

# Achieving the Millennium Development Goals: Rural Investment and Enabling Policy

DISCUSSION PAPER



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## Summary

The Millennium Development Goals (MDGs) are the most broadly supported, comprehensive and specific poverty-reduction targets the world has ever established, and the year 2015 is critical in that there are only ten years left to achieve these goals.

Results so far have been mixed: significant achievements in some parts of the world, particularly in eastern Asia, but very limited achievements in others, where vulnerability to natural and man-made disasters and the silent tsunami of hunger and disease continue to claim millions of lives every year.

But poverty and hunger can be cut by half over the coming decade in every country committed to the MDGs. Practical solutions exist. The cost is affordable. What is needed is political will and focused, concerted action.

Three quarters of the world's more than one billion extremely poor people live in rural areas of developing countries. Fighting poverty today means first and foremost transforming rural lives and livelihoods.

The majority of the rural poor depend on agriculture and agriculture-related small industries and services for their livelihoods. It is in the areas where the incidence of poverty is highest – in sub-Saharan Africa and South Asia – that agricultural development can have the greatest impact on inclusive growth and overall poverty reduction. Smallholder farmers constitute the bulk of the private-sector economy in most developing countries and, in fact, during the past twenty years there has been a striking correlation between regional patterns of agricultural growth and the patterns of poverty reduction.

Public investment, policies and institutions have been and continue to be essential enabling conditions of strong development in the rural sector. Choices made by governments in their policies and investments determine the path and speed of the development of private agricultural business, especially its pro- (or anti-) poor nature. The enabling role of public policy and investment is particularly important in predominantly agrarian countries and regions characterized by frequent market failures and high risks and transaction costs. These countries and regions are where most poor people live.

The global environment is changing rapidly. Extraordinary opportunities are offered by modern technologies, growing urban markets and advances in communication. But decreasing agricultural prices, increased and unfair competition for markets and resources, and the spread of HIV/AIDS, together with less supportive policies in many countries, all constitute formidable challenges. Compounding these challenges, the past twenty years have witnessed a decrease in public support for the poorest rural economies. In many countries that are today off-track to meet the MDGs, there has been less domestic and international support for the rural poor to adapt and diversify their products in the rapidly changing marketplace – precisely when and where adaptation, diversification, intensification and effective supply chains are needed more.

Recent signals indicate that, after a long period of acute scarcity, official development assistance and national resources are beginning to move back towards agricultural and rural issues. Nonetheless, the challenge of the volume of assistance has yet to be overcome. Moreover, lasting poverty reduction is not a question of continuing resource transfers. It requires a framework of policy and capacity at all levels that poor people can use to better secure and use their own assets. A simple increase in resources for public investment will not – on its own – make the necessary difference.

Lessons learned from successful and less successful public interventions indicate that in most areas, local bottom-up processes and local institutions managed by or accountable to the poor are essential if sustainable results are to be achieved. The building of human and social capital and support for local processes are key elements of any poverty reduction strategy.

Rural transformation demands a location-specific combination of investment and policy support. There is space and a need for a diversity of policy options. Decisions in this regard should be country-owned and led, not pressed upon governments through prescriptive recommendations and conditionalities under the constraints of debt and aid dependency.

Country-owned poverty reduction strategies based on broad consultation of rural stakeholders should be supported by the global partnership for development called for in MDG 8 – which should direct more resources and more coherent policy support towards the creation of a level field for rural development initiatives. In this regard, high-income countries and international agencies have a major responsibility – and the needed capabilities – to ensure a pro-poor orientation of the Doha Development Round and regional trade agreements in line with the Monterrey negotiations, which called for reforms in the international monetary, financial and trading systems and for decisive external debt relief and substantial increases in official development assistance. Developing countries, for their part, must honour their Monterrey commitment to sound governance and an enabling policy environment as well as appropriate prioritization of public expenditure.

The problem facing poor people is that of improving their livelihoods in the context of global market relations and new forms of competition for influence and resources. Until the rural poor are in a position to better manage these challenges and competition, the risk is that what brings prosperity to others will bring continued and deeper poverty to them. While material investment is essential, it must be remembered that most of the key issues confronting the rural poor are mediated by relations with others. Consequently, a critical element for sustainable poverty reduction is institutional and organizational capacity-building among the poor themselves. Poor rural people must be empowered to respond to the challenges they face.

Rural poverty shrinks fastest when rural people have secure positions in the mainstream of social and economic change, growth and development. It is as much a political as an economic issue, with the decision to address the challenges confronting the poor being made not against economic logic but within a logic in which creating the conditions for rural development becomes one of the pillars of growth, equity, respect of human rights and food security.

It is all about making choices. Recognizing that the security and prosperity of all is linked to overcoming the insecurity and vulnerability of the poor may make those choices clearer and more compelling – as reducing poverty becomes not just a national or local concern but a global public good.



# The Millennium Development Goals and Targets

## **Goal 1 Eradicate extreme poverty and hunger**

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

## **Goal 2 Achieve universal primary education**

Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

## **Goal 3 Promote gender equality and empower women**

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

## **Goal 4 Reduce child mortality**

Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate

## **Goal 5 Improve maternal health**

Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

## **Goal 6 Combat HIV/AIDS, malaria and other diseases**

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

## **Goal 7 Ensure environmental sustainability**

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation

Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

## **Goal 8 Develop a global partnership for development**

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.

Includes a commitment to good governance, development and poverty reduction – both nationally and internationally

- Target 13: Address the special needs of the least developed countries.  
Includes: tariff and quota-free access for least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction
- Target 14: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)
- Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
- Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

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Source: United Nations Statistics Division. Millennium Indicators Database.  
(<http://millenniumindicators.un.org>).

# The Millennium Development Goals: analysis and trends

## **The political value of the Millennium Development Goals**

In September 2000, under the aegis of the United Nations, 170 heads of State and Government unanimously adopted a comprehensive Millennium Declaration committing their nations to a partnership for a “peaceful, prosperous and just world”. The driving force of the partnership lies in combating the causes and effects of poverty. The Declaration generated the Millennium Development Goals (MDGs), a set of concrete, quantitative and time-bound targets to be reached by the year 2015 through coherent, coordinated and mutually supportive actions. The MDGs address the problem of the people ‘left behind’. They are the international response to the recognition that the “central challenge” facing the world is “to ensure that globalization becomes a positive force for all the world’s people”<sup>1</sup>

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This global consensus is the culmination of a long history of international efforts to promote sustainable and equitable development. As the expression of a renewed appreciation of interdependence and multilateralism, it represents a unique opportunity to forge a global partnership to address poverty in all its dimensions – not only in terms of income but also in terms of hunger, disease, illiteracy, poor housing, discrimination and vulnerability.

1 United Nations Millennium Declaration.

Measured against the levels of global economic expansion and integration, the MDGs might appear modest, in particular the first goal of halving, by 2015 (from 1990 levels), the proportion of people living in extreme poverty and suffering from hunger. Yet the MDGs are far-reaching in a number of ways. For the first time, they call for a compact between developed and developing country governments, the United Nations system, civil society actors, the Bretton Woods institutions and the World Trade Organization (MDG 8). Their interlinking nature requires that each goal be pursued not independently but as part of a unified whole. The MDGs draw on complementarities and establish synergies between growth and poverty reduction and, in so doing, promote inclusive and broad-based growth. The goals are time-bound and offer a minimum threshold of transparent and measurable outcomes, targets and indicators. In this way, the MDGs are open to independent monitoring, and all actors can be held accountable for results. Most importantly, while they focus on ends and unite efforts in their pursuit, they allow for a diversity of paths to get there.

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### Box 1: IFAD and the MDGs

IFAD has embraced the MDGs and their focus on poverty reduction, particularly in view of IFAD's exclusive focus, for the past 25 years, on reducing rural poverty. It considers the goals not as final ends but as intermediate objectives towards an eventual eradication of absolute poverty and hunger.

IFAD considers pursuit of the MDGs as an economic and social challenge in which the poor themselves are key actors. This is why, in 2002, the Fund rephrased its mission, encapsulating it in a simple and direct statement: To enable the rural poor to overcome their poverty. Indeed, poverty reduction is not something that governments, development organizations, private corporations or NGOs can do for the poor. What all these actors must do, instead, is to form partnerships and help establish conditions in which the poor can find the means of overcoming poverty as producers, microentrepreneurs or wage labourers, on the basis of their own skills and capabilities and according to their own aspirations.

For IFAD, achievement of the MDGs is underpinned by forms of economic growth and asset development that involve new livelihood opportunities for poor men and women. In particular, the achievement of MDG 1 is not a matter of transfer of income and food. It is a matter of poor people's capacity to generate income and food for themselves in a context of new and complex challenges, which go well beyond the local conditions under which they make their living. Indeed, in order for hundreds of million of people to overcome poverty within ten years, much more progress in terms of actions has to be made with the eighth goal (MDG 8) – for local progress is increasingly shaped by international conditions and agreements.

Today, the MDGs have become the common point of reference not only for governments and international development organizations but also for civil society and social movements. They are on the agendas of the most important forums, ranging from the Group of Eight to the World Social Forum. In this regard, the call for forging a global partnership for development has taken root. The direct link between the MDGs and the global security agenda is also broadly recognized.

### **Progress achieved – A mixed record**

A number of developing countries will reach, and even exceed, some of the MDGs by 2015. Indeed, in several Asian countries the proportion of extremely poor people has already been reduced by half since 1990, and these countries are now adopting more ambitious targets for themselves.<sup>2</sup> China in particular seems to have already met MDG 1 (although it should be kept in mind that the number of poor people in China alone in 2001 was on the same order of magnitude as the total number of poor people in the whole of sub-Saharan Africa in 1990). Many other countries, however, and not only in Africa, are lagging far behind and facing serious difficulties in making any progress.

An estimated 1.2 billion people live in extreme poverty in developing countries and more than 850 million are undernourished. According to the report of the UN Millennium Project, between 1990 and 2001 the global proportion of people living on less than USD 1 a day declined by 7 per cent, with 130 million fewer people in extreme poverty in 2001 than a decade earlier.<sup>3</sup> Only East and South Asia are on track to meet the first target of the MDGs (see Figure A.1 and Table A.1 in the appendix).

In terms of hunger, since 1990-92, the number of undernourished people in developing countries has fallen by only 20 million during the past decade, and the prevalence of undernourishment by a mere 3 per cent (World Bank and MDG data). The rates of malnutrition remain very high in South Asia and sub-Saharan Africa and have increased in Oceania and in Central and Western Asia (see Figure A.2 and Table A.2 in the appendix). According to the Food and Agriculture Organization of the United Nations (FAO), hunger and malnutrition kill more than five million children every year, and the reduction of child mortality (by two thirds) and maternal mortality (by three quarters) is lagging in most regions.

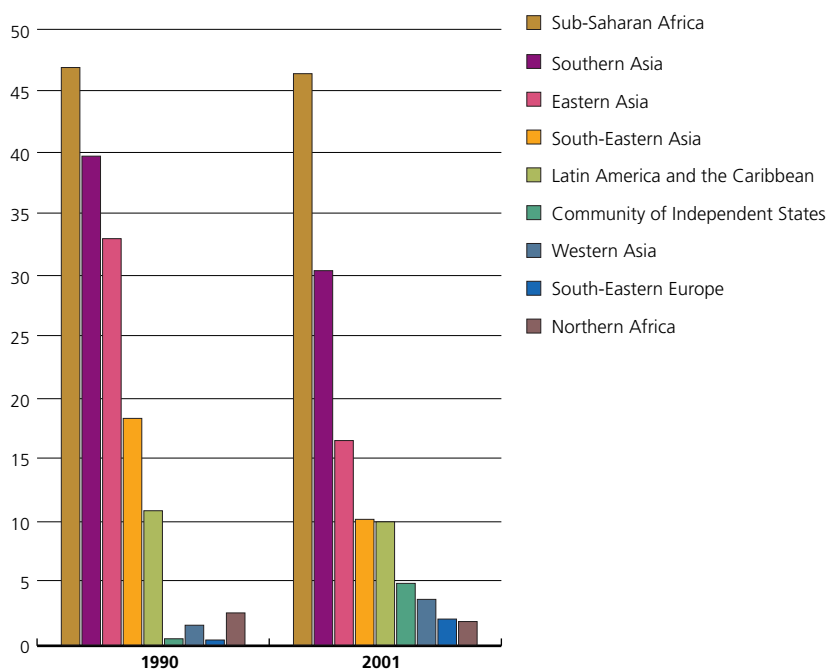
2 Viet Nam and Thailand, for instance, cut by half the incidence of extreme poverty between 1990 and 2001. The recent poverty reduction strategy of Viet Nam defines a new localized version of the poverty goal: to reduce by 40 per cent the proportion of people living below the international poverty line between 2001 and 2010.

