

# SARD and...

## the role of agriculture in poverty reduction

Sustainable agriculture is an effective poverty reduction strategy when matched with rural development strategies to address the economic, social and political disadvantages of the poor.

It can increase income and food supply at the household level and can provide cheaper food, increased employment opportunities and higher wages, which contribute to broader poverty reduction.



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### Sustainable Agriculture and Rural Development (SARD)

Agriculture and rural development are sustainable when they are ecologically sound, economically viable, socially just, culturally appropriate, humane and based on a scientific approach.

Rural development policy must aim to meet the nutritional and other human needs of present and future generations; and maintain, and where possible, enhance the productive and regenerative capacity of the natural resource base. It must also provide for the durable employment of those generations, reduce their vulnerability and strengthen their self-reliance.

## Did you know?

- Approximately 2.5 billion people in developing countries depend on agriculture for their livelihoods.<sup>2</sup>
- 900 million (75%) of the world's poorest people live in rural areas and, despite urban migration, over 60% will still live in rural areas in 2025.<sup>1</sup>
- 60% of the world's 450 million agricultural workers live in poverty.<sup>4</sup>
- In many developing countries, women produce 60-80% of food, but own less than 2% of land,<sup>5</sup> obtain 5% of extension resources,<sup>5</sup> access less than 10% of credit,<sup>6</sup> and have disproportionately limited access to agricultural inputs, decision making, research and technology.
- The rural poor also depend on non-farm income, which constitutes 30-45% of household income.<sup>3</sup>
- On average, 1% of agricultural growth yields 2.2 times more poverty reduction than 1% growth in non-agricultural sectors.<sup>7</sup> In Chile, in the 1990s, every 1% of agricultural growth led to a 1.7% reduction in poverty, compared to aggregate growth which generated a 0.8-1.0% decrease.<sup>8</sup>
- Yet, development assistance to agriculture fell by nearly two-thirds between 1987 and 1998 and in the last decade, poverty reduction has stalled.<sup>1</sup>
- Almost no poor country has ever successfully reduced poverty without first increasing agricultural productivity.<sup>2</sup>

## Why is action needed?

- The majority of the poor live in rural areas and depend on agriculture for their livelihood.
- The poor suffer from high rates of hunger and malnutrition, disease (including HIV/AIDS), illiteracy and mortality. These conditions reinforce poverty.
- Poor women and men have limited opportunities and capacity to overcome poverty and do not necessarily benefit from economic growth.
- There is a global commitment to reduce poverty by half by 2015.
- The rate of poverty reduction in 1990-1998 was less than one third of what is needed to reach this goal.<sup>1</sup>
- Strategies and tools to address poverty exist but are not implemented because of a lack of political will and adequacy and timeliness in resource availability.

## What are the Policy Goals?

- Promote sustainable agriculture and rural development, reduce poverty and food insecurity and improve rural livelihoods.
- Ensure that the poor can access the benefits of economic growth.
- Promote gender equality and ensure equal opportunities for the poor in terms of access to natural resources, other assets and infrastructure, markets and social (e.g. education and health services) and financial services (e.g. credit).
- Empower poor women and men, enable them to participate in decision-making processes, and build the capacity of institutions, decision makers and development professionals to work with poor women and men.



## The policy issues

Hunger and inequitable access to opportunities and resources create poverty. Strong political will and, in some cases, fundamental redistribution of wealth are needed to address these imbalances.

### The dimensions of poverty and SARD

- The poor are deprived in many ways. They have inadequate access to food, health care and education, limited income and access to assets. They also have lower status within their communities, suffer from low self-esteem and have limited political influence. These conditions contribute to and result from poverty and restrict the capacity of the poor to overcome poverty (e.g. hunger and disease reduce individual productivity and the ability to learn).<sup>3</sup>
- These conditions are worse in rural areas, exacerbating the situation of the rural poor and the incidence of rural poverty.
- Sustainable agriculture and rural development seek to meet the economic, environmental, social and cultural needs of current and future generations. Therefore SARD

can address multiple dimensions of poverty.

