



CHAPTER 7

ENDING RURAL POVERTY: CHALLENGES AND OPPORTUNITIES

Poverty reduction is not something that governments, development institutions or NGOs can do for the poor. The poor themselves have to seize responsibility, as agents of change, for their own development.

The 20 years between 1970 and 1990 saw the fastest and most widespread retreat of poverty, hunger, premature death and illiteracy in history. Most of those affected were the rural poor of the developing world. However, large rural areas, containing hundreds of millions of people, remain trapped in poverty; since 1990 its retreat has been much slower. This report has explored the nature of the rural poor; who they are; where they are; what accounts for the successes, gaps and failures of rural poverty reduction; and what can be done about rural poverty and by whom.

A global report on rural poverty is not the place for policy advice to any particular country. Each chapter has set out conclusions about needs for better policy, and about types of policy that work or fail in specified conditions. But some themes have emerged from the analysis, which underlie policy and have operational implications.

EMERGING THEMES AND CHALLENGES

The nature of rural poverty and the inadequate response

Most of the world's poor are rural, and will remain so until at least 2035. The urban-rural gaps in poverty, health and literacy are large and, on the

whole, not narrowing. These gaps are not only unjust but also inefficient: shifting resources, assets and access from urban to rural, and from rich to rural poor, often advances economic growth. Now that most donors and developing countries are reorienting their policy towards poverty reduction, one would expect investment and aid to concentrate substantially on the poorest countries, and on support for agricultural and rural activity. Yet this is not the case; for example, in 1988-98, aid to agriculture fell by almost two thirds in real terms.

The poor themselves report distress that stems not only from low consumption but also from ill-health, lack of schooling, vulnerability, lack of assets and disrespect from officials. Those who suffer from one of these conditions tend to suffer from others as well. Disproportionately many are rural women, ethnic minorities in remote areas, landless, casual workers, or children: poverty and lack of education are inherited conditions. Breaking the 'interlocking log-jams of disadvantage' may require attacking several barriers. For example, we document shocking educational disadvantages among the rural poor. To address these, more nearby schools and teachers are needed, but

so are better health and nutrition. Lack of these human assets stops children from learning, compels parents to send them to work, and perpetuates poverty.

Fertility decline and the dramatic rise in worker-dependant ratios in 1990-2030 can help the poor to escape poverty, if the extra workers can find decent work. This was achieved in East Asia through early gains in farm yields, smallholder incomes, and hence farm employment – soon followed by increases in employment and growth in the non-farm sector. South Asia and Africa can follow this path if their agricultural and rural policies can be set right, and if right policies can be translated into favourable outcomes in terms of the assets and opportunities of the rural poor at the local level and their livelihoods.

Women's disadvantage and exclusion in education, landholding and, in some countries, nutrition and health care reduce their security and esteem; in some countries they slow the fertility transition. These disadvantages are greater in rural areas: they can be reduced by redressing the under-allocation of rural resources.

Poverty and asset policy

The extreme poor spend almost three quarters of their income on food. They receive over two thirds of their calories from staples, and earn perhaps half their income from growing them. So the control of farmland by the poor tends to be a safeguard against extreme poverty. 'Classical' land reform has transferred more land, and with more success in reducing poverty, than is widely believed; but it has run into many problems. Consensual and decentralized land redistribution is a promising way forward, with the largest farmers attracted to sell land in small amounts to the poor; but it requires some land fund in support. This is in tune with the policy preferences of many donors, recipients and civil-society organizations,

as well as those of many of the poor. However, especially with the new requirements of global markets, post-reform smallholders require access to competitively marketed inputs and services and to research, roads and other resources that normally only governments can supply.

Water-yielding assets are also increasingly important to the rural poor as more areas are affected by water scarcity and diversion. Removal of water subsidies is desirable, but caution has to be exercised against further transfers of water away from rural areas, which will endanger the already inadequate farm water control (and drinking water) of the rural poorest.

The heavy biases against rural people, the poor and women in acquiring 'human assets', especially health and education, are inefficient as well as unjust, and in most cases not shrinking. Reducing these biases, and providing the poor with access to land and improved farm technology, are complementary; each increases the economic gain and poverty reduction from the other.

Technology policy, poverty, and natural resource sustainability

The value of human, land, water-yielding and other assets depends on the technologies that turn those assets, together with labour, into adequate incomes. The poor's shortage of assets compels them to live mainly by selling their labour-power. So increasing the market value of that labour-power, through choices in asset-building and in technology that are employment-intensive, is vital for poverty reduction. But subsidies to farm equipment, such as combine-harvesters and weed-icides, displace human labour and ultimately harm the poor. There are also positive requirements of pro-labour policy. If the poor have some farmland, their bargaining power in labour markets is increased. Agricultural researchers need to perceive that the use of labour itself, while a cost, has social advantages for poverty reduction.