3 UN Millennium Project report, "Investing in Development", 2005.

Global trends show only a partial reality. They do not reveal the pronounced variations among countries and among areas and populations within individual countries. However, even in relation to regional trends, the most striking feature of existing data is the strong differentiation among regions of the developing world (see Figure 1), in terms both of the prevalence and of the progress in reducing extreme poverty and hunger. Once again, variations among countries can skew results dramatically.

The greatest advances are taking place in **East Asia and South Asia**. Progress in the two most populated countries, China and India, tips the scales for the developing-world averages. The headcount poverty rate in China dropped from 33 to 17 per cent between 1990 and 2001, while in India it dropped from 42 to 35 per cent. In India, however, poverty reduction rates have been offset by population growth, yielding roughly a constant number of 360 million people in extreme poverty.<sup>4</sup> Other parts of the continent have made good progress. Still, the number of extremely poor people in Asia remains vast: 270 million in East Asia and 430 million in South Asia. Moreover, the absolute number of undernourished people is increasing in South, Central and Western Asia and in the Pacific Islands. Not surprisingly, maternal mortality remains extremely high in South Asia and the spread of HIV/AIDS is increasing in both East and South Asia.<sup>5</sup>

**FIGURE 1**  
**Percentage of population below USD 1 per day**  
 (Source: Millennium Indicators Database, UN 2004)



4 UN Millennium Project report.  
 5 UN Millennium Project report.

In **sub-Saharan Africa**, most countries are off track to achieve MDG 1. Some are even regressing. Slow growth in the region has meant increases in both the percentage and number of the poor, which rose dramatically from 227 million to 314 million between 1990 and 2001. The rate of poverty rose from 44.6 to 46.5 per cent. In fact, the number of poor people is expected to grow from 314 million in 2001 to 366 million by 2015 (World Bank and MDG data). The situation is even worse if one excludes the relatively better-off countries of Southern Africa. For 33 tropical African countries, GDP per capita averages only USD 270, or a mere 71 cents per day.<sup>6</sup> The forecasts for sub-Saharan Africa anticipate per capita growth averaging 1.6 per cent over the next ten years. This is far short of the average regional growth needed to reduce poverty to half the 1990 level.<sup>7</sup>

In **Latin America and the Caribbean**, the expectation is that the population living on less than USD 1 a day will fall from 50 million in 2001 to 46 million by 2015, if the region can maintain a per capita growth rate of 2.6 per cent. But GDP per capita grew by only 1.5 per cent a year during the 1990s. This disappointing growth performance and the fact that it is the most unequal region in the world in terms of income distribution are the main factors behind the limited progress in poverty reduction. Inequalities are high both across and within countries. The region includes four HIPC countries (i.e. countries receiving debt relief under the Heavily Indebted Poor Countries Debt Initiative), and average country indicators in middle-income countries mask wide local disparities in social conditions by ethnicity, gender and geographic location. Latin America's slow progress towards achieving MDG 1 should not overshadow the region's notable progress in meeting a number of other goals.

In the **Near East and North Africa**, the percentage of people living on less than USD 1 per day, while relatively low, has not improved significantly since 1990. However, northern African countries are on track with most of the MDGs, with the exception of youth unemployment reduction and gender parity in literacy.

In **Eastern Europe and Western and Central Asia**, the percentage of people living on less than USD 1 per day has risen sharply from 1 per cent in 1990 to 4 per cent in 2001, which in numbers corresponds to an increase from 2.3 million to 17 million.<sup>8</sup> Undernourishment has also emerged as a severe challenge in a number of countries in this region.<sup>9</sup>

6 UN Millennium Project report.

7 It should be noted, however, that there are marked differences among African countries, some of which are making successful progress towards meeting some of the goals. For instance, Benin and Ghana are on track to reduce by half the incidence of undernourishment.

8 UN Millennium Project report.

9 UN Millennium Project report.

## MDGs at a crossroads – 2005

Given this unequal development, the MDGs should be interpreted as they apply to each developing country. As indicated above, global averages mask uneven progress. Despite a new phase of global economic expansion, inequality in wealth and opportunities persists at very high levels, generating unmanaged migratory currents and contributing to insecurity and conflict. The local insecurity of the poor and local social tensions are becoming a significant factor in generating global insecurity and global social tensions. In its assessment of current threats to international peace and security, the UN High-Level Panel on Threats, Challenges and Change recognized that extreme poverty creates environments which make more likely the emergence of threats such as terrorism and civil conflict: "Poverty [ . . . ] is strongly associated with the outbreak of civil war."<sup>10</sup> Poverty is also behind the devastating effects of natural calamities in developing countries. The catastrophic consequences of the tsunami that hit Asia on 26 December 2004 clearly demonstrated that it is the poor people who are most vulnerable to natural disasters and have the least ability to cope given their limited access to safe drinking water, health care services and communication systems. Investment in poverty reduction is an imperative to make people less vulnerable and more resilient to natural and man-made disasters.

The year 2005 is critical as only ten years are left to achieve the MDGs. In September, world leaders will meet for a five-year review of implementation of the Millennium Declaration. As shown above, the results so far have been mixed – great achievement in some parts of the world, very little achievement, if any, in others. But even for those countries that have not made any progress, the intervening years have not been 'lost' years. They have provided much experience and insights to question some of the premises, assumptions and development models that have been followed in the pursuit of accelerated poverty reduction.

One important insight from the significant progress made by some developing countries, particularly in Asia, is that overall growth at the national level can bring about substantial poverty reduction. Another important insight is that **there is no single way of reaching and surpassing the goals** at the national level. Progress has been achieved in countries with widely differing approaches to development and organization of economic relations. **There is space, even need, for national differences and innovation.**

These insights have prompted a closer look at the conditions reigning in the poorest countries and among the poorest groups and a better understanding of their specific constraints and potential so as to attune resources and support.

10 United Nations High-Level Panel on Threats, Challenges and Change. *A More Secure World: Our Shared Responsibility*. New York, December 2004, p. 20.



# The rural dimension of poverty and the centrality of pro-poor agricultural growth

## The rural dimension

One obvious characteristic of extreme poverty is its overwhelming concentration in the rural areas of developing countries. Chronic poverty is also more prevalent in rural than in urban areas, and especially so in remote areas not connected to markets, ports or urban centres. While urban populations are growing at very fast rates and the number of urban poor people is increasing, roughly **three quarters of the people living in absolute poverty live in rural areas (see the Table below)**. Even in Latin America and the Caribbean, where three quarters of the population lives in urban areas, 40 per cent of the poor people still live in rural areas.<sup>11</sup>

Figures A.4 to A.6 in the appendix present the trends in percentage of rural populations below national poverty lines in 18 countries of Asia, Africa and Latin America.<sup>12</sup> The trends vary significantly from country to country. However, one feature is constant: in each country, figures for rural poverty are well above the level of average poverty. Moreover, within the sample of 18 countries, no more than four or five are on track for achieving MDG 1 in rural areas.

11 UN Millennium Project report.

12 World Development Indicators, World Bank, except for China: PovCal, World Bank, 2004 and Indonesia and Thailand, P.G. Warr, 2000.

**TABLE 1: Percentage of extremely poor people living on USD 1 a day in rural areas**

East Asia	79.6
South Asia	77.2
Eastern Europe and Central Asia	52.6
Middle East and North Africa	62.9
Sub-Saharan Africa	73.3
Latin America and the Caribbean	41.9
Total	74.3

Source: World Development Indicators, World Bank, 2004

Income poverty is not the only dimension of poverty having a particularly high incidence in rural areas. Most development indicators related to education, health and gender equality show the same pattern. Unfortunately, the MDG targets are not disaggregated between rural and urban areas, with the exception of MDG 7 targets on access to safe drinking water and to sanitation. These disaggregated targets have, in turn, allowed for a disaggregated assessment of the magnitude of the problem. Lack of access to safe drinking water is much greater in rural than in urban areas. Disaggregation at the target level has also allowed for disaggregated monitoring of progress. While six regions have already met the target in urban areas, only one (South Asia) is on track to meet this target in rural areas (see Figure A.7 in the appendix).

The slow pace of improvement, or even failure to improve, in rural areas is probably the single largest factor slowing achievement of all the national-level MDGs. So, while urban poverty is growing fast and matters enormously, **fighting poverty today means first a transformation of rural lives and livelihoods**. Such a strategy would also have a positive impact on urban poverty and on forced out-migration, which are often direct consequences of lack of rural opportunities.

Despite the diversity and complexity of the livelihoods of the rural poor, the majority of rural households depend mostly on agriculture and agriculture-related small industries and services. Most of the poor are smallholder farmers, landless wage labourers, pastoralists and artisanal fishermen. Across these categories women face additional constraints.

Beyond the income poverty and hunger goal, other MDGs are directly related to agricultural and rural development. This is particularly the case with MDG 3: "Promote gender equality and empower women". Indeed, women are responsible for 60 to 80 per cent of food production in developing countries.

Paradoxically, the greater the impact of historical gender inequalities, the more active many of the poorest rural women have become in working for change – when given even small opportunities to improve their lot and to participate in development processes. Agricultural development is also directly related to MDG 7: “Ensure environmental sustainability”.

### **The link between agricultural growth and poverty reduction – Historical background**

If we were to look back to some historical patterns, we would see that the countries which are reducing poverty today are, more often than not, countries which invested a lot in their rural areas and people in the past. On the other hand, countries which are lagging behind are mostly those that neglected their rural areas and peasantry, or failed to ensure an equitable distribution of land. Indeed, few economies have achieved broad-based economic growth without agricultural and rural growth preceding or at least accompanying it. In almost every case, from Europe in the 19th century to the more recent cases of China and Viet Nam in the 1980s, agricultural growth has played a critical role in poverty reduction. There are many empirical illustrations of this complex but strong relationship between agricultural growth and poverty reduction. For example, in southern India the average real income of small farmers rose by 90 per cent and that of landless labourers by 125 per cent between 1973 and 1994 as a result of the Green Revolution (see Table A.3 in the appendix). Elasticity of poverty reduction with respect to increase in agricultural productivity has been estimated at 0.72 per cent in Africa and 0.48 per cent in Asia.<sup>13</sup>

The effects of agricultural growth on poverty reduction are specific to the local context and are stronger where: (i) agriculture is important to the incomes of the rural poor; (ii) land distribution is relatively equitable; and (iii) the poor consume non-tradable food staples. Not surprisingly, **it is precisely where the incidence of poverty is the highest that agricultural development has the largest effect on overall poverty reduction.** Beyond the direct effect on poor producers, there are other slower but powerful indirect effects: lower food prices, higher wages and increasing employment in the non-farm sector. In largely agrarian economies there has been no such massive and rapid reduction of poverty, as is called for by the Millennium Declaration, without rapid and broad-based agricultural growth.

