Independent Office of Evaluation

IFAD
Investing in rural people

Rural Inequalities:
Evaluating approaches to overcome disparities
2-3 May 2018, Rome, Italy

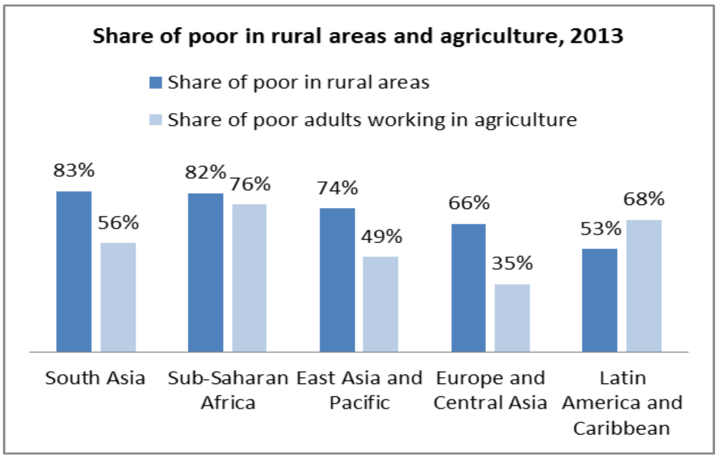
Conference Concept Note

The conference on **Rural Inequalities** organized by the Independent Office of Evaluation of the International Fund for Agricultural Development (IFAD), a United Nations specialized agency, will explore key questions regarding whether strategies and programmes that aim to eradicate rural poverty reduce inequalities within rural areas. Evaluation plays a critical role in identifying what works and how greater impact may be achieved to overcome disparities within rural communities.

The Agenda 2030 vision and commitment that "no one will be left behind" calls for eradicating poverty in all its forms and dimensions, combating inequality, preserving the planet, creating inclusive and sustainable economic growth and fostering social inclusion. The Sustainable Development Goals (SDGs) place a strong focus on inequality and marginalized groups as well as multiple dimensions of well-being. Research has shown that high and rising inequalities can hamper poverty reduction as well as economic growth and productivity. The roots of inequality cut across multiple aspects of people's lives and need to be addressed if extreme poverty is to be eradicated and food insecurity eliminated, as per SDG1 and SDG2.

Poverty is concentrated in rural areas

The number of people living in extreme poverty stands at 836 million. This figure is especially alarming given the rise in the estimated number of chronically undernourished people in the world – from 777 million in 2015 to 815 million in 2016. After steadily declining for over a decade, hunger is rising largely due to the proliferation of violent conflict and climate change-related shocks. In all regions, rates of extreme poverty and food insecurity are higher in rural areas, where three-quarters of the extremely poor and food-insecure people reside. Therefore, realizing the Agenda 2030 vision of "no one left behind" requires reaching the "last mile" - the poorest and most vulnerable people living in remote rural communities.



A wide range of approaches has been adopted to reduce rural poverty, from social protection to sustainable livelihoods to wealth creation. The impact of such approaches on rural poverty is typically measured in terms of incomes, assets, empowerment, food security, agricultural productivity, institutions and policies. An underlying key question and test of success is whether they have contributed to reducing inequalities within rural communities, which may be considered as both a cause and result of rural poverty. Evaluation has the potential to inform organizations and governments if their interventions are indeed contributing to reducing inequality within rural areas and what is needed to reorient strategies towards higher impact.

