



WORLD BANK

Poverty and Agriculture Update

By Grace Lee

Introduction

With its *2008 World Development Report (WDR)*, the World Bank refocused international attention on the problem of the nearly one billion impoverished people living in rural areas who depend on agriculture for their **livelihoods**. Since its founding in 1944, the World Bank has become the primary financier of development projects in the world's poorest regions. Since the Millennium Development Goals were set by the United Nations in 2001, the explicit mission of the World Bank has been to help reduce the proportion of people living in extreme poverty and suffering from hunger by one-half by the year 2015. The 2008 WDR set forth the World Bank's framework for achieving this goal in regions, such as sub-Saharan Africa, facing major roadblocks to economic growth. Previous projects have foundered in countries lacking the **infrastructure** to bring external aid to those in the greatest need. In the meantime, poverty rates have continued to rise in some areas, with Ethiopia projected to see an increase in poverty by 10 million people by 2015. Yet the technology boom of the late twentieth century has also ushered in an era of biofuels and high-value crops and livestock that have the potential to transform agriculture into a powerful tool to combat poverty in these most problematic regions.

Livelihood—*means of support or existence.*

Infrastructure—*the fundamental facilities and systems serving a country, city, or area.*

Summary of the Problem

Despite the promise of agriculture as a vehicle of growth and development, critics of the 2008 WDR argue that an environmentally irresponsible program has the potential to do more harm than good. The heightened sensitivity of the global community to the threats of global warming and resource depletion has made the possible environmental costs of agricultural development a major consideration for policymakers. The agriculture industry uses approximately 80% of the world's freshwater resources and produces 21% of global greenhouse gases, making agricultural growth a potentially high-cost endeavor environmentally. Additionally, critics are wary of unforeseen consequences resulting from implementation of new agricultural technologies, especially **genetic engineering**. Other considerations regarding agriculture-driven growth programs include the barriers of rapid population growth, declining farm size, poor farming practices, falling soil fertility, and missed opportunities for income diversification. Hence, despite the promise of sophisticated agriculture programs in promoting develop-

Genetic engineering—*direct manipulation of an organism's genes using techniques of molecular cloning and transformation.*

ment in rural areas, the potential for a significant downside must also be considered. Any successful policy decisions will necessarily balance agriculture productivity and food and nutrition security with sustainability and minimization of **ecological footprint**.

Recent Developments

Global Economic Crisis

The failure of several large financial institutions in the United States set off a major global economic crisis in late 2008. The crisis has resulted in widespread bank failures, declining stock indices, and reduced market values of equities and commodities in the world's major economies, sending many into **recession**. The difficulties for struggling nations are **exacerbated** by the nature of the flow of monetary aid to developing countries, as this aid is primarily given through developed nation's **largesse** and little else. Developing countries will undoubtedly be hard hit by the crisis, because high-income countries will likely have to divert investment from foreign aid for infrastructure and growth in developing countries into their own economies as they address the financial crisis, causing interruptions in aid flow and essential public expenditure. Private investment into developing countries will also contract as corporations become less willing to accept the risk as domestic profits drop. Investment growth in the developing world is expected to decline from 13 percent in 2007 to 3.5 percent in 2009 with growth anticipated to fall from 7.9 percent to 4.5 percent. Tighter credit conditions and weaker growth are thus predicted to have highly detrimental effects on government revenues, causing diverted spending on education, health, and gender goals in developing countries and leaving approximately 20 million additional people in poverty. While governments and central banks have begun to take measures to ease the impact of the global economic crisis on the poorest regions, much work remains to be done as economies remain weak and commercial banks are cautious in their lending.

Volatile Food and Oil Prices

As a result of the global economic crisis, already volatile food and oil prices have taken a turn for the worse. In addition to the 900 million people already malnourished, another 100 million people were driven into poverty by high prices in 2007 and 2008, and the potential for additional impoverishment is only growing. The continued instability of stock markets in developed countries threatens to fuel the problem of high prices, with immediate effects on trade and commerce, and transportation as a result. Moreover, prior food and oil price shocks have already imposed large financial burdens on developing countries, undercutting their ability to respond to the effects of the economic crisis.

