

Rural poverty REPORT 2001

THE CHALLENGE OF ENDING RURAL POVERTY



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FOREWORD

Poverty and chronic deprivation have long been a tragic aspect of human society. In the past this was often accepted with a sense of resignation, a sense of fatality that the poor will always be with us. Indeed poverty often served the interests of dominant social groups by assuring low-cost agriculture labourers and workers for off-farm activities as well as domestic service, to say nothing of supplying an inexhaustible and expendable source of recruits for warfare.

Compassion drove some to offer charity to the poor, particularly through religious institutions. But this was rarely enough to prevent deprivation punctuated by sharp famines.

Today perspectives on poverty have been transformed. The sheer scale of mass poverty – over 1200 million absolutely poor human beings condemned to short lives stunted by malnutrition, ill health and illiteracy – is no longer acceptable from either a moral or a realpolitik standpoint.

This new understanding is incorporated in the declaration made by world leaders at the Millennium Summit, in which for the first time in history, human society committed itself to reducing substantially – by half – the numbers in absolute poverty within a short period of time, by 2015.

I do not believe that the new consensus is merely a matter of rhetoric. In modern economies, large-scale poverty imposes an enormous economic loss, wasting the talents and energies of hundreds of

millions of men and women, diverted from socially productive activities that could create wealth for society to the struggle for mere survival. Even worse, in a world of interconnection and mobility, poverty poses a growing threat to social stability and civil order and acts as a reservoir for communicable diseases and a trigger for crime and strife. Nobody, rich or poor, can remain immune from the consequences.

Moreover, with the spread of participative governance and democracy, the fate of a substantial proportion of the population who are poor, in some cases the majority, cannot be ignored by society as a whole. The poor have to be recognized as individuals with rights and as potential agents of change who can themselves play an increasing role in determining social and economic outcomes. It is not a coincidence, as Nobel Laureate A. K. Sen has emphasized, that famines occur in dictatorships, not in democracies. The latter simply cannot allow mass starvation and are under growing pressure to respond to mass poverty.

Mass poverty hurts not only the poor but claims everyone as its victim. Its continuation is in no one's interest.

Today, this recognition underpins the will and commitment to end poverty, within nations and across them, reinforced by a growing understanding that poverty is neither natural nor inevitable. The experience of the last 30 years, for example in East Asia, shows what can be done. But there

remains considerable uncertainty about what are the best, most effective and rapid ways to end poverty and hunger, particularly in rural areas where the bulk of the poor live.

It is this theme that the Rural Poverty Report 2001 addresses.

The starting point is that poor groups should not be seen, as all too often they are, merely as a burden on society. Rather, the poor, especially women, are hard working and often effective microentrepreneurs, whether as smallholder farmers, herders, artisanal fishermen or in petty trades and crafts. If the conditions could be created for these small producers to become more effective in production and trade, poor groups could contribute significantly to achieving a higher and more sustainable pace of development, promoting not only economic growth but social cohesion. The empowerment of the poor is what many call this.

But such conditions will not come about easily or quickly. The legacy of history and the long marginalization of poor groups in terms of the distribution of land and other assets, in terms of institutions and of centuries of inequity in access to education, nutrition and health, create too great an obstacle.

These obstacles must be addressed and overcome if the challenging targets on poverty reduction are to be achieved. Acting directly on poverty means addressing the constraints that trap large numbers in poverty where they are, and in terms of how they earn their livelihood.

Some three quarters of the poor live in rural areas. According to projections, a majority of the poor will continue to be in rural areas well into the 21st century.

The rural poor depend primarily on agriculture and related activities for their livelihood. It would seem natural that to have a substantial effect on poverty, domestic investment and external assistance alike should focus on the rural areas where the poor live and on agriculture, the basis of their

survival. But the poor and the rural rarely have the same voice in decision-making as the better-off and the urban. Thus the proportion of official development assistance going to agriculture has fallen from about 20% in the late 1980s to about 12% today. Assistance to agriculture from international financial institutions has followed a similar path.

The declining support for agriculture is extremely damaging to efforts to reduce poverty and hunger. Food staples, cereals like wheat, rice, maize, sorghum and millet, and roots and tubers like yam and cassava are central in the rural poor's food economy and struggle for survival. Food staples provide the bulk of the output and income of the rural poor and are their main source of calorie intake. The urban poor also spend much of their incomes on purchasing food staples.

