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Reaching the Rural Poor in a Globalizing World

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Reaching the Rural Poor in a Globalizing World

Outline

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Characteristics of the Rural Poor

Perhaps one of the most frustrating moral contradictions of our time is the persistence of poverty and malnutrition in a world of prosperity and abundance of food. More than a billion people are desperately poor. The number of people living on less than \$1 per day has declined only slightly over the 1990's, and best estimates indicate that 1.2 billion persons still live below that poverty line. Other social and poverty indicators over the same period demonstrate that development is not occurring on a path where the UN development goals will be met. Enrolment of children in primary schools is increasing but not at the desired rate; child mortality rates are dropping at less than half the desired rate; and maternal mortality rates are not falling at a rate where that goal will be met. It remains true that most of the poor, and certainly the poorest of the poor live in rural areas, often in remote areas, beyond the reach of whatever social services may be otherwise available.

Neither has regional distribution of poverty changed over the decade. The number of poor in sub-Sahara Africa continues to grow as per capita income stagnates. In South Asia, the region with the largest number of poor, the absolute number of poor have increased marginally despite satisfactory growth in GNP. East Asia, in contrast, shows a significant reduction in poverty, mainly due to the successful economic performance of China in the last decade. In Europe and Central Asia, which had by far the greatest percentage increase in the number of poor (from a low base) during the 1990s, the increase may have leveled-off but poverty has not returned to pre-transition levels. The number of poor in Latin America and the Caribbean region has remained unchanged over the period, a disappointing outcome considering the satisfactory economic performance over the same period. Figure 1 illustrates the regional distribution of poverty and recent changes, while Figure 2 shows the regional shares of poverty. Despite progress, reaching the World Food Summit goal of reducing the number of undernourished people by fifty percent by 2015 appears unlikely without additional efforts.

Figure 1: Number of People Living on Less than US\$1 a day [million]

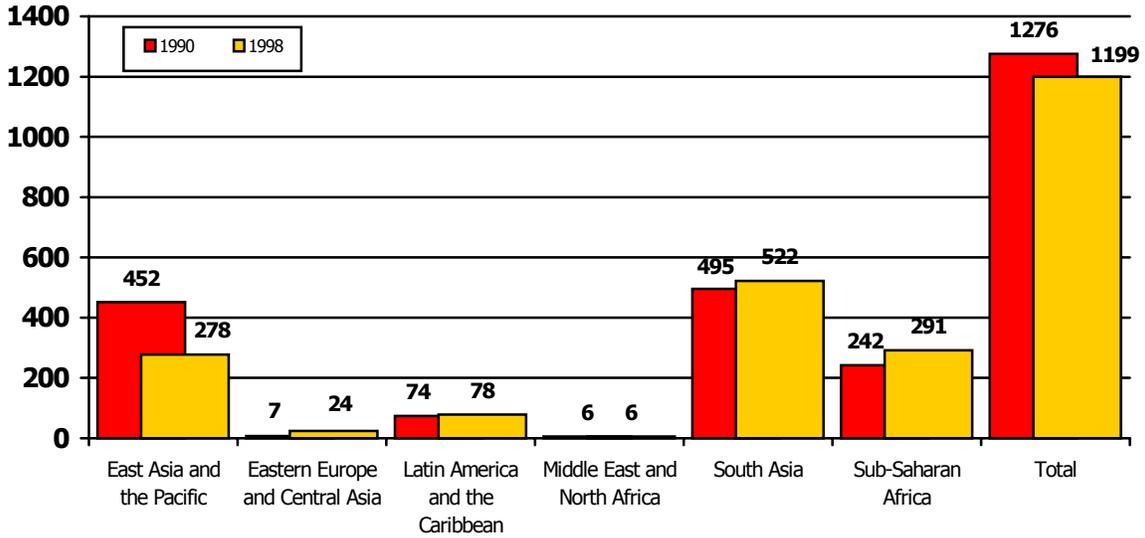
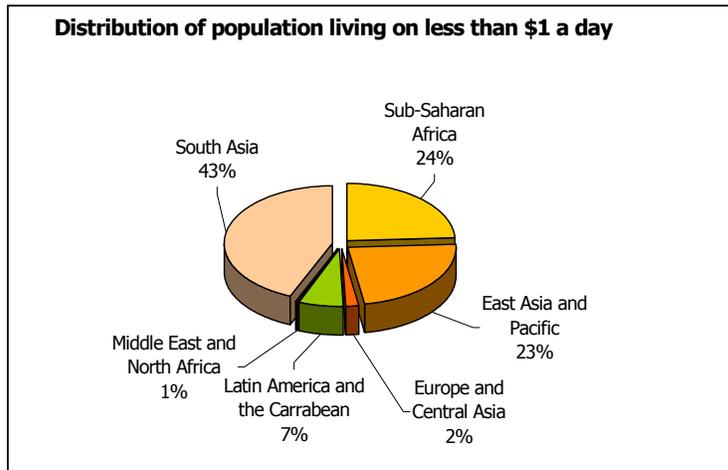


