

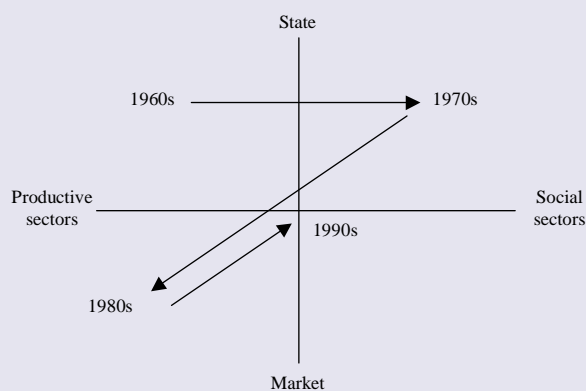
Rethinking Rural Development

Introduction

Rural development should be central to poverty reduction. Three quarters of the 1.2 billion people surviving on less than one dollar a day live and work in rural areas. Rural people are twice as likely to be poor as urban counterparts. However, rural development faces a loss of confidence: funding has been falling, and governments and donors are scrambling to rethink policy. What new directions should rural development policy take?

There is no shortage of ideas. Reaching back to the 1950s, a model based on small farm development has been dominant. Allied to this we find community development, intensive agricultural development, integrated rural development, livelihood approaches, and a variety of participatory paradigms, all scrambling for policy space. An initial way to characterise the evolution of mainstream rural development policy is on two axes (Figure 1), representing the balance between productive sectors and social sectors, and between state and market. In the 1960s, the Green Revolution was associated with large-scale state investment in infrastructure, research, and support for the adoption of new technology. In the 1970s, budget priorities shifted to the social investments required by integrated rural development programmes. In the 1980s, in the era of structural adjustment, public sector institutions were trimmed and budgets cut. In the 1990s, with an upsurge of interest in poverty reduction and sustainable livelihoods, a more balanced view took hold, a kind of Washington Consensus on Food, Agriculture and Rural Development. A key question is whether the re-balancing has gone far enough.

Figure 1 Rural development thinking (1960s–90s)



Rural trends

The term 'rural' is, of course, ambiguous. Most obviously, rural areas constitute the space where human settlement and infrastructure occupy only small patches of the landscape, most of which is dominated by fields and pastures, woods and forest, water, mountain and desert. They are also places where most people spend most of their working time on farms; where

Box 1 Rural poverty in low potential areas

'The majority of the rural poor live in areas that are resource poor, highly heterogeneous, and risk prone. They inhabit the impoverished lands of north-east Brazil, the low rainfall savannas and desert margins of the Sahel, the outer islands of the Philippines and Indonesia, the shifting deltas of Bangladesh, and the highlands of northern South Asia and the Andes of Latin America. The worst poverty is often located in arid or semi-arid zones or in steep hill-slope areas that are ecologically vulnerable. There the poor are isolated in every sense. They have meagre holdings or access to land, little or no capital and few opportunities for off-farm employment. Labour demand is often seasonal and insecure. Extension services are few and far between, and research aimed specifically at their needs is sparse.'

Source: Conway 1997

land is abundant and cheap; where transaction costs are high; and where political conditions are most difficult. Rural areas are highly heterogeneous. Low potential areas are worst off (Box 1). Rural areas are changing, however:

Demography: rural populations continue to grow in absolute terms but shrink in relative terms – by 2020, a combination of falling fertility and out-migration to towns means that rural populations are likely to have stabilised and be overtaken by expanding urban populations (Figure 2). This will have some positive effects: falling fertility is a 'demographic gift', as falling dependency ratios should allow consumption and investment to rise. On the other hand, urban migration withdraws the most able young workers from rural areas. Furthermore, HIV/AIDS may accelerate the tendency for rural areas to become holding areas for the young, old, and sick: in 16 countries, more than one-tenth of the adult population is infected with HIV, with substantial impacts on morbidity, mortality, labour supply, dependency ratios, school enrolment and social networks.

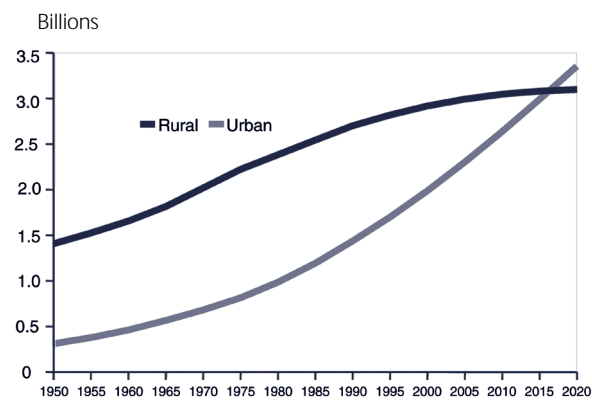
Human capital and infrastructure: though poverty remains high, human capabilities, to use Sen's terminology, are generally rising – as indicated by the statistics for literacy, infant mortality, and access to health and sanitation. The 'connectedness' of rural areas, expressed as roads, power and telephone connections, also seems to be improving, though there is doubtless an urban bias in provision. For example, electric power consumption quadrupled in developing countries between 1970 and 1999, and the number of telephone lines went up seven times.

