

IFAD

Rural Poverty REPORT 2001

THE CHALLENGE
OF ENDING
RURAL POVERTY

s u m m a r y

none of the others. Such human assets do more for a poor person if he/she also has some farm or non-farm assets and his/her productivity is rising. Previous education helps a poor person to obtain better returns from irrigation.

Efficiency is improved by the participation of beneficiaries, including poor ones, in the 'project cycles' where specific activities focus on building up their asset base. Decentralization alone may strengthen local 'big men' rather than the rural poor. The goal must be to progress from participation to empowerment, so that the rural poor become effective interlocutors with their governments and local authorities in decision-making that affects their resource entitlements and livelihood.

Increasing the assets of the rural poor promotes both equity and efficiency. The gap in asset-ownership between urban and rural areas and between rich and poor is much greater than the gaps in income and consumption and has not shrunk since the 1970s. The rural poor have frequently been excluded from access to land and other resources by the power of élites; by poor rural services, including education, extension services and health care; and by institutions and departments that do not engage with local people in decisions on resource allocations. Usually the allocation of public services is biased towards urban areas.

For many important assets, bias against women harms the poor, both because it is unjust and because it is inefficient and slows economic growth. The gaps between men and women's access to education and literacy are huge. These gaps are greater in rural areas and greatest for the rural poor. Yet extra schooling for females does much more for poverty reduction and for child health and nutrition than does extra schooling for males. Women's lower adoption of agricultural innovations may be due in part to lower levels of education; equally educated men and women farmers adopt technologies at similar rates. Across Indian States in 1957-91, the responsiveness of poverty to initial female literacy was higher than to any other initial condition.

Additional human capital for poor rural women and girls could create a virtuous circle of higher income and better health and education, transmitted between generations. An increasing proportion of rural people and household heads are women; higher incomes for them benefits subsequent child nutrition and education. But the rising average age of the workforce means that a large, growing majority of the 2020 workforce is already well past school age. So, in order to benefit employment and labour productivity, human capital formation must concentrate much more upon adults, for example with rural female literacy programmes.

the huge rich-poor and urban-rural disparities have widened. Investing in improving the human assets of the rural poor, especially women, is usually cost-effective, partly because of mutual reinforcement among better health, nutrition and learning and smaller families, less poverty and higher productivity.

Women's *education* improves child health, education and nutrition. The rising proportion of women farmers increases these prospects. *Nutrition* improvement raises subsequent learning, productivity and wage rates and cuts the risk of income loss due to illness: it does most for the worst-off. The rural poor's gains from improved *health* can depend on complementary nutrition and schooling.

Decentralized responsibility for asset formation in health, education and nutrition increases returns to the poor.

EDUCATION

Education speeds up the adoption of productive new technologies, often bringing large productivity and income gains for small farmers and farm workers. In Thailand, four years' education triples the chance that a farmer will use new chemical fertilizers; educated farmers in India are more likely to use credit, irrigation and improved seeds.

Education speeds up adoption of new agricultural technologies and of cash crops. Education can impart new farming practices in schools; ease access to new information; facilitate access to others with information, such as health professionals and extension agents; improve ability to use new information; and so speed up innovation. This matters most during rapid change, as with the early Green Revolution in the Indian Punjab; then, ability to master correctly new combinations of inputs and technologies can have high payoffs. But if there are few new opportunities, or if their benefits are confined to those with substantial fixed assets, education alone may do little to help the poor.

HEALTH AND NUTRITION

Acute illness especially handicaps the rural poor from increasing their incomes, learning and escaping poverty. They are also vulnerable to *chronic* illness and injury due to unfavourable working, living and water-sanitation environments and to low nutritional assets, such as height and lean body mass. Shortages of calories substantially reduced the productivity of rural workers in India and cane-cutters in Guatemala. For rural labourers in Sri Lanka, wages rose by 0.21% for each 1% rise in calorie intake. Anaemia has been found to reduce productivity and iron supplementation to raise it.

Rural workers' incomes depend both on the capacity to fight off illness and on lifetime physical, learning and mental capacity and hence productivity when well. Both are much affected by *child* nutrition, including exposure to infections that impede the absorption of nutrients. Lack of calories and micronutrients in childhood bring low height in adults. This reduces market wages for adult cane-cutters in the Philippines. For men of the same height and caloric intake, greater body mass brings higher wages, though height has more effect. The nutrition-strength-productivity effects are much clearer for the smallest and poorest adults than for others and for those likely to do heavy physical work: the rural ultra-poor. Undernutrition also impedes learning, schooling and hence later productivity, again harming the rural poor most. Child ill-health and undernutrition are thus causes, not just effects, of rural income poverty. *A virtuous circle emerges from targeting outlays for better child nutrition on the rural poorest: it brings better adult health, education and productivity, which further improve child nutrition.*

Yet even among the poor, calorie intake seldom rises by more than 4% when income rises by 10%. Direct approaches may be needed, such as helping the poor to cope with fluctuations in food supply. Targeted nutrition interventions can also be highly productive for the rural poor; increasing emphasis is now placed on micronutrients.

