

A responsible approach to growth

# The rural sector beyond 2015

*More than 70 percent of the world's poor live in rural areas. The World Bank's approach to rural development is holistic and multi-sectoral, focused on improving the well-being of rural people by building their productive, social, and environmental assets. The author of this article explores what this means in the longer term horizon of beyond 2015.*



Photo: Wilde

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Consider a plausible scenario for the world's economic condition in 2050. The world population could be 9 billion, up from 6 billion today. Almost all that increase will be in the cities and towns of developing countries. With per capita GDP growth of 2 percent in rich countries (the average over the last 20 years) and 3.3 percent in low and middle income countries (a moderately optimistic figure, representing the growth experienced in the 1960s and 70s), world income would be more than US-Dollar (USD) 135 trillion, up from USD 35 trillion today. With these growth rates to 2050, 40 percent of world income would be in low and middle income countries, twice their share of 20 percent today.

The average income per capita for today's developing countries would be USD 6,300 (in constant dollars of 1995) by 2050. Basic human needs for shelter, food and clothing could be more than met. And people would be healthier and more skilled. Even pessimistic estimates project life expectancy in today's low and middle income countries at 72 years (up from 64 today) and under-5 mortality at 17 per 1 000 live births (down from 85 today). Adult illiteracy rates could be less than 5 percent; a fifth of today's 25 percent.

The world of 2050 is likely to have more than 65 percent of the population in urban areas. The infrastructure and housing needs, if city dwellers are to enjoy healthy and productive lives, will be huge. If present trends continue, the world of 2050 will also be much less biologically diverse. Part of the challenge is to reduce the number of poor communities dependent on fragile ecosystems, while permitting them to share in the benefits derived from healthy ecosystems.

In order for this relatively benign scenario to occur and to avoid much worse, actions must already be taken this decade. Global and national policies, national invest-

ment strategies for infrastructure and human resources as well as for environmental protection, and new institutional relationships, will all need to be developed.

In an increasingly interconnected world, the management of fragile ecosystems, transboundary water systems, communicable disease, climate change, scientific and technological pathways, and knowledge systems all warrant international attention, even if the issue appears far away in another nation. This is because all of the above issues cross national boundaries. To solve these problems and to move toward the above benign scenario will therefore require cooperative action amongst nations, and within nations. In a world increasingly characterized by mobility of people, finance, enterprises and ideas, issues of demographic change, migration, and social conflict need to be addressed.

## No sustained economic growth without the rural sector

The proposition of this article is that key to all of the above, in fact the foundation, will be sustained economic growth. First, without economic growth, incomes will not increase for anyone, including the poor. Although growth does not guarantee poverty reduction, poverty reduction is impossible without growth. What will fuel this growth? The starting point for many developing countries, given the concentration of poverty in rural areas and the share of agriculture in poor country

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One of the main objectives is to invest in intensifying cultivation on land already farmed. This requires especially for the dry-lands an agricultural revolution.

GDP, must be rural development and growth in agricultural production.

For all countries, investments in human capital, including health, will be essential. But this investment itself requires increased economic strength to support it. In agrarian societies, that economic basis will initially be agriculture, just as it was in the early development of European and North American, and later Chinese and Indian society. But agriculture provides a double benefit; not only income but food. This has however become more complicated than it appeared only 30 years ago. This is because agricultural development in situations of high population density brings environmental, and sometimes social, dislocation. So the complexity of agricultural development is increasing. What is needed is a responsible approach to agricultural growth which will sustain the coming increases in human welfare for the long term – in consumption, in health, in human skills, in social equity?

### The rural areas and the MDGs

Let us look to more immediate goals than the year 2050. To achieve the anti-poverty targets established by The Millennium Development Goals (MDGs) of reducing by half the number of poor people living in poverty by 2015, the focus also needs to be in improving the well-being of rural areas, where more than 70 percent of poor people live. However, complexity again stalks. A responsible growth and rural poverty focus requires much more than increasing the average income of the

rural population. It also requires an improvement in the overall quality of rural life and the entire rural environment where people live. In order to achieve these gains, a set of interdependent components of a comprehensive Rural Development Strategy need to be put in place:

- Fostering an enabling policy and institutional environment for broad-based and responsible rural economic growth (agricultural and non-agricultural);
- The above will require the enhancement of agricultural productivity and competitiveness;
- Improving social well-being, managing and mitigating risk and vulnerability (weather and price uncertainty); and
- Enhancing sustainability of natural resource management (land, water, forests, and bio-diversity).

To meet the MDG of reducing hunger by half by 2015, food production in low income countries needs to continue to grow faster than population. Since 1970, food production in low income countries has outpaced population growth, except in Sub-Saharan Africa where technology has lagged and population growth has exceeded productivity growth. Extrapolations of present trends show the world as a whole having comfortable food supplies, but patterns of demand are also shifting, with rising incomes stimulating the demand for animal protein.

