Assessment of Rural Poverty

EASTERN AND SOUTHERN AFRICA

Eastern and Southern Africa Division - Project Management Department
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Since its founding in 1978, IFAD has focused its efforts on poverty reduction in rural areas of the developing world. At that time, and for a number of years thereafter, IFAD’s voice was a rather lonely one in the international community. To the extent that poverty reduction was on the international agenda, it was generally believed that general economic development and favourable policy frameworks would be sufficient to lift poor nations out of poverty. During much of the 1980s, in Africa and elsewhere, “getting prices right” became the overarching theme for advocates of structural adjustment. In the late 1980s and early 1990s, as adjustment efforts stalled in many countries – sometimes exacerbating social tensions – and researchers began to detect differential impacts of adjustment on social groups, poverty problems became more visible and calls for social safety nets became more pronounced.

Yet it remained largely unappreciated that the poor could respond to appropriate incentives and become agents of growth but that they would also need interventions specially tailored to their needs. Safety nets were frequently regarded as either charity or a means of buying political stability. That poverty reduction should be the central theme of the economic and social development efforts of governments and the international community, and that it was potentially a very wise investment, was not yet acknowledged.

This changed in the latter half of the 1990s. The 1995 World Social Summit placed poverty reduction squarely on the global development agenda. The development community called for a halving of global poverty by the year 2015. Poverty reduction is now an overarching goal for governments and international donors, and its centrality was reconfirmed at the Millennium Summit in 2000. It is now generally acknowledged that growth can only be truly sustainable (economically, politically and socially) when poverty is explicitly taken into account.

Yet in some ways, IFAD’s voice is still a lonely one. While fully 75% of the world’s 1.2 billion poor live in rural areas, official development assistance (ODA) patterns fail to acknowledge this simple fact. While agriculture is the primary livelihood source for the rural poor, international financing for agricultural development declined by nearly 40% from 1988 to 1998. Only about 12% of total ODA is devoted to agricultural development. In the absence of increased recognition of where the poor live and how they make their living, and greater commitment to investing in agricultural and rural development, the international development goal of halving poverty by 2015 will not be met.
While investing more in the rural poor is necessary, understanding how to do it better is crucial. It can no longer be a question of outside experts deciding what is best for the poor and imposing predefined solutions on them. In working with the rural poor, I believe we must approach them with respect for their knowledge, beliefs and practices. We must always remember that a key element of human dignity for any individual is gaining control over major decisions that affect his or her welfare. The poor need to have this first if they are ultimately to attain the more tangible things the non-poor possess.

This report follows the IFAD *Rural Poverty Report 2001* launched last year. It is one of a series of regional poverty assessments prepared by the five regional divisions of IFAD’s Programme Management Department. The *Rural Poverty Report 2001* and each of the regional studies provide overviews of the major characteristics and underlying causes of rural poverty and identify opportunities for reducing it through strengthening the asset base of the rural poor. It is my wish that this report stimulate discussion on appropriate and effective means of addressing the needs of the rural poor in Eastern and Southern Africa. More importantly, I hope the report serves to galvanize action for coordinated and sustained efforts on the part of governments, civil society and donors to make the dream of an Africa without poverty a reality.

*Lennart Båge*

*President of IFAD*
Poverty in sub-Saharan Africa is great and increasing. It is particularly great in rural areas, where the majority of the population lives. Rural poverty can be decisively reduced, and rural areas can give impetus to economic development throughout the continent. For this to happen, there has to be more investment in rural change, and the rural poor have to be enabled to take control of their own destinies. This is a matter of material resources, but also of profound policy and institutional shifts. African countries have, in fact, been involved in precisely such changes – with regard to governance and economic organization. There is a palpable and growing commitment to poverty reduction; economic liberalization is quite advanced; and decentralization is an emerging reality. All of these are essential, but the transition remains incomplete – especially with regard to the challenge of enabling rural poor people to exploit new opportunities.

The preparation of this report began with the production of a regional poverty assessment for eastern and southern Africa, as an input into IFAD’s *Rural Poverty Report 2001*. In the context of the adoption of the Millennium Development Goals, the scope was expanded to address the principal issues and opportunities for rural poverty reduction. The discussion also outlined the contribution IFAD can make in catalysing national, regional and international efforts to enable rural poor people to overcome critical obstacles to sustained economic growth and development. Overall responsibility for the report lies with IFAD’s Eastern and Southern Africa Division (principally with the Director’s Office and Marian Bradley, with valuable inputs from Edward Heinemann). During production of the regional poverty assessment, IFAD benefited from the important assistance of staff and technical groups within the Food and Agriculture Organization of the United Nations (FAO) – particularly Alice Carloni of the FAO Investment Centre and Jan Slingenberg of the FAO Animal Production Service. Additional inputs were provided by Daphne Topouzis (HIV/AIDS), Tony Peacock (irrigation and water management), Christopher Cramer (marketing and labour markets), and Malcolm Hall (agro-ecology). John Sender provided comments on rural labour, and William Wint shared agro-ecological maps.

Development of a clearer understanding of the structural impediments to effective development assistance in the region was provided by a review of IFAD’s own experience in financing and helping implement rural development programmes over two decades. The strategic dimension of the report was enriched by discussions with a broad range of senior government officials from eastern and southern Africa during development of a
new wave of IFAD programmes, as well as by the country strategic opportunities papers (COSOPs) prepared by IFAD staff for all major partner countries in the region – in collaboration with governments, civil-society organizations, international development partners, and organizations of poor people. Last, but not least, the development of the positions expressed here was stimulated by constant exchange with IFAD’s multilateral and bilateral international development partners. Some of these partners have been undertaking similar exercises in understanding past accomplishments and failures, and in coming to grips with the implications of positive changes in the region that are too often overlooked. The final product is the sole responsibility of IFAD, but the emergence of the outlines of a broad consensus on what it will take to reduce rural poverty in Africa speaks for just how much constructive dialogue is taking place. The challenge is to put that gradually emerging consensus at the centre of a common action programme. This publication is intended as a contribution to that development – which must be pursued in the context of overall poverty-reduction strategies and sector-level discussion – as well as an indication of where IFAD will be focusing its efforts.

The conclusion of this report is that there is a real and present opportunity to work successfully with rural poor people to unleash a growth process in the economies of the rural poor themselves. It is this growth process that will drive poverty reduction. ‘Growth’ has had a poor reputation with regard to poverty reduction. It should not have. The issue is what sort of growth. Growth – accumulation of assets, increased productivity and expanding incomes – for the region’s smallholders, who are the majority of the region’s poor, will reduce poverty, especially if it also involves the most marginalized groups (particularly rural poor women). It simply must be pursued much more actively. Governments and the international community have paid great attention to improved social services. This is essential. But what is also essential is attention to overcoming the obstacles faced by the rural poor as producers, as economic agents. This is an area that has been neglected – partly, but only partly, as a result of the disappointing results of much rural development assistance in the past.

The international, regional and national environment confronting the rural poor has changed. Not least among these changes is the growing importance of the market as the structure within which rural poor people must make their living. The prime challenge is to help them establish the basis for getting more into and from the market. It is on this issue that IFAD’s own strategy will focus – in its direct operations and in its catalytic role in mobilizing the efforts of others in order to help the poor overcome obstacles to a growth sustainable by themselves. The strategy involves: improving rural poor people’s access to and management of basic productive resources, especially land and water; building effective and equitable market linkages; developing rural financial systems accessible and relevant to the poor; and forging new technology and information systems – systems that enable poor people to develop knowledge to make the most of the resources they have. These are not just IFAD’s objectives. They lie at the heart of the smallholder growth
problematic – as experienced by poor people themselves. They must be the common concern of all those committed to enabling the rural poor to overcome their poverty.

Making a difference will involve partnerships that mobilize the resources of governments, the private sector, the rural poor and international development groups. It will involve influencing policy to provide a more hospitable environment for the economic initiatives of the poor – at the national and international levels. It will involve major material investments to create a firmer platform for those initiatives. Above all, it will involve empowering the rural poor to develop the institutions necessary to pursue their own interests: to manage their own resources and collective action, and to negotiate better relations with governments and the private sector. The reasons for the failure of many rural development efforts are not difficult to identify: inattention to an institutional and policy environment in which the poor can effectively pursue their economic growth objectives, and definition of the rural poor as the objects rather than the subjects of development. Much needs to change. But much already has. The transition has started. It needs to be completed. There is no compelling reason why so many of the region’s rural population live in extreme poverty. The poor do not want poverty. Governments do not want it. The lineaments of a solution are clearly visible. A firm political and material commitment on the part of governments and increased support by the international community can make a decisive difference. They must.

Gary Howe
Director
Eastern and Southern Africa Division
**ABBREVIATIONS AND ACRONYMS**

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AFRACA</td>
<td>African Rural and Agricultural Credit Association</td>
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<td>ASIP</td>
<td>Agricultural-Sector Investment Programme</td>
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<td>BSEJP</td>
<td>Belgian Survival Fund Joint Programme</td>
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<tr>
<td>CARE</td>
<td>Co-operative for Assistance and Relief Everywhere</td>
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<tr>
<td>CBO</td>
<td>Community-Based Organization</td>
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<tr>
<td>CDF</td>
<td>Comprehensive Development Framework</td>
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<td>CGIAR</td>
<td>Consultative Group on International Agricultural Research</td>
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<td>COSOP</td>
<td>Country Strategic Opportunities Paper</td>
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<td>DANIDA</td>
<td>Danish International Development Assistance</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>FLM</td>
<td>Flexible Lending Mechanism</td>
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<td>GTZ</td>
<td>German Agency for Technical Cooperation</td>
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<tr>
<td>HDI</td>
<td>Human Development Indicator</td>
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<td>MFI</td>
<td>Microfinance Institution</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>PRSP</td>
<td>Poverty-Reduction Strategy Paper</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperative</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>UN</td>
<td>United Nations</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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THE GLOBAL CHALLENGE

About 1.2 billion people, one fifth of the world’s population, live in poverty so extreme that they cannot meet their basic needs. Chronic hunger, malnutrition and susceptibility to disease almost always accompany such extreme poverty, and it is very evident that in sub-Saharan Africa poverty is a major factor contributing to both the spread of HIV/AIDS and the failure to contain it. About 75% of all very poor people live in the rural areas of developing countries. IFAD continues to be the only international development institution with an exclusive focus on the rural poor and their opportunities to escape from poverty through their own social and economic development.