Rural technologies face two tasks: to reduce poverty through more and better distributed output and welfare; and to improve resource sustainability. On the whole, the former has been best achieved by bio-agricultural research, and the latter by improved land and water management technology. The two are strongly complementary, though separated by fashion and by barriers between researchers and institutions. Poor farmers can seldom afford to buy into conservation technology unless there is a production gain. And all types of formal research are complementary with farmers' own research and succeed best with participatory methods. But the lack of progress in the spread of water control (especially in Africa) and the slowdown in historically fast rates of food-crop yield improvement are serious causes for concern. The stagnation or decline in many areas of public agricultural research must end. The increasing locking-in, or patenting, of agricultural research results by a few private companies, with few incentives to structure their work towards the needs of the rural poor, has to be replaced by appropriate public-private partnerships and by new incentives for scientific endeavour.

Just as rural poverty reduction, growth in staples yield and farm income expansion in developing countries have slowed down, before the gains have spread to many areas, exciting new scientific prospects have been opened by transgenics. These have produced intense debate and polarized arguments. Careful consideration of trade laws, environment and safety regulations sympathetic to developing countries are important to ensure that neither the poor, nor the world, are exposed to undue risks. However, from the perspective of ending poverty, a greater risk is that gains from transgenics will not reach the poor and the hungry. Decisions must not be confined to the world of business and politics, but should be open, drawing on the experience of professional research, the rural poor themselves (labourers and

consumers as well as farmers) and organizations in direct contact with them.

Poverty, markets, liberalization and globalization

The poor need technologies to increase output from their assets, and they also need markets to exchange that output freely and to best advantage. Yet the poor are dogged by the market power of others, market failure, bad distributional outcomes from market 'success', and barriers to market access. Rural areas are dispersed: in remote areas, market access problems are most serious, and competition and information least adequate. Action by civil society, government, donors and often the poor themselves can greatly improve their relative access and strength in markets. Globalization can bring significant benefits to the rural poor. But it will bring most benefits if attention and support are directed towards helping small producers to make the best of their market-mediated relations with vastly more powerful and international private-sector operators.

Access to information is an overlooked area for the rural poor; more information would enable farmers to take better decisions on markets and services. Investment in rural roads brings striking returns in both GNP and poverty reduction. It is less affordable in remote or sparsely populated areas, but here, more imaginative solutions can improve physical market access or reduce the cost to the poor. 'Getting the prices wrong' is seldom sensible, but getting them right often does nothing to solve the market access problems of remote areas, and can even make them worse.

Liberalization and globalization are changing the landscape of many poor rural areas. Despite their economic advantages of labour intensity, poor farmers have difficulty meeting exacting supermarket or export standards. Donors can work with NGOs and cooperatives, as well as governments, to provide support and to increase the bargaining power of the poor through trade and marketing associations.

Policies for pro-poor rural institutions

The poor are largely excluded from the institutions and partnerships that can enable them to share and control the decisions that affect their lives. This is because institutions often tend to be controlled by the powerful non-poor. Channeling appropriate assets such as land and education, technology to raise the productivity of assets, and markets to improve sales and purchases, improve the poor's 'exit options' that over time may also help them alter institutions for their sustained benefit. Decentralized institutions for natural resources management and financial services have not always been successful in reaching the poor, although they have been important in helping the poor, through increased efficiency and sustainability, as the local elites are driven to recognize their shared interest with the poor.

Poverty reduction is a complex task, requiring sustained commitment to consistent, yet flexible, joint action. There are no quick fixes and no easy solutions. No single institution, national or multi-lateral, public or private, and no single strategy can hope to deal effectively with the different contexts and causes of poverty. Coherent anti-poverty strategy therefore requires stable partnerships, based on trust as well as self-interest.

It is important to recognize the need for sustaining the management of change towards pro-poor institutions and programmes through support from below. The coalition of the poor among themselves and with others provides the best hope for the poor to get integrated with a process of sharing wealth and development more equitably than before. The best guarantee of good policy is effective accountability.

**RESUMING AND SPREADING THE RETREAT
OF RURAL POVERTY: BUILDING A GLOBAL
PARTNERSHIP AMONG THE STAKEHOLDERS**

Micro- and meso-level partnerships were discussed earlier. Macro-partnerships provide the overarch-

ing global framework for anti-poverty strategies. An important purpose of the macro-level partnership is enhanced aid effectiveness through improved donor coordination.

