

## OVERVIEW: RURAL POVERTY IN DEVELOPING COUNTRIES: ISSUES, POLICIES AND CHALLENGES

David Suttie, Global Engagement Specialist, IFAD



Investing in rural people

### **Background: Inequality, poverty and disempowerment especially impact rural people**

Globally, extreme poverty continues to be overwhelmingly rural: an estimated 79 per cent of those experiencing poverty live in rural areas.<sup>1</sup> With latest figures indicating that in 2015 there were around 736 million people living in extreme poverty globally – down from nearly 2 billion in 1990 – it can be surmised that the number of poor rural people in the world today is likely in the realm of 580 million. Taking into account multiple-dimensional aspects of deprivation – including, for example, access to education and essential services – the rurality of poverty becomes even more stark: an estimated 83.5 per cent of poverty is rural taking this approach.

Much of this poverty is concentrated in sub-Saharan Africa, home to approximately 413 million poor people, where the poverty rate – at 41 per cent – is notably higher than all other regions of the world, where it is below 13 per cent; globally 10 per cent of the world's population lives in extreme poverty, down from 36 per cent in 1990. Notably, Africa remains the world's most rural region, with still 60 per cent of the population living in rural areas as of 2014, though with urbanization proceeding rapidly this figure is projected to decline to 44 per cent by 2050.<sup>2</sup> In Asia, with structural transformation more advanced and many rural people having benefitted from the Green Revolution, the question is more of addressing pockets of poverty, where rural some people – especially those operating on remote and marginal farmlands not connected to urban markets – have been left behind in the economic transformation of previous decades. Similarly, in Latin America pockets of rural poverty remain though societies have largely urbanized.

In general, there are strong indications that, under prevailing political economy frameworks in most developing countries, living in a rural area increases a person's probability of suffering from poverty and deprivation. This is supported by the reality that the global poverty rate in rural areas (17.2 per cent) is more than three times as high as that in urban areas (5.3 per cent). Issues of political participation link with and influence factors such as under-investment in rural infrastructure and service provision serve to reinforce rural-urban inequalities and suggest the persistence of what Lipton referred to decades ago as the "urban bias in development".<sup>3</sup> Consequently, Key stakeholders in rural communities, including rural women, rural youth, smallholder farmers, indigenous peoples and rural landless workers, are among those most likely to be left behind. Not surprisingly, the lack

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<sup>1</sup> Unless otherwise stated, figures on numbers and percentages of people living in poverty are drawn from: World Bank. 2018. *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle*. World Bank, Washington, D.C. World Bank.

<sup>2</sup> United Nations, Department of Economic and Social Affairs (UNDESA), Population Division. 2015. *World Urbanization Prospects: The 2014 Revision*. New York, UNDESA.

<sup>3</sup> Lipton M. 1982. Why poor people stay poor. In: Harriss J (ed) *Rural Development: Theories of Peasant Economy and Agrarian Change*. Hutchinson University Library for Africa, London.

of progress in rural areas – and prevailing rural-urban disparities – has been cited as one of the reasons aggregate progress was held back in the Millennium Development Goal era.<sup>4</sup>

It is especially alarming that the prospects of children and youth in rural areas are often held back compared with children in urban areas: they are more likely to be out of school<sup>5</sup> and to be involved in child labour, most of which is concentrated in agriculture.<sup>6</sup> The most pronounced inequalities occur when rurality intersects with other forms of marginalization, resulting from variables such as gender, ethnicity and age. For example, in most countries, while rural youth have lower literacy rates than urban youth, for rural female youth the situation is even more stark, with less than half having basic literacy skills, impeding employment and entrepreneurship prospects.<sup>7</sup>

The drivers of rural poverty may be broken into three dimensions: economic, social and environmental. From the economic side, low levels of productivity, lack of diversification of rural economies and access to markets to a large extent emanate diseconomies of scale associated with providing rural infrastructure and services. From a social perspective, patterns of exclusion in rural communities may undermine cohesion in some contexts and mean that certain groups may face additional challenges in enhancing livelihoods. For example, the constraints facing rural women are exacerbated by gender-based power imbalance and lack of gender awareness in policy implementation, leading to persistent gender gaps related to outcomes such as land ownership, productivity, and rural wages. With respect to the environment, biodiversity loss and environmental degradation particularly impact rural people who generally rely heavily upon natural resources for their livelihood sources, most commonly through agriculture. And there is increasing awareness that the already severe effects of climate change are serving to exacerbate challenges facing poor rural people.