The World Summit on Social Development held in Copenhagen in 1995 was the watershed event that led the international community to the goal of halving the proportion of people living in extreme poverty by the year 2015. This is not a rhetorical goal, but the yardstick against which governments and development agencies are measuring themselves. IFAD, of course, is among them. The reduction of poverty has been its principal goal since it began operations in 1977.

In the context of declining real levels of official development assistance, this is an ambitious goal. The problem is not only the diminishing amount, but where it goes. The tragedy of aid is that it has often lost its way in terms of where the poor are and what they do to make a living. Most of the poor in eastern and southern Africa live in rural areas and farm for their food security and income. But assistance for poverty alleviation – among governments, donors and multilateral institutions – has veered away from rural areas and away from agricultural livelihoods. This movement should be stopped – and reversed.

Everywhere, economic life is increasingly determined by private investment and private exchange within a global system of trade and finance. Governments and their partners can seek to create the conditions for insertion of local economies into this system, but local wealth and well-being are still ultimately determined by the market. What is true for the globalizing economic system as a whole is also true for underdeveloped poor areas. Truly substantial and sustained reductions in poverty will only take place where there is a leap in private investment – local, national and international. But the issue is not just investment; it is also influence and power. Different forms of development within the global system reward different groups – and politics and policy play a key role in advancing particular interests. The answer to poverty is not only greater investment, but also the creation of a situation in which the rural poor exercise a much greater direct voice in the development of new economic, social and political relations.
Sustained development will be based on civil society and the private sector and on new roles for government. Official development assistance to reduce poverty in developing countries is also essential in order to:

- promote an enabling policy environment for pro-poor growth;
- assist the development of institutions accountable to the poor and capable of delivering relevant, accessible economic and social services; and
- increase the availability of the physical and human resources needed (including infrastructure) so that poor people can develop better and more sustainable livelihoods.

The challenge to the development community is to assist the emergence of new types of economies in which the poor build their livelihoods upon access to resources through market-based systems of exchange and through their own direct management of economic and social relations. This is the transformation that many developing countries have embarked upon in the last decade or even earlier. Some have succeeded. Some, particularly in eastern and southern Africa, have not, remaining suspended in a paradoxical state, a situation of transition without decisive, positive change. Rural economic systems appear frozen – neither effectively state-directed and serviced, nor organized on the basis of developed and well-functioning private markets for goods and services – while much of the rest of the world changes. The dynamic of transition has to be re-established: in a rapidly evolving global economy, stagnation means decay.

Recapturing the dynamic of change will create new opportunities, but it will also raise—audely—issues of equity. Some of the rural poor are not making it, and will not. For these, the elaboration of safety nets embedded in real community and national capabilities is essential. However, very many can make it—at least to the modest ‘graduation’ from extreme poverty defined in the 2015 targets. Vulnerability is high, but in many cases the answer is not a safety net, but focused assistance to poor people to improve their livelihood systems in order to exploit new opportunities and reduce the risk of individual and collective crisis. This can be done. The mechanisms are well known; the lessons of four decades of development assistance have not been lost.

Poverty produces dysfunctional societies and the breakdown of civil order, with huge social and economic costs, not only for those directly involved but also for the international community at large. Conversely, rural development can contribute significantly to national growth processes and can substantially alleviate urban tensions through reducing pressures to migrate. Nowhere is the challenge greater than in sub-Saharan Africa. Malnutrition is increasing and, according to IFAD’s Rural Poverty Report 2001, the rate of poverty reduction would have to increase six-fold to meet the 2015 target. It can hardly be accidental that this is a region that has also witnessed tragically high levels of internal and even international conflict.

The need in eastern and southern Africa is great. But can there be sustainable responses to rural poverty? Yes, there can.
**Prospects for Rural Development in Eastern and Southern Africa**

Poverty in the region is still predominantly a rural phenomenon, and rural livelihoods continue to revolve around agriculture and allied activities. Development of the agriculture of the poor will be the principal available avenue of poverty reduction for some time. Against a background of miserable overall agricultural performance in the last three decades, the challenge of rural poverty reduction appears daunting: simple projection of past trends is terribly discouraging. Lack of success breeds donor fatigue and a thirst for new approaches offering the technical or methodological ‘fix’ that will solve apparently insuperable problems, often outside the rural world altogether. This pessimism is misplaced. Certainly, more of the same will not improve the condition of the rural poor, but there is the possibility of constructing a quite new future.

Reflection upon the low agricultural yields regionally, and low labour productivity internationally, suggests that there are, in fact, major opportunities for expansion of production and income – if persistent obstacles to growth are overcome. The use of modern inputs is extremely low in the smallholder sector, and this is a major factor explaining low levels of productivity. The modernization of means and techniques of production among the poor lies at the heart of the poverty issue. In order to gain access to these modern inputs, smallholders will have to enter more fully into exchange – i.e. into the market.

**Prospects for transformation.** There is no ‘subsistence path’ to development for the rural poor, just as there can be no sustainable development path that does not involve smallholders paying their own way in improving their productive capacity. At present, a large percentage of modern producer goods have to be imported. Given the limited size of the modern chemical and engineering sectors within the region, and the very limited ability of non-agricultural sectors to establish a positive balance of external trade, any expanded access of smallholder agriculture to modern inputs will have to be underwritten by its own positive trade balance. Clearly, there are important opportunities to expand production in order to satisfy rural and, increasingly, urban food requirements at local, national and regional levels. But the challenge of productivity requires the technical and organizational modernization of small-scale agriculture, involving access, on a direct or indirect exchange basis, to inputs produced elsewhere. This is the economic bottom line.

At first glance, this elementary truth is extremely discouraging. The region’s participation in international agricultural trade is small, and the region has lost shares in the markets for its traditional export commodities (for example, coffee and cotton). However, this situation of trade marginality is by no means inevitable. Small farmers in the region ‘lost out’ in the development of the international agricultural trade system at the end of the nineteenth century and the beginning of the twentieth. A large part of the explanation for this lay in political and institutional factors: the forces that dominated the region had little or no interest in developing the smallholder systems in which the bulk of production took place. Indeed, colonial history is replete with examples of the deliberate restriction of smallholder production and its subsumption under the interests of the mining sector or of settler agriculture. It can be argued that the period of agricultural expansion for important other areas of the developing world was
a period of involution for much of the region’s smallholder agriculture – a sort of underdevelopment by design.

Notwithstanding this, much of the region seemed poised for an agricultural take-off during the commodity boom of the second half of the 1950s, linked to and following the Korean War. Export agriculture had acquired some dynamism, infrastructure had improved and urban services had attained a certain level of effectiveness and efficiency. This chance, in turn, was lost – partly as a result of the protracted process of economic and political realignment linked to independence. For much of the region, the rural situation of the late 1950s-early 1960s remains the level to beat even today.

Arguably, these historic ‘failures’ did not reflect economic fundamentals. Very important opportunities remain for smallholder agricultural growth through normal articulation of this agriculture into international trade. The very minimal use of productivity-enhancing inputs would enable windfall gains from the high marginal return on technological improvement at the beginning of its adoption curve. It is certainly true that the trends in international agricultural commodity prices are down-sloping, but it is also true that this does not necessarily involve downward pressure on net incomes among smallholders if, at the same time, there is a process of technical and organizational change substantially reducing costs.

Structural changes in global agriculture. The position of the region in world trade will depend upon the rapid transformation of regional conditions of production and trade. It will also depend upon developments in the major agricultural exporting and importing countries. Here it is possible to discern two shifts that may be of great importance for eastern and southern Africa: a decline in subsidies to the large-scale agricultural production systems of the developed countries (which continue to play the dominant role in world trade); and, possibly, the emergence of obstacles to continued reduction of unit costs in those systems.

The first phenomenon is well-known for its potential alleviation of downward price pressures. But at the same time, it has engendered greater pressure to reduce production and processing costs in developed countries – hence the emergence of new techniques of production and the biotechnology phenomenon. Indeed, it is arguable that ‘developed’ agriculture is entering a new phase of its existence, with the biotechnical revolution succeeding the mechanical-engineering and chemical revolutions. The success of the biotechnical revolution is by no means assured – for both technical and consumer-acceptance reasons. It is not inconceivable that relative blockage of the biotechnology revolution (as well as the increasingly environmental approach to the countryside in developed countries) may give rise to an active search for conditions under which conventional technologies may be employed more profitably. In eastern and southern Africa, low labour costs may give a new lease on life to the competitiveness of these technologies (it being understood that labour costs in the region could rise substantially without it losing its status as a low-labour-cost area). Given the strong linkages between primary production and input suppliers and output processors in developed agriculture, it is also not inconceivable that such a search could actually be promoted by major private-capital
MEETING THE 2015 TARGETS

concentrations in the agricultural sector. This process is, in fact, already taking place in
the region, albeit more notably as a result of the penetration of the South African
agribusiness complex than as a result of intercontinental globalization.