### **Smallholder agriculture**

There are particularly strong relations among agricultural growth, small farm development and rural poverty reduction. Small farms have a number of comparative advantages at the early stages of agricultural development, including a lower capital/labour ratio. Small farm households have more favourable expenditure patterns for promoting growth of the local non-farm economy and that of rural towns. They spend higher shares of their incremental income on rural non-tradables than large farms, thereby creating additional demand for the many labour-intensive goods and services that are produced in local villages and towns. These demand-driven growth linkages provide greater income-earning opportunities for small farms and landless workers.<sup>14</sup>

In the early stages of development, provided that public investment support increases food production by the poor, smallholders use much of their extra income to obtain and consume their own and their neighbours' surplus. Technical progress in seeds, infrastructure and water management on small private farms raises productivity faster than prices fall, leaving farmers, farm workers and food buyers less poor. In later development, extra public investment can underpin the infrastructure needed for small-scale and labour-intensive food production, partly traded and partly used to diversify and enrich the diets and employment of poor producers. In both phases, rural non-farm growth contributes to a rising share of rural incomes, but this growth depends substantially on consumer demand, which in turn depends on the prosperity of the smallholders.<sup>15</sup>

Looking at the 1990s, there is a striking correlation between the regional patterns of agricultural growth and the patterns of poverty reduction reported above. Progress towards MDG 1 in the 1990s, particularly in East and South-East Asia, is associated with rapid agricultural growth in the context of relatively egalitarian distribution of landholdings and increasing agricultural labour productivity. In contrast, persistent or increasing poverty at very high levels in sub-Saharan Africa correlates with stagnant agriculture productivity and decreasing per-capita output.

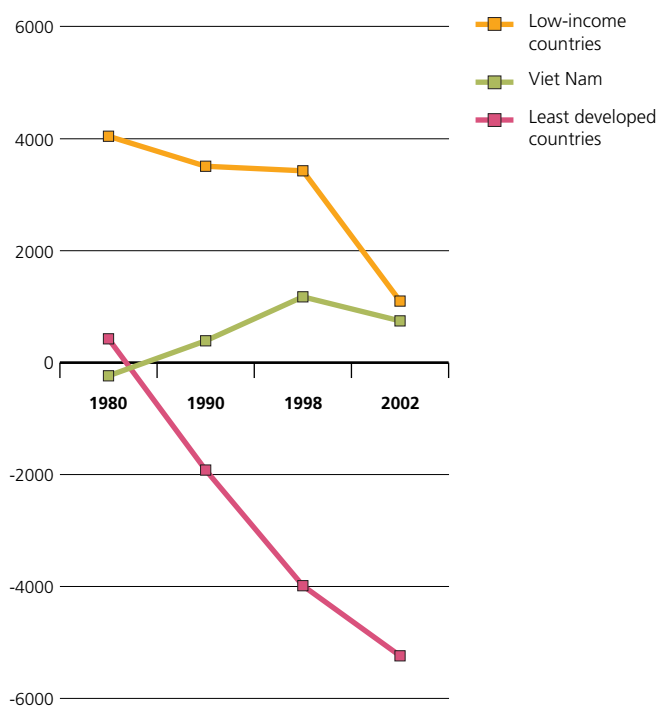
■ 14 Hazell, 2004.

15 Rural Poverty Report, 2001.

## The changing global environment

The extremely poor rural people of today (particularly those in Africa) face different challenges than those faced by the people who achieved sustained agricultural growth two or three decades ago. For example, with respect to infrastructure, in 2000 road density in Africa was about one tenth of what it was in India at the start of the Green Revolution. And despite the fact that soil nutrient depletion is the main biophysical constraint to productivity increase in sub-Saharan Africa, fertilizer prices are two to six times higher at the farm gate in Africa than in the rest of the world. Global trends, including low agricultural prices, increased competition for markets and resources and the spread of HIV/AIDS, together with less supportive policies in many countries, all constitute new and formidable challenges.

**FIGURE 2**  
Trends in agricultural net trade position  
of low-income and least developed countries  
average per five-year period, USD million  
(Source: FAOSTAT)



### *Terms of trade*

The terms of trade for poor farmers have deteriorated. This trend has weakened local demand for non-tradables and its positive effects on consumption linkages and growth in rural areas. In many developing countries, the growing urban influence on policy-makers has shifted the focus of development policy aims away from rural income generation and rural poverty reduction. Low world prices and poor rural transport systems make it cheaper and easier to provision major cities from international markets than to invest in local rural development to promote domestic production.<sup>16</sup> In most least developed countries (LDCs), imports of agricultural products are now higher than their agricultural exports. Figure 2 shows the recent evolution of the average agricultural net trade position of low-income countries and LDCs, together with that of Viet Nam, one of the most successful cases of agricultural growth (and poverty reduction) in Asia during the 1990s. Viet Nam may not be the only exception but the trend clearly shows that, overall, poor countries' demand for agricultural products is being met less and less by poor countries' producers. These trends also show that earnings from the traditional agricultural exports of these countries cover less and less of the cost of their agricultural imports.

### *Structural adjustment programmes and weak marketing chains*

Structural adjustment programmes, particularly in sub-Saharan Africa, have left many smallholders without access to key services and inputs, including farm credit and extension. Although these parastatal services were neither very effective for the poor, nor financially sustainable, in many areas they have not been replaced by alternative and more effective service providers. The removal of subsidies, without improvement in market access and reduction of transaction costs, has made some key inputs prohibitively expensive. Liberalization and the dismantling of price stabilization programmes have exposed farmers to much more volatile farm-gate prices. This increasing level of market-related risk and vulnerability is particularly detrimental to small farmers living in remote regions with poor infrastructure and to those already exposed to high climatic or agroecological risks. There is less support to the rural poor to adapt and diversify their products in the rapidly changing marketplace, precisely when and where adaptation, diversification, intensification and effective supply chains are needed more. Marketing chains are changing dramatically in all types of countries with trade liberalization and globalization. Smallholders increasingly have to compete in markets that are more demanding in terms of quality and food safety, more concentrated and integrated, and much more open to international competition.

### *Agricultural and trade policies of developed countries*

The agricultural policies of many member countries of the Organisation for Economic Co-operation and Development (OECD) are making competition on the part of small farmers in developing countries very difficult. These farmers have to cope not only with the erratic fluctuations of prices for their traditional exports and limited access to rich country markets but also with unfair competition in their own domestic market for basic foodstuffs such as cereal and livestock products – unfair not only because of subsidies, but also because of tremendous inequity in access to those inputs that can increase competitiveness, such as capital for investment, technology and basic economic information. These driving forces are particularly challenging for sub-Saharan Africa and South Asia, where small farms dominate. Left to market forces alone, the beneficiaries of the new high-value and liberalized agriculture are mostly the larger and commercially oriented farms, which are well connected to roads and markets.

### *Control of natural resources*

Changes in international economic and political relations have unleashed national and local change processes that involve enormous challenges for the rural poor. The rural poor face new forms of competition for the resources upon which their existence depends. The underlying value of water, land and forests is rising in response to scarcity. In principle, this should be of benefit to rural communities – as the values of ‘their’ assets rise. In practice, this is a dangerous situation. On the one hand, small farmers are unable to leverage this increased value into greater access to investment capital because, in many rural areas, there are no rural financial institutions at all, least of all institutions capable of extending medium-term loans for productive investment. On the other hand, precisely this rise in value gives a greater incentive to elite groups to try to capture them. Rather than increasing the livelihood security of the rural poor, changing asset values means greater competition with more powerful interests.

## More investment and pro-poor policy frameworks

Agricultural activities and markets on which the livelihoods of the rural poor depend are greatly influenced by their territorial distribution, their strong social and cultural dimension, their dependency on natural factors and the low elasticity of food markets. Because of these particular features public investment in public goods and public policies and institutions have been and still are an essential enabling condition of major development in the rural sector. Choices made by governments in their policies and public investment determine the path and speed of the development of private agricultural business and in particular its pro- (or anti-) poor nature. The enabling role of public policy and rural investment in pro-poor growth is particularly important in predominantly agrarian countries and regions characterized by frequent market failures and high risks and transaction costs. These countries and regions are those where most poor rural people live.

### **Recent trends in public support to agriculture**

#### *Correlation between government support and progress towards MDGs*

For the past 20 years, greater levels of governments expenditure for agriculture in developing countries show a clear correlation with progress towards MDG 1 (see Figure 3<sup>17</sup> below and Figure A.1 in the appendix). The comparison between sub-Saharan Africa and East and South Asia is impressive: rapid progress towards achievement of MDG 1 in Asia is correlated with high and increasing levels of



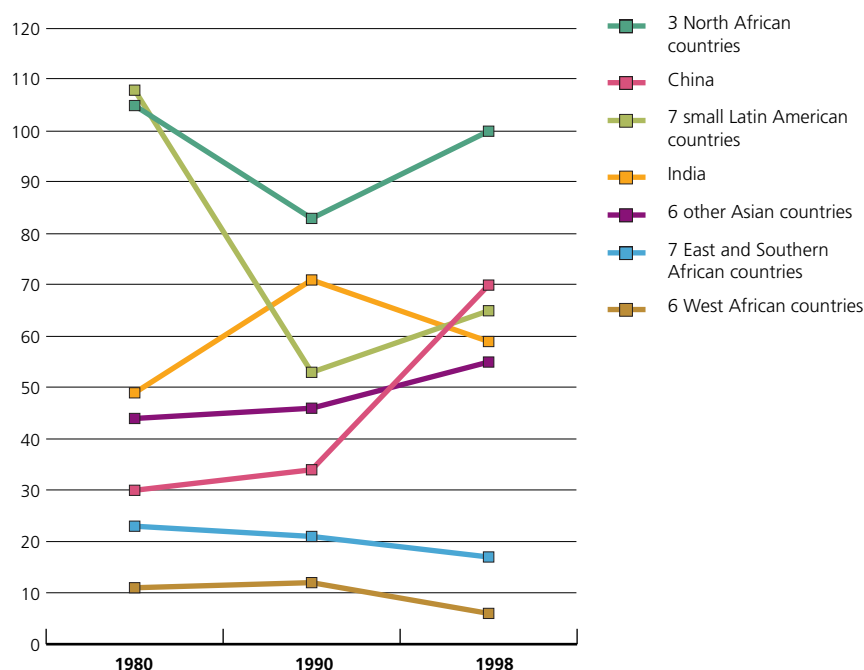
government expenditure on agriculture per rural capita; in sub-Saharan Africa, on the other hand, where the level of public expenditure for agriculture is extremely low and further declined during the 1990s, no progress has been made.

For six West African countries, the average share of public expenditure in agriculture decreased from an already meagre 4.1 per cent in 1980 to 1.7 per cent in 1998. This level of public support – which corresponds to less than USD 10 per rural capita – is clearly incompatible with any of the broad-based agricultural development processes that took place in other regions of the developing world.

### *Trends in official development assistance (ODA) to agriculture*

International development assistance has not compensated for the dramatic disengagement of LDC governments from the agricultural and rural sector. On the contrary, it has followed or contributed to this trend. The decrease in ODA to agriculture for least-developed and other low-income countries was continuous from 1985 to 2000 (see Figure 4). The average ODA per year to

**FIGURE 3**  
Amount of government expenditures  
for agriculture per rural capita  
USD 1995  
(Source: Fan and Rao, 2003)



agriculture was USD 5.14 billion (2002 prices) for the period 1983-1987. It fell to USD 2.22 billion for 1998-2002. The decrease is even more striking when only LDCs are considered: yearly ODA to agriculture went from USD 2.51 billion in 1983-1987 to 0.94 billion in 1998-2002; that is, a 62 per cent decrease over 15 years. Lending from international financial institutions follows a similar pattern. For example, in 2002, lending for investment in the agricultural sector reached 7.9 per cent of total World Bank lending, compared to 30 per cent in the early 1980s. In contrast, food aid and emergency assistance to least-developed and low-income countries, which had decreased from 1985 to 1993, started growing again during the second half of the 1990s. In 1999, for the first time, it exceeded ODA to agriculture (see also Tables A.5 and A.6 in the appendix).