Livelihood diversification: A growing share of rural incomes derives from the non-farm economy (though with linkages to agriculture in many cases). Recent surveys suggest that non-farm sources now account for 40–45% of average rural household incomes in sub-Saharan Africa, and 30–40% in South Asia, with the majority coming from local rural sources rather than urban migration.

Agriculture: agriculture has declined sharply in relative terms, as an employer and as a contributor to exports and to GDP. For developing countries as a whole, agriculture accounted for 47% of employment in 1999 (down from 66% in 1970), but no more than 12% of GDP and 2% of merchandise exports. Although cereal yields and availability have risen, prices have fallen. The commercial structure of agriculture continues to change, reflecting rapid technical progress and the development of global commodity chains. There are also many more part-time farmers, retaining only small homestead plots for subsistence production. Input and marketing systems are becoming more integrated, industrialised and sophisticated.

Projections are subject to great uncertainty but suggest these trends will continue.

Figure 2 Urban and rural population levels in developing countries 1950–2020



Source: Pinstrup-Andersen et al. (1999)

Issues in Rural Development

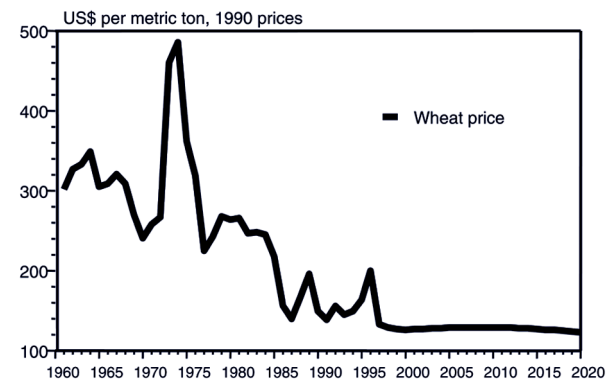
New rural development policies are being written both by southern governments (examples being Kenya's Rural Development Policy, Tanzania's Rural Development Strategy, South Africa's Integrated Sustainable Rural Development Plan) and donors (witness new rural policies from leading multilaterals: the World Bank, the EU and IFAD). These new policies are grappling with seven key issues.

Can agriculture be the engine of rural growth?

There are many reasons to believe that agriculture can be the engine of rural growth, especially in 'early development'. When agriculture prospers, farmers and farm labourers benefit, and so do those with jobs upstream and downstream from farming. Furthermore, the wider economy also benefits, from increased spending, greater tax revenue, more investment in infrastructure, and a stronger foreign exchange position. Many econometric studies illustrate the impact of agricultural growth on poverty reduction – typically one and a half times the impact of growth in other sectors.

However, these benefits are not automatic, and not guaranteed in the future. Natural resources are under pressure. Furthermore, the long-term decline in agricultural commodity prices weakens both the sector and the case. Cereal prices, for example, are now less than half the level that prevailed at the time of the Green Revolution (Figure 3). Agriculture may not have everywhere the dynamic potential for growth and poverty reduction that it once had. Lower taxes and large-scale investment in public goods (physical and institutional) would help farmers, by lowering transaction

Figure 3 World cereal prices 1960–2020



Source: Rosegrant (2001)

costs. So would lower agricultural protection in OECD countries, a fact increasingly acknowledged in donor policies. Some argue that developing country agriculture should be protected, small farm agriculture in particular, for example by a 'food security box' in the WTO.

Can small farms survive?

The case for agriculture-led poverty reduction rests heavily on the productive efficiency of small farmers and their contribution to local economies, especially by virtue of demand for services (so-called consumption linkages). The enduring hold of the small farm model lies in its appeal as a 'win-win' option, satisfying both efficiency and equity criteria. In low potential areas, weakly integrated to markets, small-scale farming may be the main option available (Farrington and Gill, forthcoming). However, small farms are under pressure and the win-win frontier may be shrinking. Technological complexity, greater connectedness to markets, and the globalisation of commodity chains are all to blame.