While there are opportunities for international expansion of the basic staples of the
region, there are also opportunities for responding to the diversification of international
demand (driven by developed-country markets) and opportunities for south-south
trade. Kenya, in particular, has already established a position in the production of fresh
fruits and vegetables for the international market, and it is clear that other areas could
participate, particularly in labour-intensive areas of production. This could happen
through the export of low-paid agricultural employment to the south, analogous to the
export of low-qualification industrial processes. In relation to south-south trade, there
are substantial opportunities for export of pulses and legumes across the Indian Ocean.
And there remains the possibility of a revival of traditional agricultural exports on the
basis of recapturing lost market share. On national and regional levels, an expanding
urban population represents significant market potential – as does a growing de facto
regional agricultural trade (e.g. Mozambique and the United Republic of Tanzania with
Malawi, and Zambia with the Democratic Republic of The Congo).

The point is not to offer a detailed analysis of markets but to indicate that if produc-
tion for exchange will be central to the smallholder future, there may also be major
opportunities as smallholders in the region begin to successfully address the structural
obstacles that effectively blocked their development in the past. These obstacles lay not
so much in culture, ecology or technology as in the political economy, with the defin-
ning dimension of smallholder conditions being not small production but small power.

Improvement necessitates change. These opportunities will not be equally accessible
to all. In some parts of the region, opportunities for intensification are extremely lim-
ited. And in the higher-potential areas, significant but variable percentages of the pop-
ulation have such restricted assets that there are very proximate absolute ceilings for
improvement. In this regard, smallholder production is not a direct basis everywhere for
major increases in production and income (which is not to say that important increases
in household food security cannot be achieved). An important avenue for increases in
rural income will be through the indirect effects of agricultural intensification among
smallholders, particularly through improvement of the market for rural labour.

The current limits of smallholder improvement have given rise to a certain attention to
the exploitation of independent off-farm activities. These certainly exist, but it is also the
case that opportunities for both small enterprise and employment in larger enterprises will
tend to vary positively and directly with the success of agricultural intensification. That is,
successful intensification will raise demand for on-farm labour – and will also be the basis
for a rapid expansion in ancillary handling, processing and service activities. The most
viable rural development vision is one in which successful intensification generates higher
income among direct producers, raises demand for on-farm labour and drives the expan-
sion of off-farm enterprise and employment. In more marginal areas (where a small
minority of the rural population is situated), on-farm production for food security can be
increased – with cash income being derived more from traditional livelihood strategies of labour migration. The development of more sustainable and better rural livelihoods will require structural change.

**Macro-micro linkages.** Rural poverty reduction is not just about local-level programmes. It requires supportive macro- and meso-level policies, including policies that favour equitable trade in agricultural commodities at national and international levels. Existing institutions often need to be reformed to make them more responsive to the needs of the poor, and in some cases new institutions need to be created, particularly at the grass-roots level. Recognition of the importance of policy is not new. What is less often recognized is that the positive impact of macro-policy on poverty is necessarily weak unless it reflects and addresses the concrete conditions of the poor and actually answers to the poor as members of the political, economic and social constituency.

With responsive support mobilized through relevant development stakeholders, and in the context of appropriate macro-level policies, the poor can – and do – produce more, grow enough food to feed their families, or earn cash to buy it, and still manage to build up their assets. Africa’s rural poor are not passive. They initiate, innovate and take responsibility for their own well-being. Poor African farmers, artisans and traders are changing how they produce and how they relate to markets, and in some areas there has been real improvement in rural livelihoods. The change is not fast enough, and many achievements are threatened by the disease and civil strife that are themselves the products of poverty. Reaching the 2015 targets will involve more assistance. It will also require developing and sharing knowledge with all stakeholders – not just ‘know-how’ knowledge, but policy knowledge. It will require partnerships in which the traditional development coalition – developing-country governments, bilateral donors and multilateral institutions – plays less of a leading and more of a facilitating role, enabling and supporting the initiatives of the poor, civil society and private capital.

Partnerships have to be focused. They must have a common objective and should build on the comparative strengths of their members. An essential starting point is the concrete configuration of the common ‘problem’ at the global level and at local levels. At the global level, the configuration is commerce and the production of commodities. No local development is likely to take place outside the rules of that game. On the local level, strategic partnership development must start with a basic appreciation of who the rural poor are – and what challenges and opportunities they confront in their day-to-day lives.

**Poverty reduction as a social, economic and political process.** Making a substantial impact on rural poverty is a real possibility in eastern and southern Africa. It will require more resources and better ways of using them. Just as important, it will require a bolder approach to the policy and institutional obstacles that turned hope into fatigue in the past. Not only an economic adventure, but also a social and political adventure. More money – but more money where there is a national commitment to creating the social, political and economic framework conditions for real change in opportunities for the poor. Such a change builds on the strengths that have allowed rural poor people to survive as independent, self-sustaining communities and households in spite of the many sins of omission and commission that have been visited upon them.
Elements common to almost all situations of rural poverty in the region are low levels of small-farm and rural-enterprise assets and capital, low levels of labour productivity among the poor and extremely unequal market relations. The primary goal of all IFAD programmes is the economic empowerment of the rural poor to address and overcome these constraints. In pursuing this, IFAD well understands that there are assets in the human, social, natural and physical areas, in addition to the economic and production areas, that need to be taken into account and strengthened. For example, in the human and social spheres, health, education, and civil-society organizations are critical factors in helping people engage effectively and efficiently in productive activities and take advantage of economic opportunities. Social empowerment is thus a building block in economic empowerment and vice-versa. The road to empowerment runs through institutions and organizations that are more responsive to the poor – and that are sometimes directly built and controlled by them. Poverty reduction is not just about production. Nor is it just about food. It is about a change in social existence.
WHERE ARE THE POOR?

The region is made up of 21 countries with a total population of about 350 million. About 260 million live in rural areas (73%), and more than half of them live in extreme poverty. About 145 million people in the region were living in poverty in 2000. In the majority of countries, 40-50% of the population is living below the national poverty line, with the exception of the small island countries of Seychelles and Mauritius. National poverty ranges from a low of 11% of the population in Mauritius to a high of 70% in Madagascar. In the countries for which dollar poverty data is available, nearly half of their populations have per capita incomes of less than USD 1 per day. The percentage of the population below USD 1 is highest in Zambia (85%), Madagascar (72%) and Uganda (69%), whereas in South Africa it is under 25%.

### Table 1: Prevalence of Poverty by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>% of Population &lt;USD 1/day</th>
<th>% of Population &lt;USD 2/day</th>
<th>Year</th>
<th>% below National Poverty Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>35</td>
<td>65</td>
<td>97</td>
<td></td>
</tr>
<tr>
<td>Botswana</td>
<td>74</td>
<td>55</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>Burundi</td>
<td>60</td>
<td>66</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>Comoros</td>
<td>72</td>
<td>78</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Eritrea</td>
<td>72</td>
<td>74</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>42</td>
<td>78</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>50</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Lesotho</td>
<td>72</td>
<td>74</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Madagascar</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>50</td>
<td>72</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>72</td>
<td>74</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>72</td>
<td>74</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Seychelles</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Swaziland</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>42</td>
<td>49</td>
<td>93</td>
<td></td>
</tr>
</tbody>
</table>
Even though the proportion of the population in rural areas is expected to drop by the year 2030, the absolute number of people living in the countryside is expected to increase by about 30% by that same year, reaching some 338 million. Rural poverty will not go away as a result of urbanization (although urban poverty may rise as a result of rural poverty), and without serious, concerted efforts, the absolute numbers of rural poor will almost certainly increase.

Fifteen countries in the region are in the low-income category, with per capita incomes ranging from USD 110 in Ethiopia to about USD 470 in Zimbabwe (latest estimate). These are the countries with the most concentrated rural poverty in the world, and where the least progress is being made to achieve the 2015 targets. They are also the countries in which IFAD concentrates its development assistance in the region.

Six countries have annual per capita incomes in the USD 1 500-6 900 range, which, by World Bank criteria, places them in the category of middle-income countries. These figures do not signify the absence of extreme poverty (rural or urban); they hide enormous disparities between different social groups, with some living at levels similar to those in industrialized countries while others are little better off than the people in other sub-Saharan countries.

### Table 2: Importance of Agriculture to National Economies

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>7.8</td>
<td>75</td>
</tr>
<tr>
<td>Botswana</td>
<td>4.2</td>
<td>46</td>
</tr>
<tr>
<td>Burundi</td>
<td>52.1</td>
<td>92</td>
</tr>
<tr>
<td>Comoros</td>
<td>38.7</td>
<td>77</td>
</tr>
<tr>
<td>Eritrea</td>
<td>11.2</td>
<td>80</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>50.0*</td>
<td>86</td>
</tr>
<tr>
<td>Kenya</td>
<td>29.7</td>
<td>80</td>
</tr>
<tr>
<td>Lesotho</td>
<td>11.0</td>
<td>40</td>
</tr>
<tr>
<td>Madagascar</td>
<td>33.8</td>
<td>78</td>
</tr>
<tr>
<td>Malawi</td>
<td>44.2</td>
<td>87</td>
</tr>
<tr>
<td>Mauritius</td>
<td>9.4</td>
<td>17</td>
</tr>
<tr>
<td>Mozambique</td>
<td>34.9</td>
<td>83</td>
</tr>
<tr>
<td>Namibia</td>
<td>13.6</td>
<td>49</td>
</tr>
<tr>
<td>Namibia</td>
<td>37.8</td>
<td>92</td>
</tr>
<tr>
<td>Seychelles</td>
<td>4.0</td>
<td>11*</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.4</td>
<td>14</td>
</tr>
<tr>
<td>Swaziland</td>
<td>12.5</td>
<td>39</td>
</tr>
<tr>
<td>Tanzania</td>
<td>46.2</td>
<td>84</td>
</tr>
<tr>
<td>Uganda</td>
<td>49.5</td>
<td>85</td>
</tr>
<tr>
<td>Zambia</td>
<td>18.7</td>
<td>75</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>17.1</td>
<td>68</td>
</tr>
</tbody>
</table>

Source: World Bank CD ROM and FAOSTAT

* Estimates
Some important conclusions emerge from the comparative review of World Bank data on the distribution of poverty by administrative areas within countries:

- the majority of the rural poor are concentrated in densely populated areas;
- although the remote regions with marginal agricultural resources are poorer than other regions, these have a relatively low population and hence account for a relatively low proportion of total poor people in most countries; and
- due to historical circumstances, the majority of the poor in Botswana, Malawi, Namibia and Zimbabwe are found in areas with low agricultural potential, but elsewhere in the region, the majority are in areas with moderate to high agricultural potential.