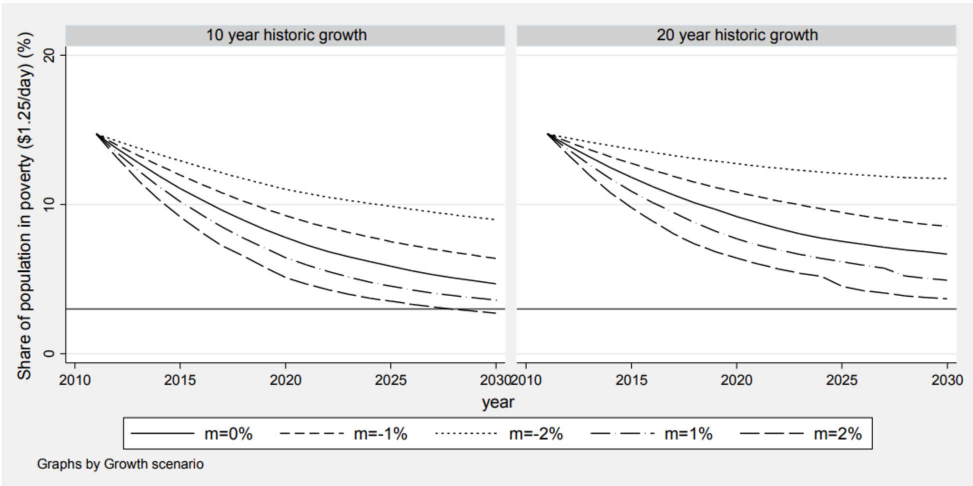
From 'Redistribution with Growth' to 'Shared Prosperity'

The past 40 years have witnessed an evolution in views on growth and inequality within the international development community. Arguably until the 1980s, growth and economic development were at the centre of desirable policy actions as characterised by the Washington Consensus. The focus on growth, accompanied by post-growth redistribution, is now being challenged. This is largely because the extreme nature and speed of liberalisation, often with the lack of adequate regulatory capacity and social safety nets, had a negative effect on poverty, distribution, and equality. In fact, according to the World Inequality Report 2018, the growth rate of the income of the top 1% richest individuals in the world has been double that of the bottom 50%, which indicates an alarming trend of unfair distribution of economic gains worldwide.

Emblematic of this change, the World Bank adopted the twin goals of ending extreme global poverty and promoting shared prosperity in late 2013 to enable more equitable distribution throughout the development path. At the time, the poverty goal was defined as reducing the portion of the world's population living on less than $1.25 per day[1] to no more than 3 per cent by 2030, while "shared prosperity" entailed promoting income growth for the bottom 40 per cent in every country. This constitutes a shift away from a past focus on economic growth and reflects a broader change in development policy and research towards a greater focus on inequality, which is also captured in SDG10 as "reducing inequality within and among countries."

Although less ambitious than SDG1, the World Bank's twin goals may be used as a proxy. According to Lakner et al. and shown in the figure below, a 3 per cent poverty rate cannot be achieved if inequality remains unchanged (m=0%). The poverty goal will only be reached if the incomes of the bottom 40 per cent grow 2 percentage points faster than the average growth as reflected in the m=2% curve where inequality is decreasing at a higher rate. This is mirrored in the SDG10 target to "achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average."

Projections of Poverty under different scenarios for shared prosperity[2]



Recent research supports this strong correlation between promoting equality through distributional change and reducing global poverty. Results from a study done by Cornia and Court[3] indicate that countries with falling inequality achieved poverty reductions of 10%, while countries with rising inequality reduced poverty only by 1% between 1980 and 1990. Further, research[4] from the IMF indicates that a "trickle-down approach" with a focus on growth and letting inequality take care of itself may lead to unsustainable and low economic growth. With respect to the SDGs, this raises the question – *How can inequality be reduced to achieve a 0% global poverty rate by 2030?*

Redistribution to reach the "last mile"

Redistribution of income or wealth is one of the mechanisms to transfer resources from advantaged to disadvantaged groups through social instruments, such as taxation, charity, welfare, public services, etc. As more recent IMF research[5] shows, post-growth redistribution does not necessarily guarantee equality and fair distribution. Pre-distribution refers to the idea that instead of ameliorating inequalities through tax and social benefits, it is fairer and more efficient to prevent inequalities in the first place. It provides a bottom-

[1] The World Bank used $1.25 as the international poverty line from 2008 until October 2015 when it was updated to $1.90.

[2] Lakner, Negre, Prydz (2014). *Twinning the Goals: How can promoting shared prosperity help to reduce global poverty?* Washington, D.C.: World Bank.

[3] Cornia and Court (2004). *Inequality, Growth and Poverty in the Era of Liberalization and Globalization*. Oxford: OUP, 2004.

[4] Berg, Ostry (2011). *Inequality and Unsustainable Growth: Two sides of the same coin?* Washington, D.C.: IMF.

