup> "Pathways to Prosperity: Understanding youth's rural transitions and service needs", Mastercard Foundation's Rural and Agricultural Finance Learning Lab, November 2019
- <sup>14</sup> Andy Sumner, Chris Hoy, Eduardo Ortiz-Juarez, Working Paper: Estimates of the impact of COVID-19 on global poverty, UNU-WIDER, April 2020
- <sup>15</sup> <https://www.devex.com/news/wfp-repackages-efforts-to-reach-hungry-children-as-covid-19-closes-schools-96878>

## About the Authors

*This briefing series is made possible by the generous support of the American people through the United States Agency for International Development (USAID).*

*The contents are the responsibility of ISF Advisors and the Rural and Agricultural Finance Learning Lab, and do not necessarily reflect the views of USAID or the United States Government.*

### We want to hear from you!

As new information about COVID-19 emerges on a daily basis, we hope this series will serve as an opportunity to open dialogues and share perspectives.

If you would like to get in touch or contribute to the forthcoming research, please reach out to:

**Matt Shakhovskoy**

*ISF Advisors*

[matt.shakhovskoy@isfadvisors.org](mailto:matt.shakhovskoy@isfadvisors.org)

**Mikael Hook**

*RAF Learning Lab*

[mikael.hook@rafllearning.org](mailto:mikael.hook@rafllearning.org)

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