Overall, rural poverty accounts for 83% of the total extreme poverty in the region, and about 85% of the poor depend on agriculture to a greater or lesser extent for their livelihood. Rural livelihoods are often complex and multisectoral, but for the foreseeable future agriculture will remain the principal (but not exclusive) economic activity. This situation to some extent differentiates the region from other areas in which rural livelihood diversification is much more advanced. Even in countries of the region in which agriculture is small in relation to overall GDP, it accounts for a predominant share of national employment. In Lesotho, for example, agriculture represents only 11% of GDP, but it employs 40% of the total labour force. In the ten countries in which 30% or more of GDP is generated by the agricultural sector, about 85% of the labour force earn their living from agriculture.

What is the Natural Resource Base?

About 38% of the land base of the eastern and southern region is desert, arid or semiarid. Of the remaining 62%, just under half can produce one rainfed cereal crop per year, while the other half could be highly productive. According to research conducted by IFAD for its Eastern and Southern Africa Regional Assessment, which was completed in mid-1999 (with inputs from the Food and Agriculture Organization of the United Nations (FAO)), no less than 86% of the rural population live in this 62% of the land area with medium to high potential for increased production. Most of Africa's rural poor do not live in truly marginal agro-ecological zones, least of all in deserts.

The most productive agricultural areas of the region are in the moist subhumid and humid climatic zones. The mountainous areas have more rainfall and are more productive. Small farmers grow cereals such as wheat, barley and maize in the highlands of Ethiopia and Kenya, and these areas support relatively dense populations. Lower-altitude areas in this moister zone support root crops, plantain and coffee, while in the coastal areas, coconut, cashew, root crops and fishing are the main sources of livelihood.

The high-rainfall and potentially highly productive areas include more than half of Uganda and Rwanda, and quite large areas in Ethiopia, Kenya and Madagascar. These areas support tree crops such as coffee, palm oil and cocoa, as well as bananas, rice and sugar cane where the temperatures are suitable. About 54% of the region's poor live in these areas.

The dry subhumid climate zone includes vast savannas at varying altitudes, where rainfed cereal production dominates the cropping system. At altitudes of 1 000 m or more,
the savannahs provide relatively cool temperatures (for the tropics) and allow a variety of crops. In their moister areas, the savannahs support a maize-based mixed farming system, giving rise to the great maize belt of the region, which takes in large tracts of Angola, Kenya, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. About 32% of the region’s rural poor live by these maize-based farming systems.

The marginal arid and semi-arid climate zones of the region hold 14% of the total of extremely poor people. Typically, they are pastoralists or agro-pastoralists that combine livestock production with cereals requiring little rainfall, such as millet and sorghum, or in slightly less arid areas with marginal maize and cotton. This is the production system in areas of southern Ethiopia and northern Kenya, for example.

All of the areas with enough rainfall for at least one good cereal crop could produce far more than they do at present, even taking into account the poor soil conditions frequently encountered. A classic example of poor farming families in areas with high potential are the smallholders in the Great Lakes areas of Burundi, Rwanda and Uganda. Many parts of these countries have two rainy seasons and temperatures that allow cropping most of the year. But even so, small farmers barely eke out a living.

This paradox of poverty in the midst of significant production potential is not limited to such favoured areas as those around the Great Lakes. A striking example comes from Zambia, where conditions are far less favourable. The gross national average yield of maize per hectare in Zambia is about 1.3 tonnes (t)/ha; farmers who have slightly larger holdings and good managerial skills obtain 4.5 t/ha. Under field trials using the best hybrid varieties and appropriate fertilizer treatments, with timely management of key processes such as planting and weeding, maize yields can reach 9-13 t/ha. In Zimbabwe, too, the maize yields obtained by the better smallholders are double those achieved by the average smallholder. This is not a comparison of research station results with what farmers achieve – this is a comparison among real-world farmers themselves.

Many of these production systems have to cope with major problems of soil fertility and variable rainfall – but these problems have not been found to be technically insurmountable in other parts of the world – or, indeed, within the region (by large-scale farmers). Without minimizing the issues that have to be overcome to grasp this potential, an important opportunity does exist. Improved agricultural production will not, in most cases, be the basis of great household wealth. But the agricultural economy can provide a firm basis for better food security among the poor; can be the basis of

<table>
<thead>
<tr>
<th>Climate Zone</th>
<th>Area km$^2$ (million)</th>
<th>Population (million)</th>
<th>Share of Area</th>
<th>Share of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arid and semi-arid</td>
<td>3.7</td>
<td>36</td>
<td>38%</td>
<td>14%</td>
</tr>
<tr>
<td>Dry subhumid</td>
<td>3.0</td>
<td>76</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Moist subhumid and humid</td>
<td>2.9</td>
<td>148</td>
<td>31%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.6</strong></td>
<td><strong>260</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: FAO databases. Urban populations and areas are excluded.
improved and sustainable access to improved health and educational services; and can stimulate other sectors capable of attaining much higher labour productivity and income in the medium-to-long term. Smallholder agriculture in the region is not the final answer to growth, but it is the current basis of livelihoods. The potential for its improvement represents the most immediate practical opportunity to reduce rural poverty and stimulate broad-based growth processes.

**What is the Economic Base of the Rural Poor?**

**Poverty and Subsistence Agriculture.** Not simply agriculture, but smallholder agriculture, is by far the main income and livelihood source of the rural poor in eastern and southern Africa. Whereas informal-sector activities are the main income source of the urban poor, the rural poor are likely to rely on smallholder agriculture. Subsistence farmers are much more likely to be over-represented among the poor and ultra-poor than households whose main income source is wage employment outside the agricultural sector. Within the agricultural sector, subsistence farmers are poorer than cash-crop farmers, who in turn are poorer than households with regular off-farm employment. For example, in Tanzania, agriculture (including crops, livestock and wage labour) is the main income source of 96% of the households in the bottom income quintile compared to only 62% among households in the upper quintile.

**Poverty and Market Access.** The incidence of poverty tends to be high in areas with poor physical market access. In Tanzania, households within 100 metres of a gravel road, passable 12 months of the year with bus service, earn about one third per capita more than the average. In Zambia, almost half of the rural population is located ten or more kilometres from the nearest food market and approximately 33% of the poor are located more than 20 km from the nearest market. In Mozambique, isolation is perceived by farmers as the main cause of poverty.

### Table 4: The Rural Poor by Production System

<table>
<thead>
<tr>
<th>Climate Zone</th>
<th>Production System</th>
<th>Poor People (million)</th>
<th>Share of Rural Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arid and semi-arid</td>
<td>Pastoral</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>Agro-pastoral millet/sorghum</td>
<td>5</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Marginal maize/livestock/cotton</td>
<td>9</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>18</strong></td>
<td><strong>14%</strong></td>
</tr>
<tr>
<td>Dry subhumid</td>
<td>Maize-based mixed farming</td>
<td>42</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>42</strong></td>
<td><strong>32%</strong></td>
</tr>
<tr>
<td>Moist subhumid and humid</td>
<td>Mountain wheat/barley/livestock</td>
<td>15</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>Coastal coconut/cashew/root crops/ fishing</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Root-crop-based systems</td>
<td>22</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Banana/root crops/coffee</td>
<td>27</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>70</strong></td>
<td><strong>54%</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>130</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Poverty and Cash/Food-Crop Production. Only a limited number of surveys have compared the prevalence of poverty among cash-crop and food-crop producers. In Kenya, Tanzania and Uganda, where agricultural prices and trade have been liberalized, producers of export crops tend to be better off than producers of food crops. In Tanzania, poverty is higher among subsistence farmers than among cash-crop farmers. In Kenya, 47% of subsistence farmers are below the poverty line, compared to only 31% of cash-crop farmers. In Malawi, the income of smallholder burley tobacco growers is more than double that of food-crop growers in the poorest regions. While real concerns have been raised about the impact of cash-crop production on nutrition standards, cash-crop producers are systematically better off than subsistence or food-crop producers. The implications of this for poverty alleviation strategies are often insufficiently appreciated.

Poverty and Ownership of Land and/or Livestock
Poverty tends to be concentrated in households with farm sizes under 1 ha, and especially under 0.5 ha. However, generalizations are difficult due to wide variation in land productivity by agro-ecological zone. For example in drier areas, average smallholder farm size is larger, sometimes reaching 5-8 ha, but low land productivity under conditions of limited rainfall means that these farms may not even cover household subsistence needs. In most countries, poverty increases among the rural population with decreasing land per capita. In Malawi, over 40% of smallholders cultivate less than 0.5 ha, with an average farm size of 0.28 ha. The areas with the smallest average farm size have the highest poverty, and poor households are much more likely to have farm sizes of less than 1 ha than households with income above the 40th percentile.

Because of the prevalence of tsetse infestation in the humid tropical parts of the region, and its build-up in game parks, vast areas are unable to keep cattle. In such zones, livestock ownership is a poor predictor of wealth and poverty. In tsetse-free areas such as the maize-growing highlands and semi-arid lowlands, poverty is strongly associated with lack of livestock and especially lack of draught oxen. In Malawi, smallholders own few livestock, but ownership is positively correlated with income. The average number of heads increases as income deciles increase. For instance, cattle ownership is three times higher in the highest income quintile than in the lowest. In Zambia, in regions where cattle cannot be kept because of tsetse, cattle ownership is not correlated with wealth, whereas in the tsetse-free southern part of the country, cattle ownership is the principal determinant of well-being and is synonymous with wealth. In Tanzania, there are three major livestock regions: the arid and semi-arid lands and the plateaux, whereas the coast has no cattle due to the tsetse challenge. Within each region, the upper deciles of rural households have more livestock than the lower deciles, but the relationship does not hold across regions.