[5] Ostry, Berg, Tsangarides (2014). *Redistribution, Inequality, and Growth*. Washington, D.C.: IMF.

up response to inequalities and poverty. Distributive justice is another approach which refers to the socially-just allocation of goods, where rewards and costs are shared and distributed proportionately among members of society. Without a strong institutional and legal framework, there is a risk that rewards are shared with the advantaged, while costs are borne by disadvantaged groups due to their lack of resilience and political voice.

However, to eradicate poverty in rural communities, there is a need to not only address inequality in terms of asset distribution, but also inequalities that arise from lack of opportunity, limited resilience to risks and shocks, unequal power relationships, and lack of rights. Measurement of inequality and its reduction is also not straightforward; different welfare measures (income or consumption) and definitions of the concept complicate the exercise, as well as estimates based on data from different household surveys. It becomes even more challenging when one takes into account the lack of accurate data on marginalized populations such as pastoralists and indigenous groups. Despite recent efforts to include indicators measuring inequality in rural areas in public databases (e.g., FAO's Rural Livelihood Monitor), non-monetary dimensions in measurement remain largely absent from the panoply of measurement indicators (i.e., the Lorenz curve, Gini Coefficient, Atkinson index). Such indicators, accompanied with high quality data, are essential to establish evidence and make targeted policies.

Therefore, the conference will examine **Redistribution** across four areas of inequality that affect the most poor and vulnerable in rural communities, namely – **Resources, Resilience, Relationships and Rights.** Focusing on each of the four areas, while recognizing their interlinkages and interactions, experts will discuss how redistribution can result in sustained poverty reduction in rural areas by:

1) **Approaches and Theories of Change** – examining the impact on inequality and poverty reduction of different development approaches;
2) **Measurement and Data** – sharing methods for measuring rural inequality and resulting data from research and development interventions;
3) **Findings and Lessons** – discussing findings from evaluations and research on effective approaches and verified factors that contribute to or exacerbate disparities in rural areas.

Rural Inequalities – root cause of rural poverty?

Rural poverty is multidimensional and not just a condition of low income. It can be associated with food insecurity, poor access to productive assets, depleted natural resources, a lack of economic opportunities, poor working conditions, gender inequalities, etc. For the "last mile" rural poor, it is also a condition of vulnerability, exclusion and powerlessness. Fulfilling the Agenda 2030 promise requires transforming the lives of the rural poor by uprooting the inequalities elaborated below.

1) Resources

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
– SDG Target 1.4

Rural poverty may result from inequalities in groups', households' and individuals' access and control over resources (such as income, land, inputs, capital, natural resources, financial services and technology), their ability to use these resources, and their ownership of them. There is also a strong association between this inequality and inequalities in health, education and nutrition. Inequality of opportunities (livelihoods) and inequality of outcomes (living standards) are therefore two sides of the same coin. Without equal opportunities, systematic patterns of discrimination and social exclusion prevent disadvantaged groups or individuals from accessing and controlling resources, markets and public services. For example, rural women often do not fully share in the benefits of their endeavours. In many communities, men control the bulk of the proceeds from cash-crop and livestock production, though women provide a substantial amount of labour. Understanding who controls the assets is therefore fundamental for increasing productivity.

Growing disparities in capital and labour returns also have implications on inequality especially in rural areas. This has an impact on inequality because of the unequal ownership of capital, as privately or publicly owned. Transfers from public to private wealth through privatization and changes in capital ownership, coupled with the fall in returns to labour, make it more difficult to tackle inequality.

Public interventions that improve agricultural productivity traditionally focus on three issues: land, infrastructure and finance. Very unequal land distribution (arising from historical and/or geographic reasons) hinders agricultural development by concentrating land into large units with high capital intensity. When rural families have access to and secure control over land, they are likely to grow more food and see their incomes rise. Beyond agricultural productivity, land inequality has been shown to have negative impacts on other key aspects of economic development - education, institutions and financial development - and on poverty.[6] Public spending in rural infrastructure, particularly in geographically isolated areas, has also proven to have a strong positive impact on growth and inequality-reducing benefits.[7] Similarly, rural financing is essential, since development of the financial sector provides farmers access to productivity-enhancing equipment, which can translate into improved incomes.[8]

