What’s next for the World Bank Group?

The World Bank Group management has set forth a plan of action that places continued emphasis on the rural nonfarm economy as a driver of poverty reduction.

1. Management will develop an overall framework to improve jobs and income in the rural nonfarm economy. This will increase attention to such opportunities in the Systematic Country Diagnostics and Country Partnership Frameworks, especially in countries with high levels of rural poverty.

2. The World Bank Group will tailor project design to the stage and nature of a country’s structural transformation and adapt it to the needs of the target population, especially in slow-to-transform economies and in lagging regions.

3. World Bank Management will track income effects in more projects supporting activities in the rural nonfarm economy. This can yield information on which approaches work best in which contexts.

4. IFC will integrate poverty and gender considerations in its investment decisions, both by anticipating likely impacts and by using poverty scorecard metrics and gender-disaggregated data in evaluations.

5. The World Bank will prioritize data collection efforts on rural enterprises and conduct more impact evaluations of farm and nonfarm projects, to further guide policy and investment interventions.

6. The World Bank Group will strengthen its gender analysis by identifying and addressing gender gaps in project design and by integrating sex-disaggregated indicators to measure gender benefits in the rural economy.

80% of the extreme poor live in rural areas

Up to half of their income comes from sources other than farming

What has the World Bank Group done to grow the rural nonfarm economy and alleviate poverty?

Full report:
Growing the Rural Nonfarm Economy to Alleviate Poverty
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Assisting the development of the rural nonfarm economy is essential to the World Bank Group’s twin goals of poverty alleviation and shared prosperity. The organization has been a leader in raising awareness about the role that nonfarm activities play in reducing poverty.

### Findings

1. **The World Bank Group has highlighted the rural nonfarm economy in its strategies and portfolio.** Although there are some exceptions and hybrids, they are generally isolated from one another, suggesting a lack of explicit consideration of how to draw from the toolkit of interventions to arrive at new, more tailored approaches.

2. **The World Bank Group has not bridged the gap between poverty-oriented and growth-oriented approaches in the rural nonfarm economy.** IEG’s analysis revealed a gap between these two main approaches. Although there are some exceptions and hybrids, they are generally isolated from one another, suggesting a need to think more flexibly about how to draw from the toolkit of interventions to arrive at new, more tailored approaches.

3. **The World Bank Group has been a leader in researching and documenting the rural nonfarm sector and in analyzing its relationship to poverty, but diagnostics have been more sporadic than systematic.** Most country programs reviewed did not take an integrated strategic approach to developing the rural nonfarm economy as a way to reduce rural poverty.

4. **Across the World Bank Group portfolio, sex-disaggregated data increasingly records women’s participation.** However, few projects record women’s access to economic opportunities, and none record distributional benefits by sex. Women are also underrepresented in the design, targeting or tracking of benefits to the rural poor.

5. **The rural nonfarm sector can, and often does, contribute to economic growth, rural employment, poverty reduction, and a more spatially balanced population distribution.** The rural nonfarm sector can, and often does, contribute to economic growth, rural employment, poverty reduction, and a more spatially balanced population distribution. The number of poor people in Bangladesh fell from 48.9% of its population in 2000 to 31.5% in 2010 and, given slowing population growth, led to 16 million fewer poor people over the decade, compared to a decline of less than one million during the previous decade. Nearly two-thirds of this poverty reduction can be attributed to higher returns both to farm and nonfarm endowments.

6. **IEG found that several IFC investments in agrarian areas were working to strengthen value chain development across several of its segments, both upstream and downstream, and that this type of engagement was increasing over time.** However, IEG found little identification, targeting or tracking of benefits to the rural poor. The effects of market power were seldom explicitly considered.

### Portfolio

**The World Bank Group**

The World Bank Group invested about $46.5 billion between 2004 and 2014 to support rural nonfarm activities. IEG identified two approaches in the portfolio:

- **The Growth-oriented approach** at the World Bank and IFC, seeks to increase productivity and competitiveness. It stimulates sectoral growth along the value chain but rarely provides evidence of benefits to the rural poor.

- **The Poverty-oriented approach** targets the rural poor and includes productive components aimed at generating income. It often successfully delivers services that have reduced the vulnerability of the rural poor but without sustainably lifting them out of poverty.

The growth-oriented approach, financed by the World Bank and IFC, seeks to increase productivity and competitiveness. It stimulates sectoral growth along the value chain but rarely provides evidence of benefits to the rural poor. The effects of market power were seldom explicitly considered.