### Agricultural growth and rural development

- Agricultural growth has an impact on poverty because the majority of the poor live in rural areas and depend on agriculture for their livelihoods.<sup>3</sup>
- Increased agricultural productivity can increase household income and improve food security and resilience. Agricultural growth not only increases rural wages, but indirectly increases the wages of poor and unskilled urban workers as well.<sup>8</sup>
- When agricultural productivity increases, poor consumers in urban areas also benefit - from lower food prices. This creates significant savings as the poor spend a larger share of their income on food.
- Agriculture has strong linkages to other areas of the economy. The higher income and savings generated by agricultural growth create increased demand for non-farm goods and services. This, in turn, provides employment opportunities for the landless and waged industrial workers.
- As economies grow and become industrialized, agriculture contributes a decreasing share to GDP, but continues to contribute a considerable share to overall economic growth.
- Poverty and agricultural growth are interrelated with resource degradation.<sup>1</sup> Inappropriate agricultural practices, population pressure and the conversion of agricultural land to non-agricultural uses contribute to natural resource degradation. This leads to a decline in agricultural productivity, food supply and income, thus increasing the incidence of poverty. This can exacerbate degradation by pressuring the poor to unsustainably intensify production, expand into marginal lands and over-exploit vegetation.<sup>12</sup>

poor, including gender inequalities, are required to ensure that the poor benefit from agricultural growth and rural development (see Box 1).

- Pro-poor growth requires both agricultural development and growth in the off-farm sector because the poorest people are most likely to depend on rural non-farm income earned in restricted, local markets. Demand within these markets and therefore income for the poor will only increase following an increase in agricultural incomes.<sup>3</sup>
- Pro-poor strategies also need to protect the poor, who are already vulnerable, from risks and human-made and natural shocks.
- Investment in education, research and human capital and infrastructure delivers high returns in terms of poverty reduction. In Asia, agricultural productivity increases by an average of 4% for every one-year increase in formal schooling.<sup>10</sup>
- The complementary roles of the public and private sectors in rural development need to be managed carefully. Public investment in agriculture for rural development has decreased over recent years and the private sector has not always been successful in filling this gap.

## What are the policy options?

This section provides recommendations for improving the sustainability of agriculture and rural development specifically in relation to poverty reduction.

### Social support services

- Ensure a minimum level of income and social security for the poor and vulnerable.
- Ensure the poor have equitable access to social services, particularly education and health services.
- Provide safety nets to minimise the impact of natural and human-made disasters and help the poor recover from shocks.
- Build the skills and the capacity of the poor to improve agricultural productivity.

### Pro-poor development strategies

- Targeted strategies addressing all of the inequalities experienced by the



## Natural resources

- Research and develop pro-poor, sustainable practices to increase agricultural productivity and ensure that the poor inform and participate in research.
- Provide extension and education programmes and build the capacity of the poor to promote the adoption of sustainable agricultural production practices that protect and conserve the environment. These programmes need to address the limited financial resources and empowerment, fewer opportunities for skill development and education and higher vulnerability of the poor.
- Ensure that the poor, and marginalized groups such as women and the landless, have secure access to land, water, trees and forests and other natural resources under both customary and statutory law. Inequitable access to resources is one of the major factors that limits the impact of agricultural growth on poverty reduction. Secure property rights are needed for farmers to conserve natural resources.
- Promote redistributive and participatory agrarian reform processes to make land available to the landless and near landless

and to distribute the benefits of agricultural growth to the poor.

- Reduce transaction costs of sale and lease markets to improve access of poor farmers to land and natural resources.
- Ensure that the poor have access to safe and affordable energy supplies and encourage the use of carbon-neutral bio-fuels, which can increase food supplies, prevent erosion, and increase biodiversity.<sup>9</sup>

## Financial services

- Ensure the poor have equitable access to a wide range of financial services and savings, credit and insurance products.
- Consider using tax reduction, credit insurance, group savings and other measures to reduce the risks and transaction costs of providing financial services to the poor.

## Access to assets and infrastructure

- Improve transport, communication, electricity and water supply infrastructure, as rural infrastructure is an essential condition for increased agricultural productivity.
- Ensure the poor have access to the tools and equipment they require for work.<sup>4</sup>



## Agricultural trade and market policies

- Ensure that rural poor women and men can derive adequate livelihoods from agricultural production, processing and trade at local, national and international levels.
- Develop and implement policies in developing countries to reduce dependence on food imports, promote and facilitate national processing of agricultural produce, increase supports to small farmers, and enhance capacities to participate in and gain from agricultural trade.
- Make markets more accessible to the poor by improving infrastructure (e.g. roads), the availability and use of market information, communication systems, and legislation.

## Participatory policy development

- Empower the rural poor to influence decision-making processes, from which they have traditionally been excluded.
- Implement policy development processes that engage the poor in the decision-making processes that affect them to enhance social cohesion and equity.