**FIGURE 4**  
 ODA for agriculture and ODA for food aid and emergency assistance, all donors to LDCs and other low-income countries  
 USD million, 2002 prices  
 (Source: OECD)

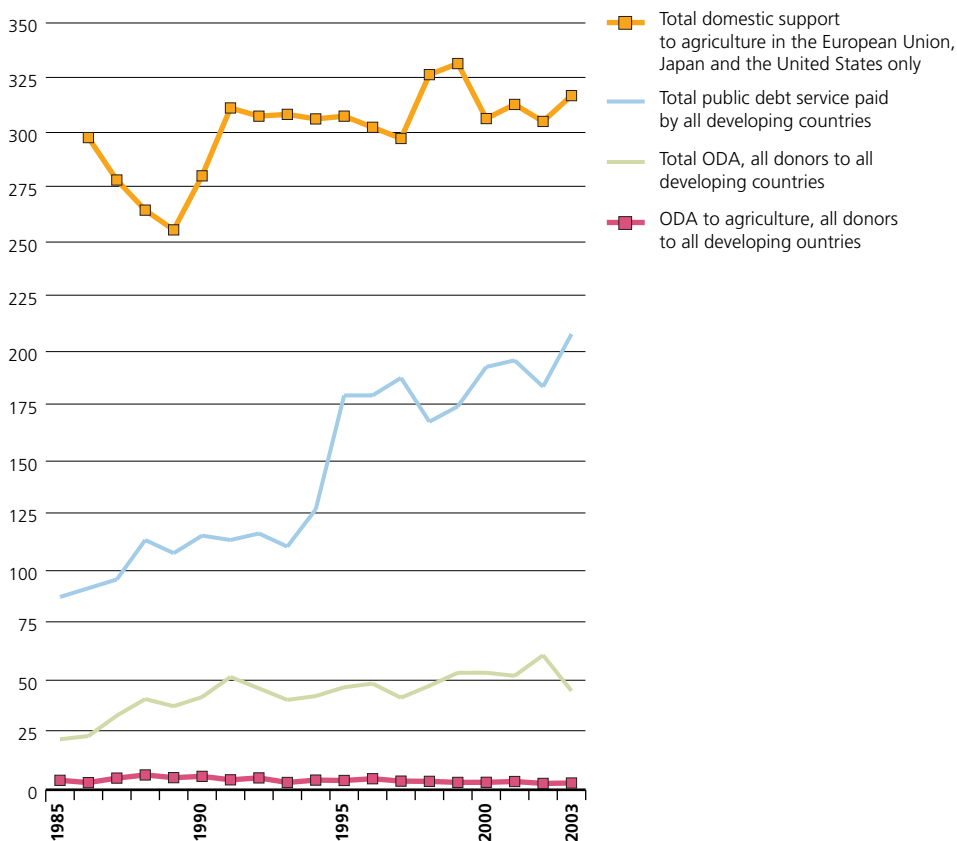


### Policy coherence

Public support to agriculture varies greatly in different parts of the world. Yet, one trend is clear: it is in the rich countries, where the productivity of a few million producers reaches levels 100 to 1 000 times that of developing-country smallholders, that the largest amount of public resources is allocated to agriculture.

Figure 5 compares total domestic support to agriculture in the European Union, Japan and the United States with global ODA to agriculture for all developing countries during the past 28 years. The enormous gap between these figures is at the heart of the disputes in the Doha negotiation round. And it is certainly one of the main obstacles to the achievement of MDG 1.

**FIGURE 5**  
Trends in domestic support to agriculture in developed countries  
and ODA to agriculture  
(and trends in total ODA and total debt service by developing countries)  
USD billion  
(Source: OECD)



The debate on the 'coherence' of the policies of rich nations vis-à-vis the developing world in the era of globalization has intensified due to the engagement of social movements around the world, and the problem of coherence is at its most acute in relation to agriculture and the food industry. With ever-increasing global competition for and through markets, public agricultural policies and private agricultural investment capacities around the globe are in ever increasing direct interaction – and they favour the rich rather than the poor. Despite the fact that 75 per cent of the poor depend on agriculture and related rural activities for their livelihood, and despite the universal commitment to poverty reduction and food security, policies regarding agricultural trade and market regulations are the most distorted, and the least supportive of reaching the MDGs.

#### *An emerging consensus?*

Consensus is emerging on the centrality of rural and agricultural development to achieving the MDGs. In 2003, the Evian summit of the Group of Eight strongly reaffirmed the importance of agriculture in poverty reduction and support to agriculture as a crucial instrument in ODA.

The World Bank, following the adoption of its new rural development strategy in 2003 ("Reaching the rural poor"), has increased its rural lending, reaching 41 per cent of total Bank lending in 2003, although most of this increase is still in rural education, health and infrastructure. Lending to agriculture remains relatively low: USD 1.3 billion in 2004 against 2.1 billion in 1998-99 (see Table A.6 in the appendix).

In July 2003, the heads of State and Government of the African Union, meeting in Maputo, Mozambique, committed themselves to allocating at least 10 per cent of national budgetary resources to the implementation of sound policies for agricultural and rural development. One year later, the member states of the Southern African Development Community reaffirmed their commitment to accelerate agriculture development and increase financing to agriculture to at least 10 per cent of national budgets within five years.

The UN Millennium Project report acknowledges that "The global epicentre of extreme poverty is the smallholder farm...these farmers also constitute the bulk of the private sector economic activity in many developing countries, so improving their economic lot will make a huge difference to their countries' prospect for long-term economic growth." Indeed, the Millennium Project has selected rural development as the first of seven public-investment clusters to achieve the MDGs. The 37 practical recommendations for public interventions

in this area pursue four main objectives: (i) making farms more productive (a “twenty-first century Green Revolution”; (ii) raising farmers’ incomes by getting farm products to market; (iii) improving the lives of the rural landless; and (iv) expanding essential services in rural areas to meet the other goals.<sup>18</sup>

This comprehensive proposal is consistent with the fundamental point that achieving the MDGs is not about a safety net for the poor but rather a ladder for the poor to climb out of poverty. This ladder is provided by increased public and private investment.

This pro-poor rural investment agenda, associated with a call for sharp increases in ODA and debt relief, is largely similar to what is proposed by other key players in the international development community, including the New Partnership for Africa’s Development (NEPAD) and FAO. On the donor side, the Development Assistance Committee of the OECD is defining a ‘new agenda for agriculture’ and recently some OECD countries, including Canada and Norway, increased their bilateral aid to agriculture.

These are all encouraging signals that still have to be transformed into larger financial flows. Since the Millennium Summit, total ODA (all sectors, all donors) grew from USD 50 billion a year to USD 68 billion in 2003. Nevertheless, in addition to mobilizing their own resources and to benefiting from a more open trading system, poor countries will still need at least USD 100 billion a year in ODA to achieve the MDGs.<sup>19</sup>

Increased awareness of the acuteness of the rural poverty problematic suggests that aid for rural and agricultural development will increase, but **lasting poverty reduction is not a question of continuing resource transfers. It is a framework of policy and capacity at all levels that poor people can use to better secure and use their own assets. A simple increase in resources for public investment will not – on its own – make the necessary difference.**

### **Key areas and approaches for more pro-poor investment**

Two major reasons for past limited successes in many low-income and least developed countries are inappropriate policy frameworks and the failure to identify appropriate approaches and modalities of action. For the issue is not only **what** is to be done, but **how** it is to be done. Lessons learned from successful and less successful public interventions are critical in selecting the right priorities and approaches for investment in agricultural production, non-farm enterprises, financial services, market development and infrastructure.

18 UN Millennium Project report: “Investing in Development”, 2005

19 UN Department of Economic and Social Affairs, 2004.

These lessons indicate that **in most areas of investment, local bottom-up processes and local institutions managed by or accountable to the poor are essential if sustainable results are to be achieved.**

The poverty problematic must be articulated in terms of people – and their ability to overcome their poverty – rather than in terms of top-down transfer of knowledge, technology and investment in physical capital, which has long been the prevailing practice. Consequently, the building of local social capital and support for local processes are key elements of any poverty reduction strategy. It is social capital that makes it possible for communities to effectively manage natural resources, ensure the smooth inheritance of land, care for HIV/AIDS orphans or foster agricultural innovation. The empowerment of rural communities, of specific, common-interest groups within communities (in particular women’s groups) and of federations of these groups should, therefore, be the starting point of any pro-poor rural development efforts. Empowerment means providing poor rural people with the support they require in order to develop the knowledge, skills and organizational capacity needed for accessing resources and services, negotiating with private-sector market intermediaries and influencing government policies and investment.

In order to ensure the effectiveness of current and additional investment, development partners must start by supporting solutions that the poor develop themselves, together with the local institutions and local processes by which they negotiate with their business partners and with local and national governments. Some of the key challenges facing poor rural people are: productive assets and agricultural support services; opportunities in the rural non-farm sector; market access; rural financial services; and rural infrastructure.

#### *Productive assets of smallholders and innovation support services*

Some 80 per cent of the world’s cultivated land is rain-fed and it produces 60 per cent of world food and fibre needs. How can it become more productive for the poor? The ways forward are complex and vary from region to region, but the opportunities for increased productivity and for diversification are considerable. Reversing declining soil fertility is perhaps the biggest challenge for the future of agriculture in many poor regions. Fortunately, arresting and reversing soil degradation through the introduction of inexpensive technologies and practices is a real possibility. Soil conservation and water-harvesting technologies can provide long-term benefits to the natural-resource base, while offering immediate scope for increased production and subsequent intensification of production systems. They require accessible systems

integrating local knowledge and secure land (and water) tenure systems that enable poor people to put their knowledge into action and make it worthwhile to invest in land improvements. The links between research, extension and poor farmers need strengthening in new and innovative ways that encourage two-way communication rather than the traditional top-down approaches.

More investment in irrigation is another way out of poverty, as it reduces climatic risk in dry regions and increases yield and cropping intensities. Community-owned irrigation is more effective because the work necessary for water extraction and conduction is within practical reach of farmers' associations. Small-scale, low-cost and labour-intensive irrigation methods are also important because they are accessible to capital- or credit-constrained small farmers. Physical investment and appropriate technology are not sufficient, though. Institutions, especially strong water users' associations and marketing cooperatives, are essential for counteracting unequal access to land and water resources, for managing community-owned infrastructures and for ensuring the financial return on production upon which the maintenance and sustainability of self-managed irrigation systems depend.

Modern technology and equipment have bypassed many small farmers in marginal areas, and there has been insufficient progress in developing appropriate technologies for drylands, uplands and mountainous areas. Even in areas for which appropriate technologies do exist, they do not always reach small farmers because of poor extension services, inadequate use of communication and dissemination tools, and lack of access to inputs and credit.

In order to address some of these problems, bottom-up approaches to agricultural research and development have proven more effective. Such approaches allow farmers not only to participate in the execution of research trials, but also to play a major role in deciding the research topics. Diverse innovative approaches emerged after the collapse of the standardized research and extension system, including the farmers' field schools, applying experimental learning methods.

### *The rural non-farm sector*

The rural non-farm economy plays an essential and growing role in providing employment and income for the poor in rural areas, in particular for women and youth. Its development is also crucial for agricultural development itself, through backward and forward linkages to agricultural production. Support for small rural industries and services should be articulated with the development

of agri-food systems and marketing chains. There is now a large body of experience in supporting the development of rural small enterprises and this is an area where continuous innovation is particularly needed.

### *Market access*

Small rural producers face major challenges in selling their produce, including high transport costs, low economies of scale, lack of information, high risk, legal and illegal taxes, too many intermediaries and excessive physical losses. Marketing margins are lower for export crops, where competition tends to be greater. Marketing costs are highest for farmers in remote or less accessible villages, where buyers can exert monopsony buying power.