Characteristics of Poverty at the Household Level
Household consumption surveys as presented by the World Bank are unanimous in concluding that poverty increases with increasing household size. Households with a
high number of mouths to feed relative to the number of income earners are over-represented among the poor. In more developed economies and in urban areas, households headed by the elderly tend to be over-represented among the poor. In rural areas, the effect is less evident. A possible interpretation is that older men in rural areas continue to control the land and livestock up to the age when sons marry and set up independent households. Household heads with little or no education tend to be poorer than those with some education; most of the former are concentrated in rural areas and tend to be older.

Throughout the region, a relatively high percentage (25-60%) of rural households are headed by women, either de jure (widows, single, divorced or separated women) or de facto (wives of male migrants). There is substantial agreement that woman-headed households are disadvantaged in their access to land, livestock, assets, education, health care, credit and extension services. However, there is less agreement about whether woman-headed households are over-represented among the poor. Qualitative studies based on participatory techniques consistently conclude that households headed by widows, single, divorced or separated women are over-represented among the poor, whereas those headed by wives of migrants are less likely to be poor. However, household budget surveys often conclude that woman-headed households are no more likely to be poor than other households or are even likely to be slightly better-off than other households, except where associated with high dependency ratios.

**Poverty and Labour Migration.** The poor see labour migration as an important livelihood strategy and consider migrant members to be an integral part of the household economy, whereas consumption surveys tend to treat migrants as members of separate households, and their remittances are not considered part of the income of the extended family household. According to villagers, households with migrant earners are on the whole better off than others. They distinguish between households receiving regular off-farm remittances (usually non-poor) and those receiving only irregular or no remittances (the poor).

**Poverty and Education.** In eastern and southern Africa, poverty is not merely a matter of low income but also other types of deprivation, such as low life expectancy at birth, high infant mortality, child malnutrition, illiteracy, low primary-school enrolment and lack of access to basic education, health facilities and clean drinking water. The rankings of the United Nations Development Programme Human Development Indicators (HDIs) are very low for eastern and southern Africa. Of the bottom 25 countries in the world, all except Afghanistan and Cambodia are in Africa. The lowest HDIs tend to be found in countries that have recently experienced war or civil strife. The highest HDIs in the region are found in Botswana, Mauritius, Namibia, Seychelles, Swaziland and Zimbabwe.

Stunting in children under age five is an indicator of chronic undernutrition. Sensitivity to low caloric intake, weaning practices and illnesses reduce children’s ability to fully utilize the food they eat. In eastern and southern Africa, stunting ranges from very high rates in less-developed countries such as Ethiopia (48%) and Mozambique
(47%) to a low of 16% in more developed countries such as Zimbabwe and 10% in Swaziland. The ranking of countries on the basis of stunting corresponds fairly well to the rankings based on per capita income and HDIs. However, there is only partial overlap between stunting and the incidence of rural poverty, especially in the cases of Burundi and Ethiopia.

Production Systems of the Poor

Given the predominance of agriculture as the principal economic activity of the region, poverty-alleviation measures for the rural poor must heavily emphasize agriculture and activities dependent on agriculture for their dynamism (i.e. much of the rural service system and the transformation industries), and they must reflect the agricultural activities in which the poor are actually engaged. In many areas, non-agricultural growth is not an alternative to agricultural growth – it reflects agricultural development.

Estimating the relative importance of the various subsectors of agricultural GDP is difficult; such a breakdown is only available for a few countries. FAO data about the volume and value of agricultural production by subsector (crop, livestock and fisheries) has been used as a proxy for developing an approximate breakdown of agricultural GDP. On a regional basis, crop production accounts for about 61% of total agricultural production, livestock for about 36% and fisheries for about 2.5%. Livestock is extremely important in some countries (in Botswana and Namibia, for example, livestock accounts for about 90% of agricultural GDP), while fisheries are important for the island countries.

Most crops are cultivated under rainfed conditions. About 60% of the cultivated area is devoted to rainfed cereal production. Maize is the most important crop, covering 30% of the cropped area, while other cereal crops (millet and sorghum) are also
important. Rice is important only in Madagascar and Tanzania, and the temperate cereals – mainly wheat and barley – are confined to small areas at high altitude, mainly in Ethiopia and some parts of the Great Lakes region. Pulses (beans, cowpeas, pigeon peas etc.) and root crops each account for about 13% of the area planted. Cassava is predominant among the root crops and occupies about 60% of the area planted for this type of crop (or about 8% of the total area cropped in the region). Bananas and plantains are less important than root crops in terms of area, but they are the staple food in many areas of East Africa.

The principal food crops currently cultivated in the region are not indigenous. Cassava and maize were introduced in the fifteenth century by the Portuguese, and their gradual adoption in the Congo Basin greatly increased the demographic carrying capacity of the area. Unknown until about 1880 in Kenya and cultivated only on the east coast until the end of the 1800s, maize has become so central that today the whole of eastern and southern Africa, from Kenya to the Cape, appears to be an agrarian civilization based on maize, associated with livestock where the incidence of trypanosomiasis does not make this impossible. An example of the way in which non-indigenous crops have been spontaneously adopted is the intensive small farming system of Rwanda: with the exception of bananas (which arrived via the Indian Ocean in about the tenth century) and pyrethrum (which probably came from China), Rwanda subsists entirely on crops of American origin – red beans, maize, cassava and potato, even though local species of beans and elusine continue to be cultivated in limited areas.

Cash crops occupy only about 9% of total cropped area. Cotton and coffee are the dominant ones, along with sugar cane; together these three crops account for 81% of the area planted to cash crops. In order of declining importance are tobacco (7%), cashew and tea (5% each), and sisal (2%).

![Figure 3: Cash-Crop Production by Area (1996)](image-url)
In the 15 low-income countries of the region, only about 2 million ha out of about 38.3 million ha of cultivated land are estimated to be under irrigation. Less than 7% of the land benefits from some sort of water management. Of this, 42% is located in Madagascar, which has a long tradition of irrigated rice production. Most irrigation schemes in the region are supplied from surface water, and groundwater use is generally restricted to micro garden irrigation for a few hectares per site.

Livestock is located in non-tsetse areas – i.e. the arid and semi-arid zones – and in the highlands. The main areas of cattle density are in southern Angola, Ethiopia, southern Kenya and Uganda, northern Tanzania and Zimbabwe. Most livestock-raising consists of extensive pastoralism in highland and/or semi-arid areas (free of tsetse), while in Botswana, Namibia, parts of South Africa, and Zimbabwe, cattle ranching is an important activity (albeit rarely for the rural poor). The domestic livestock held by small family farms is mainly cattle, very few small ruminants (goats) and poultry.

**Why are Rural Africans Poor?**

Most of the region’s poor, and the large majority of its rural poor, are small farmers. They are not agricultural wage-workers (although many do engage in supplementary activities both on and off the farm). They work their own land on their own account. For them, the region’s natural resources exercise a major influence over their lives and well-being. Contrary to the widespread belief that Africa has limited agricultural potential, much of the region possesses quite substantial natural assets for agriculture. Rarely can the responsibility for extreme rural poverty be placed on nature alone.

Why is there such rural poverty alongside such production potential? What has happened? Why has economic growth bypassed (or been at the expense of) most African smallholders? Why has their production languished while large-scale farmers have succeeded in attaining levels of production commensurate with the potential of the region? What has to change? Technical agronomic considerations have their weight, but at a certain point their explanatory power falters. At that point the baton has to be passed to the political economy.

The modern history of the region has principally involved the rural poor as objects of other people’s policies rather than as makers of their own circumstances. Leaving entirely aside the issue of the devastating influence of the slave trade, which afflicted some parts of the region until well into the second half of the nineteenth century, colonial regimes in the region exercised a decisive influence over smallholder access to development opportunities, not least through land policy and its enduring effects. The post-independence period did not witness a decisive shift of the institutions and policies shaping smallholder livelihoods towards the interests of the rural poor themselves.

Some sort of expropriation of land, labour and the value of production at the expense of Africans was practised under different guises in all of the British and Portuguese colonies in the region. African farmers in each country were subject to differing degrees of land alienation, containment and coercion of labour. Pricing and marketing structures were manipulated to support white-settler agriculture at the expense of African
peasant farming. The variations usually depended upon the specific agro-ecological conditions of the country itself and the crops produced, the level of population density (which determined the availability or lack of labour) and the natural resource endowment (either agricultural or mineral) of the area to be exploited.

**The Marginalization of African Farmers from the Land**

The inequitable distribution of land is the most striking and evident determinant of poverty today, and it physically expresses the dualism that characterizes the agricultural sectors of many countries of the region. How African farmers were excluded from the land, where they were settled and the development of estate agriculture have determined the present structure of the agricultural sector. Two broad approaches in land policies can be identified, with variations upon each approach in the light of country-specific situations. The first approach involved the alienation of a minor but highly productive portion of agricultural land for white-settler or estate agriculture and was practised in the British colonies of East Africa (Kenya, Tanzania, Uganda) as well as in Malawi and Zambia. The second approach was to appropriate a major share of the land and to confine the native populations to reserves (whatever they might be called – tribal areas, communal areas, communal trusts, etc.) and was practised in southern Africa (Botswana, Namibia, South Africa and Zimbabwe). Some examples of the two different approaches to land alienation are discussed below.

