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in

Campagne P. (coord.), Dupuy B. (coord.).

Nouvelles stratégies pour un développement rural durable dans les pays méditerranéens

Montpellier : CIHEAM

Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 54

2003

pages 37-41

Article available on line / Article disponible en ligne à l'adresse :

<http://om.ciheam.org/article.php?IDPDF=4400013>

To cite this article / Pour citer cet article

Aklilu P. **Rural development in the Mediterranean area and the World Bank strategy.** In : Campagne P. (coord.), Dupuy B. (coord.). *Nouvelles stratégies pour un développement rural durable dans les pays méditerranéens*. Montpellier : CIHEAM, 2003. p. 37-41 (Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 54)



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# Rural development at different levels of governance

## *the international dimension*

# Rural development in the Mediterranean area and the World Bank strategy

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In many of the countries we work in, as you have heard this morning, rural development is not the same as agriculture. Before I start, let me say a few words about the strategy of the World Bank regarding rural development; we will see that for us MENA means Middle East and Northern Africa and therefore includes countries like the Yemen and Iran. This is not really the same kind of geography that we discussed this morning.

I will divide my talk into four parts; 'Why do we need to focus on rural areas?'; 'What is the World Bank strategy for rural development?'; 'What are the rural issues in MENA regions?' and 'What are the challenges for rural development?'.

## **I. Why do we need to focus on rural areas?**

This is the question that we always debate with our colleagues in the World Bank, and especially with the micro economists, who always tell us that if you have the prices right then you do not really need to do anything about rural areas. The market will take care of rural problems. Unfortunately, this is not true. A number of reasons for the need to focus on rural areas are stated here. One is the fact that a large population lives in rural areas and the vast majority of the poor also live in rural areas. Government policies and Institutions have actually failed to serve the rural areas. Policies related to prices have always favoured the urban areas at the expense of the rural poor. We have also seen in many cases that the institutions that serve both urban and rural areas have really been centred more on the urban rather than the rural. We do not see as much private sector investment and rural areas also use their natural resources in a way that is not really sustainable. And also, if you look at economic growth, these have certainly not been shared evenly between rural and urban. As we have also seen this morning, the services that cater for both urban and rural areas are mainly focused on urban areas. We have seen the limitations of physical infrastructure in rural areas.

The disparity in the numbers of people living in the rural areas has already been mentioned. An average of about 40% of the population of the MENA regions live in rural areas, with the lowest figure in the Lebanon with less than about 10% of the population. With respect to poverty rates, I have already said that the vast majority of the poor still live in rural areas and they will continue to live in rural areas in the years to come.

The average infant mortality rate is about 50 per 1000 live births, which means that there is a lot to be done in terms of addressing infant mortality. Rural illiteracy is another major problem facing the rural areas; on average, 38% of the rural people are still unable to read and write.

A core problem is the scarcity of water in the MENA regions. Countries like Saudi Arabia and the Yemen display some of the lowest fresh water availability per capita in the world. As water is the scarcest resource, the rural areas are vulnerable. Furthermore, less water is saved by the rural poor and they possess the least sanitation facilities; this shows the disadvantages of the rural poor once again.

Examination of crop yields against time in agriculture shows that the variability in the region over a 30-year period is sufficient to make rural people vulnerable. Yields have not really increased during this period, as a result of the climate and, clearly, the low priority given to research and extension in this region.

School enrolment is of course another indicator of how the rural areas have been underprivileged, with disparities between male and female children.

Now, the question I want to ask is why do we need a rural development? The experience of the 1970s and 1980s when integrated rural development was the main focus was obviously not very encouraging so you have to be very careful today in mentioning integrated rural development because you can easily be attacked for something that failed. In spite of this, I do not think that we have a solution for addressing rural poverty. As I have mentioned, the previous speaker talked about agriculture being almost synonymous with rural development but, as far as the region is concerned, agriculture is certainly the necessary condition for poverty reduction but is not sufficient. More must be achieved than simple agricultural growth.

A number of projections have been made concerning food availability, e.g. food demand has been forecasted to double in the next 50 years. Here again, I differ from the previous speaker. There is going to be elasticity other than elasticity of stomachs. With an increasing population and increasing incomes, demand for food will indeed double in the next 50 years. However, the land available to cater for this demand is only going to increase by about 10%. This is the most that can be imagined and will probably not even be achieved in this region.