These challenges represent significant impediments to the achievement of the ambitions of the 2030 Agenda, not least the commitment to leave no-one behind.

***Emerging opportunities: linking rural people with opportunities in dynamic and expanding markets***

Most rural people rely on activities within food systems – most prominently primary production – for their livelihoods. Many are represented within the numbers of those living and working on the estimated 500 million family farms in the world, most of which tend to be relatively small.<sup>8</sup> These smallholder agricultural systems are often the bedrock of rural economies, along with the non-farm activities within agri-food systems that support them, from upstream activities to support production (for example, provision of seeds, machinery) to the downstream activities to support marketing and consumption (for example, storage, transport and retailing). As such, the focus of this analysis is closely tied to smallholder food systems and related economic activities that dominate the livelihood activities of poor rural people.

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<sup>4</sup> UNECA/AU/AfDB/UNDP. 2015. *MDG Report 2015: Lessons Learned in Implementing the MDGs: Assessing Progress in Africa towards the Millennium Development Goals*. Addis Ababa: United Nations Economic Commission for Africa, African Union, African Development Bank and United Nations Development Programme.

<sup>5</sup> Rural children remain twice as likely as urban children to be out of school. UNESCO. 2015. *2015 Global Monitoring Report: Education for all 2000-2015: Achievements and Challenges*. Paris: UNESCO. p. 8.

<sup>6</sup> FAO. 2018. *Child Labour in Agriculture*. [Online]. Available at: [www.fao.org/childlabouragriculture/en](http://www.fao.org/childlabouragriculture/en). [Accessed 22 October 2018].

<sup>7</sup> UNESCO. 2016. *Global Education Monitoring Report 2016: Education for People and Planet*. Paris: UNESCO p. 74).

<sup>8</sup> FAO. 2014. *The state of food and agriculture. Innovation in family farming*. Rome, FAO.

In this context, the emergence of new commercial opportunities in food systems may offer opportunities to achieve significant reductions in rural poverty. Higher incomes, urbanization and population growth in some regions (most notably, Africa) is increasing demand for food – especially for non-staple, higher value items. Potential commercial opportunities are also widening as a consequence of entrepreneurial energy emerging from strengthening rural-urban linkages (in particular as a consequence of the growth of small and intermediate towns at the rural urban interface<sup>9</sup>) in addition to increasingly interlinked up and down-stream service provision supporting agricultural commercialization. This is offering opportunities for some rural people to increase their incomes, though the extent that this potential can be expected to translate into better outcomes in terms of rural livelihoods very much depends on the types of food systems that are advanced by relevant policies, investments and institutions.

Trends such as market concentration among large multinationals in agri-food value chains, the domination of large private firms in agricultural research and development (R&D) and protection of products by patents as well as strained fiscal spending to provide services to local smallholder family farmers have contributed to a situation where the types of food systems transformation being promoted – and the benefits associated with these – are too often biased towards large-scale actors at the expense of smallholder family farmers. For example, public and practice frequently favour the acquisition of land by large investors at the expense of local family farmers,<sup>10</sup> a trend that sees smallholder family farmers controlling an ever diminishing share of the world's agricultural land.<sup>11</sup> As a result, the unique knowledge, innovations and practices of this group – which in many cases offer solutions to the most pressing challenges the world faces today – tends to be inadequately considered and supported in policies, investments and institutions that are advanced at global and national levels to strengthen food systems. And the unique role and knowledge of women farmers is especially invisible in relevant discussions and planning processes, for example related to advancing innovation, meaning local sustainable grassroots knowledge is rarely adequately captured and shared. One of the major consequences of these patterns of exclusion has been that despite an unprecedented bounty in terms of productivity and profit in recent decades, benefits have been disproportionately skewed towards a relatively small number of large private actors, with sub-optimal impacts on rural poverty.