In Nyasaland (Malawi), large tracts of land were ceded to plantation owners, not because they were expected to bring all the land under cultivation, but rather because large numbers of people resided on the tracts and hence would be liable to pay rent. The rent paid by peasant farmers to plantation holders was in the form of labour rather than cash. This system of labour mobilization, initially a contribution of 30 days, was known as *thangata*. Wherever Africans occupied good land that the planters wanted to cultivate, they were removed to poorer land on the plantation itself or to Crown Land. Thus the planters ensured their own access to land and a supply of cheap local labour on highly advantageous terms. The people who lived on Crown Land beyond the plantations (and thus not required to pay rent) were subject to a hut tax of six shillings (equivalent to 30 days labour); which was waived if they could prove that they had worked on a plantation. The aim of this tax was clearly to stimulate labour migration to the plantations. How reluctant peasant farmers were to provide labour to plantations is shown by their response to the opportunity to produce cotton. In 1906, peasant farmers willingly cultivated cotton as a means of raising the cash to pay hut taxes and avoid labour migrancy; consequently there was little emigration from cotton-growing areas. By 1912, the basic configuration of the present Malawi agricultural sector had emerged: an estate sector in the Shire Highlands producing cotton and tobacco, a cash-cropping peasantry using hoe cultivation to produce cotton, tobacco, groundnuts, maize and other crops and seeking employment when needed, and a large reserve of migrant labour from the north and central districts of the country, where plots were too small to enable the peasants to meet the tax and financial obligations created by the colonial regime.
A similar policy of restricting access to land was practised in Mozambique at the turn of the century. When Portugal took territorial control of the country at the end of the 1800s, Africans were denied individual property rights, which were given to foreign companies to develop plantation agriculture. Since labour from the southern part of the country was drawn by the higher wages paid by the mines in South Africa, agreement between the Portuguese and the British was reached in 1901 that recruitment would not take place north of Beira in Mozambique. Notwithstanding this agreement, it was estimated that 50% of the male labour force of the country continued to migrate to South Africa as a result of the high wages. Because of the limited supply of labour in southern Mozambique, only a few plantations could be established. In the central region, however, the plantation economy was fully developed, especially in the Zambezi valley and the coastal areas. Here the Government's decision in 1926 to introduce compulsory cotton-growing by Africans made the estates fear a loss of labour. To comply with the Government's cotton directive and avoid labour shortages, the estates gave cotton seeds only to women! Another threat to labour availability was the growing of maize by Africans, since they could sell it instead of working for the plantations. In 1936, the Government explicitly excluded Africans from commercial maize-growing, thus securing a protected market (and labour supply) for estates and settlers.

A different form of land alienation was practised in Kenya. Africans were confined to reserves and not allowed to own land in the “European” areas. In what became known as the White Highlands, African property rights were disenfranchised to allow white settlers to establish their estates. This led to the existence of two farming systems in separate areas: the new European settlers and the Kikuyu indigenous community. The most striking difference between the two was the proportion: the average size of the settler farm in 1905 was 5 500 acres, while farms of the Kenyan Kikuyu elite were limited to 40 acres as a result of the expropriation of land previously used by them. One of the consequences was the formation of a labour market in the Kikuyu reserves: the settlers had vast amounts of land but little labour and the Africans possessed abundant labour but lacked land. Thus the settlers bid for labour and promoted the movement of Kikuyu as workers (called squatters) to the highlands. The biggest attraction of moving to the highlands for the Kikuyu was the availability of grazing land, which was coming under increasing pressure in their own limited reserves. Thus arose an arrangement whereby labour was contracted by white settlers, and the labour contract included the number of livestock that could be grazed on the settler’s farm. The surplus production from the labourers’ farming efforts was sold through the estate management. Production of the Kikuyu squatters represented a major portion of the output of colonist farms in the 1920-30s.

In contrast to land being taken over by white settler farmers as happened in the cases cited above, the approach of the colonial regime in Uganda was to give freehold rights to local elites. In 1901, the Uganda Agreement gave the local Buganda and Bunyoro elites control of about 10 000 square miles in one-mile-square lots known as mailos. About 12% of the land area of the country was allocated in this manner. Local elites
developed their own private estates on this land, using hired labour to produce crops that were exported by the British.

In Northern Rhodesia (today Zambia), 9 million ha (a small but very important 6% of the country’s land resources) were set aside along the Line of Rail during the 1920s, but by 1940 no more than 800 000 ha had been taken up and only 28 000 ha were actually cleared and put under cultivation by 260 white farmers. The lack of white interest in taking up the land that had been alienated can be explained by the failure to establish a profitable export crop. Maize became the principal crop, produced mainly for the domestic market and supporting the development of mining in the Copperbelt. Maize production by white farmers was of questionable viability: special purchasing and marketing arrangements were developed and these are discussed below.

More extreme measures to constrict the land available to African agriculture were taken in the southern African subregion. In 1910 in South Africa, one of the goals of the Government was to ensure adequate supplies of labour to the mines. Despite previous efforts to restrict African farming to either reserves or manorial estates and to subsidize white farmers, black farmers continued to maintain a competitive edge in the market place. The chronic labour shortages on white farms were intensified by the emergence of the mining and manufacturing industries with their massive labour demands. The Native Land Act was passed in 1913, forcing the African population (80% of the total population) to live within 13% of the land area of the country on native reserves. In addition to other numerous restrictions, the land limitation effectively forced African farmers to become a much-needed source of cheap labour. In Zimbabwe, the 1930 Land Apportion Act distributed the land “equitably”: 50% to the African population and 50% of the best land to the white settlers – but the white population accounted for less than 2% of the total population at that time. At independence in 1990, some 6 100 white farmers controlled 40% of the country’s total land area, including two thirds of the country’s high-potential land, while 700 000 smallholder households were crowded into tribal trust areas, most of which lay in semi-arid parts of the country or in areas with poor soils. The tribal trust areas were explicitly regarded as labour reservoirs from which the formal agricultural, manufacturing and mining sectors would draw their manpower. In Namibia in 1994, about 45% of total land and 74% of the land suitable for farming was owned by 4 045 white farmers; the remainder was used by 120 000 black families. Black communal areas contain 33 million ha, while white farms control almost 35 million ha; whites represent at most 7% of population; blacks at least 93%. Two thirds of the best agricultural land in the country is under the control of white farmers.

**Marginalization through the System of Exchange**

The disempowerment of the African rural community was not restricted to access to land. During the Great Depression of the 1930s, followed by World War II, colonial governments established mechanisms to assist European settlers (the high point of whose influx was frequently after World War II). They also provided incentives for production, including through pricing policies and monopoly control of most farm commodities,
whether for export or for domestic trade. Maize, for example, was a key crop for the British colonial administrations: on the one hand, there was the need to support and increase production by white settlers; on the other, there was the need to supply cheap food to keep African labour costs low for colonial enterprises. Government interventions with price fixing and a single legal marketing channel were the usual mechanisms put in place. African farmers were often debarred from using the legal marketing channels and had to sell whatever surplus they had to nearby large-scale farmers, or however they could in the informal market, but always at low prices. In some cases, controls were placed on what African farmers were allowed to produce and sell. Only in Tanzania and Uganda did the colonial regimes actively promote production by African small farmers, rather than large-scale farming by Europeans. Today, smallholders in those two countries are among the successful producers of export crops.

By 1955, there was hardly a single country in the region in which internal marketing and pricing of food crops, and the collection and marketing of export crops, were not the legal monopoly of a state, parastatal or private organization. When the governments of newly independent countries came to power, mainly between 1955 and 1965, these structures were often left in place.

Policies of post-independence governments in the region generally continued the bias against smallholder agriculture. They used the marketing and control systems they had inherited to purchase export crops from farmers at low prices and sell them at higher world market prices. In many countries, the government also controlled the marketing of food for the population. This allowed them to keep urban food prices artificially low in the interests of cheap labour and of peace and quiet in the cities and towns where political pressures were more likely to form. Cheap food prices kept earnings by small farmers low, reducing their capacity to invest in their farms and equipment in order to raise their own labour productivity. Furthermore, most governments in the region overvalued their currencies in order to keep the cost of imports low. However, at overvalued exchange rates, nationally produced goods for export were very expensive and not competitive on international markets, and many countries saw their export markets wither away. This had the gravest of consequences for agriculture, which saw its terms of trade depressed – over and above the generally negative ‘secular’ movement of primary commodity prices. Overvaluation of African currencies also resulted in shortages of foreign exchange, with rationing of what was available. Not surprisingly, under foreign-exchange rationing regimes, most allocations were used to fulfil the needs of urban elites and powerful corporate and private estate farms. There was little left over to purchase the imported inputs such as fertilizers, farm implements and veterinary supplies needed by the multitude of smallholders (or, indeed, consumer goods required by the rural population), who had no voice in determining policies.

After Independence: ‘Guided Development’
National policies with regard to smallholder agriculture were necessarily more complex (and perhaps contradictory) than under colonial regimes. The ‘confiscatory’ dimension
of much pricing policy (particularly in export crops) was common and marked – and without which the difference between urban and rural social conditions could hardly have become so pronounced. At the same time, many post-colonial regimes were also characterized by the emergence of systems of agricultural development assistance (largely funded by international development partners). The paradox is, perhaps, more apparent than real. Most ‘support’ was directed to production of interest to the state, within technologies determined by the state (the irrelevance to underlying market and production conditions being demonstrated in, for example, the crisis of maize in post-liberalization Zambia). The inefficiency of chosen delivery/supply mechanisms (often enjoying legal monopoly) was sufficient to raise the question of who the principal beneficiary was – the user or the supplier. Perhaps more fundamental was the virtually forced dependence of the African peasantry upon services that were unsustainable by governments themselves – leading to patchy and erratic assistance and the virtual impossibility of elaborating more sustainable alternatives in rural society itself.

