

THE ROLE OF AGRICULTURE AND RURAL DEVELOPMENT IN POVERTY ALLEVIATION

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Abstract:

Masalah kemiskinan di Negara berkembang, agaknya akan menjadi masalah yang abadi. Meskipun Bank Dunia telah mencanangkan program pengurangan separo jumlah penduduk miskin di dunia hingga tahun 2015, namun berbagai kesulitan dilapangan membuat pesimis akan keberhasilan program tersebut. Salah satu masalah utama yang dibahas dalam tulisan ini adalah fakta terjadinya kesenjangan atau ketidakmerataan, terutama antar negara dan antar daerah (desa-kota). Untuk itu, disarankan agar kebijakan pengentasan kemiskinan lebih difokuskan ke desa dengan membangun pertanian yang lebih maju. Disamping itu, program pengembangan SDM dan/atau pemberdayaan masyarakat, hendaknya juga mendapat prioritas.

INTRODUCTION: WORLD VISION AND DIFFICULTIES TO ATTACK RURAL POVERTY

IN September 2000, the member states of the United Nations declared to halve the world's poverty within 15 years. The UN resolution adopted by the 55th session of General Assembly resolved "*to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger ...*". Surely, this statement constitutes a very optimistic vision that requires consistent policies, effective programs and projects, suitable strategy and approach, and hard working and commitment from international organizations, government of a given country, local NGOs, and the poor themselves.

However, there are at least two fundamental obstacles that may impede the achievement of the UN vision. *First of all*, recently around 1.2 billion people live in extreme poverty and the great majority (75%) work and live in rural areas (Rahman and Westley, 1991: 553). Ashley and Maxwell

(1991: 395) use a stronger expression to emphasize severe condition of rural area by stating: poverty is not only widespread in rural areas, but *most poverty is rural*. Unfortunately, it is broadly acknowledged that rural area is lag far behind urban area in terms of economic activities, infrastructure development, as well as social services. Consequently, rural area is lacking of basic precondition to attack poverty, and in turn, people living under poverty line have not significantly decreased. Lipton (1977) describes such kind of regional disparity as “urban bias”, which is one reason why poor people stay poor.

Secondly, global inequality is increasing faster than hitherto suspected. Wade in his study (2001: 74) shows that world income distribution became markedly more unequal between 1988 and 1993. Although the World Bank (2000: 54-55) argues that inequality trend in the world should not be seen as negative if four conditions have been fulfilled: 1) the income at the bottom rise or at least do not fall, 2) the development process expands opportunities for all, 3) the observed trends are not the result of dysfunctional forces such as discrimination, and 4) the number of poor people falls; but it also admits that for a given rate of economic growth, poverty will fall faster in countries where the distribution of income becomes more equal than in countries where it becomes less equal (ibid.: 52).

In reality, such kind of economic disparity takes place not only between developing and developed countries, but also between rural and urban area, and between rich people and poor people. It makes sense that in a world where inequalities exist, either absolute or relative poverty remains the core problem. Again, this situation complicates attempts to eradicate poverty, especially in rural area.

Considering the above problems, we need comprehensive strategies to reduce poverty, especially in rural areas. In this sense, agriculture sector represents the most relevant sector to be prioritized. The importance of agriculture sector in national development of most country in the world is unquestionable, though it has tended to diminish. The role of agriculture sector is not only to provide food supply for the population; it is also

functioned as labor creator and income generator for farmers. In addition, agriculture sector plays essential roles to reduce rural poverty in many developing countries (APO, 1999). Meanwhile, since rapid expansion of industrial and service sector has taken place in many developed and developing countries, agriculture sector produces less significant performance than the other two sectors. Nevertheless, government and any other agricultural actors should pay proper attention to maintain a stable development of agriculture sector.