Rural non-farm activities account for 35 to 50 per cent of rural incomes in developing countries and are also an increasingly important part of rural poor households' (HHs) complex income strategies. For the landless and the very poor, who are often employed as farm labourers, sustainable income gains at the household level are generally associated with additional wages earned from rural non-farm employment. However, households that rely solely on farm labour tend to be amongst the poorest. As for agricultural productivity there are several binding constraints that affect the ability of the rural poor to find and capitalize on opportunities to pursue rural non-farm income through labour and entrepreneurship namely, infrastructure, skills, rural finance and gender.[9]

2) Resilience

By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters – SDG Target 1.5

The rural poor often lack the ability to cope with environmental degradation, climate change and economic shocks and risks. Poor rural households are highly exposed to shocks since their livelihoods depend on an increasingly deteriorated natural resource base and volatile climatic and market conditions. Their limited assets and risk management strategies also make them particularly vulnerable. The combination of exposure and vulnerability to shocks can make rural people poor, keep them poor, or prevent them from moving out of poverty. When shocks occur, people employ a range of coping strategies, which often involve incurring debt or selling assets, leaving individuals and households more vulnerable to future shocks.[10]

As much as risks and shocks can cause inequality in communities, inequality can also cause lack of resilience to risks and shocks. Disadvantaged groups more often experience loss of life, human capital, assets and income due to their lack of capacity to cope and recover from shocks. Resilience, inequality, and vulnerability are thus intertwined and rooted in similar capacities and deficiencies, as reflected in access to, and ability to deploy, key forms of capital.

Public institutions can play an important role in this agenda by providing incentive systems and safeguards for responsible investment practices that preserve a healthy natural resource base, which can both diminish exposure to environmental shocks and limit their impacts. It is also up to the public sector to

[6] L.A. Erickson and D. Vollrath (April 2007). *Land distribution and financial system development*. IMF Working Paper, No 07/83.
[7] UNDP (2013). Humanity Divided: Confronting Inequality, page 11
[8] UNDP (2013). Humanity Divided: Confronting Inequality, page 232
[9] WB (2017). Growing the rural Non-farm Economy to Alleviate Poverty, page xiii.
[10] IFAD (2014). *Post-2015 Policy Brief 4 – Promoting the resilience of poor rural households*.

provide public goods that directly or indirectly enhance resilience – from inclusive social protection systems and education to a resilience-oriented research and development agenda for agriculture. A key area of responsibility of the public sector concerns establishing enabling institutions and policies for transparent and well-functioning markets and fair transactions, both of which are vital for reducing market-related risks. Finally, public institutions should provide inclusive and fair tenure systems regulating access to land, water, forests and other productive assets, protecting the entitlements of poor rural people and facilitating fair and transparent transactions around these assets. Common to all these areas is the need to address inequalities and discrimination.

3) Relationships

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. – SDG Target 10.2

Social relationships are key determinants of an individual's ability to access resources and skills to overcome inequalities. Unequal power relationships tend to be linked to other inequalities based on gender, age, and ethnicity. If perpetuated, these unequal relationships can lead to intergenerational poverty and immobile social classes, creating a vicious cycle of poverty and inequality passed on to every generation.

Having access to assets and income does not always mean there is a level playing field. Evidence shows that when political power is equally distributed, the poorest are more likely to receive goods and services in rural areas.[11] Having voice and empowerment vis-à-vis advantaged groups is just as important, and it determines an individual's or group's ability to participate in community-wide decision-making or retain assets in the long-term. This is especially relevant to indigenous peoples who represent only 5 percent of the world's population and disproportionately 15 per cent of the world's poor.

Shifting demographics also have an impact on these relationships and vice-versa. More equal access to education and health services, particularly for women and girls, contribute to falling fertility and mortality rates as well as out-migration which have driven most declines in rural populations. However, in Sub-Saharan Africa, fertility rates remain high and it is estimated that there will be 170 million youths entering the labour force with a projected number of only 125 million jobs.[12] With only an estimated 37 per cent of these youths entering the agricultural sector, these trends may exacerbate or generate new inequalities as youths are pressured to migrate leaving behind the elderly and children in rural areas. Youths constitute almost two-thirds of the population in developing countries, therefore, understanding their needs and engaging them in decision-making processes as stakeholders in their own right, rather than as subordinates or invisible beneficiaries, is crucial to overcome rural disparities.

