The vast majority of the world's poorest live in rural areas. There is no simple solution to alleviating the conditions in which they live, and any efforts made depend both on rational and international commitment to the policies chosen. This article, the third in a series, reviews the approach evolved by the Bank since 1973, which essentially concentrates on developing the productive potential of the rural poor.

The bulk of the world's absolute poor—about 85 per cent, or 680 million people—live in rural areas, where for the foreseeable future the majority of them will have to continue to search for income and employment. The urgency of the problem is compounded by the fact that these people live in the very poorest countries, mostly in South Asia and Africa. The vast majority of them have been excluded from the recent benefits of economic growth.

In 1973, in his Nairobi speech, Mr. McNamara outlined a strategy for beginning to alleviate this poverty by concentrating on the productive potential of rural people. Since the majority of the world's rural poor are small farmers, the success of such an approach depends substantially on improving small-scale agriculture, which not only requires the institution of appropriate general policies at the national level but also the organization of specific programs and projects. This strategy has been strongly supported by the Bank and the International Development Association (IDA), both through expanded lending programs and in discussions on policy matters with member governments. In particular, a series of "new style" projects has been evolved, with major emphasis on directly raising the productivity of the rural poor at costs which enable replication or extension.
of the approach to large numbers. The Bank’s approach to this problem was elaborated in a Rural Development Policy Paper, published in 1975. This article explains the evolving Bank strategy relating to rural poverty and reviews some of the lessons emerging from early efforts to deal with it.

The rural poor

The main thrust of the Bank’s attack on rural poverty since Mr. McNamara’s speech in 1973 has been to raise incomes of small farmers. Most rural poverty is a direct reflection of low per capita output and the low incomes of large numbers of people dependent on agriculture. The rural poor are defined in the Policy Paper as those with annual incomes below certain absolute or relative levels, which vary according to the special circumstances of each country. The absolute poor are found largely in low-income countries and live at the very margin of human existence—with inadequate food, nutrition, shelter, education, and health care.

Relative poverty is defined to include those who earn less than one third of the average per capita income in a country. It is found largely in middle-income developing countries where incomes are unevenly distributed and there are large numbers of rural people who are unable to meet their basic daily needs—even though their incomes may be above the actual levels for the poor in low-income countries. On the basis of present estimates, the 680 million rural poor have received little or no benefits from economic growth over the past decades. About two thirds of these people live in Southern Asia. They are the “forgotten people” in the development process.

The majority of the rural poor are agricultural producers with small holdings, most of whom have—and have had—little or no access to government services, technical assistance, or sources of credit. It is being increasingly realized that this “small farmer” group constitutes a resource base for major agricultural programs, so that increasing the productivity of small farmers can provide a significant boost to national economic growth as well as improve income distribution within a country.

In addition, however, the rural poor also include large numbers of the landless as well as tenants or sharecroppers with precarious land tenure arrangements. The latter groups may cultivate sizable agricultural areas, particularly in countries where income distribution is highly uneven, and where few efforts have been made to redistribute land holdings. For these groups, the link between increased productivity and increased incomes is much less direct, and it has proved much more difficult to reach them through government programs. Even more difficult to reach are the poor without land, who might seek permanent or temporary employment on farms, but are increasingly being forced to look for employment elsewhere. In several densely populated countries, this group of poor is rapidly expanding. It also forms the largest group of potential migrants to urban areas. Among them are those ineligible to inherit land from farmer parents, tenants evicted from plots by landlords, and traders, fishermen, craftsmen, and farm workers.

How to slow down migration from the rural to the urban areas is a major problem (see “The Bank and urban poverty,” by Edward Jaycox, Finance & Development, September 1978). The numbers of potential migrants are large. Between 25 per cent and 35 per cent of the rural population in developing countries is believed to be primarily dependent on nonfarm employment, and the incomes of many others are also substantially augmented by nonfarm work. Rural nonfarm activities, such as village industries, farm implement repair shops, carpentry, bricklaying, and produce marketing, are a vital element in any program to develop the rural areas—that is to supply services and inputs which are essential to increased agricultural productivity. Experience shows that as agricultural production expands through more intensive cultivation and the use of more advanced technology, nonfarm activities tend to expand at an even higher rate. In this area where rural and urban development overlap, different ways are being examined of expanding nonfarm economic activities, including those which help to absorb more employment in rural townships.
Agriculture and rural development

Improving agriculture is the linchpin of the Bank’s endeavors to reach the rural poor, whether the approach is to promote food production by technological inputs such as better tools or pesticides, or to improve the productivity of the people through health and education. Measures to alleviate rural poverty are thus not only included in a large number of agricultural projects but also in many projects in sectors other than agriculture, such as education, transportation, public utilities, family planning, industries, and nutrition. Although most projects with a poverty orientation operate within a single sector, a few embrace two or more sectors—these are “multisectoral” rural development projects. Whether a project is single sector or multisectoral, the objectives are basically the same—to find ways of making the poor—and the resources they have access to—more productive, and thereby improve their social and economic position in society.