Thus, what happens to the output and yield of food staples has a large impact on poverty trends. During the 1970s and most of the 1980s, for example, food staple yields rose sharply and poverty declined rapidly. In the 1990s, on the other hand, food staple yield growth slowed down substantially, as did the rate of poverty decline. This failure to maintain the rate of growth of crop yields over the last decade is due to many causes. But certainly a major cause is the erosion of funding, for example for agricultural research, internationally at the level of the CGIAR institutions and domestically for research and extension services.

This neglect of agriculture, in terms of both international development cooperation and domestic resource allocation, must be redressed if we hope to achieve the challenging poverty targets of the Millennium Summit.

There are those who argue that what is required for poverty eradication is economic growth and that any effort to promote empowerment of the poor merely diverts energies and weakens the effort to accelerate growth. Certainly growth of production is vital. But for poverty reduction it is

equally important to ask, growth in whose hands? Increases in production by commercial farmers in well-watered areas, or indeed in urban manufacturing, are certainly welcome from the point of view of national income, food availability at the national level, and exports. But such increases may do little to reduce food insecurity and poverty for the millions of smallholder farmers and herders living in resource-poor areas. A rise in production in their hands will have a significantly larger impact on poverty than a comparable increase in the incomes of better-off groups. Growth, in the current idiom, needs to be 'pro-poor'!

Moreover in many poor countries, especially in sub-Saharan Africa, up to one half of the total population live below the poverty line. In these circumstances sustained growth can be achieved only by creating conditions in which poor groups, largely poor farmers, herders and so on, can increase their productivity and output. Empowering these poor groups is not a diversion from promoting growth. On the contrary, it is an effective, and perhaps the only, way of achieving sustainable growth.

Empowerment essentially means reversing the historical legacy of marginalization that traps large numbers in chronic poverty. Key elements of this include access to economic services as well as primary health and education, and the possibility of the poor organizing themselves, especially at local community level to project their views and interests and to gain a larger voice in decision-making on local resource allocation. The empowerment of the poor and their participation in local governance would also make more accountable the use of public resources that are spent in their name but often go astray for well-known reasons. Perhaps, rather than empowerment, we might say the emancipation of poor groups from the historic constraints that bind them in poverty. 'Man is born free, and everywhere he is in chains', said a French philosopher. Our task is to help the poor remove those chains.

If empowerment is crucial for the poor, it is doubly so for poor women. Even compared to their male counterparts, poor women have significantly lower access to education and health or to economic services like credit and extension. They have often been denied the right to hold title to land and have even less voice in community decision-making. Women in many countries produce a large part of food crops and undertake most food processing and preparation in addition to their family tasks. They are the real architects of household food security and yet they suffer disproportionately from poverty and hunger. Ending hunger and poverty must begin with enhancing women's access to social and economic services and decision-making.

But empowerment will serve little purpose if the material means for increasing production and incomes are not available to the poor. The Report looks at four central factors – assets, technology, markets and institutions – and examines policies and strategies that could strengthen the position of the poor.

In terms of assets, land and water rights are obviously the most critical for the rural poor and historically among the most difficult to change. Yet in recent years new approaches have been forged for agrarian reform using collaborative, sometimes market-based, approaches that often also involve NGOs. These need to be pursued. Access to water in the coming years will be even more problematic. Indeed competition for water is already emerging as a source of tension between groups, even between nations. Greater resources and new technologies have to be mobilized, together with the direct involvement of poor farmers, to bring about more equitable and sustainable solutions to the complex issues of water use and water stress.

Human capital, and the capacity to work, are among the most important assets the poor possess. Unfortunately, past deprivation has often left

them inadequately equipped in the skills required to deal with modern technologies and markets. Enhancing these skills and building the human capital of the poor is particularly important, as it would have a major impact on both their economic productivity and their human dignity, yet without affecting the assets of others, as might reforms in land and water rights.

By improving the productivity and sustainable management of land and water, technological advances offer the potential to address many of the obstacles that the lack of assets imposes on the poor. But there are two critical requirements for this. The technology must be relevant to the conditions of the poor and they must have access to it. At present neither is true in important respects.