Gender inequalities in agriculture and rural production are particularly relevant to rural poverty reduction. A recent World Bank Group report[13] found a gender gap in agricultural productivity ranging from 4 to 25 per cent depending on the country and crop. This gap is attributed to women having unequal access to agricultural inputs such as land, labour, fertilizer and improved seeds. Gender inequalities also include workloads, access and control over benefits, decision-making and well-being. "Leaving no one behind" requires considering how gender disadvantages and discrimination interact (and intersect) with other forms of disparities which are likely to determine the outcomes of development interventions. Evaluating and addressing these disparities based on gender can enable development institutions to address rural

[11] Araujo, Ferreira, Lanjouw, Ozler (2006). *Local inequality and project choice: theory and evidence from Ecuador*. Washington, D.C.: World Bank.

[12] Fox, Haines, et al. *Africa's Got Work to Do: Employment Prospects in the New Century.* Washington, D.C.: IMF.

[13] UN Women, UNDP, UNEP, and World Bank. *The cost of the gender gap in agricultural productivity in Malawi, Tanzania, and Uganda.* Washington, D.C.: World Bank Group, 2015.

challenges more effectively and realise the “missed potential” that can remarkably contribute to poverty reduction and food insecurity in rural areas.

4) Rights

Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.
– SDG Target 1.a

Political rights, ensured through the enactment and enforcement of laws and policies, are fundamental to truly eradicate rural poverty, particularly with regards to labour and land for marginalised groups, such as women, youth and indigenous people. In a context of inequality in terms of income and power, the provision of rights may be at risk. In order to ensure that the political structure and institutions do not follow a similar transfer towards advantaged groups, the legal framework must be strengthened in the interest of the vulnerable. Human rights can provide a powerful policy response to ensure that the agency and voice of marginalised groups are not neglected.

Exclusion can have political causes, but is often based on technical grounds, embedded in inadequate classifications, bureaucratic procedures, mechanisms of appraisal, and systems of statistical representation. Statistical invisibility of certain groups, including pastoralists, indigenous groups, and other marginalised communities, make it difficult to track the patterns of their socio-economic conditions and design appropriate laws and policies in their interest. For example, the exact number of pastoralists is still unknown but estimated to be in the range of 50 to 200 million worldwide. There is also the question of whose lives, experiences and voices are captured in data presented to decision makers. Consequently, the invisibility of "last mile" groups and individuals may result in inappropriate legal and policy frameworks as well as budgetary allocations which exacerbate existing inequalities.

Granting rights does not necessarily entail the realisation and enjoyment of rights in practice. One of the roles of evaluations is to ensure the fulfilment of rights without discrimination and to ensure access to mechanisms which can allow at-risk groups to take advantage of their rights and entitlements. This includes recognition of indigenous peoples' rights to their ancestral lands as well as to Free, Prior and Informed Consent (FPIC) on developments affecting them or their lands. Lack of access or fulfilment of rights may also lead specific marginalised groups to have less access to public services such as education, health provision, water and sanitation. Without a strong legal framework, this may create a vicious cycle where generations of marginalised groups will lack access to rights and be underrepresented, which may potentially lead to the erosion of their cultural practices and values. Therefore, a strong legal system is necessary to protect the livelihoods and values of marginalised groups.

Participants
The conference will engage in a dialogue experts on rural poverty and inequality from development agencies, academia, think tanks, the private sector, social movements, evaluation and policy institutions, as well as government representatives. They will have specialist knowledge in at least one of the thematic issues, experience in monitoring and evaluation, or play a significant role in promoting the evaluability of rural inequalities.

Outcomes
The conference will identify effective approaches to overcoming disparities in rural areas that contribute to the first SDG10 target and means for evaluating them. Specifically, identifying concrete actions or interventions that will bend the curve towards equitable growth as a means of reducing rural poverty and contributing to the achievement of SDG1. The conference will also aim to learn how evaluations can contribute to improving inequality in rural areas and to draw lessons for designing policies and projects. Discussants will be invited to prepare papers based on the discussions during the conference to be compiled into a publication on rural inequality.