### ***Smallholder food systems and rural poverty reduction***

Prospects for addressing rural poverty through developing the role of smallholder and related rural micro small and medium- sized enterprises (MSMEs) operating in local agri-food systems are worthy of consideration. Indeed, it is reasonable to proffer that growth originating from smallholder agriculture, and related sub-sectors providing upstream and downstream services, has both direct and indirect impacts on rural poverty reduction: direct through impacts on the incomes of the

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<sup>9</sup> Small towns and cities of less than 500,000 inhabitants already represent the majority of the world's urban population and are projected to account for the majority of the projected urban growth in the decades ahead; as a consequence, economic and social interactions across the rural-urban continuum are growing and potential opportunities to access remunerative markets for smallholder family farmers is increasing (IFAD. 2017. Promoting integrated and inclusive rural-urban dynamics and food systems. Policy brief. Rome, IFAD.

<sup>10</sup> Vorley B, L Cotula and M K Chan. 2012. Tipping the balance. Policies to shape agricultural investments and markets in favour of small-scale farmers Oxford, Oxfam International.

<sup>11</sup> Grain. 2014. Hungry for land [Online]. Available at: <http://www.grain.org/article/entries/4929-hungry-for-land-small-farmers-feed-the-world-with-less-than-a-quarter-of-all-farmland> (Accessed 10 January 2019); ECVC and HOTL. 2013. Land concentration, land grabbing and people's struggles in Europe [Online]. Available at: [https://www.tni.org/files/download/land\\_in\\_europe-jun2013.pdf](https://www.tni.org/files/download/land_in_europe-jun2013.pdf) [Accessed January 10, 2018].

poorest but also indirect through its effects on growth in the broader rural economy.<sup>12</sup> This is because higher incomes among smallholders generates demand for: local agricultural inputs, capital and services; commercial distribution and processing infrastructure and services; and non-food consumable goods. As a result, the knock-on effects of growth that benefits local smallholders creates wider benefits to the rural economy as a whole, creating new commercial opportunities. In addition to these sectoral-based linkages are potential productivity linkages whereby, for example, increased agricultural productivity may lead to better nutrition which leads to higher productivity amongst rural non-farm workers; or productivity-enhancing skills and knowledge learned through smallholder development may be transferred to activities in another local rural sector.

And there are additional factors that indicate smallholder-driven rural growth offer particular advantages in addressing the economic, social and environmental drivers of rural poverty; these may be detailed as follows:

- 1) With respect to the economic and productivity related drivers of rural poverty: Productivity is often relatively higher on smallholder family farms, as posited by a vast literature.<sup>13</sup> This is largely as a result of the relative efficiency and lower transaction costs associated with using family, as opposed to hired, labour. Other reasons that labour productivity may actually be higher on smallholder farms, include: flexibility, availability and motivation of household labour used on smallholder family farms compared to hired labour on which large farms rely; ability to withstand price slumps as a result of household labourers' preparedness to accept lower returns at time where larger farms relying on hired labour would likely go out of business; and smallholder family farmers likely have more detailed knowledge of the specific characteristics of landscapes on their farms.
- 2) With respect to the social drivers of poverty: Smallholder family farms are better at promoting social equity and community well-being. One of the key rationale for promoting smallholder family farms is the acknowledgement that these farms – over and above their contribution to food security and nutrition - contribute to addressing key challenges related to equity, poverty, and employment. In this respect, it is not surprising that communities dominated by smallholder family farms have been found to offer better opportunities for civic and social engagement, more attachment to local culture and landscapes, as well as higher levels of trust in within communities.<sup>14</sup> In contrast, models of large-scale industrial

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<sup>12</sup> Discussion of impacts on multiplier rural non-farm growth effects may be summarized in: Haggblade S. 2005. The rural nonfarm economy: Pathway out of poverty or pathway In? Paper prepared for the Research Workshop "The Future of Small Farms" Wye, Kent, 26-29 June 2005, IFPRI, ODI, Imperial College.