Mr. McNamara proposed in his Nairobi speech that the Bank and IDA should lend about $4.4 billion (in constant 1973 prices) for agricultural projects between 1974 and 1978, and that about 70 percent of these projects should include components for small-holders. A year later, the lending objective was increased to $7 billion in current prices in the Rural Development Policy Paper. Half of this was planned for rural development projects, defined as those projects whose objectives were oriented directly toward benefiting primarily or exclusively the rural poor.

Actual lending between 1973 and 1978 has surpassed those earlier goals. Compared to the previous five years, lending for agriculture and rural development has quadrupled to $10 billion for 363 projects (equivalent to almost $6 billion in 1973 prices). Seventy-five per cent of these projects directly involve small farmers. Furthermore, the benefits of 210 of these projects are expected to accrue predominantly to the rural poor (see tables). They aim at affecting directly between 15 and 20 million rural families or some 90 to 120 million individuals. It is estimated that about 60 per cent of these had incomes substantially below national poverty levels before the project was initiated. In addition, many projects include components which help to improve the productivity of an even larger number of small farmers, tenants, and the landless, through agricultural training, technical research, marketing, and social services.

So far the Bank has adopted a cautious approach to lending for rural development through multisectoral projects. The need for such an approach arises whenever it may be more effective for a program at the national level—or a project financed by the Bank or IDA—to synchronize more closely activities in different sectors rather than to pursue them separately. These multisectoral activities may or may not be “integrated.” An example of an integrated project would be an agricultural scheme for smallholders which is only one component of a larger rural development program incorporating plans and programs in other sectors, such as education, adult training, village water supply, rural health, village industries, and feeder roads. This approach requires intensive coordination at national, regional, and local levels. An example is the nationwide PIDER program in Mexico which aims at the rural poverty pockets in that country. Generally such an integrated program places heavy demands on existing government structures, on manpower capabilities, and on political will and perseverance. Moreover, the risk of such a program failing is higher if the responsibility for its planning and implementation is shifted away from regular government agencies to special operations which are independent of sectoral ministries. Thus far, only very few really integrated rural development projects have actually been financed by the Bank or IDA.

Multisectoral projects are usually designed to support the expansion of existing national programs, which require high-level government commitment from the outset, or may be designed to cover specific areas or regions within a country. In this approach, local administrative structures may be required to take the primary responsibility for planning, managing, or coordinating activities in the different sectors involved. Examples of this are found in rural development projects in Cameroon, Colombia, Nepal, and Tanzania. During the last five years, multisectoral projects have taken up a modest share of the Bank’s lending for agricultural and rural development projects—11 per cent of lending and 12 per cent of the total number of projects (see tables).

Food production

The Bank’s focus on increasing smallholder productivity is particularly critical because a global food shortage is predicted over the next decade. World food production, which is dominated by the output of grains, expanded by 3 per cent per annum in 1975 and 1976, but only 1.4 per cent in 1977. Some developing countries in Asia have shown encouraging production increases, but other developing regions experienced a general decline. This was evident particularly in Africa where, according to the Food and Agriculture Organization (FAO), the 1977 per capita levels were 10 per cent below average levels recorded between 1961 and 1965. Projections based on FAO data for production and consumption in the developing world indicate that the gap between the two is likely to increase at least threefold between 1975 and 1990 to more than 120 million tons. Bank- and IDA-financed projects undertaken over the last five years are expected to add 13 million tons to the total production of cereal—or only about 10 per cent of what is likely to be needed. The consensus is therefore that, since developing countries cannot expect to be able to pay on a commercial basis for the food imports they will be needing, higher priority must be given to growing food on their own soil and to take the hard policy decisions required to accomplish this goal. In most countries a major involvement of small farmers is essential to realize this objective.

The production of food has therefore become a major focus in the Bank’s rural development strategy. The main reason is that there is considerably more scope than has often been assumed for increasing a country’s self-sufficiency in food through programs to increase smallholder production. Second, successful food production programs of this sort directly benefit small producers through increased income and employment. Third, increased food production “strengthens” the country’s means to distribute the benefits of development and to deal with hunger and malnutrition.

During the last decade the Bank’s agriculture and rural development projects have shown a clear shift in focus from supporting predominantly export crops to financing food crops largely for domestic consumption. A review of agricultural and
rural development projects undertaken by the Bank in 1976 and 1977 showed that about 5 per cent of their anticipated final output was expected to be exported to other countries. There has also been a gradual shift in recent lending—from an exclusive or predominant reliance on irrigated agriculture toward more emphasis on rainfed agriculture. The latter trend is an inevitable result of efforts to find productive opportunities for the large masses of rural poor, most of whom depend on rainfed agriculture.

Rethinking rural development

In rural poverty project work, there is an even greater need than usual for the Bank to be flexible, and to have close and continuous operational relations with the country concerned. There are several reasons why both national and local authorities must be fully involved at the very beginning in identifying and preparing projects. First, local authorities increasingly take on the direct administration of these projects from the outset. Second, the technical and economic feasibility of a given project has to be considered in the light of the social and political environment of the country involved—and this analysis involves judgments that have to be made by national and local expertise at an early stage. Two more factors are of importance in this connection: (1) the need to identify local training needs at an early stage, and (2) the usefulness of having some continuity in staff from the planning stage into implementation.