Smallholder farmers in many parts of the world reach productivity levels that are only about one third of the potential yield under optimum conditions. Weak extension services that do not reach poor farmers, lack of competitive markets and suppliers for seeds, fertilizers and rural financial services, as well as weak output markets, limit both the possibilities of the poor in accessing better technology and their incentives for doing so. These conditions have been aggravated by the withdrawal of state-provided services, for instance for extension, under liberalization and adjustment programmes. In our own experience at IFAD, we have found that by building responsive extension services, sometimes in collaboration with the private sector and NGOs, financial services and input sources, quite remarkable increases in production and income can be achieved by poor farmers. Maize farmers in Tanzania, for example, doubled their yield by adopting better methods, seeds and fertilizers.

At the same time, the overall technological production frontier needs to be raised. Crops – and animals – which are more productive as well as pest- and drought-resistant, together with more effective land/water management methods, would

transform the situation facing millions of smallholder farmers.

In this context, advances in biotechnology are extremely promising. Unfortunately, current biotechnology research, as indeed pharmaceutical research, focuses on the crops and products relevant for the better-off, especially for large farmers in temperate zones who have the purchasing power to offer profitable markets. Poor farmers in poor countries rarely offer adequate market incentives to the agribusinesses that dominate biotechnology research. And so the research tends to bypass the needs of the poor, whether for crops and animals or for medicines for diseases of the poor. Public/private partnerships combined with tax and other incentives need to be developed to change this.

Markets now play an increasing role in the livelihood systems of the poor. As countries adopt policy approaches based on market forces, as government marketing and commodity boards are abolished, and as the rules on domestic agricultural trade are made more liberal, poor farmers are more fully exposed to the demands of markets and vulnerable to their volatility.

Very often rural producers have to sell cheaply during the glut that follows harvest and buy at higher prices in the lean season, thus losing both ways. Yet, if rural producers were able to organize themselves, gain access to up-to-date market information and better rural roads to help reduce transaction costs, the market would become a powerful ally in the effort to end poverty. As the discussion in this Report shows, a number of promising initiatives have been taken by IFAD and others in order to do precisely this. Much remains to be done but the way ahead is clear.

Institutions bring us back to the relationship of society to the poor. Institutions, meaning both organizations and rules, intermediate between the competing demands of different social groups. Inevitably those who control institutions, usually

the better-off, gain most in this process. Here again the issue is how to enable the poor to exercise a stronger role in both official and non-official institutions that affect their lives, especially at the local level. Progress in decentralization and devolution of authority to local institutions can sometimes be useful but only if poor groups are sufficiently organized to be able to take part effectively in such institutions.

New institutional approaches in developing financial systems for the rural poor, ranging from microfinance and village banks to reformed agricultural development banks and commercial banks, offer a wide and potentially exciting range of instruments that could open the door to saving, credit and insurance services to poor groups. Perhaps surprisingly, safe and locally accessible saving services are often considered by poor groups living in vulnerable conditions to be as valuable as credit facilities.

But decentralization and finance are just two examples of institutions relevant to the poor. Many others, including national and regional ones, also affect their lives in important ways. A wider transformation is required for the institutional framework to lead to a fairer distribution of the opportunities and benefits of economic growth. Here, NGOs and civil-society organizations could play a vital role. So far, however, only small halting steps have been taken.

The poor have long been with us. To end absolute poverty will require sustained efforts at various levels and strong partnerships among those working for this goal. The partnerships can be at the global level, as shown by the Millennium Summit Declaration, at the country level with national stakeholders and external partners acting together, and internally, with official agencies, the private sector and civil-society institutions collaborating to create conditions that emancipate poor groups from the legacy of the past and allow them to work their way out of poverty.

But the fundamental partnership, and ultimately the only one that counts, is with the poor themselves. They have the talents, the skills and the knowledge of their own environment. Moreover, the poor, especially women, have repeatedly shown the will and the capacity to grasp opportunities to better their lives and make their families and themselves less vulnerable.

Outsiders do not have to solve the problem of poverty. They only have to help remove the shackles that in the past have bound large numbers of their fellow human beings.

The Millennium Summit launched human society towards a noble and historic goal. I hope, and believe, that this Rural Poverty Report 2001 will make a significant contribution to this process, a process that will be of lasting importance to all of us in the coming decades.



Fawzi H. Al-Sultan
President of IFAD



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The preparation of the Report was overseen by a Steering Committee consisting of Mona Bishay, Eve Crowley, Sappho Haralambous, Gary Howe, Luciano Lavizzari, Jean-Louis Lawson, Bruce Moore, Atiqur Rahman (Coordinator), Takao Shibata, Klemens van de Sand and John Westley (Chair).

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