As for chronic illness, in parts of Africa and Asia, many are dying from HIV/AIDS. Life expectancy in several Southern African countries has regressed to 1960s levels. As well, others have to leave work in order to care for the sick and the orphaned. HIV/AIDS is increasingly a disease of the poor: poverty may encourage migration and push women into prostitution. Though thought of as mainly urban, HIV/AIDS is spreading faster in some rural areas of India. In much of Africa, it is as common in rural areas as in the urban ones. Rural areas along truck routes, or sources of migrant labour to towns, are specially vulnerable, as are nomadic pastoralists and farm women with seasonally migrant husbands. Yet prevention programmes covering information, AIDS tests, counseling and condom supply, are less developed in rural areas, even though rural families bear the main burden of care and costs. The burden of chronic rural sickness is also swollen by the spread of drug-resistant malaria and tuberculosis and is exacerbated by the fact that urban people often return to the village when sick.

Any strategy for rural poverty reduction must include shifting asset formation towards building the health, education and nutrition of the rural poor and away from concentration on tertiary urban health and education. It is also essential to improve the efficiency and equity with

which scarce resources for building rural human capital are used and maintained, by reducing gender inequity in access to human capital assets and increasing user control over, and contribution to, providing such assets. User fees, however, have proved an inappropriate and harmful means to these ends for primary health and education.

OTHER ASSETS

Livestock, especially smallstock, can be crucial to income. The poor need institutions to acquire, manage and trade livestock and their products and to help avoid crises in animal feed. Cattle ownership is often heavily skewed against the poor and women. Poverty reduction is advanced by refocusing livestock public-goods provision on smallstock; by reducing artificial barriers to largestock ownership by the poor; and by furthering the practices by which the poor control and manage livestock they do not own.

Housing assets of the rural poor are often even worse than for the urban poor, yet almost all habitat policy is urban. The rural poor's dwellings need frequent repair. Traditional materials are getting scarcer and need research on better durability and access. Public works can include off-season work in small local firms to test new house designs. *Redistribution* and *service support* for rural site-and-service and home gardens may also be feasible.

Transport and communications assets are often unsuitable for private or joint producer control by the poor. But the poor's weak *access* as consumers and producers carries huge handicaps and costs, both in market access and, especially for women, in domestic and inter-village farm, fuel and water transport. Non-motorized vehicles can greatly cut such costs and are easily maintained.

The rural poor want assets to raise income and to provide buffers against shocks. The poor are more likely to control some sorts of assets than others; but farmland, water-yielding assets and human assets are especially crucial. Pro-poor policy should be directed at improving access to and returns from assets. For land and water this may require redistribution; access to livestock, human capital and non-farm activities require mainly greater opportunity. Gender inequality in access to assets needs to be addressed in policy and monitored. *Rural people in most developing countries enjoy less, per head, of most sorts of assets allocable between city and countryside, especially human capital; these gaps, which in general are not falling, are both inefficient and inequitable.*

have a long history of failure and often subsidize medium entrepreneurs against tiny, poor competitors.

In remote areas, high transport costs can provide natural protection for RNFS, making it potentially profitable. Also, RNFS income can be a source of savings for farm investment. Yet RNFS itself seems often to need outside credit more than farm investment does: Indian districts with good branch bank networks show faster growth in RNFS, but not in agriculture. Often RNFS profit levels are dependent on local farm production, forward and backward linkages to agro-industry and especially 'consumption linkages' to higher incomes, locally spent, for smallholders and farm workers. Roads and communications, as well as bank infrastructure, often affect inputs and marketing more for RNFS than for farms.

Where land is scarce yet farm yields cannot keep up with the growth of rural working population, RNFS growth is needed to provide employment and keep poverty falling, as well as to reduce excessive pressure on natural resources. *Yet the modern, dynamic, RNFS sub-sectors, such as construction, transport and shops, seldom prosper where agriculture is stagnant.* Traditional crafts and services are most likely to engage large proportions of the rural poor, keeping them alive if not lifting them out of poverty. Policy should avoid undermining these sectors. But artificial support for traditional crafts is doomed, especially as competition from modern urban sectors and imports is liberalized. The best prospect is offered by appropriate regulatory and credit frameworks, public support for training and other measures to revitalize RNFS by upgrading assets in very small units for the rural poor.

Such opportunities should be directed at a number of areas.