Globalization is creating additional challenges for small rural producers but is also offering new opportunities to access dynamic national and international markets in which small producers have, at least potentially, a comparative advantage. High-value crops and organic food production, for example, represent a promising alternative for small farmers in many developing countries. However, in order to take advantage of these new markets, small farmers must overcome a number of constraints, such as the lack of technical know-how, the lack of adequate infrastructure and processing facilities, inadequate market information, complex and expensive certification

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### **Box 2: Development of rural enterprises in Ghana**

The Rural Enterprises Project, in Ghana, was designed to build upon the Government's economic reforms by helping private rural entrepreneurs take advantage of the opportunities offered by a liberalized economy. The aim was to facilitate access by rural producers, particularly women and the poorest, to quality services capable of imparting the knowledge, skills, advisory services and financial assistance needed to create viable rural income-generating activities and enhance the profitability and sustainability of existing ones. Rural technology service centres supported transfer of technology, apprenticeship programmes and complementary training. Business advisory centres provided business training and advice. A rural enterprise development fund delivered group credit through 33 participating banks under the auspices of the Bank of Ghana. Feeder roads were rehabilitated to facilitate access to markets. The project was very successful in creating viable new businesses and in upgrading the capacity of existing ones, leading both to significantly higher incomes for entrepreneurs and expanded opportunities for wage employment. An interim evaluation of the project recommended a second phase which, building upon the lessons learned from the first phase, will scale up the approach and methodology in all rural districts of the country over a period of eight years.

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procedures and insufficient financing. Little has been done to reduce the obstacles that producers face in terms of information requirements, training, capacity-building and the development of managerial skills, which restrict their participation in local and international markets. Such participation requires above all the organizational and knowledge empowerment of poor rural people to negotiate better relations in the marketplace and influence policies and institutions that regulate these relations.

Making markets more accessible, extending them geographically and enhancing the terms upon which poor rural people participate in them are critical elements of any strategy to reduce rural poverty. One approach is to focus on the value chain for specific commodities produced by small farmers. But market conditions must also be improved in broad terms, through investments in farmer and microentrepreneur organizations, in strengthening the capacity and outreach of market intermediaries, and in infrastructure, communications and brokerage.

#### *Rural financial services*

A key condition for investment and pro-poor growth is that financial services responsive to the needs of poor producers are available in rural areas, for both agricultural and non-farm activities. Resource-poor private producers cannot invest without having access to such services.

There is no universally effective model of rural finance, but there is a universal need for saving and credit services. The demand for financial services is diverse among rural producers, and any sustainable system will have to be pluralistic. One approach is to promote comprehensive rural finance systems, in which there is space for self-help groups, community/farmer organizations, microfinance institutions and commercial banks to play different and complementary roles in the provision of a range of financial services to poor people in rural areas. Another generally accepted approach consists of setting up competent specialized institutions that place emphasis on mobilizing local savings, offering non-targeted loans and focusing on development of financial products that are suited to small producers. There are a great variety of institutional models, including Grameen Bank replications, self-help groups/bank linkages, and financial NGOs; each has to be attuned to the local conditions and dynamics.

### *Rural infrastructure*

Gains from agriculture, forestry and off-farm income-generating activities cannot be achieved or sustained in the absence of basic and appropriate rural infrastructure, which ranges from roads, communication, electricity and energy to education, health and sanitation facilities to access to safe drinking water. While the importance to agricultural and rural development of establishing adequate road networks is widely recognized, governments have often allocated the preponderant share of their transport budgets to prestige projects, while skimping on secondary and farm-to-market roads in agricultural areas and their maintenance, both of which generally have much more favourable cost-benefit ratios.

Over two billion people, most of them in rural areas, have no access to safe drinking water and sanitation (MDG 7). It is no wonder that poor rural people consider safe and affordable drinking water a top priority and lack of access to it a serious constraint to productivity. Leaving aside health reasons, constructing and maintaining wells near villages could save many women and school-age girls as much as two to three hours per day in time spent fetching water.

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### **Box 3: Rural financial services in the United Republic of Tanzania**

The Rural Financial Services Programme in the United Republic of Tanzania is assisting the Government in designing and implementing a comprehensive, nationwide financial system encompassing the following elements: (i) development of suitable institutional and legal frameworks to enable grass-roots microfinance institutions (MFIs) to operate as private banks; (ii) strengthening of the institutional capacity of rural financial institutions, particularly the savings and credit cooperative societies (SACCOSs); (iii) design and approval of regulatory norms for the efficient operation of rural financial institutions, including liberalization of deposit and savings rates; (iv) provision of technical assistance to MFIs to develop appropriate policy instruments, procedures and management techniques in order to improve their efficiency and rural outreach capacity; and (v) provision of essential non-financial services to support marketing and promotional activities.

MFIs and SACCOSs perform a range of functions based on a carefully phased approach. In the formative stage, they concentrate on increasing membership and mobilizing share capital and savings. In the consolidation phase, they operate as financial intermediaries using only their own resources, while gaining confidence in operating as financial institutions. Credit operations at this stage are restricted to small short-term loans, thus allowing them to gain experience in loan appraisal, disbursement and recovery. In the last stage, subject to satisfactory performance, SACCOSs, like other normal financial intermediaries, will be eligible to borrow from external donors to supplement lending operations.

### *Innovation and scaling-up*

Raising the incomes and food security of poor rural people is essential to achievement of the Millennium Development Goals. While commitment of resources is essential, success will also depend upon finding new and better approaches to rural development and poverty reduction. Many previous approaches have not succeeded, and there is no reason to believe that failure will be overcome by simply doing more of the same in a context that has changed. Rural economies have been caught up in new processes of globalization and exchange. The role of the state in agricultural systems has changed radically. The private sector, large- and small-scale, is at the centre of the economic transformation process – even in poor developing countries and in rural areas.

Old failures and new challenges call for new solutions in approaching rural poverty. These solutions must build on what has been learned from both success and failure. There can be no single blueprint for effective rural transformation and poverty reduction. The most important innovations are those that: change the way poor rural people invest, produce and market their products; the way they manage their assets, organize themselves, communicate with their partners, and influence policies and institutions. Innovation is taking place within a growing number of grass-roots organizations, local institutions and private service providers. These innovation processes must be further supported, scaled up and better communicated. The world is changing rapidly and solutions of today may hold us back tomorrow. This requires continuous learning and adaptation. The

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#### **Box 4: IFAD's Initiative for Mainstreaming Innovation**

Reaching the MDGs requires innovative and more effective solutions to the obstacles facing the rural poor – and coordinated, country-led action to put these solutions to work on a wide scale. IFAD can play a key role in this. It brings some crucial assets to the task: it has the experience of focusing exclusively on challenges facing rural poor people; it has the methodology of working out solutions with the rural poor; it has confronted the question of successful strategies squarely in the context of structural change; and it provides a bridge between the world of the rural poor and the upstream policy and institutional processes that affect their lives and livelihoods so significantly.

IFAD has begun a three-year Initiative for Mainstreaming Innovation in order to increase the scope and quality of replicable innovations tested and disseminated by IFAD and its partners to reduce rural poverty. With some of the most successful innovations being those that are developed by the rural poor themselves, the Fund's role is that of a facilitator, mediator, enabler and promoter of innovations.

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much-needed harmonization of donor support behind government policies and framework processes should encourage innovation and learning and not be negotiated at the minimum common denominator.

### **Enabling policies and institutions**

Part of the issue of scaling-up relates to changes in what the public sector does. An equally important part is changing what is possible and impossible for small farmers themselves to do. Many initially successful investments in smallholder agricultural and rural enterprises have been curtailed by such obstacles as insecure land tenure, high risk and vulnerability to market failures, growing transaction costs to access larger and more remunerative markets, and unfair or unregulated competition. In many cases what has been missing, to allow for maximum impact of investments, is an enabling, supportive and consistent policy framework, both at the national and international level. The sharp and rapid increase in ODA to rural development recommended by the Millennium Project is certainly not sufficient without such a policy framework.

Government policy is one of the key factors affecting the challenges and opportunities of poor rural people. In addition to shaping government expenditure, it also deeply affects relations to assets and asset security and to market relations. In short, policy is a key factor in both public and private economic processes.

In many cases, the people who are poor are so because policies, laws and regulations (or absence of them) circumscribe their opportunities. What is needed is policy change. Change at the level of intersectoral policy is necessary because rural development and rural opportunities are necessarily part of larger national economic systems, and the overall economic policy must provide space and support for rural development reflecting the possibilities of the rural poor. Change at the sectoral level is essential, for it is here that the critical, but narrower, agricultural issues are determined.

It has become evident that such policies are more consistently implemented if they arise out of national processes and the interaction of national actors, including the organizations of the poor, instead of being imposed through conditionalities for financial assistance by donors.

### *Access to land and water and tenure security*

A key to pro-poor agricultural development is legally secure access to land, water and forests. Tenure security is essential for ensuring sustainable practices and improving productivity through appropriate investment. The general global

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### Box 5: Securing land titles in Mauritania

Under the IFAD-supported Maghama Improved Flood Recession Farming Project, the possibility of increasing flood-recession farmland in an area dominated by traditional land-use arrangements presented an opportunity for a change in policy, involving devolution of local land-tenure arrangements to the village populations concerned. A decree was promulgated mandating beneficiary involvement in resolving land tenure issues. An overall framework agreement and individual arrangements guarantee secure access for at least 15 years to land upon which improvements are made.

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trend has been one of weakened land rights of the rural poor (and particularly women) in a context of growing population, increased trade and urbanization. The steady expansion of cities into peripheral areas constitutes a grave challenge to traditional landholders. Outsiders are often in a better position to profit from market development, and to manipulate the legal system to gain title to land previously controlled under traditional usufruct systems. In Africa, the onslaught of HIV/AIDS is further weakening traditional land allocation and conflict resolution systems.

Secure land tenure is a prerequisite for on-farm investment and is an incentive for farmers to engage in sustainable natural resource management. Failure to ensure security of tenure for the poorest in a situation of increasing land and water values is likely to lead to a displacement of the most vulnerable groups by the better connected and more affluent.

In many parts of the world, the rural poor rely heavily for their livelihood on common-property resources such as forests, rangelands and fisheries. There has been an increasing trend towards devolution of control over natural resources from central governments to local communities. In that context, the importance of enabling indigenous peoples to secure collective rights to their ancestral territories and the corresponding natural resources should be fully recognized.

#### *Decentralization*

In recent years, rural decentralization efforts have rapidly progressed in many countries. This has taken place in the larger political context of democratization. However, progress has been uneven, with many countries having made steady progress towards legitimate empowerment of local representative bodies, while in other countries decentralization has occurred in name only. In those countries where legitimate decentralization processes are under way, great potential exists

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### **Box 6: Synergies of policy and investment for poverty reduction: Land access in Nepal**

The Hills Leasehold Forestry and Forage Development Project of the Government of Nepal illustrates the positive impact that a combination of policy, investment and appropriate institutional support can have – provided that all three are attuned to the specific realities, constraints and potential of poor rural people and to the conditions under which they pursue their livelihoods.

In very simple terms, the project, with a total investment of USD 20.4 million, was aimed at providing land access to the poorest rural households by extending to them 40-year leases for small blocks of degraded, public forest land. At completion, 7 457 hectares of such land had been handed over for regeneration and exploitation to 12 028 households. Subsequent evaluation of the project found that annual incomes had increased, the economic and social status of women improved, food security augmented and livestock holdings expanded. In addition, animal feed and forage self-sufficiency had been secured, school attendance by children rose, environmental degradation reversed and biodiversity was enhanced.

Access to land alone would not have had such results. Critical for the success were the close collaboration between the Department of Forests and the Department of Livestock Services, the systematic gender and development training of project staff, the complementarity between the project and the Government's community forestry programme and the formation of informal organizations of user groups and cooperatives to provide services in, for example, microfinance and marketing. These organizations proved indispensable given the fact that granting secure land tenure to the poorest groups can result in serious conflicts with local power structures.

As a result of the project's impressive achievements, the Government of Nepal adopted a leasehold forest policy in 2002 as a priority programme in the Poverty Reduction Strategy Paper/Tenth Plan 2002-2007. In fact, that year, the Government began expanding leasehold forestry into a national poverty programme using its own resources. To assist in that process, IFAD designed a follow-up to the original project: the Leasehold Forestry and Livestock Programme.