The most relevant model for characterizing state-peasantry relations through much of the region was patronage: an asymmetrical relation in which the state (patron) provided limited goods and services, but ultimately to create exchanges in its own interest. Peasants were relationship ‘takers’ rather than relationship ‘makers’ – unable to create new economic and political relations in the image of their interests. Much of the economic and social world of the peasantry lay entirely outside this relationship, but what it definitely did control was the critical axis of links to modern goods and services – vital to the processes of production, saving and investment for better livelihoods.

The economic interests of the smallholder sector in the region, with its millions of people, were consistently bypassed and subverted, first by colonial regimes and, immediately after independence, by many national governments. Inequitable price policies, irrelevant marketing arrangements, patterns of land tenure of colonial origin and agricultural ‘support’ directed to maintaining systems of production rooted in the colonial problematic have had an enduring impact on production, income and livelihood vulnerability among smallholders – and they are all, at bottom, socio-political factors. They are among the principal causes of rural poverty in most of the countries of the region.

These are not problems that will be solved by technical agricultural inputs alone. Nor is it likely that they will be overcome ‘for’ the rural poor unless the rural poor themselves have a voice and role in the transformation process. The immediate causes of poverty may have been lack of access to assets and to free markets. The underlying cause has been lack of reflection of the interests of the rural poor in key political, economic and institutional processes.

Incomplete Adjustments
Since the 1980s, all low-income countries in the region have embarked on structural adjustment programmes to cut their budget and balance-of-payments deficits and to revitalize their economies within a new framework of relations. Greater reliance on ‘free’ market forces, including the privatization of economic services, has been the main
objective of this liberalization – with a corresponding reduction in the public economic services that gave some smallholders access to modern inputs and processes, albeit on terms dictated by the public service providers themselves.

This began a process of eliminating many of the policy-based market and price distortions (but not the fundamental distortions in access to natural resources) that virtually guaranteed poverty among African smallholders. However, structural adjustment was certainly not led in any way by rural society, least of all by the rural poor. Nor was it primarily oriented towards rural and agricultural milieus. The inevitable consequence was that it provided a very incomplete response to the problematic of the rural poor: adjustment has been better at rural deconstruction than rural reconstruction. This incomplete transition is at the root of the predicament of many African smallholders. It contributed to the destruction of the old order without building the new – one effectively serving the rural poor and reflecting their potential. This is a failure of African governments and their development partners, a failure to grasp that change requires new institutions, policies, assets and services – in rural areas and in favour of the ability of rural poor people to overcome obstacles to growth.

The withdrawal of public services has not led to a florescence of the private sector or civil society in rural areas – but a yawning void that is just beginning to be explored. Market liberalization will not contribute to the reduction of poverty until better market linkages have been forged, linkages that not only bring smallholders to the market (and the private sector to smallholders), but that also embody enhanced market power among the poor. The public sector has an important role to play in this, suggesting that the political issue does not disappear with structural adjustment. On the contrary, the completely new challenges to the rural poor involved in greater exposure to market-based relations (and the increased importance of what small farmers get from those relations as they face the challenge of productive intensification) make it essential that public policy and investment support the capacity of the rural poor to manage these new relations – without which there is every prospect that the poor will be losers rather than gainers from change.

Accelerating the process of rural reconstruction (including development of market access), expanding choices, improving access to information, creating the conditions for equitable market relations for the poor – all these must be at the very top of the development and poverty-reduction agenda. But the issue is not just markets; it is also assets – and the challenge of securing the rights of the poor to the land and water that are at the heart of their livelihoods. This is clearly not an anti-state agenda, although it does mark a decisive shift towards locating the development initiative in civil society. The public sector has to assist this process and must provide relevant services in key areas. This is a far cry from the feeble state of many public institutions in the rural milieu today. Structural adjustment led a charge out of public services and investment. The issue today is selective and efficient engagement in order to support the capacity of the poor to participate effectively and equally in a privatized, market-led world.
RURAL POVERTY IN EASTERN AND SOUTHERN AFRICA

Rethinking the Smallholders’ Problematic

Helping smallholders respond to challenges and opportunities will require important changes in the very way stakeholders think about the economy of the poor. Partly as a result of colonial (and post-colonial) descriptive and prescriptive perceptions of the poor as a vast labour reserve for ‘more important’ sectors, there is a broad view that the labour of the poor is abundant and should be the principal basis for development. This is a profoundly flawed perspective. Many smallholders face serious labour constraints. To take just several of many examples, the planting date under rainfed conditions is a key factor in determining the final crop yield. Preparing the land and planting is an intense operation that needs much labour in a short time-span immediately after the first rains. In many countries, farm labour is already in short supply, because men have been forced by rural poverty to seek employment in urban areas in order to supplement income from the family holding. In addition, large numbers of smallholder families in the region lack draft animals and implements and thus are compelled to carry out all field operations with hand tools. This presents an enormous limitation on the amount of land that can be prepared, planted, weeded and harvested. The HIV/AIDS pandemic is further aggravating shortages of farm labour during critical periods.

The technical solution is often simple: for example, draft animal ploughs for land preparation, row planting, and interrow weeding with an animal-drawn cultivator. However, smallholders are generally so under-capitalized that they cannot even accede to this level of technology. Rural labour is cheap. Contrary to much received opinion, this does not mean it is abundant. Rather, it reflects a crisis of productivity that in rural Africa must be met exactly as it is met elsewhere: higher capital intensity within the small enterprise – and greater knowledge intensity.

All this points to a very simple reality of the economy of the poor, but one which is frequently obscured by the very terminology used to describe them. The poor are, in general, very small entrepreneurs – their livelihoods are based on their operation of small businesses – in farming, trading, small services and small industry (and very often a combination of these within the household). Like small entrepreneurs everywhere, their success depends on their own access to capital, markets and technology. Their problems are very modern ones, but ones that are very frequently obscured by a paternalistic vision of them as existing somehow outside of (or before) the basic groundrules of market competitiveness and asset accumulation.

African smallholders have almost never been allowed the conditions in which they could build assets and lift themselves out of poverty. This is despite abundant evidence that many small farmers, when they have access to knowledge, reliable water supplies, purchased farm inputs, credit, and extension services, can achieve productivity levels equal to or exceeding those of large farmers. Land availability, rainfall, soil quality – all these put an upper limit on what smallholder agriculture can contribute to wealth. But there is nothing that makes agriculture in the region intrinsically poor to the extent of indigence. Nevertheless, there are no magic solutions to the problems of the rural poor in the region, and it will take time before they can establish the mechanisms through which to ensure that their needs are
being met on a sustainable basis. This is what IFAD – working in collaboration with the poor, civil society, governments, the private sector and donors – exists for: meeting the challenge of what the rural poor need (and can sustain) to meet the challenge, in turn, of bettering their livelihoods in a transformed economic and political context.

Astonishingly, at the very moment in which African governments began to dismantle what might be termed ‘anti-poor’ development policies and institutions in the rural world, the attention of much of the international assistance community shifted elsewhere (and national attention as well, in the curious push-pull process that lies behind “national ownership”) – leaving huge groups of the rural poor without structured and equitable relations with any modern economic services. The result has been very little development on a comprehensive scale – including incomplete reorientation of public services and very low development of new private-sector partnerships in most areas. As long as this persists, poverty will not be reduced; the conditions for full transition have to be created. The transition has to respect the interests and potential of the poor, and it must be made material. Its material form is not a system of social welfare but a new framework for profitable production and fair exchange in association with the private sector and supported by efficient public services.

**What are the Structural-Transformation and Key Transition Issues in Reducing Rural Poverty?**

Its name notwithstanding, IFAD is not dedicated to the development of agriculture. IFAD is dedicated to improving the incomes, food security and livelihood security of rural poor people. If smallholder agriculture figures prominently – but not exclusively – in its operations in the region, that is because smallholder agriculture is one of the mainstays of their livelihoods. The point is to strengthen what rural poor people consider essential in improving their security and well-being, including non-agricultural activities (where these are relevant and viable) and effective participation in public decision-making processes. When IFAD works with ‘farmers’, it is because that is how poor people have identified themselves.

Increasingly, IFAD has associated technical and material support with human and institutional capacity-building among the poor. People and communities, their assets, their opportunities, their strategies – are the nucleus around which development programmes must be built. The community-wide approach is the starting point for ensuring that all subsets of the poor are involved, as well as exploring the relationships between socio-economic factors and natural resource management.

This does not necessarily involve a simplistic approach to communities. Most rural development stakeholders are learning to go beyond a simple conceptualization of rural communities and to explore their internal structures, tensions and power relationships. The point is not to idealize the indigenous community, which is rarely traditional, but reflects a long history of often unhappy relations with the ‘outside’ world. Rather, it is to come to terms with its complexity, including its own mechanisms for social exclusion and discrimination – particularly with regard to women – and to base activities on real
needs and mechanisms that effectively respond to the aspirations, opportunities and capabilities of the poor.

A case in point is IFAD’s historic orientation to smallholder agriculture. For a long time the unquestioned assumption was that the smallholder community was all-inclusive in most of rural Africa. More detailed work at the local level has pointedly demonstrated that some of the poor have insufficient assets (not least in terms of land) to be able to base their livelihood strategies on independent agricultural production – they are not, at the end of the day, ‘farmers’. For these groups, different development strategies are required: an exclusively smallholder-based strategy would not be a mechanism of inclusion, but one of exclusion. For IFAD this means a decisive broadening of the terms of engagement in rural poverty eradication – embracing the need for diversification of economic opportunity, including employment as well as independent production.

Taking the livelihood perspective as the point of departure requires recognition of, and support to, localized diversity – among and within communities. But support for diverse coping strategies also means addressing issues that cut across differences: the common structural issues. This means, among other things, that IFAD must, and does, actively seek to exploit the opportunities for the rural poor implicit in two radical transitions in the region: political liberalization and economic liberalization. These processes are fundamental to the changing environment of rural poverty in eastern and southern Africa, and IFAD seeks to support the development of both – in a pro-poor direction.