- *Links between agriculture and rural non-farm activity should be strengthened.* In North Arcot, India, a 1% increase in agricultural output is associated with a 0.9% increase in non-farm employment.
- *Those RNFS activities should be supported that bring about the most and fastest poverty reduction.* Where growth is rapid in RNFS sub-sectors, the entry barriers faced by the poor should be addressed, such as lack of finance, of information about technology and markets, of skills and of infrastructure.
- *Government regulation should concentrate on health, safety and competition.* Implementation should be open, bound by simple published rules, concentrated on important cases and enforced through civil-society pressures and light but applied laws.
- *Appropriate credit support should be given.* Although many micro-finance institutions, like India's IRDP or Bangladesh's Grameen Bank, target the RNFS, access for the poorest is very limited.

An important element is the availability of information on technological options for the rural poor. The capacity of the poor to evaluate options and the growing volume of 'advice' is important. This is the necessary social dimension of technological revolution. The poor have to be involved in the specification of need, evaluation of responses, options and choice of production strategies.

BIOAGRICULTURAL TECHNOLOGY: POTENTIALS AND PRIORITIES

In bioagricultural research – whether classical or new – the goals must be employment-intensive but result in sustainable yield growth in 'lead' areas and in spreading progress to neglected regions and main staples. For this to happen, *public-sector funding of agricultural research must be revived and research redirected towards yield enhancement, stabilization and sustainability.*

Also needed is *much more public-sector research into transgenic food staples*, with traits prioritized in genuine consultation with labour-intensive smallholders. This means attracting scientists and research, now increasingly locked into a few large science-based companies, towards traits and crops that are relevant to the poor. Transgenics have proved their potential, e.g. in virus resistance in sweet potatoes in Kenya, rice yield enhancement in China and insertion of genes for expressing provitamin-A into the rice endosperm. Rice otherwise lacks such genes. Similarly, insertion of genes from other sources may offer the only plausible option for advance in poor people's and poor areas' crops such as millet, where the genome, being adapted to robust survival in fragile and infertile conditions, offers limited opportunities for yield enhancement.

Transgenic crops and animals have triggered justified public demand for open, participatory systems, involving farmers and consumers in scientific decision-procedures that effectively regulate food safety and the environmental impact of introduced varieties, species and foods. To realize the huge potential of transgenics, especially for areas hitherto little affected by research, requires big changes in the criteria and incentives now guiding the allocation, use and civil-society overview of scientific resources. *Public/private and donor-agency/civil-society partnership action is urgent, especially for those developing countries that have limited scientific capacity yet are heavily dependent on food staples yield growth.* Inaction in this field and in parallel areas of agricultural and water technology could undermine all other efforts for rural poverty reduction in coming decades.

Unless the poor have the power to participate in deciding their use of technology, they are unlikely to benefit from it.

Improvements in farm technology will most benefit farmers who are active partners in setting priorities for research, as well as extension.

cies were widely attempted. These usually directed unsubsidized loans to small groups of borrowers with joint liability and often provided deposit and other financial services. They were often supported by NGOs and often targeted to women and non-farm lending. Microfinance is a great improvement on most previous public and private rural credit in terms of sustainability, repayment and outreach to the moderately poor. But it, too, has difficulty in reaching the poorest. The risk-prone and unstable household economies of the poor need a wider range of financial services, often at high unit cost and centering on insurance and consumer credit rather than micro-enterprise support.

This experience of improved sustainability and efficiency, but limited outreach to the poorest, is thus true of the two most important types of decentralized rural institutions: resource management and micro-finance. Where the poor participate, they share the gains but do not increase their share of them. *For the poorest, the decentralization 'revolution' is very far from complete.*

Development programmes can be captured by élites or vested interests, or can give rise to broad coalitions which share the gains. The rich may get the lion's share, but may be content with less, especially if the poor have political voice or can organize themselves into counter-coalitions with powerful groups. There are several examples of successful actions by women's and poor people's groups. But they need options and voice; hence the importance, for the poor, of a reserve of land, even if tiny, and of literacy and political openness.

Partnerships will have an impact only if the poor have a direct voice and if the partnerships do not avoid controversial distribution issues that really matter for the rural poor.

Most rural people, and especially the rural poor, make their living in and around agriculture. Thus, for sustainable poverty reduction, the problems of smallholder agriculture must be addressed directly and effectively. This involves change in material factors – land, water and infrastructure – and in technology and knowledge for the poor. But it also means institutional change that gives the poor more control over their own environment. Many of the policy changes in the developing world have the potential to benefit the poor. But globalization and decentralization will work for them only if broad partnerships are mobilized to solve the challenges they confront: equitable and efficient market-mediated relations and accountable social and political institutions. Economic empowerment is creating an institutional framework in which the poor can put assets, both public and private, to work on their own behalf.