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to make rural infrastructure investment and rural services provision more responsive to local needs and ensure that more sustainable maintenance systems are established. However, this requires strengthening capacity of local governing entities and actual fiscal decentralization of budgetary resources. It is critical that effective partnerships are created and that the various donors supporting the decentralization processes effectively coordinate their interventions.

Experience in national decentralization programmes and community-driven development type initiatives has demonstrated the importance of articulating the link between the village and local government structures.

It is imperative to develop a grass roots capacity to effectively interact with local government authorities and prevent elite capture of benefits. Decentralization

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### Box 7: Decentralization in Uruguay

In the National Smallholder Support Programme – Phase II, the Ministry of Agriculture has created an office for rural development at the central level and secretariats for rural development in those municipal departments where rural poverty is concentrated. At the secretariats, round tables for rural development are held and participation by organizations of poor rural people is mandatory. The ministry retains its role as policy formulator and provider of general guidance for development processes. However, these policies as well as actions for combating poverty are being transferred to the local level without abolishing the responsibilities of the ministries. Municipalities have an important role in social and rural infrastructure. Smallholder organizations are the main actors in that they control and demand services. The private sector also participates in the round tables for rural development, where the demand for and supply of services meet.

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of resources and decision-making powers is indeed creating new policy space for the interests of rural populations. But local elites are better able to articulate demand and place political pressure to receive services. To counter this tendency, explicit strategies for strengthening the capacity of the rural poor to demand and obtain appropriate and responsive rural services are necessary.

The success of decentralization depends on the type of political structure and administrative constitution of the country, and the degree of political importance that the government attaches to decentralization as well as to rural development. It also depends on the degree of organization of the rural poor populations and the presence and strength of NGOs and other private organizations that work with them. Transferring decision-making powers and bringing the actors of development closer together lie at the core of the concept of decentralization and make the decentralization process a key condition for creating a sustainable development process.

#### *Trade, price and market access policies*

The task of reducing rural poverty and stimulating national growth through greater and more profitable engagement of smallholders in trade involves not merely trade reforms but the construction of a material, organizational and policy framework that directly addresses the specific issues and constraints faced by small-scale producers in their social and gender specificity. Such a framework must also reverse the processes of exclusion of the poor that have been characteristic of principal institutions and policies for so long.

The debate about the link between poverty and trade organization has principally revolved around relations between the developed and developing groups of countries. Clearly, protection and subsidies in developed countries will affect poor smallholders under all circumstances. But this is not equivalent to the proposition that developed-country markets are the 'natural' markets for developing-country producers, or that foreseeable changes in the international trade regime will provide relief for the poverty of all or of most. Beyond limited niche or seasonal markets, phyto-sanitary rules, cost of certification and tariff escalation remain major obstacles for entering and extracting value from developed-country markets. Facilitation of access to the growing urban markets of the developing world itself may be of greater interest to many smallholders and agri-food industries of least developed and low-income countries.

Paradoxically, given the difficulty of exporting to developed countries, many developing countries (and their developing partners) have done relatively little to overcome the internal, regional and South-South trade obstacles – infrastructure, effective taxation, tariff and non-tariff barriers – notwithstanding the fact that for most smallholders this would be the market segment that offers the greatest potential. It is true that the presence of developed-country agricultural exports in developing-country markets is facilitated by export subsidies and the like, but it is also true that the viability of this commercial penetration is vastly increased by the great obstacles to internal trade encountered by many small producers. The solutions to these obstacles lie in the individual and collective policy decisions and investment plans of the developing countries themselves.

#### *Rethinking the policy dimensions of pro-poor rural and agricultural development*

As important as addressing any particular 'issue area' is systematic reflection upon the scope and role of policy and the public sector in pro-poor rural and agricultural development. Notwithstanding the fact that a policy of state disengagement from the agricultural sector has long been pressed upon some of the poorest and agricultural countries, pro-farmer agricultural engagement by the state is the overwhelming characteristic in most of the rich developed countries. It is also an important characteristic, but in different forms, of many of the developing countries that are doing very well in reaching the MDGs. The role of the state in providing basic infrastructure and social services is largely uncontested. Arguably, there is also an important role that it can play in helping poor farmers reduce risks in the transition to market-based agricultural and rural systems and adapt to changing market conditions.



For example, risk and uncertainty have an adverse effect on rural investment and constrain productivity gains in agriculture. No significant investment in agricultural productivity can be expected from poor farmers in a context of highly volatile and unpredictable prices for agricultural products. More attention must be paid to price stability, both in terms of investment on the part of poor farmers as well as the provision of loans on the part of banks. Price regulation policies are difficult to set up and imply sensitive collaboration between private traders and the public organizations in charge of enforcing regulations, together with building costly infrastructures. Yet, price stabilization policy, particularly in Asia, has been one of the key conditions to develop the production of many agricultural commodities.

The Millennium Project report calls for “a reversal of the policies in recent years of slashing subsidies to fertilizers and other critical inputs ... such subsidies would need to be targeted to very poor regions and translated into farm-site investments in soils, water, improved seeds and other critical needs.”<sup>20</sup> This call is not isolated and has been echoed by other development circles.<sup>21</sup> The renewed debate on pro-poor agricultural subsidies is a sign of a more open climate with respect to development-policymaking. Indeed, a number of developing countries that are on track to meet MDG 1 have used a policy of agricultural input subsidies and other support mechanisms.

Little improvement in productivity can be expected from chronically hungry rural households. In food insecure areas, well targeted assistance and safety nets using locally produced food can reduce malnutrition and food insecurity but also stimulate demand for local products and agricultural growth. This twin-track approach to combating hunger and poverty advocated by the Millennium Project’s Task Force on Hunger<sup>22</sup> requires active involvement by both government and local communities.

Agrarian systems and rural worlds are highly diversified and at different stages of development. This is the first reason why there can be no blueprint for pro-poor rural development but rather a need for well-selected and country-owned policies emerging from inclusive social dialogue and taking into account experiences from the field. This diversity calls for a wider range of policy options than what has been available in many low-income and least developed countries during the last 20 years, under the constraints of debt, aid dependency and structural adjustment programmes. What is required is both more space for policy innovation for rural poverty reduction and more space for rural poverty within national poverty reduction strategies.

20 UN Millennium Project report, p. 70.

21 See, for instance, Dorward A. et al. 2004, “Rethinking agricultural policies for pro-poor growth”, Natural Resource Perspectives, ODI.

22 This approach is also advocated by the International Alliance Against Hunger.

*National poverty reduction strategies as frameworks for aligning investment and country-owned policy*

Poverty reduction strategies (PRSs) are now becoming one of the major policy instruments for achieving poverty reduction. In September 2004, 42 countries had full PRS papers (PRSPs) and the World Bank foresees that about 34 more countries could become engaged in the process. The importance of the PRSs stems from their potential to harmonize and increase coherence of development policy and investments. Indeed, PRSs could become mutual accountability frameworks for all development partners supporting the achievement of the MDGs. The PRSs are also important because they can substantially increase country ownership over development. The Millennium Project recommends that “every developing country structure its short-term poverty reduction strategy in the context of a ten-year MDG framework”.

However, the overall implementation record of the PRSs is mixed, and there are a number of weaknesses that need to be addressed if the PRSs are to reach their full potential. First and foremost is their hitherto **insufficient focus on rural areas**, especially smallholder agriculture. The rural sector is neglected within PRSPs; rural development strategies tend to be of a general nature, lacking a clear vision. At best, the strategies are agricultural rather than rural. Often they focus more on increasing agricultural productivity in general than on reducing poverty.<sup>23</sup> Issues such as water for livelihoods and water resource governance are hardly touched upon, yet these are critical for the livelihoods of the rural poor.

Second, most PRSs are not the result of genuine participatory processes. Participation tends to be limited and, in fact, membership organizations, such as farmers’ organizations, the private sector and even parliaments, are minimally involved. Poor rural people are largely outside the process of consultation. Yet, in order for the PRSs to contribute to poverty reduction, they must address the needs of the rural poor.

A third challenge is aligning PRS processes with country systems. At present PRSPs are often a wish list, with little prioritization or guidance for government expenditure. Few countries have clearly linked their PRSs to their domestic planning documents, even when the PRSs were built around these documents, and to their national budget cycle. This leads to confusion and undermines the operational relevance of the PRSs.

■ 23 Trocaire (2004) “The Impact of Poverty Reduction Strategies on the Rural Sector in Honduras and Nicaragua” study carried out for IFAD.

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### **Box 8: From PRSP to national agriculture policy, strategy and action plan in Rwanda**

IFAD's strategic framework is explicit in prioritizing policy advocacy as a means of achieving a catalytic impact on rural poverty reduction. The regional strategy for Eastern and Southern Africa highlights the importance of assisting governments in developing sectoral policy frameworks supportive of rural poverty reduction, and considers policy support in agricultural and rural development an entry point for engagement in the PRSP process. A premium is placed on the development of national policy dialogue that actively engages the rural population.

In 2003, the Government of Rwanda began to formulate sectoral policies to pave the way for implementation of the recently approved PRSP. The Ministry of Agriculture initiated the process of formulating the National Agriculture Policy. A broad-based government effort started to operationalize this policy document into both a strategy and an action plan for agriculture – the Rwanda Agriculture Strategy and Action Plan (RWASAP). The overall goal of the RWASAP is to articulate and implement a policy framework that fosters economic development and reduces poverty, in line with the PRSP.

IFAD played a catalytic role in all subsequent stages of the Government's policy effort: the resources of donors have been pooled, and key variables – such as the development of a viable plan for participatory agricultural development – have been incorporated. The process, which culminated in a national validation workshop and the annual donor/Government meeting, has been characterized by extensive grass-roots consultation. All 106 districts of the country are being consulted in order to ensure that government policy priorities match the aspirations, needs and requests of rural areas.

IFAD provided two grants in support of the RWASAP process. The preparation of a loan-financed project to further support implementation of the action plan has been approved. The strategy has been explicit from the beginning: to provide technical and financial support to a country-led process, ensuring that an open and participatory policy process is at the heart of policy development. The Fund has deliberately chosen to limit direct interventions in the decision-making process to avoid a crowding-out of national ownership and to increase the probability that the policy choices made actually lead to policy change.

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PRSPs are general, multi-sector documents, and the possibility to address any thematic issue in depth is limited. Therefore, more detailed sectoral policies must be aligned with the PRSPs and the MDGs, and not only in social policy, such as health and education, but also in agriculture and rural development, financial sector, trade and fiscal policy.

Finally, for PRSPs to achieve their full potential, their analytical underpinnings must be further enhanced and their design should be informed by distributional analysis such as through poverty and social impact analyses (PSIAs). Through ex ante assessments of the distributional and poverty

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### **Box 9: When West African farmers' organizations speak of policy**

"In much of our countryside, extreme poverty, under-nourishment and soil erosion, if not downright desertification of crop-producing areas, are reaching alarming levels.

This sorry state of affairs is not due solely to unfavourable climate conditions or poor economic circumstances, but rather is the logical outcome of the rules of the game negotiated and then imposed on producers. The break-up of public support policy at a time when producers needed support and, above all, making our agricultures compete with agricultures that are more powerful, better equipped and heavily subsidized has not given the West African producers a chance. It's the old story of inevitable defeat... because before economic competitiveness even comes into play, simply analysing the rules makes it plain that what was asked of the West African farmer was downright impossible. And exploiting a few 'niche' markets in outer urban areas or the narrow export market is not going to do away with the huge difficulties experienced by family businesses in the subregion.

Members of ROPPA would wish to obtain the following commitments from the states and the regional economic organizations:

- That there be fair treatment for agriculture in allocation of budget resources...
- That good governance be extended into rural civil society... for the initiative and the decision-making autonomy of the peasants and producers themselves
- That, in the spirit of NEPAD, tools and support mechanisms for private investment in family farms be deployed at the country, subregion and continental level: we have learned from the story of agricultural development on other continents that support for agriculture is essential to its development...
- That the mix of protective measures for the subregion and of internal market liberalization must be determined so as to enable normal remunerative (agricultural) prices to be established."