INEQUALITY: MAJOR CAUSE FOR POVERTY

As mentioned above, World Bank (WB) in *World Development Report* (2000) considers that the increasing trend of income inequality should not be seen as negative as long as the following four preconditions are satisfied. Empirically, WDR argues that as economies develop, income inequality can rise because the labor force shifts from agriculture to more productive activities. For instance, if wages are lower in agriculture than in industry and services and the labor forces shift towards those two sectors, then inequality will increase despite an overall decline in poverty. To strengthen its idea, even WDR refers to early thinking on the effects of inequality on growth, which suggests that greater inequality might be good for growth.

On the contrary, Simon Maxwell and Robert Wade tend to say that both redistribution and (in) equality matter for poverty alleviation. Maxwell (2000: 335) specifically criticizes WB by stating that World Development Report (WDR) misses two important arguments on the question of why redistribution matters. The first is about social inclusion, and the second is about rights.

Quoting Wilkinson, Maxwell shows that in developed countries differences in death rates are more successfully explained by differences in inequality than by differences in material conditions. It means that although factors such as damp housing and air pollution have direct effects on health, much more important are the health effects of people's subjective experience of their position in society, whether it makes them feel successful, optimistic,

confident, or failures, socially excluded, depressed, economically insecure and desperate. It is called '*psycho-social*' consequence of inequality and draws clear conclusion about *the need for redistribution*. The second thing is regarding people's rights. Although it is true that equality is not a right in the sense that individuals have rights as defined in national and international laws, but a degree of equality is implied by commitments to *civil and political liberties* and to *adequate standard of living*.

Similarly, Wade (2001: 73) proposes a fact that the global distribution of income is becoming even more unequal, and this should be a matter of greater concern than it is. In such situation, Wade questions the effectiveness of globalization and market integration into world economy. In fact, it never produced equal world's income distribution and it has failed to work to the benefit of all. This argument contests WDR's statement that openness to international trade is sound policy to foster economic growth.

Referring to some previous studies, Wade (2001: 75) shows that world inequality increased from a Gini coefficient of 62.5 in 1988 to 66.0 in 1993. This is a faster rate of increase of inequality than that experienced within the US and Britain during the 1980s. On average, Gini coefficient increased by about 6% during that period. Furthermore, the share of world income going to the poorest 10% of the world's population fell by over a quarter, whereas the share of the richest 10% rose by 8%. All data above indicate that the world became much more unequal. At the same time, there is another kind of polarization between a zone of peace where economy grows faster, and a zone of turmoil where people find their access to basic necessities are restricted.

Unfortunately, this issue has received little attention within the fields of development studies, international relations and international economics, even from World Bank and IMF. Most prominently, Wade criticizes World Bank and IMF for their judgment that inequality is not seen as negative. They neglect, Wade argues, not only matters of world's income distribution but also world inflation, world exchange rates, and world interest rates; and, in the case of World Bank, the global environmental issues of the oceans,

the atmosphere, and nuclear waste. Wade comes to conclusion that to call these world organizations is misleading. They may be world bodies, but they think in state-centric rather than global ways.

Personally, I prefer to support Wade's and Simon's views. I believe that inequality is the "twin sister" of poverty, so that it must matter for poverty reduction. The relationship between inequality and poverty, for me, is substantially close. On the one hand, I suppose that in a country where inequality is commonplace, poverty cannot be resolved significantly. On the other hand, it might be true that there is an unequal but not poor society, as WDR mentioned. However, it is rather difficult to refuse a claim that there is no poverty without inequality.

Indonesian case could be a good example to illustrate such relationship. Inequality problem in Indonesia is not only about imbalanced distribution of income between the poor and the rich people. It also deals with regional disparity between rural and urban areas, between Java and outer islands, and between western and eastern part of Indonesia. As a result, poverty is mainly concentrated in rural areas, outer islands, and eastern Indonesia. This situation clearly shows that inequality cannot be seen as a positive outcome. In addition, although Indonesia has experienced high economic growth from 1960s until mid of 1990s, poverty remains one of the most crucial dilemmas in national development processes. It is because high growth was never accompanied by even distribution of income among peoples. In other words, growth without reducing inequality demonstrates a failure of economic functions in a region / country. Again, it signifies that inequality matters for poverty alleviation.