### Addressing inequality in poverty reduction<sup>3</sup>

In the Philippines from 1965 to 1980, several economic and social trends supported poverty reduction. These included:

- Growth in crop production (5.2%), shared evenly between rice and non-traditional export crops
- Growth in livestock production (6.4%)
- A seven-fold increase in government expenditure on agriculture with 50% invested in infrastructure for irrigation (investment in rural roads was 2%)
- Strong human development in terms of high literacy rates, low infant mortality and high life expectancy.

Despite these trends and high rates of agricultural growth, there was no reduction in poverty over this time. This was because:

- Only 18% of arable land was irrigated
- Subsidies on credit and fertilizers only benefited large families who also had better access to infrastructure
- Large farmers also enjoyed implicit subsidies – through low tariffs, an overvalued exchange rate and a low interest rate – on imported farm machinery that displaced landless agricultural labourers.

As a result of these inequalities, the increase in income from agricultural growth was highly concentrated among the affluent and poverty actually increased.

## Institutions

- Strengthen rural organizations (e.g. farmers' organizations and workers' unions), to enable poor farmers to achieve greater economies of scale, increase production efficiency, exercise leadership and build bargaining power in market transactions and policy processes,<sup>11</sup> and implement legislation that enables producers and workers to organize and federate.
- Build institutional and professional capacities for including the poor in the institutions and decision-making processes that affect them.
- Strengthen public and private rural-urban linkages to promote markets and the formation of value-chains and increase services to rural areas.

## Targeting women and the poor

- Invest specifically in women and poor and marginalized groups who make up a substantial share of the agricultural work force. Strengthen rural services to address their specific needs for information, research, inputs, technologies, finance, and natural resources.

## Global commitments

Signatories to the United Nations Conference on the Environment and Development (1992) committed to achieving SARD (Chapter 14). These commitments have been re-enforced at the World Summit on Sustainable Development (2002) [www.worldsummit2002.org], the World Food Summit: Five Years Later 2002 and in the Millennium Development Goals [MDGs: www.un.org/millenniumgoals].

The MDGs include a specific goal to reduce poverty and hunger by half by 2015, yet it will be a challenge to meet this goal in a globalizing world. Trade liberalization combined with policies and investments that enable the poor to benefit from trade opportunities and protect the poor from trade-related shocks must be realized. Policies and mechanisms that mobilize private and public resources on a much larger scale must be deployed directly to the fight

against poverty and hunger through agriculture and rural development. Finally, more effective aid that is country owned, aligned and harmonized will be needed if global commitments to poverty reduction are to be achieved.

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### References

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<sup>2</sup>DFID 2005. *Growth and poverty reduction: the role of agriculture*, A DFID policy paper, DFID, UK.

<sup>3</sup>FAO Global Perspectives Studies Unit, 2003. "Agriculture in poverty alleviation and economic development", Chapter 8 in *World agriculture towards 2015/2030: an FAO perspective*, FAO and Earthscan, Rome.

<sup>4</sup>Hurst, P., Termine, P. and Karl, M., 2005. *Agricultural workers and their contribution to sustainable agriculture and rural development*, FAO, ILO and IUF.

## Tools and resources

IFAD 2006 Poverty reduction strategy papers: Rural poverty portal [www.ruralpovertyportal.org](http://www.ruralpovertyportal.org)

Dixon, J., Gulliver, A. and Gibbon, D. 2001. *Farming systems and poverty: improving farmers' livelihoods in a changing world*, FAO and The World Bank, Rome and Washington.

<sup>5</sup>FAO 2002. *Women's Right to Land: A Human Right*. 8 March.

<sup>6</sup>UNDP 1995. *Human Development Report*. New York: Oxford University Press.

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<sup>8</sup>Lopez, R. and Anriquez, G. 2003. *Poverty module Chile*, Roles of agriculture project international conference, October 2003, FAO, Rome.

<sup>9</sup>FAO Committee on Agriculture, 2005. *Bioenergy*, Item 7 of the provisional agenda, 13-16 April 2005, Rome.

<sup>10</sup>Byerlee, D., Diao, X. and Jackson, C. 2005. *Agriculture, rural development and pro-poor growth: country experiences in the post-reform era*, Agriculture and rural development discussion paper 21, The World Bank, Washington.

<sup>11</sup>Crowley E. et al. 2005. *Organizations of the poor: conditions for success*, FAO, Rome.

<sup>12</sup>United Nations Development Programme, 2004. *The poverty-environment nexus*, Draft practice note, [www.undp.org](http://www.undp.org)

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