Although most countries have a national planning framework, few have specific programs for rural development based on an explicit strategy designed to improve economic and social conditions for the rural poor. Even fewer have proceeded from the planning to the implementation stage. The task is not an easy one: in its broadest sense rural development involves all sectors; it would have to synchronize national and regional planning; it involves fundamental political considerations; and the information base is often poor.

The new focus on poverty has sharpened the Bank’s recognition that it needs to rethink continuously its project methodology and its operational policies. Rural and employment opportunities for the landless, a rapidly increasing group in densely populated countries.

There are several major issues which will be facing poverty-oriented rural development work in the years ahead. First and foremost, our experience confirms that there must be the political commitment and will to go beyond testing projects in isolation to a more comprehensive approach at regional and national levels. A national rural development plan or an explicit strategy to combat rural poverty...
through a countrywide program will require sustained attention, active support, and political courage at the highest levels in government.

Second, the technical base for improved rainfed agriculture is still spotty and incomplete. Substantial efforts need to be made to help smallholders depending on rainfed agriculture to improve their production. There have been positive results in this area—improved maize production in the savanna zone of West Africa is an example. However, the past performance of some small-farmer schemes under rainfed conditions—particularly for annual foodcrops—has tended to be less successful than anticipated, partly because such schemes have tended to concentrate on single commodities rather than on the farm as a production unit. Additional research is required to supplement existing programs at the various international testing centers, with particular emphasis on local testing to establish the viability of recommended systems under field conditions in different locations.

Third, the social and cultural setting and the local institutional framework in the target areas often require careful examination before externally financed development action is set in motion. The role of women in food production may be significant, for instance, particularly in Africa where women are often the main food producers. Land tenure issues are certainly important. Past experience indicates that there is considerable scope to make smallholder schemes more effective through land redistribution, particularly if this affects the extent of absentee ownerships. Tenancy rights need to be strengthened in many countries. Some projects have helped to institute long-term written contracts between tenants and landowners where previously only oral and annual contractual arrangements existed.

Fourth, the financial implications of projects aiming at alleviating rural poverty need to be clarified, since most developing countries face severe budgetary constraints, and have only limited personnel available. The cost/benefit relationship between direct and indirect productive components and between these components and other social services becomes crucial. In order to replicate these schemes it will in most cases be essential to have some form of cost recovery from the beneficiaries, either directly—through irrigation water charges or pump fees, for example—or indirectly, through specific national or local taxation which puts the tax incidence on those who actually benefit from the project. When the beneficiaries get a chance to participate in the initial design of the rural development activities affecting them, they are more likely to be willing to contribute to their costs and maintenance.

Finally, it is essential to institute safeguards—both for the sake of the government concerned as well as the Bank and IDA—to minimize the risks and uncertainties involved in these complex and long-term projects. This can be done through more emphasis on such elements as technical assistance, adaptive agricultural research, field trials in difficult areas, and institutional development. Seventy-five per cent of the rural development projects in 1977 included provisions for monitoring and evaluation, which should strengthen decision making and administration at the local and national level, provide useful information for later projects, and improve understanding of the Bank staff of what works and what does not work in the field—for the benefit of rural development schemes in other countries.

Generally, the results to date show that during implementation the poverty-oriented rural projects compare well with other agricultural projects—vis-à-vis time required to start projects, disbursements, meeting cost schedules, and operational problems. However, with respect to their contribution to development, they still involve difficult problems related to local services and institutions and to technical problems with annual crops in rainfed areas. However, so far the economic benefits of these projects seem to be as good as those derived from more conventional agricultural projects.

The prospects

Massive absolute poverty is not likely to disappear in the near future. Cross-section analysis shows that, in general, the inequality of incomes is likely to increase in the early stages of a country's development, and then to decrease in the later stages. Incomes of the poorer sections of the population in developing countries will thus grow more slowly than average incomes over the next two decades.

When attempts are made to project the dimensions of the problem, it appears immense. Recent calculations have shown that even if the gross domestic product of industrialized countries grows at 4.2 per cent, world trade at 6.4 per cent, and the exports of developing countries at 6.3 per cent per annum and agriculture grows at higher than recent average rates between now and the end of the century, there would still be 600 million absolute poor in the year 2000 (see the World Development Report, 1978). Such a group would represent 17 per cent of the population of all developing countries. Relative projections for the numbers of poor in urban and rural areas will vary substantially when even slight changes are made in the basic assumptions—partly depending on how rural and urban areas are defined in geographical terms and on their relative income growth patterns. If rural productivity in some Asian countries grows by 5–6 per cent annually—which is possible if agricultural investment includes substantial small-farmer programs—this may substantially slow down current migration rates to urban areas. In any event, massive efforts will be required to raise the productivity and incomes of the rural poor. Low-income countries in particular—with their large numbers of rural poor and their heavy dependence on agriculture—must focus their development strategies on raising the productivity of their rural areas in order to achieve higher economic growth and a better distribution of income.