There is of course a limit to water and non-farm activities that is becoming very critical for supplementing agricultural income in terms of poverty reduction. In fact, just to give you a few figures, if we look at some of the very high income countries like the US, Japan or Germany, most of the population living on agriculture—so-called agriculturists—actually generate most of their income from non-agricultural activities rather than agriculture. I believe that the previous speaker also mentioned this point.

Finally, as somebody said this morning, rural development is much more realistic. It is a concept beyond agriculture, it is a concept beyond simple income; it is cultural, it is social. Somebody even said that living in rural areas was inherited. Rural development is the way to address rural poverty.

## **II. The World Bank rural development strategy**

In 1997, the World Bank set up a rural development strategy called 'vision to action'. This strategy has four main pillars; the first is aimed at addressing poverty reduction; the second one is widely shared growth; the third is household national and global food security, and the fourth is sustainable national resource management.

Now, what is our vision of rural development? Suppose we meet all the objectives. What does it really mean? It means that rural growth is widely shared with private and competitive agriculture and agribusiness as a major agent of growth. Although I said that agriculture is not a sufficient condition, we still need agriculture to address rural poverty or rural development. Family farms are going to be the key and that farm enterprises will generate employment opportunities. Here of course, there is the question of how one should address the question of the productivity of small farms; this is examined below in the context of their fragmentation. But our vision has been one of rural people adopting sustainable natural resource management, protection of watersheds and protection of their land. The only asset they have is their land. We see rural people linked to a well-functioning market. Now, one of the problems of rural poverty is when people are not really linked either to output or input markets. Rural people have access to basic social services depending on gender—we have seen the disparities between male and female. We see that public services are financed to provide decentralised, participative mechanisms Looking back, as

I mentioned earlier, the problem with integrated rural development was that it was all top-down and that never really works without the decentralisation of public decisions and participation of the communities, but this type of rural development will not be effective.

Now, what are the actions required to achieve our vision? Obviously, the rural sector cannot be isolated from the rest of the economy. There must therefore be a stable microeconomy and central policies. There must be no discrimination against the rural areas; actions are needed to encourage the growth of private agriculture. Fair and effective public sector investment is necessary and we need the removal of the privileges that large farms and the agro industry have been receiving in many countries. Small farms and the promotion of family-operated farms should be favoured. Access to secure land and water rights is also required.

Another action needed for the achievement of our vision is the generation and dissemination of the knowledge and technologies still lacking in most of these areas. We see promotion of the decentralisation of public services and community participation and finally we recognise the close links between rural and urban areas. We see the divide between rural and urban as simply a special question; the two are simply a continuum with great interdependence.

We draw similar lessons, as most of you have, from rural development in terms of decentralisation. Agriculture is not the same as rural development. Natural resources and rural development are an integral part of overall national economic development. We understand the lesson that unless there is macroeconomic stability and inflation control and unless there is growth then there is not going to be rural development. We can also see that access to inputs is more determinant in the adoption of technologies than the cost of inputs. The debate on subsidies for agriculture is therefore sometimes misplaced because having the inputs in the hands of the farmers or close to the farmers is probably more critical than simply subsidising inputs that may not really be available to the farmers. Finally, investing in human development and infrastructure is also critical to rural development.

### **III. Rural issues in MENA regions**

I should like to cover briefly the key issues that we see in the Middle East and North African regions. The five areas identified: water, rural well-being, competitiveness of agriculture, natural resources and land tenure are the critical ruling issues facing the MENA region. As you know, water is very scarce as the region has only 1% of the world's fresh water. Unfortunately, agriculture is also the most inefficient user of this scarce water and it also uses 80 to 90% of the water available.

There is still a gap in the integration of agriculture policy and water policy. We seem to have been going in parallel; water charges are very low in almost every country and in some cases water is not even priced at all. This therefore leads to further inefficiency and misuse of a scarce resource.