However, IEG found little identification, targeting or tracking of benefits to the rural poor. The effects of market power were seldom explicitly considered.
Commitment levels by type of approach

The World Bank Group’s two approaches are decoupled. Growth approaches have expanded while poverty ones have declined. As determined by the portfolio analysis (left), the World Bank Group has not bridged the gap between poverty-oriented and growth-oriented approaches in the rural nonfarm economy.

Across the World Bank Group portfolio, sex-disaggregated data increasingly records women’s participation. However, few projects record women’s access to economic opportunities, and none record distributional benefits by sex. Women are underrepresented in skills training programs and face “gendered” constraints to placement.

The number of poor people in Bangladesh fell from 48.9% of its population in 2000 to 31.5% in 2014, and poverty growth since 2010, and, given slow tourism and low productivity, income gains at the household level are associated with additional wages earned from nonfarm activities. Households relying only on farming tend to be among the poorest.

Assisting the development of the rural nonfarm economy is essential to the World Bank Group’s twin goals of poverty alleviation and shared prosperity. The organization has been a leader in researching and documenting the rural nonfarm sector and in analyzing its relationship to poverty, but diagnostics have been more sporadic than systematic. Most country regressions reviewed did not take an integrated strategic approach to developing the rural nonfarm economy as a way to reduce rural poverty.

IG's analysis revealed a gap between these two main approaches. Although there are some exceptions and hybrids, they are generally isolated from one another, suggesting a need to think more flexibly about how to draw from the toolkit of interventions to arrive at new, more tailored approaches.

The World Bank Group has highlighted the rural nonfarm economy in its strategy and portfolio. However, it lacked an articulated approach to developing it to alleviate poverty. Many units have products in this space, but there has been no coordinating mechanism.

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Across the World Bank Group portfolio, sex-disaggregated data increasingly records women’s participation. However, few projects record women’s access to economic opportunities, and none record distributional benefits by sex. Women are underrepresented in skills training programs and face “gendered” constraints to placement.

The rural nonfarm sector can, and often does, contribute to economic growth, rural employment, poverty reduction, and a more spatially balanced population distribution. The distributional impacts of rural nonfarm opportunities can be significantly pro-poor, extending through linkages between the nonfarm and the farm sectors. However, for the poor to benefit from opportunities in the rural nonfarm economy—including those presented by mobility—they must overcome many policy and resource constraints. These include limited access to credit, information and relevant skills training, finance, and legal rights to land. Other constraints are associated with exclusion based on gender, age, or identity.

The World Bank Group portfolio paid close attention to the rural economy, to its evolving dynamics and the linkages between the farm and nonfarm sectors, and to the linkages between the urban and rural economies and labor markets. The World Bank has effectively supported a suite of rural services, including micro-credit, roads, rural electrification and renewable energy, primary and secondary education, and community interventions that helped connect the poorest to savings and credit, and rural enterprise opportunities. Evaluations of the World Bank’s rural transport, rural electrification and renewable energy programs show positive impacts on household farm and nonfarm income, schooling outcomes and, in the case of renewable energy, female empowerment.
The World Bank Group’s two approaches are decoupled. Billions of dollars have expanded while poverty ones have declined. Although there are constraints to placement, the World Bank Group has not bridged the gap between poverty-oriented and growth-oriented approaches in the rural nonfarm economy.

As determined by the portfolio analysis, the World Bank Group has not bridged the gap between poverty-oriented and growth-oriented approaches. The growth-oriented approach -- focused on generating income -- is generally isolated from one another, suggesting a lack of an articulated approach. IEG’s analysis revealed a gap between these two main approaches. Although there are some exceptions and hybrids, they are generally isolated from one another, suggesting a need to think more flexibly about how to draw from the toolkit of interventions to arrive at new, more tailored approaches.

Findings

Assisting the development of the rural nonfarm economy is essential to the World Bank Group’s twin goals of poverty alleviation and shared prosperity. The organization has been a leader in raising awareness about the role that nonfarm activities play in reducing poverty. As determined by the portfolio analysis (left), the World Bank Group has not bridged the gap between poverty-oriented and growth-oriented approaches.

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THE RURAL NONFARM ECONOMY

All economic activity in rural areas except farming.

Agroprocessing

Manufacturing

Tourism

Bakery

Dairy

Construction

Distribution

Marketing

Retail

Mining

Restaurants

and many more