Ecological footprint—*measure of human demand on Earth's ecosystem.*

Recession—*a period of general economic decline.*

Exacerbate—*to make worse.*

Largesse—*generous donations of money.*

Policymakers implemented increased spending on subsidies and income support as well as extensive tax reductions to counterbalance high prices in 2007 and 2008, causing significant declines in government revenue and leaving these wealthy countries less able to give foreign aid to developing nations. In the meantime, the very poor have coped by reducing consumption to dangerously low levels, which will surely have serious long-term consequences. Reduced quantity and quality of food and education have already **stunted** the development of some 44 million children, and further reductions threaten to cause severe malnutrition in even higher numbers.

Stunt—to hinder the normal growth, development, or progress of something.

Focus of the Debate

Agriculture can be a powerful tool to combat poverty in developing countries, where natural resources abound and the foundation for successful farming practices has already been laid. However, with ongoing problems such as rapid population growth and falling soil **fertility**, and more immediate problems including the global economic crisis and volatile food and oil prices, this potential has been largely wasted. The discussion of agriculture and poverty should address the major issues of under-investment in agricultural development and over-taxation of agricultural products, declining investment in research and development of agricultural technology, poor infrastructure, and limited educational opportunities. Additionally, the recent economic situation demands that attention be given to the issue of long-term investment in development and measures to insure continuous aid flow to countries in the process of incorporating agricultural development projects.

Fertility—the capability of sustaining abundant plant growth.

Questions for Policymakers

Is agriculture the solution to poverty in developing countries? How should an agriculture development program be organized? Especially in the current economic climate, how can growth be maximized in countries where the majority of the population lives in rural areas without access to the benefits of globalization? What can developed countries do to assist developing countries? How can developed countries ensure that assistance is proofed against economic shocks? How do environmental considerations weigh against the immediacy of the problem of poverty? When does the problem of poverty outweigh the potential negative side effects of a development program?

Conclusion

The World Bank has committed itself to the Millennium Development Goal of halving poverty by the year 2015. It has proposed to achieve this by implementing development programs in poor countries, working with similar-minded international and national organizations. In 2008, the World Bank released a *World Development Report* highlighting the power of agricultural development projects in combating poverty in problematic **rural** areas. However, in the rapidly deteriorating economic climate, which has yet to fully hit the poorest countries, the feasibility of a time and finance-intensive agriculture-based program has been cast into doubt. The long-term benefits of such a program must be weighed against the short-term needs of the impoverished and malnourished millions living in sub-Saharan Africa and Asia. The World Bank is in the unique position to provide the intellectual and financial fuel to power the engine of social change, and as members of the World Bank, you ultimately have the ability to determine the direction of the solution.

Rural—of or relating to the countryside.

Bibliography

Byerlee, Derek and Alain de Janvry. “World Development Report 2008: Agriculture for Development.” Washington: World Bank, 2007.

Dugger, Celia. “World Bank Report Puts Agriculture at Core of Anti-poverty Effort.” *New York Times*. 20 Oct 2007 <<http://www.nytimes.com/2007/10/20/world/africa/20worldbank.html>>

“Food Security Focus of Madrid Meeting.” *World Bank*. 23 Jan 2009 <<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22043218~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>>

Haggblade, Steven, Peter Hazell, and Thomas Reardon, eds. *Transforming the Rural Nonfarm Economy: Opportunities and Threats in the Developing World*. Baltimore: Johns Hopkins University Press, 2007.

“Press Briefing for World Development Report 2008: Agriculture for Development.” *World Bank*. 19 Oct 2007 <<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21519837~menuPK:34476~pagePK:34370~piPK:34424~theSitePK:4607,00.html>>

Stone, Diane and Christopher Wright, eds. *The World Bank and Governance: A Decade of Reform and Reaction*. London: Routledge, 2006.