Regarding WDR, I am uncertain and suppose that, to some extent, it is quite ambiguous report. We can address some critical points that are open to debate as follows:

1. WDR mentions that growth depends on education and life expectancy, particularly at lower incomes. There is some evidence that female literacy and girls' education are good for overall economic growth.

This outlook is not wrong, but how can a country improve its people's living standard such as education level and life expectancy without outstanding economic performance. In real situation, it is more accurate that "economic growth is needed to accelerate education, health and other development sectors" rather than the other way round. In other words, high level of literacy and life expectancy is the result of economic growth, not the precondition for growth.

2. WDR tends to simplify the relationship between growth, inequality and poverty. For example, WDR states that growth is a powerful force for poverty reduction. It seems to me that for World Bank, growth is one of intervening objectives to solve poverty problem. That is why growth is seen as the most important and effective way to reduce poverty. In the implementation step, however, government policy plays more crucial role. It is quite common that many developing countries execute many biases in their policy on poverty alleviation. One of the most prominent biases is *urban bias* as elaborated by Michael Lipton (1977). In this sense, government's programs and projects on poverty are mostly executed in urban areas so that rural poverty has unsuccessfully been reduced. In such a case, high growth will be unable to move people out of poverty.

The other simplification is that inequality is merely considered in economic terms, that is, uneven income distribution among rich and poor peoples. In reality, however, such social inequality as access to basic education and health services, is much more severe than economic issues. For sure, low income will restrict poor people to be able to appropriately access both social infrastructures and services. But gap in accessing public utilities is not only caused by difference of income, it is also prompted by other factors such as government's capacity to build and provide public facilities and services.

Finally, I would say that poverty alleviation policies should be implemented not only in economic or income aspect (non-human strategy), but also in a matter of human development. It requires empowerment, particularly for the poor. The reason why HRD need to be realized is that

however well are the poverty alleviation programs without improving people's capacity, it will be worthless. Therefore, both human-based and non-human-based strategy should be performed simultaneously in order to achieve the best outcomes, that is, reducing people live under poverty line.

TWO FOCUSES OF POVERTY ALLEVIATION PROGRAM

Under the above circumstances, alleviating rural poverty is not a simple thing. Therefore, accurate and comprehensive strategies are substantially needed. The basic idea is that since poverty occurs frequently in rural areas and those who are classified as poor are mostly rural people, then all policies, programs and projects should be implemented based on two focal points: *comparative advantages of rural areas* as well as on *people's aspiration*. Focusing on comparative advantages of rural areas implies the importance to maximize agricultural sector. Ashley and Maxwell (1991: 402) confidently assure that *agriculture is the best way to reduce rural poverty*. Meanwhile, focusing on people's aspiration aims to empower people / farmers or to make them to be independent from outsider's aids and intervention. It also means that native people should be entailed into so-called participatory-based development planning.

RURAL POVERTY ALLEVIATION STRATEGIES: SOME CONCEPTUAL AND EMPIRICAL EVIDENCES

Certainly, there are many agriculture-based poverty alleviation strategies. However, only some primary issues or paradigms will be highlighted in this paper. Among all, the very beginning of paradigm shift in rural development is *small-farm agriculture*, which is considered as an *engine of growth and development* (Ellis and Biggs, 2001: 440-441). The proposition of small-farm concept is that agriculture plays a key role in overall economic growth by providing labor, capital, food, foreign exchange, and a market in consumer goods for the industrial sector in a low-income country. Small farmers are believed not only as capable as big farmers of taking advantage of high yielding crop varieties because the input combinations

(seed, fertilizer, water, etc.), but also that they are more efficient than large farmers because of the intensity of their use of abundant labor in combination with small land holdings and low requirements for scarce capital. In addition, Singh (ibid.) argues that the growth of the non-farm economy depends on the vitality of the farm economy; and *without agricultural growth in rural areas, redressing poverty is an impossible task.*

The other key success for combating poverty through agriculture system is activating the functions of agriculture co-operatives. Indian case might be a good example to demonstrate why are some co-operatives successful such as in Maharashtra, while others are not successful such as in Haryana, Uttar Pradesh and Bihar. The main factor for successful co-operatives in Maharashtra is mutual alliance between large and small cane growers (elites / leaders and shareholders). Unlike in Maharashtra, large farmers in Uttar Pradesh and Bihar conspired with mill owners and government bureaucrats who run co-operatives to take the share of benefits and to exclude the small growers. Moreover, there are no complementary interests, in which the larger farmers are not injured if the small farmers are unable to sell their cane (Atwood, 1988).