Investment in public goods like roads and new technology could lower the transaction costs of small farms and boost competitiveness. Where there are strong social reasons to invest in small farmers, social welfare transfers can also be re-designed to boost production rather than simply transfer income to the poor (for example, fertiliser subsidies rather than food aid – Box 2). Small-farm support then becomes just one element of a strategy in which employment in commercial agriculture, participation in non-farm enterprise, and a range of social welfare instruments play a part.

Box 2 Social welfare as a rationale for small farm support?

In Malawi, fertiliser subsidies were removed in the early 1990s, and fertiliser prices rose sixteen times. As a result, food production fell and food security deteriorated sharply. An initial response was to increase food aid deliveries in a series of 'emergency operations'. Since the mid-1990s, however, a consortium of donors has financed an annual programme of free fertiliser and seed distribution, on the basis that subsidising food production is more sensible and efficient than subsidising food consumption. Evaluations show that this programme has led to a significant increase in food production at household level, and a national increase of up to 10%. It is significant (and ironic) that rational policies to support smallholder agriculture are now being reintroduced under the umbrella of social protection.

Source: Devereux 2001

Can the rural non-farm economy take up the slack?

If agriculture is faltering, the rural non-farm economy (RNFE) may take up (some of) the slack. The RNFE is indeed growing fast. It takes different forms: in early-development rural areas, non-farm enterprises are mainly linked to the local agricultural economy, benefiting from the natural protection of poor roads. Location-specific industry, particularly mining and tourism, also feature (Box 3). As infrastructure improves, natural protection reduces and production for local markets is competed away; but new urban-oriented enterprises will grow, as businesses relocate or sub-contract production processes.

A range of strategies can boost the RNFE, ranging from the fine-tuned, such as industrial clustering, to the broad and indirect, such as infrastructural investment. They need to exploit the comparative advantage of rural areas, which is invariably location specific, and tightly constrained in the face of economies of scale enjoyed by urban areas. Investing scarce resources in attracting investment to remote areas, rather than already established metropolises, can require tough political decisions. As RNFE growth may exacerbate inequality, reducing entry barriers to high-return activities for the poor is an arena for policy intervention.

Box 3 Boosting participation of the rural poor in tourism development

In some rural areas, tourism can be one of the few non-farm sectors offering comparative advantage. But it is also seen as a luxury industry of and for the elite, offering little benefit for the poor. However, in Southern Africa, Uganda, Nepal, Ecuador, and St. Lucia, pro-poor tourism initiatives were able to increase the incomes and opportunities of the poor. A few exited from poverty, many gained an income boost, and widespread benefits included stronger community capacity, enhanced infrastructure and communication, and better environmental management. The initiatives took different forms, with state, private, community and non-governmental champions. Government policy, regulation, and co-ordination was crucial in, for example, providing infrastructure, legislating for secure tenure, using planning controls to encourage private operators with pro-poor commitments and partnerships, and facilitating communication.

Source: Ashley et al 2001

Does new thinking on poverty challenge traditional policy for rural development?

There is more to rural development than production, on or off the farm. New thinking on poverty links back to earlier thinking on integrated rural development, and also points the way forward, with new emphases on the risks of liberalisation, the importance of income distribution and human capital, and on vulnerability and social protection. The poverty agenda dominates in international development: rural development planners need to work with it, not against it.

For example, the 2000/1 World Development Report on poverty emphasised the vulnerability of poor people, and talked explicitly about an 'obligation' to protect the poor, including losers from globalisation: this opens up an important agenda for rural development. The WDR also raised the profile of income distribution: gini coefficients, which measure inequality, are frighteningly high in many countries, including in Africa. Finding ways to reduce inequality is a challenge for rural development, especially given questions over small scale farming, slow progress in land reform, and growing spatial disparities.

Current thinking recognises the important role of the state, in both poverty reduction and rural development. It reflects the view that liberalisation and structural adjustment moved too quickly, with insufficient attention to the need for strong institutional under-pinning of markets. Thus in rural areas, the state needs to ensure that the poor can access reasonably performing and stable markets for finance, inputs and agricultural outputs, while also underpinning safety nets.

From participation to governance

Participation and governance feature prominently in poverty reduction discourse, and also in rural development. Democratic decentralisation is the popular political technology. But the theoretical benefit of bringing representation closer to the poor is not always evident in practice. Some countries have reduced poverty successfully without being highly democratic or decentralised. The converse also applies. Furthermore, the benefits of democratic decentralisation are hardest to realise in areas with least access to education, political tools, and information – i.e. in rural areas.