Figure 2: The Challenge of Persistent Poverty

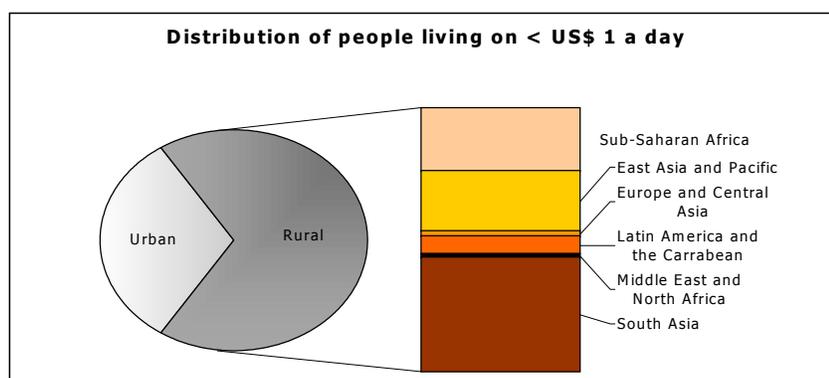


Another characteristic of poverty is that it is predominantly a rural phenomenon. Approximately seventy percent of the poor reside in rural areas and the rural poor will outnumber their urban counterparts for at least another generation. And the rates of extreme poverty in rural areas are vastly higher than those in urban areas. Poor people squatting on the urban fringes of major cities generally are recent migrants from rural areas.

Because of the geographically dispersed distribution of the rural poor, it is much more difficult (more expensive on a per capita basis) for central governments to provide them with public infrastructure, social services, and safety nets equivalent to those provided to urban residents. Consequently, public expenditure in rural areas is far below its share as measured by

its contribution to GDP or its share of the poor – public services, as measured by per capita public expenditure is approximately half that of urban.

The rural share of the world's total poor will not fall below fifty percent before 2035. People living in rural areas suffer a lower quality of life than urban residents in every quality of life indicator. A rural child has a thirty three percent greater chance of dying before age 5 than an urban child; and more children die and adults get sick from lack of access to clean water in rural areas than in the cities. The list goes on.



The growing interdependence of the world's economies and markets – globalization – has been both blamed for the plight of the poor and extolled as the salvation of the poor. My task is not to debate whether globalization is good or bad for the rural poor, other than to say that I take considerable comfort from a very thorough, widely accepted, and robust literature on international trade. Rather I take globalization as a given and will point out what can be done by those who influence public policy to ensure that globalization's positive attributes for the poor are maximized and its negatives minimized. The material draws on a major exercise reaching completion in the World Bank which provides strategic direction for our work on rural poverty. That work is entitled "Reaching the Rural Poor".

There are three broad priority areas where governments and donor agencies can take action to assist the rural poor:

- Policies and actions to foster broad-based rural growth;
- Policies to improve the social well-being and reduce vulnerability of the rural poor; and
- Policies and actions to enhance sustainable resource use.

Policies and Actions to Foster Broad-Based Rural Growth

While acknowledging the diversity of rural poverty, in most developing countries agriculture is the chief source of economic growth, and economic growth lifts people out of poverty. Thus, policies and activities that contribute to a vibrant rural economy are important

levers in reducing rural poverty and in reducing income inequalities that may be exacerbated by globalization.

Developing country governments need to make sure that their policies work toward the improvement of agricultural productivity and competitiveness by: investing in science and technology; promoting agricultural education/extension; assisting in crop and livestock diversification; improving markets and access to markets; providing rural infrastructure; providing an enabling environment for non-farm enterprise so that private business in rural areas is encouraged; providing a policy environment and institutional structures that place agriculture and rural activities on an equal footing with other industries; increasing the productivity of water use; and wisely meeting the challenge of biotechnology.

Policies to Improve the Social Well-Being of the Rural Poor

As noted earlier, on a per capital basis, rural residents receive a smaller share of public expenditures than their urban cousins. Rural poverty is characterized, *inter alia*, by poor health and education, lack of sanitation and clean water, and a vulnerability to external shocks including climatic events. Improving social well-being and reducing vulnerability are key to improving the quality of life of rural people. Such investments also contribute to productivity and growth.

Governments need to allocate a larger share of public expenditure to rural areas to: improve access to nutrition and health; increase access to, and quality of, rural education; and implement food security schemes that lower the risk and vulnerability of the rural poor. Social safety net schemes developed for urban areas should be extended to rural space.