<sup>13</sup> Inter alia: (i) FAO. 2014. The state of food and agriculture. Innovation in family farming. Rome, FAO: pp.16-17; (ii) FAO and OECD. 2012. Sustainable agricultural productivity growth and bridging the gap for small family farms. Interagency report to the Mexican G20 Presidency. Rome, FAO; (iii) Larson D F, K Otsuka, T Matsumoto and T Kilic. 2012. Should African rural development strategies depend on smallholder farms? An exploration of the inverse productivity hypothesis. Washington DC, World Bank; (iv) Wiggins S. 2009. Can the smallholder model deliver poverty reduction and food security for a rapidly growing population in Africa? FAC Working Paper No. 08, July 2009, Future Agricultures Consortium, IDS, UK; (v) Lipton M. 2006. Can small family farmers survive, prosper, or be the key channel to cut mass poverty? The Electronic Journal of Agricultural and Development Economics (2006) 3 (1), pp. 58-85; and (vi) Sen A. 1966. Peasants and dualism with or without surplus labor. The Journal of Political Economy (1966) 74 (5), pp. 425-450.

<sup>14</sup> Inter alia: (i) Pretty J and Z P Bharucha. 2014. Sustainable intensification in agricultural systems. Annals of Botany, 114: 1: pp. 1571–1596; (ii) Donham, K., S. Wing, D. Osterberg, J. Flora, C. Hodne, K. Thu and P. Thorne. 2007. Community health and socioeconomic issues surrounding animal feeding operations. Environmental Health Perspectives 115(2): 11: pp. 317-20; (iii) Lyson, T, R Torres and R Welsh. 2001. Scale of agricultural production, civic engagement and community welfare. Social Forces 80: pp. 311-27; and (iv) Jackson-Smith D, and G Gillespie. 2005. Impacts of farm structural change on farmers' social ties. Society and Natural Resources 18: pp. 215-40.

farming managed by corporate managers rather than family operators place the interests of local communities at risk.<sup>15</sup> Further, the positive spill-over effects of smallholder family farming-generated growth on local rural non-farm sectors have been found to be especially strong,<sup>16</sup> even shaping wider poverty reduction progress at national level over the longer term.<sup>17</sup>

With respect to the environmental drivers of rural poverty: Smallholder family farms have advantages in terms of environmental sustainability. This in part derives from their greater attachment to local communities and landscapes, which foster a higher level of interest and care for the natural environment upon which they are reliant for agricultural production.<sup>18</sup> In addition, smallholder family farms tend to be, by their very nature, more receptive to adopting sustainable approaches that rely upon intricate knowledge of family labour on farmland and local ecosystems; agroecology, organic agriculture, and permaculture, for example, are all sustainable approaches that favour relatively small-scale family farms operated at the family level.

### ***Issues and debates: rural poverty and the future of smallholder agriculture***

Key questions relate to the efficiency of small farms. While it is generally accepted that the benefits of developing smallholder family farming in terms of poverty reduction have merit in the realm of social policy, considering it accounts for a large share of the livelihoods of many of the rural poor, there are mixed opinions on its efficacy in terms of sustaining agricultural productivity to meet future food needs.

Asia's Green Revolution was largely driven by public support for smallholder systems, which would tend to support the notion that there is no reason to presume that the transformation of agriculture and food systems would necessarily require a movement to larger-scale corporate approaches to farming. However, concerns have been expressed on whether this experience is replicable in the context of Africa's transformation. These concerns relate to a number of issues.

First, the large-scale reductions in rural poverty that were achieved through Asia's largely smallholder-centred Green Revolution relied upon direct public provision of services such as inputs, extension and finance. Despite the general failure of free markets to deliver poverty reduction during the structural adjustment policies of the 1980 and 1990s, the prevailing political economic

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<sup>15</sup> Inter alia: (i) MacCannell D. 1988. Industrial agriculture and rural community degradation. In: Agriculture and community change in the U.S.: The Congressional Research Reports (Swanson LE, ed). Boulder, CO: Westview Press, pp. 15–75; (ii) Lobao L and Stofferahn C W. 2008. Agriculture and Human Values 25: pp. 219-240; (iii) Lyson T. 2004. Civic agriculture: Reconnecting farm, food, and community. Medford, MA: Tufts University Press; and (iv) Crowley, Martha L. and Vincent J. Roscigno. Farm Concentration, Political-Economic Process, and Stratification in the North Central U.S. Journal of Political & Military Sociology 32:1pp. 33-155.