Similarly, Prakash (1999: 47-48) identifies the significance of co-operatives in rural development. In Agra region case, for example, the Primary Agricultural Co-operative Societies (PACS) at the grass root level provide short-term and medium-term credit to the agriculturalists and also non-agriculturalists. The main aim of PACS is to achieve integrated rural development covering all aspects of rural economy and rural people in their entity with special emphasis on the target groups such as small and marginal farmers, landless laborers, rural artisans, scheduled castes and tribes, etc.

From a practical point of view, Moradi (1999: 33-46) conveys that attacking poverty requires attacking many interrelated forces that keep poor people in a state of deprivation. Above all, it requires expanding people's access to participation in decision-making and to knowledge, training and markets and the other productivity resources for income generation such as land, technology, credit and information.

Moradi's study actually implies the importance of people empowerment. It is reasonable since however well are the poverty alleviation programs without improving people's capacity it will be worthless. Therefore, both human-based and non-human-based strategy should be performed simultaneously in order to achieve the best outcomes. Concerning human empowerment, there are at least three levels or dimensions of empowerment with some indicators, as can be seen at table 1.

Table 1. Dimension and Indicators of People's Empowerment	
Dimensions	Indicators
<i>Individual Level:</i> Potency / Skill	<ul style="list-style-type: none"> • Asset ownership • Physical endurance • Basic skill
<i>Group Level:</i> Active Participation	<ul style="list-style-type: none"> • Planning and decision-making • Implementing common decision • Evaluating and utilization of the results.
<i>System Level:</i> Independency	<ul style="list-style-type: none"> • Dependency reduction • Bargaining power improvement

CONCLUSION: CONDITIONS FOR FUTURE SUCCESS

The objective of rural development is typically to develop agriculture as a key industry in a village and increase the income to raise the living standards of farmers and thereby develop the village (Nishimura, 2002). Due to some difficulties mentioned above, however, there are many possibilities that both rural development programs and rural poverty alleviation programs are likely to be failed. In this sense, von Haugwitz (1994: 20) illustrates the *successful* in four Southeast Asian Countries (Indonesia, Malaysia, Thailand and Philippines) and *failures* in seventeen sub-Saharan countries in Africa in terms of agricultural policy. In fact, in almost all sub-Saharan countries, agriculture and infrastructure in rural areas was neglected and undervalued.

Therefore, in order to avoid breakdowns particularly in the future, the following requirements need to be met:

- Since the state has important role in poverty reduction and rural development, it must create the basic conditions that facilitate and stimulate economic growth and development in rural areas. It also must create a favorable climate for investment and transparent economic and agricultural policies for farmers. In particular, the state needs to ensure that the poor can access reasonably performing markets, inputs and agricultural outputs.
- People's participation need to be constantly encouraged. Various methods could be applied to foster participation such as decentralization, partnership, or delegation of governmental functions.
- Multi-sectoral approaches or cross-sector policies, is also essential. Japanese experience might be a good case, in which government is integrating two or more developmental sectors such as agriculture and tourism (*agro-tourism* or *green-tourism*), agriculture and industry (*agro-industry*), or tourism and industry (*tourism-industry*). It means that each sector should not be independent; instead it should dependent on and support to each other. In this policy, each sector is interlinked with other sectors, and as a result, they strengthen or fortify each other. For example, foods processing industries from agricultural products are strongly encouraged to be an embedded component of tourism. In other words, one specific characteristics of tourism in Hachiman-cho is food productions (*agro-industry*). In order to make successful cross-sector policies, effective coordination among institutions is really expected (Utomo, 2002).

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