Policies and Actions to Enhance Sustainable Resource Use

Natural resources provide the fundamental support to life and economic processes in rural areas. Soils are the foundations of agriculture, forests protect water sources and provide biodiversity, and water is essential for all life. Inappropriate use of natural resources threatens rural livelihoods. Sustainable natural resource management and poverty reduction are generally compatible. Policies and actions that governments need to undertake as first order priorities include: policies, regulations, and oversight to limit land degradation; vigorous reforms leading to improved water utilization and management; sound policies and actions to ensure sustainable production of forest products; and policies that consider global warming as part of development planning.

At the individual country level the priorities and mix will vary, depending on stage of development, progress in policy reforms, the size and state of the rural sector, and access to financing and markets. Table 1 provides a suggested listing of priorities.

Table 1: Rural Priorities by Stage of Development

	Least developed	Less poor	Middle income
Broad-based growth	<ul style="list-style-type: none"> ▪Promote agriculture. ▪Integrate subsistence farmers into the mkt. economy. ▪Develop rural infrastructure and basic institutions. 	<ul style="list-style-type: none"> •Improve agricultural productivity and diversification •Non-farm pvt. sector devt. •Improve access to mkts. 	<ul style="list-style-type: none"> •Promote competitiveness of the commercial rural sector. •Promote high-value crops •Expand pvt. setor provision of semi-public services
Improving social well-being, managing risk and reducing vulnerability	<ul style="list-style-type: none"> ▪Basic social services ▪Introduce safety nets. ▪Develop social capital. 	<ul style="list-style-type: none"> ▪Expand social services ▪Promote improved risk management 	<ul style="list-style-type: none"> ▪Specialist medical services and higher education ▪Comprehensive national safety nets
Sustainable management of natural resources	<ul style="list-style-type: none"> ▪Property rights ▪Reduce soil degradation and deforestation 	<ul style="list-style-type: none"> •Getting resource prices right •Watershed management 	<ul style="list-style-type: none"> ▪Environmental regulation ▪Reduce negative externalities of agriculture

Policies for Industrial Countries

Industrial countries and the development community can support and encourage rural development, and can assist in cushioning the negative effects of globalization, in a number of ways.

Clearly, the size, composition, and efficacy of foreign aid is important. The size of foreign aid as a share of industrial countries GDP has been shrinking over the last 20 years. Many wealthy countries provide less than 0.5 percent of their GDP in foreign aid while polls show that their citizens feel that 5 percent is an appropriate level. Aid is often allocated to achieve political objectives or is tied in its use to the donor’s nationals or products. And some countries do not provide sufficient oversight or purpose to their aid so that it is not used in the most efficacious manner.

The macro-economic policies of industrial countries can provide stability (market and economic) and enhance a more inclusive integration of developing countries into the global economy. Good macroeconomic policies in industrial countries are part of a complementary package of actions that can be undertaken by industrial countries.

Finally comes the big one – the hardy perennial of industrial country market access, trade policy and domestic subsidies. The governments (taxpayers) of industrial countries lavish around \$1 billion per day on support for their farmers. This is approximately six times the amount they spend on development assistance. As we know, this has profound negative effects on farmers and rural residents in poor countries. The subsidized food from industrial countries pushes down world prices and deprives poor farmers of markets in third countries. It often forces them to use

unsustainable or exploitive practices. Trade policies and intellectual property protection are also seen as being biased against poor countries. The vigorous enforcement of anti-dumping and phytosanitary statutes, which are seen as inappropriately applied to developing countries, are examples that industrial countries could easily address. Globalization is viewed as being one-sided and at the expense of the world's poor. Viewed in this light, it is critical that tomorrow's meeting in Qatar succeed.

The Rural Poor and the PRSP Process

I have been asked to comment on the "Poverty Reduction Strategy Papers" (PRSPs). At the annual Bank/Fund meetings in September 1999, it was announced that a new poverty focus for the international financial institutions (IFIs) in the poorest countries would be the PRSP. This document, produced by individual countries with the advice of the IFIs, forms the basis for development cooperation between the countries and the international community.

From the point of view of a pragmatic development institution and for a staff member committed to rural development, this is a welcome advance. PRSPs put poverty reduction at the front and center of the development agenda. They are "results oriented" and draw strong linkages between public actions and poverty outcomes. They take a comprehensive and multidimensional view of poverty and recognize that country ownership of the poverty agenda is paramount. They are participatory in process and based on partnerships. They recognize poverty where it is found and thus give greater emphasis than has hitherto been the case to rural poverty, its causes, and its solutions. The World Bank is optimistic that they are becoming an effective tool for addressing poverty in poor countries.

Concluding Comment

Clearly no one policy or action is sufficient to ensure that the effects of globalization are widely shared and that only (or mainly) positive outcomes result in the rural sector. A comprehensive and holistic view of rural development is needed which takes into account the many and interactive variables that can be marshaled to reduce rural poverty. Likewise, no one agent is capable of formulating, implementing, and financing the myriad activities. A cooperative and coordinated approach driven by willing developing country governments in partnership with the development community supported by sympathetic and altruistic wealthy countries, is an approach that will significantly reduce rural poverty.

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