<sup>16</sup> Ngqangweni S S, C L Delgado and J F Kirsten. 1999. Exploring growth linkages in a South African smallholder farming area. *Agrekon*, 38:4: pp. 585-593; Simphiwe N. 2001. Prospects for rural growth? Measuring growth linkages in a South African smallholder farming area. Working paper 2001-11. Pretoria, University of Pretoria; Bautista R M and M Thomas. 1998. Agricultural growth linkages in Zimbabwe: Income and equity effects. Trade and Macroeconomics Division. Discussion Paper No. 31. Washington DC, IFPRI.

<sup>17</sup> "[T]here are no examples of agricultural development leading to poverty reduction without sharp increases in productivity in smallholder agriculture." (HLPE. 2013. Investing in smallholder agriculture for food security. A report by the High-Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security. Rome, Committee on World Food Security: p. 62).

<sup>18</sup> A factor that frequently cited by farming communities, civil society groups and environmentalists, in particular when local smallholder family farming models are threatened by the industrial interests, articulated many years ago thus: "[S]mall farms offer[] the opportunity for 'attachment' to local culture and care for the surrounding land" in: Perelman M and Merrill R. 1976. Efficiency in agriculture: the economics of energy. Radical agriculture. New York Harper and Row.

mood of the MDG and SDG eras is arguably still not amenable to the direct modes of public intervention that supported the Green Revolution. This, along with the more diverse agro-ecological systems of Africa compared to Asia, would seem to rule out the kind of large-scale, one-size fits all agenda from which many of Asia's smallholders benefitted. Further, in the Asian context, the relatively smaller number of rural poor who have not yet benefited from agricultural and economic transformation may require more tailored, context specific approaches targeting those who, because of their household circumstances, location, or other individual factors, have not benefited.<sup>19</sup>

Second, concerns relate to the suitability of – and affordable access to - advanced technologies and technical innovations to smallholder contexts.<sup>20</sup> Approaches such as the use of precision agriculture, the use of genetically modified organisms (GMOs) and adoption of artificial intelligence tend to be more associated with larger-scale, industrial models of farming.

Third, with large supermarkets and exporters dominating food markets, difficulties for smallholders in complying to regulations related to uniformity, quality, quantity and traceability often sees them excluded from expanding markets. As such, smallholder family farmers continue to operate in predominantly local, and generally informal, markets (though it may be noted that their participation in these markets is especially important for populations who tend to be vulnerable to food insecurity<sup>21</sup>).

However, where political will exists, solutions exist to these problems, with approaches having been developed that have shown success in minimizing and overcoming them. These include the inter-governmentally negotiated Committee on World Food Security (CFS) guidelines on "Connecting smallholders to markets"<sup>22</sup> which provides twenty-four recommendations in this area. The challenge is for more systematic integration and adoption of such approaches, especially in national policy and investment frameworks, as well as in the national and global regulation of food systems. While the necessity of concision mitigates against a discussion on the wide-ranging topics addressed in this topic, key entry-points in this domain may be identified, inter alia, as:

- Reconsider the efficacy of direct public investment in agriculture. This may be justified especially in African contexts given the numbers of rural poor working in the sector, the pro-poor nature of agricultural growth and the role the sector is expected to continue to play in job creation.<sup>23</sup>
- Farmer organizations and institutional arrangements such as various forms of public-private-producer partnerships have shown potential in some contexts to address issues related with transaction costs of providing services to smallholder farms, though there remain doubts as to whether the smallholders working in the most challenging contexts are likely to benefit from these arrangements.<sup>24</sup>
- Restructuring of investment policies, which in many countries tend to favour large scale land acquisitions over small farm development, especially related to minimum size requirements

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<sup>19</sup> Wiggins S. 2016. Agriculture and rural development reconsidered: A guide to issues and debates. Rome, IFAD.