Since the 1995 United Nations Social Summit, the international community has been reconstructing the global partnership with the poor. The most recent expression was at the Millennium Summit in September 2000, when Heads of Government and State confirmed the commitment to halve the incidence of extreme poverty by 2015. For some time, therefore, the United Nations system has regarded poverty alleviation as its overarching objective. Major donor countries under the auspices of the OECD have agreed to realign aid towards similar poverty targets at national level. The Poverty Reduction Strategy Papers (PRSPs) being prepared by each recipient of World Bank and IMF support underpin this process.¹

Unfortunately, the material basis for achieving this global poverty target in terms of development assistance has not been strengthened, and indeed has eroded over recent years. As we have seen, the bulk of the poor are in rural areas, drawing their livelihood from agriculture and related activities; yet development assistance to agriculture fell by nearly two thirds between 1987 and 1998. Assistance has also tended to shift from supporting productive activities by poor farmers towards social sectors.

Thus, there is a paradox: an ambitious target for poverty alleviation with fewer resources to achieve it. If the target of reducing extreme poverty by half by 2015 is to be achieved, overall development assistance must be raised and the share going to agriculture should reflect its importance in generating livelihoods for the majority of the poor.

Once that condition is met, the challenge is to develop and foster genuine cooperation, good governance and a policy framework in which the rural poor in developing countries can participate.

Box 7.1: Development partnerships

The Comprehensive Development Framework (CDF) is a holistic approach to development. It seeks a better balance in policy-making by highlighting the interdependence of all elements of development – social, structural, human, governance, environmental, economic and financial. It is based on the following principles:

- ownership by the country. The country, not the assistance agencies, determines the goals and the phasing, timing and sequencing of its development programmes;
- partnership with government, civil society, assistance agencies and the private sector in defining development needs and implementing programmes;
- a long-term vision of needs and solutions, built on national consultations, which can engender sustained national support; and
- structural and social concerns treated equally and contemporaneously with macroeconomic and financial concerns.

CDF is still at the experimental stage but, once operational, will offer a global partnership framework for selective IFAD participation at the country-level within the ambit of its central mandate and strategic framework.

The United Nations Development Assistance Framework (UNDAF) is a strategic planning and collaborative framework that helps to identify priorities for UN action. It is a key component of the Secretary-General's reform proposal of July 1997, and is designed to bring greater coherence, collaboration and effectiveness to UN development efforts in the field. Participation by many UN agencies, including IFAD, in UNDAF provides the operational framework for donor coordination, and a pilot phase has been launched in 19 countries.

Developing country governments and donor agencies need partnerships to ensure a cost-effective attack on poverty; the rural poor need partnerships to support their own initiatives, but free of the intrusiveness for which donors are sometimes criticized.²

Hence donors are emphasizing partnership-building to improve the efficiency and effectiveness of poverty reduction efforts and to build a consensus on:

- setting development priorities;
- reforms necessary to pursue these priorities;
- the programmes and/or projects in support of the reforms; and
- the successful implementation of these programmes and projects with better definition of the responsibilities of the stakeholders in the process.

One response to the scarcity of development resources has been efforts to coordinate available aid funds around shared initiatives against poverty. Both the CDF proposed by the World Bank and the UNDAF provide frameworks for such mutuality (Box 7.1).

Effective coordination among donors is of increasing importance to reduce duplication and avoid placing too great a burden on the host country's administrative and management capacity. Multiple donors and programmes may also cause confusion within the government. Grateful as they may be for assistance, governments might come to see donor activities as more of a hindrance than a help, given the extra burden on government personnel in trying to manage different overlapping activities.

The global initiatives to forge coalitions and partnerships among and with developing countries donors are welcome. However, success requires the substance to be made 'bottom-up' in two ways.

First, each government has to be responsible for country policy. History shows that imposed conditionality in aid, and anti-poverty planning from Northern capitals for the Asian or African poor, seldom works. So each government in the PRSP process has agreed to 'chair' a national poverty partnership, constructing an anti-poverty strategy with civil-society agencies, to be embodied in the

PRSP. In Asia eight countries are working with the Asian Development Bank on strategies directly geared to the Social Summit's 2015 targets on poverty, health, education and gender equality.