Food will likely be a continuing problem in Sub-Saharan Africa, and in some of the lowest income countries in Latin America and Asia. What is required? More focused efforts to expand food production in the

lowest income countries, especially in Sub-Saharan Africa.

### How to create sustained agricultural growth

Over the next 30 to 50 years, rural areas will have to feed an additional 2 billion to 3 billion people globally and will have to substantially improve the diets of the 2.5 billion to 3 billion people living on less than USD 2 a day.

Sustained agricultural growth cannot occur by increasing the area under cultivation. Further expansion of arable land would be on marginal land, at high cost to the biodiversity we have left. We are losing an area under forests equivalent to the size of Switzerland each year through deforestation. Most of this loss is not to logging, but to settlement by farmers and herdsmen. Environmentally responsible agricultural growth must focus on intensifying cultivation on land already farmed. With the best food-producing land already used, raising productivity of land and other inputs is the key to boosting output. Past increases in agricultural productivity have been impressive. From 1980 to 1996 the value of food production increased by 57 percent, while population grew by 31 percent. The scope for improvements in low income countries is large. The cereal yield in Europe, at 5.2 tons per hectare, is 2.8 times that in low income countries. Cereal yields in East Asia are 3 times those in Sub-Saharan Africa. Limits on the agricultural potential of some regions mean that these gaps cannot be

closed completely, but the potential to narrow them is substantial. Addressing the impacts of global developments in poor countries, such as trade policy, subsidies and climate change will be important to overcoming the obstacles to sustained productivity gains in the rural sector.

Additionally, the above growth and income objectives will require an agricultural revolution for the dry-lands. Sustaining agriculture will require close attention to land and water degradation, nutrient management, integrated pest management, soil conservation and the policies and institutions that stimulate better management practices by farmers, logger, and other users of natural resources. Adapting to climate change is another key priority.

### Looking at the short term scenario

Let's move to the immediate. In the short term, some global trends in agriculture and rural development are cause for concern:

**Persistent rural poverty.** About 70 percent of the world's poor live in rural areas, and in the world's poorer regions, the majority of the population remains rural, engaged in agricultural activities which are not yielding enough to get them out of poverty. This would not be so serious if there were urban employment possibilities as

an alternative. But these generally do not exist, except in developed countries. However there are political limits to migration from developing to developed countries so this outlet, though important, is not the solution.

**Significant urban-rural gap.** Rural areas still suffer more from extreme poverty, weak institutions, low public service delivery, and underdeveloped infrastructure. Government budgets exacerbate this problem in many cases by investing far more in urban areas, and neglecting rural.

**Stagnating agricultural production with declines in production growth in low income countries.** Despite its critical role in sustaining livelihood, global agricultural production has stagnated in the most recent years, with some important regional variations (see table) and with the notable exception of China which has done extraordinarily well and which challenges other developing countries to raise their performance.

There is, however, some encouraging news:

**Faster agricultural growth in Sub-Saharan Africa.** Agricultural productivity in Africa increased in the 1990s which though brief shows that it can be done in this intractable continent.

**A bigger role for livestock and high value crops.** As global food consumption shifts

Agriculture value added annual growth rates (percent)		
Region	1990–9	2000–2
Sub-Saharan Africa	2.4	3.3
South Asia	3.2	1.0
Eastern Asia and Pacific	3.5	2.2
Europe and Central Asia	-2.5	2.4
Latin America and Caribbean	2.6	2.1
Middle East and North Africa	3.2	3.4
Low income	2.8	1.8
Middle income	2.2	2.3
High income	1.1	2.3
World	1.9	2.0
Source: SIMA		

from heavy dependence on grains to more animal products, livestock plays an increased role in meeting changing food demand. Another area of agricultural activity that holds promise for rural development is increased cultivation of high-value crops such as fresh fruits, flowers, vegetables, beans, and condiments. World prices for these products have performed better than prices for other traditional agricultural goods and there is an export market in Europe and North America for developing country products in these high value sectors. China exported nearly USD 18 billion in fruits and vegetables last year. Promising new approaches. Innovative approaches to rural development – such as community driven development, community forestry, watershed management, and decentralized agriculture services – can be scaled up for significant impact. That will require tilting institutional rules to move assets into the hands of small-holder farmers in developing countries, public efforts to organize soil and water conservation, and government efforts to promote agricultural practices that restore soil fertility while expanding productivity of the land and of water. It will also require major reform of developing country agricultural subsidy and trade policy which is highly prejudicial against developing country agriculture, more foreign assistance for agriculture and rural development from industrial countries, and more serious policy and institutional reform in developing countries to enable them to capture the opportunities that freer trade and more aid could provide.



Photo: Wilke

A success story with high economic return: Cotton production in West Africa.