Research shows that the key ingredients for poverty-reducing democratisation are strong civil society organisations and local participation, direct lines of accountability to constituents, and centrally-supported, locally elected bodies (Box 4).

Implementation: what is feasible?

Multi-sectoral approaches are necessary. However, past experience with integrated rural development reminds us that implementation constraints, whether caused by low administrative capacity or bureaucratic capture, are the enemy of good intentions. Plans need to be ranked with capacity to deliver as a criterion.

Rural development does not always sit happily with new approaches to development planning, which focus either on sector-wide approaches implemented by individual line ministries, or on centrally-driven poverty reduction strategy papers. Strategic approaches are needed to raise the profile of rural issues in such processes, and adapt their strategies to rural implementation.

Box 4 Decentralisation and the rural poor: strengthening institutions in India, stifling poor enterprise in Uganda

In the Indian States of Karnataka, West Bengal and Andhra Pradesh (AP), efforts to establish and empower local institutions have been shown to enhance rural livelihoods. In AP and Karnataka, encouragement of watershed user associations by state governments has improved the management of groundwater, and enhanced the resources on which dryland farmers depend. In Karnataka and West Bengal, the empowerment of local democratically-elected bodies – the panchayats – has enhanced participation in decision-making fora, particularly among castes and classes that have been traditionally marginalised by local political processes. In West Bengal, the State government's dual commitment to democratic decentralisation and social welfare has produced a series of pro-poor policies, including stronger land tenure, higher agricultural wages and better access to rural credit. However, a counter-example from Uganda shows that, whatever the boost to local political voice, the most obvious impact of decentralisation on the poor is a mushrooming of local taxes on all forms of enterprise, stifling their commercial activity.

Source: Johnson 2001, Ellis 2001

Conflict

Finally, a different approach to rural development may be needed in the numerous areas affected by chronic conflict or political instability. For example, at any one time, 25% of the population of sub-Saharan Africa may be living in countries with conflict problems. Donors are increasingly seeking a programmatic approach, linking relief and development. Such approaches need to be adapted to the weakness or non-existence of development administration, and cognisant of the risk of according a degree of international recognition or economic gain to one faction, and of compromising underlying humanitarian principles and law.

Towards a post-Washington Consensus on Rural Development

From these points, we can distil four principles for a successful rural development strategy, and 11 more specific recommendations: the outline of a post-Washington Consensus on Food, Agriculture and Rural Development. Principles first. A successful rural development strategy should

- recognise the great diversity of rural situations;
- respond to past and future changes in rural areas;
- be consistent with wider poverty reduction and decentralisation policy;
- make the case for the productive sectors in rural development, as a strategy both to maximise growth and to reduce poverty.

Specifically, it should aim to:

- offer different options for peri-urban, rural and remote locations;
- invest in agriculture, non-farm rural enterprise, and linkages between them;
- expand diversification options for multi-occupational and multi-locational households;
- recognise that market institutions need to be in place before liberalisation, and that states have a key role to play, for example in supplying (national and global) public goods;
- include explicit measures to address inequality in assets and incomes;
- counter the anti-South bias of technical change, and include public support to research;
- promote agricultural strategies consistent with natural resource protection, including water management;
- increase investment in infrastructure and human capital;
- respond to the 'obligation' to protect the poor, with new social protection measures, including for people in conflict areas, and with HIV/AIDS;
- propose pragmatic steps for democratic deepening in rural areas; and
- identify the place for agriculture and rural development in PRSPs and sector programmes.

Conclusion

A post-Washington Consensus on rural development offers a markedly different analysis and prescription. The demographics, the agricultural structures and the economic opportunities are all in flux. New thinking suggests less emphasis on the primacy of a small-farm model, more emphasis on diversification and differentiation, and with a

larger role for the state than in the current conventional wisdom. New areas offering potential for rural development include: providing public goods for agriculture; turning consumption subsidies into production subsidies; boosting the non-farm sector; promoting democratic deepening in rural areas; finding ways to support poor people trapped in conflict; and, in general, applying new thinking about poverty reduction in rural areas. A further necessary condition is better access to developed country markets.

New policies reflect these principles to a greater or lesser extent. Whether these and others will together constitute the strong narrative needed to energise rural development and reverse the fall in resources to the sector remains to be seen. Let us hope so. There are some deep-seated problems to be faced in rural development, but a key fact bears repeating: three-quarters of the world's poor are rural, and that number will fall only slowly in the years to come.

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For further information contact the principal authors, Caroline Ashley (c.ashley@odi.org.uk) or Simon Maxwell (s.maxwell@odi.org.uk)

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