<sup>20</sup> Ibid.

<sup>21</sup> CFS. 2017. CFS Forum on women's empowerment in the context of food security and nutrition [Online]. Available at: <http://www.fao.org/3/a-mu268e.pdf> [Accessed 14 February 2019].

<sup>22</sup> Available at: <http://www.fao.org/3/a-bq853e.pdf>

<sup>23</sup> Christiaensen L and K Brooks. 2018. In Africa, more not fewer people will work in agriculture. World Bank Jobs and Development Blog [Online]. Available at: <http://blogs.worldbank.org/jobs/node/1127> [Accessed February 13 2019].

<sup>24</sup> IFAD. 2016. Agrifood markets and value chains. Chapter 6. In: Rural Development Report 2016. Rome, IFAD.

for application of investment codes, structures of tax incentives and fees for rights to access land and natural resources.<sup>25</sup>

- Strengthen the integration and connectivity between rural and urban areas through, for example, infrastructure that enables smallholders to access urban markets, creating institutional links with rural smallholder producers in city planning processes and favouring territorial approaches to development.<sup>26</sup>

### ***Concluding remarks***

In the context of the SDGs, issues related to rural people and their activities need greater attention throughout the agenda. The current relatively narrow focus of these issues primarily to SDG 2 is insufficient – as is the general insufficient attention and investment focused on SDG 2 itself. Enabling rural people to take advantage of emerging opportunities in the agri-food systems in which the majority of them are active and rely upon for their livelihoods, can reasonably be expected to both reduce rural poverty and act as an accelerator of progress across the 2030 Agenda as a whole.

In general the role of rural people as protagonists in ending global poverty and hunger is increasingly recognized as indicated by the UN resolution entitled “Eradicating rural poverty to implement the 2030 Agenda for Sustainable Development”. But much more needs to be done to address the challenges they are facing. Better acknowledgement of their role and potential, the inclusion of smallholder and family farmers into SDG targets, and the development of international policy frameworks geared towards advancing the interests of smallholder family farmers – notably several developed and endorsed by the Committee on World Food Security<sup>27</sup> - all indicate that political will exists in this area.

Specifically, policies need to be geared towards smallholder family farmers and operators of rural MSMEs in areas such as investment promotion, tenure rights over land and natural resources, provision of services in rural areas, climate change adaptation, social protection, participation in political processes, and addressing gender inequalities in agriculture and rural areas. The United Nations Decade of Family Farming offers an opportunity to focus efforts of international and national stakeholders to ensure these required mechanisms are in place and appropriate investments prioritized. In addition, and as will also be addressed through the Decade, once such policies are in place investment in policy implementation, including capacity development of public authorities as well as smallholder family farmers and their organizations, is needed to ensure expected outcomes are achieved.

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<sup>25</sup> Vorley B, L Cotula and M K Chan. 2012. Tipping the balance. Policies to shape agricultural investments and markets in favour of small-scale farmers Oxford, Oxfam International.

<sup>26</sup> Defined as: the development of a territory (including both areas that are ‘more rural’ and those that are ‘more urban’ in a defined region) by addressing the development of multiple sectors, implemented by a range of stakeholders and structured by multilevel governance – or governance that involves coordination and collaboration between local, regional and national level authorities and stakeholders." (Adapted from: Suttie, D., & Hussein, K. 2016. Territorial approaches, rural-urban linkages and inclusive rural transformation: Ensuring that rural people have a voice in national development in the context of the SDGs. Rome: IFAD).

<sup>27</sup> Including the "Voluntary guidelines on the responsible governance of tenure of land, fisheries and forests in the context of national food security", the "Voluntary guidelines to support the progressive realization of the right to adequate food in the context of national food security" and the policy recommendations on "Connecting smallholders to markets". See CFS main products page for a full list: <http://www.fao.org/cfs/home/products/en/>