At the policy and operational level, IFAD’s engagement is two-fold: to add momentum to the pace of development in these macro areas and – this is an area of IFAD comparative advantage – to ensure that poor people have the capacity to benefit from them at the local level. Political and economic liberalization can offer benefits to the poor, but only if the poor can seize them. Structural adjustment contributed to the elimination of many elements that radically constrained the development, and income, of the smallholder population. Political and economic liberalization can provide the space for reconstruction, for a more positive project for economic and social reorientation. It may include the rural poor as participants and beneficiaries. But that is not automatic: effective empowerment requires institution-building and investment in individual and collective capacity. That is one of IFAD’s missions in the region.

Making Political Liberalization Work for the Empowerment of the Rural Poor

A great deal of the rural poverty encountered in the region is rooted in past policies and institutions that reflected and maintained the powerlessness of the rural poor. Political liberalization (in the sense of more competitive, open-access and broadbased systems of political representation) is an important step towards the possibility of the poor being more directly represented in key public decision-making processes – and having their interests reflected in policy and resource allocation. Decentralization (devolution of elements of public decision-making and responsibility from the central to more local levels) is not necessarily part of liberalization, but it also offers the potential for the poor to exercise more direct influence over the factors that shape their lives.
Progress in political liberalization/decentralization is a critical contribution to the partnership process – to the emergence of the poor as stakeholders with an effective voice in public affairs. In IFAD the governance issue is very much attuned to the issue of how systems of representation can be developed to favour the rural poor, and the critical question is how IFAD can have a positive impact on these conditions through its investment programmes and policy dialogue (the ‘conditionality-on-exit’ approach).

Under the broad heading of governance, IFAD’s principal engagement in the region has been support to the process of decentralization – particularly in Uganda (where the process of effective decentralization is arguably the most advanced), but also in Ethiopia, Lesotho, Malawi, Rwanda, Tanzania, Zambia and Zimbabwe. This support takes three forms:

- investment in the development of organizations of the poor that exercise influence over local public institutions, investments and services – both formally (under the right to consultation/participation) and informally (through increasing significance in the general political constituency);
- support for local-level public planning and implementation capacity development; and
- allocation of programme resources for reallocation through local public structures (usually district and subdistrict) operating on the basis of transparent and participatory planning and giving recognition to the needs of rural poor people.

Not only should decentralization be on the legislative ‘books’, but decentralized public structures must have the human and material resources to handle local demand – and the rural poor must have the capacity and right to exercise influence. This has long been an objective for intra-programme organization. The challenge is to promote it in the normal processes of public administration and decision-making (i.e. outside the exotic climate of development programmes). It is on this level that IFAD has the greatest contribution to make – supporting development of the concrete organization and material conditions that enable all the rural poor to exercise greater influence over the local, ‘public’ environment. This is not at all restricted to formal political organization. Support to developing the fabric of civil society in the form of common-interest groups addressing a wide variety of ‘non-political’ issues is as much an element of effective democracy in the region as it is in countries with much longer-established pluralistic traditions. In this respect, governance issues are not new to IFAD. Its insistence in its projects on empowering grass-roots organizations, on decentralization, on the strengthening of local institutions, and on participatory and transparent decision-making, all add up to the substance of good governance for the rural poor.

Nonetheless, the issue of higher-level governance is critical to the development and implementation of effective poverty-alleviation policy and investment – not least because so many of the factors that shape the opportunities of the poor are not determined at the local level. IFAD will be joining with others to explore how the consultative process for poverty-reduction strategy papers (PRSPs) and sector-wide initiatives can serve as a model for improved and demonstrable participation of the poor in higher-level decision-making.
processes. However, the fundamental issue is greater influence on a continuous basis and in all spheres – consequently, a healthy, diverse and intense system of associations and groups (rather than the periodic consultation) is essential. The same is true in making development projects more responsive. Consultation workshops are very valuable. But the emergence of organized and vocal interest groups among the poor is definitive.

Box 1: Umutara Community Resource and Infrastructure Development Project, Rwanda
Approved May 2000 (IFAD loan USD 18.2 million)

In Rwanda, IFAD designed the Umutara Community Resource and Infrastructure Development Project (UCRIDP) to test a method of empowering local communities of poor people to initiate, plan and implement development activities – with the help of service providers funded by the project. This project builds on the considerable progress made by the Government of Rwanda in decentralizing the public administration and devolving responsibilities to democratically elected local government bodies.

The challenge in Umutara was how to strengthen the system to build an effective, bottom-up planning and implementation process for activities – a process that would actually empower the local communities of poor people.

To that effect, the design of UCRIDP emphasizes the processes of decision-making, activity-monitoring and impact evaluation, rather than the blueprints of project action. This has entailed:

- **Applying the distinction between service financing and service delivery.** Project operations and maintenance envisage a project coordinating unit that consolidates activity plans and funds activity implementation, which is undertaken by service providers. These include government agents and NGOs contracted to perform specific tasks, with contracts renewable subject to good performance.

- **Introducing accountability to clients.** The project institutionalizes annual evaluation of the performance of service providers in which representatives of the communities served participate and must play a proactive role.

- **Emphasizing training and capacity-building.** The project funds three basic services for capacity-building at the community level:
  - a community-facilitator service, responsible for training local development committees (cell DCs) in preparing annual activity plans – based on suggestions of and approved by the consultative committees – and for assisting groups of farmers in organizing themselves to achieve common objectives;
  - a women-in-development service, responsible for assisting women’s groups in playing a proactive role in project-supported activities; and
  - a fund-advisor service, responsible for promoting savings and loan associations, training their staff and helping them with accounting and ‘certification’ of their accounts.

- **Introducing a two-layer system for training and management advice.** A main function of national service providers is training and facilitating members of the local government and of farmers’ groups. UCRIDP has mobilized the services of five international non-governmental organizations (NGOs) that cofinance the project and assume responsibility for training those national service providers to carry out project-funded activities in line with project policy and approaches, and for assisting the staff of service providers with management advice and performance-monitoring.
ECONOMIC LIBERALIZATION, ECONOMIC POWER

Economic liberalization in the region has radically changed opportunities for poverty reduction. The long years of macroeconomic exploitation of the agricultural sector as a cash cow are ending. Rural producers with a surplus to sell are entering a situation in which they may receive a larger share of the value of their production.

The context for more dynamic agricultural and rural development in the region, with strong participation by the rural poor, is slowly showing positive trends. The investment climate is improving; production is gradually being restructured to take advantage of market opportunities; new service providers, including groups of smallholders, are beginning to come forward; and the public sector is focusing more on core public goods. Some smallholders are beginning to take advantage of these opportunities. Many are not – particularly the poorest.

At precisely the moment when political structures are beginning to emerge in which the voice and needs of the poor can be more clearly and independently expressed, the influence of governments has diminished (but by no means disappeared), particularly over the economic prospects of the poor. In terms of influences external to the smallholder, the market is overtaking the state as the mechanism through which access to essential modern goods and services is organized outside the household. The empowerment of the poor also has to be addressed in its dimension of market relations and their chronic risks and uncertainties.

Market development and smallholder relations with larger-scale, private-sector operators
are essential platforms for poverty reduction ("larger-scale" because it is the smallholder himself/herself who is the backbone of the private sector in rural areas). Smallholders and small rural enterprises need to sell their products through efficient marketing systems in order to gain access to vital consumer and producer goods. They need well-functioning input and consumer-goods markets; they need to receive and respond to market information; and they need to associate with efficient service suppliers (e.g. agro-processors). Economic liberalization can contribute to the emergence of all these, but they will not emerge automatically – nor are such relations necessarily equitable. Just as political liberalization may not bring benefits to the poor until they have the capacity to exploit it, so economic liberalization also holds definite risks unless the poor can be organized to exercise a certain level of power in the market. Fair prices and exchanges (and accurate information) are not the inevitable products of the functioning of a real market; they are the outcome of relations among participants with commensurable market power. The situation is a delicate one. Smallholders and small rural enterprises need the services of private-sector operators – and it is in the interest of all to actively seek to overcome policy and material barriers to the penetration of the private sector into rural areas. On the other hand, the replacement of public monopolies by private monopolies will offer very limited benefits to the poor. Globalization makes the whole situation even more demanding – creating a need for accelerated change among producers and bringing them into relations with new, and often vastly larger, private-sector actors.

Market relations, including those between operators on a very different scale of resources and operations, can be ‘win-win’ and bring benefits to both sides. They are more likely to have this complexion on the basis of increased competition within the private sector and the organization of the poor themselves for activity in the market. The economic empowerment of the poor is not power over the market through government regulation; it involves greater power for the poor within the market through organization and knowledge. As in the case of political liberalization, IFAD considers economic liberalization essential for poverty reduction, but the Fund’s major contribution at policy and operational levels will be seeking to make it work for the poor through their organization and development of the capacity to work with larger private forces on an equitable basis – and to supply themselves through their own organizations where relations with the larger private sector are either inefficient or inequitable. IFAD, like most other stakeholders concerned, is only just beginning to accumulate experience in this arena. It will be a critical area for development in the future.

Not least among these areas for development is a greater appreciation of the impact of economic policy on the opportunities and constraints of the rural poor. Control of inflation, exchange-rate stabilization and reduction of market regulation may be important for all economic actors. For economic policy reform to be an instrument of poverty reduction, it must do a great deal more – it must address the meso-level policy and institutional obstacles facing the small-scale rural producer. In essence, it has to go beyond the growth problematic to pro-poor growth issues – not least by admitting the organizations of the poor into the hitherto very restricted arena of legitimate interests shaping development policy.