Source: NEPAD-Doha Round, Peasant Proposals for West Africa, August 2003. The Network of Peasant Organizations and Producers in West Africa (ROPPA).

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impact of major reforms, PSIA's can contribute to strengthening the poverty reduction focus of PRSPs by feeding their findings into PRS discussions and processes.

IFAD support to PRS processes includes enhancing the rural poverty dimension of PRSPs through reviews, studies, the promotion of pro-poor policies and empowerment of the rural poor. Improving the participatory processes surrounding PRS design and monitoring is of great importance, and a critical element in such participation is the empowerment of the rural poor to enable them to be actively involved in PRS processes.

### **Beyond consultative participation: The critical issue of empowerment of the rural poor**

From community development to national PRSs, IFAD's experience is that the ultimate guardians of the interests and futures of the poor **are** the poor. There is increasing 're-recognition' of the role of the state in economic change and rural development, but the state itself reflects the balance of power and interest. The state is an effective means of helping poor people respond to internal and external challenges when poor people and their organizations have a strong voice – not when they have a weak one. This is also true of partnerships with the private sector – they work best for poor people when poor people are strong rather than when they are weak. The issue of pro-poor rural development is not one of community-led investment at the local level and pro-poor policy at the national level. It is the articulation of the interests of the poor by the poor at both levels.

IFAD's work on land access and security, market linkages, rural finance and technology revolves around organizations of poor farmers, women and indigenous groups and around empowering the poor to construct their own solutions and to negotiate new relations with private and public entities. The question is not about being for or against 'globalization', but about globalization on better terms for the rural poor. It is about the reality that rural poverty is an economic fact with social underpinnings, and that the organizational and institutional empowerment of the rural poor is just as much an element of economic empowerment as rural roads and electrification. The need for investment and assistance is enormous, but such inflows can have perverse results without a concrete framework of representation and influence by the poor.

Ten years ago, the story was that there was only one way to growth and development – the classic story of free-market individualism. History rapidly showed this to be wrong. Some of the best growth performers have not followed that path – at least in anything like its pure form. History, even recent history, also shows that rapid poverty reduction can take place in the platform of small farmer development, through securing rights to assets and managing relations with the global economy. So we have evidence that rural poverty **can** be reduced very quickly, and that empowering the small farmer is a critical element of that.

The first line of defence against global insecurity is the livelihood security of the most vulnerable in very distant places, and that livelihood security is just as much a question of **empowerment** as it is of **enrichment**.

## The way forward and IFAD's role

The MDGs are providing a unique opportunity for focus, coordination and concerted action, from the national and even local level to the international arena. They are also providing the means to monitor that action at the global level and render it accountable.

The achievement of the MDGs will be largely determined by the extent to which rural poverty reduction is achieved. The bulk of fighting poverty today means first a transformation of rural lives.

Transformation of rural lives, by necessity, means additional investment in agriculture and rural development, bottom-up and people-centred approaches to the allocation and management of these investments, and an enabling policy environment at all levels. Throughout this transformation, appropriate local and national processes and institutions must be developed or strengthened so that they are truly attuned to the conditions of poor rural people and are accountable to them. For the past 26 years IFAD has focused exclusively on these challenges: investing in poor people's and countries' assets and capacities and working to explore the policy and institutional changes necessary to move from local to comprehensive impact. There are signs that, after a long period of acute scarcity, ODA and national resources are beginning to move back towards agricultural and rural issues. Nonetheless, the challenge of the **volume** of assistance has not yet been overcome. Nor is there a simple one-size-fits-all answer to how they should be applied.

Given the diversity and complexity of rural livelihoods and of the interactions between local realities and national/global processes, rural transformation demands a location- and people-specific combination of investment and policy support. Decisions in this regard must be nationally owned and led. They must also be supported by that global partnership for development – the MDG 8 – which should direct more resources and a more coherent policy support towards the creation of a level field for development initiatives. In this regard, high-income countries and international agencies have a major responsibility – and the needed capabilities – in ensuring a pro-poor orientation of the Doha Development Round in line with the Monterrey negotiations, which called for foreign direct investments, reforms in the international monetary, financial and trading systems, and decisive external debt relief and substantial increases in ODA. Developing countries, for their part, have to honour their Monterrey commitment to sound governance and an enabling policy and institutional environment as well as to the mobilization of domestic resources and appropriate prioritization of expenditures

The problem that confronts all poor people – wherever they live and in whatever activities they are engaged – is that of improving their livelihoods in the context of global market relations and new forms of competition for influence and resources, including their own assets. Until the rural poor are in a position to better manage these challenges and competition, the risk is that what brings prosperity to others will bring continued and deeper poverty to them. In this regard, while material investment is essential, most of the key livelihood issues confronting the rural poor are mediated by relations with others. Consequently, a critical element of a sustainable reduction in rural poverty is institutional and organizational capacity-building among the poor themselves. Poor rural people must be empowered to respond to the challenges they are facing.

In light of its 26 years of experience in reducing rural poverty, IFAD can make a special contribution to the emerging partnership to achieve the MDGs through rural development. For more than two decades, IFAD has been working at the local level with millions of poor rural people, with governments, civil society organizations, UN agencies and other development partners to understand the critical obstacles and opportunities confronting poor people – and to lay out innovative and sustainable responses to the question of how the productive potential of poor people can be unleashed to overcome their poverty. IFAD will continue to do so through well focused, locally designed and better implemented investment projects and programmes. It will also support, in a more systematic and organized way, the learning and scaling-up processes by which local innovative solutions are integrated into broader programmes and policies.

Building on local-level knowledge and partnerships and on global knowledge about challenges and options for rural livelihood transformation, IFAD is expanding and systematizing its support to the development of national pro-poor policy, including PRSs and sectoral policies. It is not doing so through prescriptive recommendations and conditionalities, but by promoting – with its partners – systems of institutions and capabilities that enable the effective engagement of the rural poor in policy development. IFAD’s role in the system is to be a proactive mechanism for supporting and catalysing the diverse local and national processes through which the priorities of the rural poor are truly addressed and through which poverty is actually reduced.

The need for enabling policy is not just a national-level issue, for the opportunities for poor rural people in developing countries are also shaped and circumscribed by decisions made in developed countries and at the global level. At the international level, together with its partners and sister agencies, IFAD participates in policy dialogue on economic organization and development assistance. It will contribute actively to making global policy more responsive to the real constraints and opportunities for the people that the MDGs are designed to benefit – to help the **means** for global development correspond better to the concrete and local problems involved in achieving the **ends** of global development.

Recent history shows that rural poverty can be very substantially reduced through development processes that create new opportunities for poor rural people. Nonetheless, there remains an MDG challenge of the extreme poverty that continues to afflict hundreds of millions of rural people. As a UN agency specialized in rural poverty reduction, IFAD has a role in overcoming this. But IFAD can only make its contribution successfully in the context of a much wider partnership embodied in MDG 8.

Rural poverty shrinks fastest when poor rural people are taken out of the ‘niche’ of poverty reduction, and have a secure position in the mainstream of economic change, growth and development. In some senses it is as much a political as an economic issue: deciding to address the challenges confronting the poor not against economic logic, but within a logic in which creating the conditions for rural development becomes one of the pillars of growth, equity, respect of human rights and food security.

Reducing poverty is about making choices. Recognition that the security of all will be linked to overcoming the insecurity of the rural and urban poor may make those choices clearer and more compelling – as reducing rural poverty becomes not just a national or local concern, but a global public good.



# Appendix

**TABLE A.1: People living on less than USD 1 per day**

	Number of people (million)		% of total population	
	1990	2001	1990	2001
East Asia and the Pacific	472	271	30	15
South Asia	462	431	41	31
Eastern Europe and Central Asia	2	17	1	4
Middle East and North Africa	6	7	2	2
Sub-Saharan Africa	227	315	45	46
Latin America and the Caribbean	49	50	11	10
<b>Total</b>	<b>1 218</b>	<b>1 089</b>	<b>28</b>	<b>21</b>

Source: Chen and Ravallion, 2004; UN Millennium Project, 2005

**TABLE A.2: Prevalence of undernourishment**

	Number of people (million)		% of total population	
	1990	2001/2002	1990	2001/2002
Eastern Asia	196.2	150.1	16	11
South-Eastern Asia	74.8	68.9	17	13
Southern Asia	288.9	341.3	25	22
Western Asia	9.9	18.1	7	10
Commonwealth of Independent States - Asia	12.0	20.1	18	27
Commonwealth of Independent States - Europe	8.6	8.3	4	4
Oceania	1.6	2.1	25	27
Northern Africa	5.9	5.8	5	4
Sub-Saharan Africa	176.5	209.6	35	33
Latin America and the Caribbean	57.4	52.6	13	10
<b>Total</b>	<b>832</b>	<b>877</b>	<b>20</b>	<b>17</b>

Source: UN Millennium Project, 2005

**TABLE A.3: The case of India**

	1970	1980	1983	1990	1997	1999/2000
Rural poverty incidence (%)	54.8		44.9	36.4		27.1 - 30.2
Grain production (millions of metric tons)	92.8	113.9		156.7		192.9
Rural road density	2.614				5.705	
Irrigation (% of total crop areas)	23	28		35	38	40
Fertilizer use (millions of metric tons)	2.8	6.4		12.1	18.4	
High-yielding varieties (% of total crop areas)	19	40		68	77	
Subsidies to agricultural inputs (billions of rupees)		54.0		130.2	227.3	254.3
Public expenditure in irrigation (billions of rupees)	11.4	27.0		64.8		63.8
Public expenditure in rural development (billions of rupees)	5.2	17.4		65.1		87.0

Source: Fan, Thorat and Rao (IFPRI), 2004

**TABLE A.4: Agriculture and poverty indicators, 1990-2000**

	Agriculture indicators				Poverty indicators			
	Yields (tons of cereal per hectare)		Export value (USD billion)		Poverty at level of USD 1 per day (%)		Malnourished (%)	
East Asia	3.4	+18%	26.7	+43%	15	-44%	11	-23%
South Asia	2.9	+24%	7.2	+43%	32	-7%	22	+1%
Sub-Saharan Africa	1.2	+7%	13.8	+13%	49	+34%	33	+16%
Latin America and the Caribbean	2.9	+37%	49	+40%	11	+16%	10	-9%

Note: Numbers in percentage indicate the percentage change in absolute values over the period 1990-2000.  
Source: FAOSTAT, 2003; GPM, 2003; FAO, 2003, from Kane and Eicher, Michigan State University, 2004

**TABLE A.5: Trends in ODA to agriculture and food aid in Africa  
(millions of 2001 US dollars)**

	1981	1991	2001
Aid to African agriculture	1 921	1 687	997
Aid to agriculture as a percentage of total aid to Africa	22	13	6
Food aid and emergency assistance to Africa	959	775	1.492
Relief as a percentage of aid to agriculture	50%	46%	150%

Source: Kane and Eicher, Michigan State University, 2004

**TABLE A.6: World Bank lending to rural development (theme) and agriculture (sector) (USD billions)**

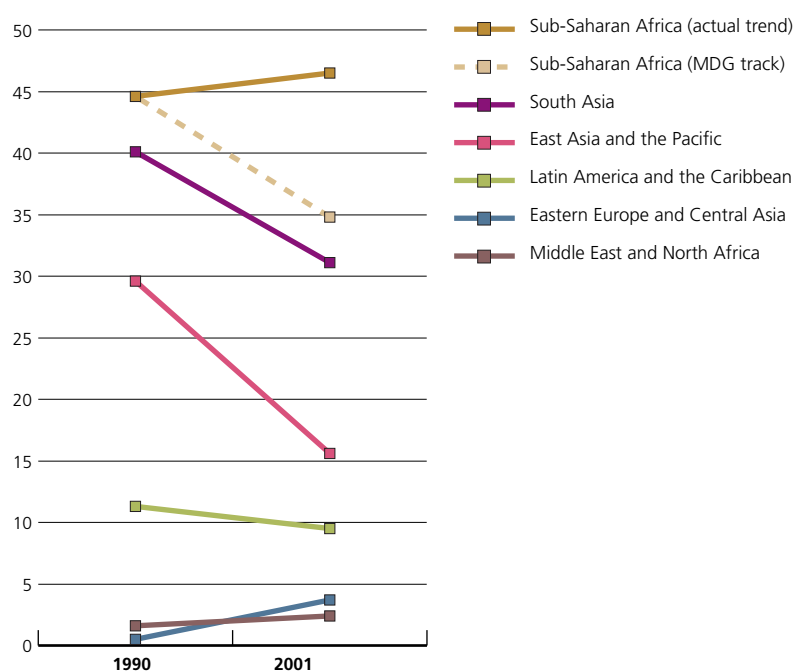
	1995-97	1998-99	2000	2001	2002	2003	2004
Rural development	2.42	2.75	1.41	1.82	1.60	1.91	1.51
Agriculture	1.39	2.10	0.84	0.70	1.25	1.21	1.39