Operational maintenance of irrigation systems is inadequate in some countries. The issue of intersector transfers is becoming very critical in countries like the Yemen, in particular; urban areas like Sanaa are drying up over a period of a few years. The decision will therefore have to be taken on how to transfer water from agriculture to these urban areas. The other major issue is the whole question of institutions and who should manage water. Experience in many other countries has clearly demonstrated that it is better for users to handle water management locally rather than apply central management. There are also options for private sector participation. Another major issue is the question of rural well-being. This has been covered in various talks and I do not need to go into it.

The question of the competitiveness of agriculture arises. Is agriculture competitive in this region? Today, agricultural policy has a marked urban bias. This results in many distortions in the economy and implications in terms of water use.

Another issue is rural finance. Agricultural development and rural development require access to credit. Unfortunately, official resources award inadequate agricultural and rural credit. And these official resources exist in rural areas, where they operate at a very high cost and are very inefficient. They may not really be sustainable until there are continuous subsidies for these public sector credit institutions.

There is also the issue of the whole question of agricultural competitiveness with respect to cereals. These are issues that are found in almost every country. Should an economy with little water like that of the MENA region continue to rely on its own cereal production? But here of course one has to be careful as there are social issues. Many poor people currently survive on cereal production and the budgetary burden of sustaining this inefficient rainfed cereal production must somehow be balanced against the social concern. Even cereal production is not really supported by research and extension if you look at how much research goes into some of these rainfed cereal production areas. It is so inadequate that the yields have never really been discussed in these areas, but of course there is a problem of rainfall as well.

On the other hand, this region also faces tremendous trade barriers that will prevent it from diversifying. Then there is the issue of rural resources, resource management and the environment. The region has limited arable land resources, limited water and recurrent drought. The only way to increase production is through productivity because not much land is available. The further areas farmed are obviously marginal areas carrying a threat to the balance of natural resources in the region as it tries to export more and diversify crops. There are issues of environmental standards for phytosanitary question and others that must be met for exports. These resources will therefore have to be used efficiently in a sustainable manner. There are also issues concerning common land resources that are over-exploited for livestock production. There are problems related to soil erosion, desert encroachment, over-exploitation of ground water and a problem of watershed management. On the latter point, the problem that has been faced and has actually improved is top-down watershed management that was very ineffective.

Finally, the land tenure issue is of course a politically very sensitive area, with much fragmented land. There is the whole question of insecurity of tenure and lack of land titles. Common land is used without any title but through customary rights and much of the agricultural land has not been covered by a cadastral survey. Land markets are virtually non-existent and this has implications for access to credit.

#### **IV. What are the challenges for rural development in the years to come?**

The greatest challenge is that of enabling rural development through a participatory mechanism, something that has been proved effective all over the world. The next major challenge concerns decentralised management decisions. Management cannot be performed from the capitals and it cannot be performed from the provincial centres. We will have to go down to the local level. Rural development is by definition a horizontal issue and unfortunately public sector institutions are organised vertically. How do we co-ordinate this? How can we provide a service horizontally when our public institutions are organised vertically? The only solution is for the government and the public sector to develop partnerships with civil societies, who have a role to play. Rural development should no longer be seen in isolation as I have said earlier. It must be integrated in the overall national development strategy, and I mean natural resource management.

Farm employment must be promoted if we are to succeed in rural development, access to social infrastructure services, and then there is the whole question of gender equity, not only simply in terms of access to education but also access to assets and access to credit. Markets are critical and private sector investment is essential for rural development. As I mentioned earlier, the greatest challenge we have is that of starting to think in terms of this rural/urban divide, considering it more as a continuum rather than two separate areas of settlement. The issue of migration and remittances really brings rural and urban aspects together.

The other challenge we face is of course how to manage the whole risk of globalisation. What is going to happen to small farmers? I think that international institutions can certainly play a role here as the advocates of small farmers.

I think that an international consensus on key elements of action is fairly important. Very many agencies including the World Bank, OECD, IFAD, UNEP and others devise rural development strategies but I think that it is about time that, after all these years, we move should more into actions more than strategies. The issue is not 'What?'. I think that what I have described is something that you all know. I do not think I have said anything t new. The question that we are facing today is the question of how, and as an international organisation we have the responsibility of sharing with you some of this international experience of 'How?'. The 'What?' aspect has been known for years and years.