Second, the poor themselves have to take responsibility, as agents, for their own development; the poor, not just an abstract 'civil society', which can be biased towards the rich and strong. Even where the poor can overcome that bias, civil-society institutions are underdeveloped in some countries and repressed in others. The key issue is whether the poor have room for manoeuvre by capturing particular local or central institutions, or by coalitions with some of the strong. If poverty reduction is to reach the poorest, often linguistic minorities in remote rural areas, the problem is more difficult.

FUTURES OF SUCCESS, FUTURES OF FAILURE

The future outcomes of rural poverty could be worsened by matters not reviewed in this report, such as increasing war or civil violence, or worse-than-expected effects of AIDS or global warming. Conversely, competent and stable public policy in large countries with substantial mineral resources, such as Nigeria or D.R. Congo, could bring much larger and swifter falls in poverty than are now expected. We close, therefore, by looking 20-25 years ahead, and asking: what policies might then be needed to cope with the consequences of success or failure at dealing with rural poverty? How might policies put in place now make the task easier?

Success in reducing mass poverty in low-income countries initially depends on progress in farm yields and employment, and later on a transition towards employment-intensive non-farm products, alongside a fall in the number of people engaged in agriculture, and increasing urbanization. Improved small-scale agriculture in developing countries is essential for meeting immediate poverty reduction targets, and can contribute

decisively to the overall development process, including the emergence of quite new opportunities for income and employment in other sectors. It is a stepping stone to larger solutions, but it is not itself the whole solution.

Several East Asian countries, following breakthroughs in farming, have made the transition to broad-based non-farm growth. This tends to make urbanization faster, not slower, creating new problems, but problems that are more soluble because migration is spurred by rural success rather than by desperation.

However, widespread labour-intensive rural non-farm growth appears to have been central to East and South-East Asian success. We know that such growth is, in its early stages, fastest when there is demand, especially for consumer goods, from a not-too-unequal, fast-growing local farm sector. Such rural non-farm growth readily broadens to wider markets later. Hence, the strategies of labour-intensive technical progress, and wide distribution of land and human capital, not only reduce poverty in the short run, but also ease the transition from agriculture-based to more broad-based poverty reduction.³

What of the effect, 20-25 years hence, of failure to achieve rural economic growth or to translate it into widespread poverty reduction? Periods of faster growth, overall, are associated with faster poverty reduction, but there are big differences among countries in their success in turning growth into rural and urban poverty reduction. The failure of African rural poverty to fall is surely explained mainly by agricultural stagnation; recent exceptions to stagnation, such as Uganda, Ghana and parts of Ethiopia, appear to show some poverty decline too. On the other hand, India enjoyed faster growth in 1992-99 than in 1975-89, but much slower responsiveness of rural poverty to agricultural or overall growth, and hence slower rural poverty reduction. It is hard to believe, especially with the fertility transition so that poor rural

people have fewer and better-educated children, that the slowdown in rural poverty decline in India will continue if agricultural growth is maintained. It is, unfortunately, plausible however that poverty will persist in much of rural Africa if agricultural growth does not speed up, especially where land distribution is also very unequal.

This report documents great progress in the reduction of rural poverty, but shows a worrying slowdown and a failure to reach large areas. The sources of progress lie in getting assets, appropriate technologies and market access to the poor, and in their obtaining more influence on decentralized and national-level institutions. The poor themselves, NGOs and organizations such as IFAD have been instrumental in securing participation

by the poor in decisions on credit, farm technology, natural resources management and much else that affects their chance to escape poverty.

We are now at a turn in the road. Some of the old effective solutions, like classical land redistribution, the Green Revolution and irrigation expansion, have run into limitations. Yet the reasons these solutions were effective remain valid: the poor still need access to labour-intensive, security-enhancing assets and technologies. The institutions, the required local and global partnerships (linking the poor especially with scientists and with the private sector), and the market forms best suited to obtain such access for the poor, have changed. But the need for the poor to participate in their own emancipation remains the same.

Endnotes

- 1 Initially a country PRSP is a precondition for debt relief under the Highly-Indebted Poorest Countries Debt Initiative (HIPC DI), but will soon become a precondition also for loans from the Bank on aid terms (via the International Development Association, IDA), or medium-term support under the IMF's Poverty Reduction and Growth Facility, formerly the Enhanced Structural Adjustment Facility.
- 2 Sceptics argue that even 'partnership . . . is essentially a [way] for donors to become more intrusive . . . for a more effective, more collective enforcement of the liberalisation agenda' (Abugre 2000).
- 3 Perhaps that is why, even when agriculture has shrunk to 10-20% of GDP, differences among nations in farmland inequality continue to explain much of their variance in overall inequality (Carter 2000).