Source: World Bank, 2004

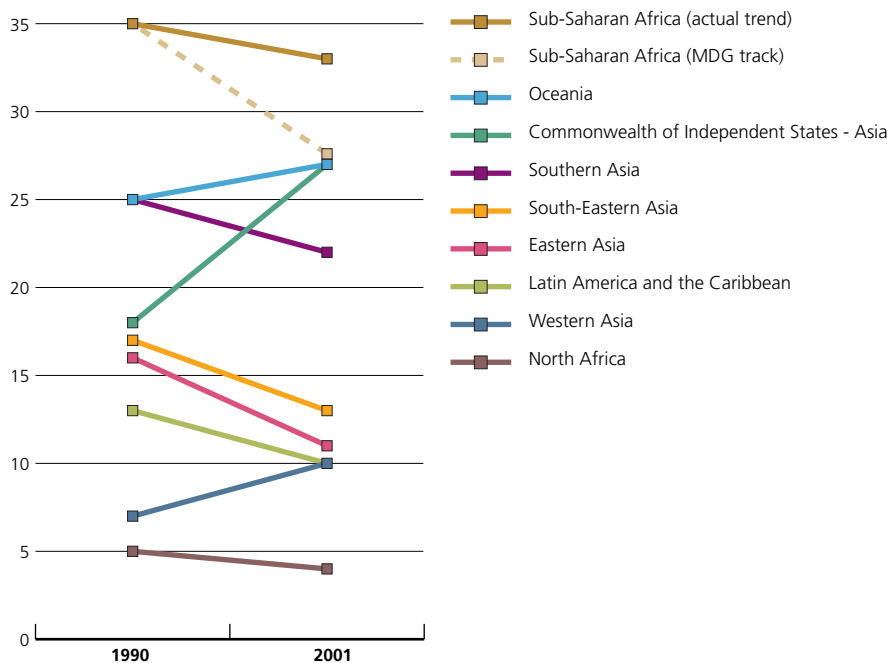
**FIGURE A.1**

Trends in proportion of population below USD 1 per day

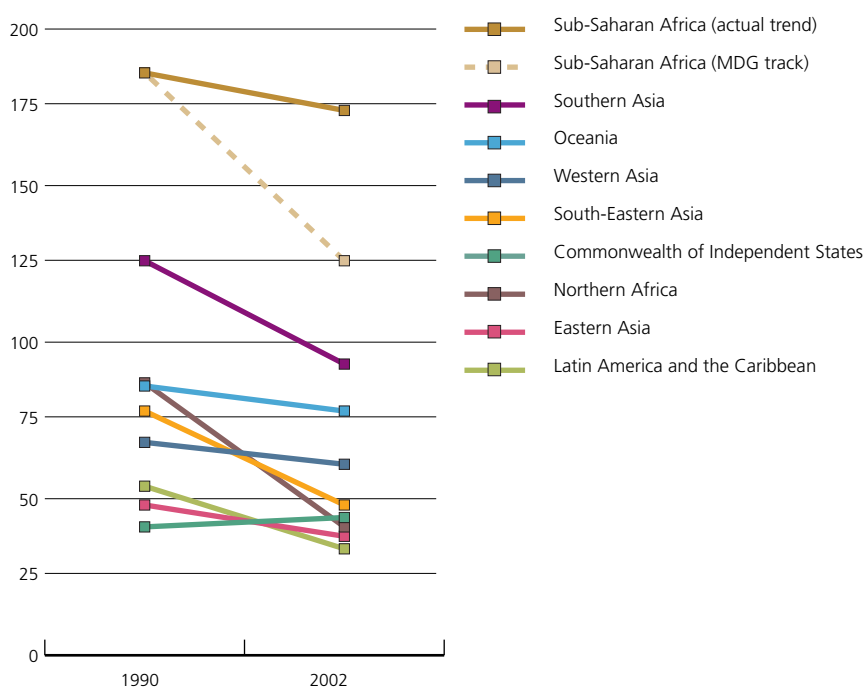
(Source: World Bank, 2004)



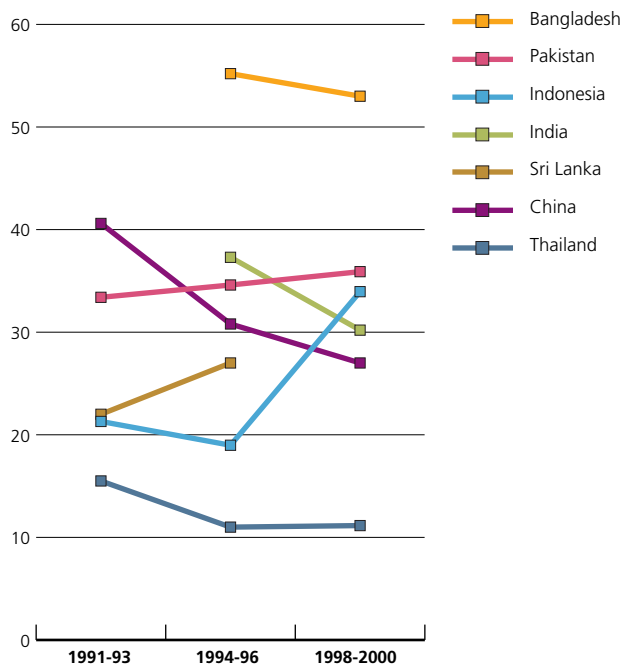
**FIGURE A.2**  
Trends in prevalence of undernourishment  
(Source: UN, 2004)



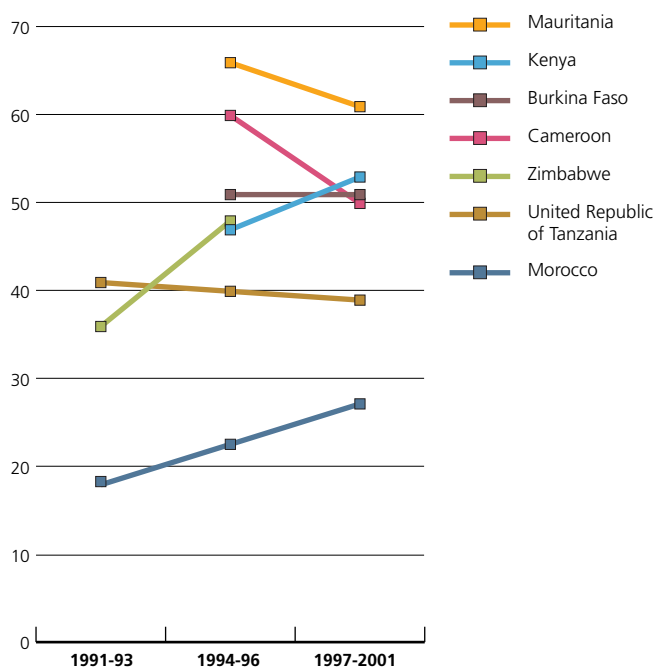
**FIGURE A.3**  
Mortality rate under 5 (per 1000)  
(Source: UN, 2004)



**FIGURE A.4**  
 Percentage of rural population below the national poverty line in selected countries in Asia  
 (Source: World Development Indicators, 2004; and Warr, 2000)



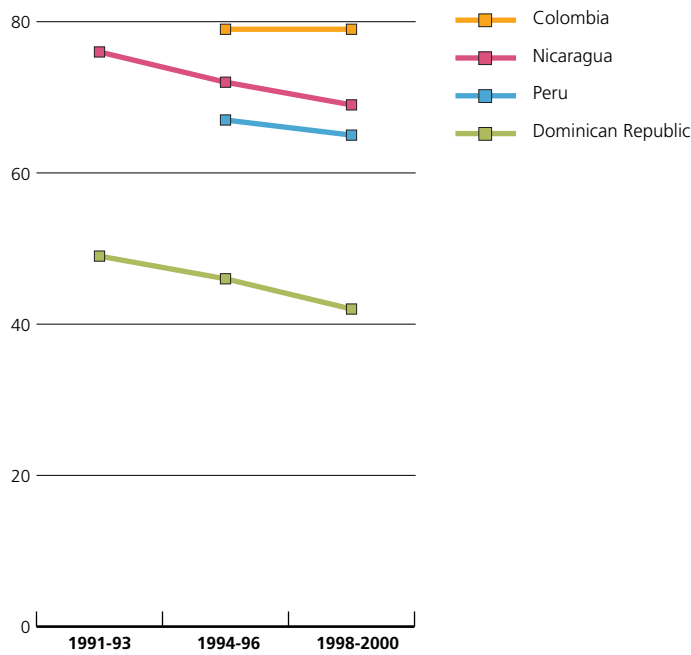
**FIGURE A.5**  
 Percentage of rural population below the national poverty line in selected countries in Africa  
 (Source: World Development Indicators, 2004)



**FIGURE A.6**

Percentage of rural population below the national poverty line in selected countries in Latin America and the Caribbean

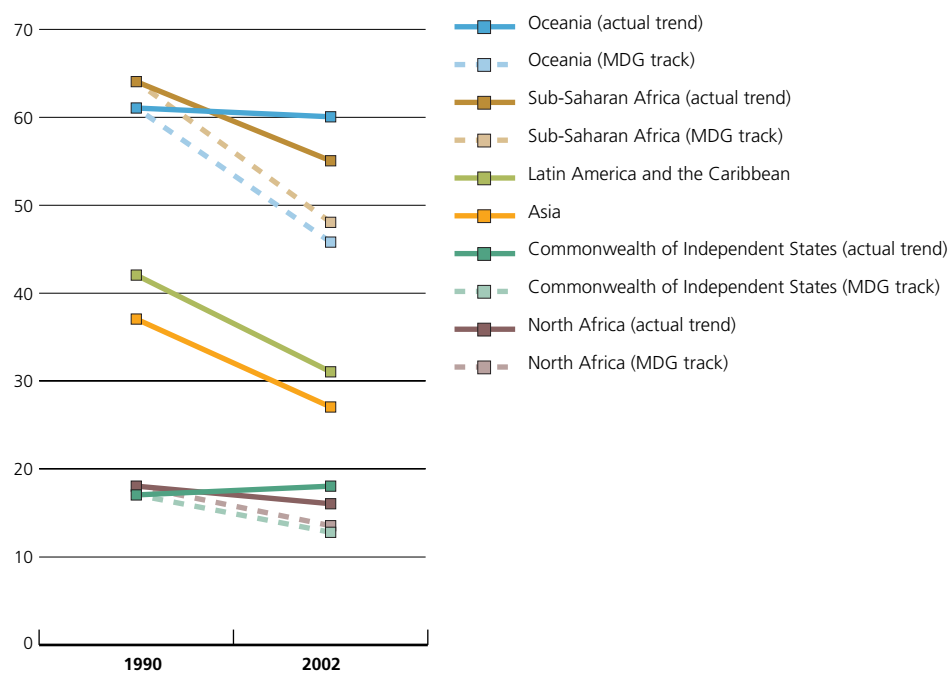
(Source: World Development Indicators, 2004)



**FIGURE A.7**

Proportion of rural people without sustainable access to safe drinking water: achievements vs MDG 7 target

(Source: UN, 2004)



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