

# **EMERGING ISSUES IN RURAL DEVELOPMENT**

## **AN ISSUES PAPER**

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## Introduction

1. This paper lays out an 'argument' on rural development. The intention is to set the current debate about rural development in context, and then examine emerging issues. The paper draws on the work of a team, whose background papers are available<sup>1</sup>.
2. The main elements of the argument can be summarised as follows:
  - i. Most poverty in the world is rural, and reaching the International Development Targets means giving high priority to rural development;
  - ii. The nature of the problem is changing, however, and will change further - contemporary rural reality challenges our traditional view in a dozen different ways;
  - iii. There is no shortage of narratives about - or prescriptions on - rural development. Past narratives have included 'Community Development', 'the Green Revolution' and 'Integrated Rural Development'. Current narratives include 'a new, doubly-green revolution', 'sustainable agriculture', 'rural livelihoods', and a growth-based, liberalisation-friendly narrative, which might be labelled the 'Washington consensus on agriculture and rural development';
  - iv. Embedded in these narratives are the critical choices about rural development policy: state or market; growth or stability; agriculture or non-agriculture; high or low potential areas; expenditure on investment or consumption; etc . . .
  - v. Different narratives will apply in different places, but all need to be consistent with current thinking on development more generally - which not all are, for example on empowerment, the importance of income distribution, or the form and pace of market liberalisation;
  - vi. Furthermore, the prescriptions currently on offer do not always capture the degree and pace of change in rural areas, and new narratives are needed to deal with challenges such as globalisation, urbanisation, the 'de-agrarianisation' of rural space, the increasing diversity of rural environments, and the special problems of low potential areas - in particular, small-scale farming may be facing unprecedented and unmanageable pressures;
  - vii. In practice, there will not be one new rural development narrative, but several. For all, however, the building blocks will need to include special attention to: the growing diversity of livelihood strategies; rural poverty in low potential areas; the imperative need for stronger social protection; conflict resolution and management; the crisis of HIV/AIDS; and the need for greater decentralisation and devolution;
  - viii. There are challenges here to rural development donors, which will need to be met in the context of new aid modalities, for example Poverty Reduction Strategy Papers and Sector Wide Approaches – the latter, at least, are problematic in this sector. There will also be special problems in poorly performing countries.

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<sup>1</sup> The background papers and other materials are to be found in I. Urey (ed) 'Emerging Issues in Rural Development: A background paper', mimeo, Overseas Development Institute, London, January 2001. The principal contributors are: Caroline Ashley, Stephen Devereux, Andrew Dorward, Frank Ellis, John Farrington, Craig Johnson, Jonathan Kydd, Simon Maxwell, Daniel Start, Robert Tripp, Ian Urey, and Steve Wiggins. Supplementary contributions were made by Alan Bojanic, Deborah Bryceson, Alex Duncan, Alison Evans, and N.C. Saxena. The team would like to thank Felicity Proctor for her help and support.

3. These notes tackle the argument in three steps: first, by setting rural poverty in changing context; secondly, by reviewing the alternative approaches on offer; and thirdly, by dealing briefly with some emerging issues. The final section looks at the implications for aid donors. References in brackets are to background papers.

### **Rural poverty in context**

4. The extent of rural poverty and its weight in global poverty needs no great discussion. The forthcoming IFAD Rural Poverty Report 2001 claims that three quarters of the 1.2 billion people living below \$US 1 per day are rural; and the Report estimates that by 2020, 60 per cent of the world's poor will still be rural.
5. However, 'things aren't what they used to be', in four main ways: (a) small-scale farming, 'peasant' societies contain more marginal farming and landless families, and rural people earn their living in more diverse ways – to the extent that some observers describe 'depeasantisation' as the dominant rural phenomenon of our time; (b) within limits, the geography and demographics of rural poverty are changing - more older people, female-headed households, Africans, people living in low potential areas, people subject to conflict or exposed to HIV/AIDS, and so on; (c) the agricultural and rural economy is shrinking in relative importance, compared to the urban, industrial and service economy; and (d) the rural economic environment is increasingly liberalised, integrated, even globalised. Table 1 summarises these changes. (*Maxwell, Urey*)
6. Depeasantisation is uneven, and in many places the poor cling onto farming and onto small parcels of land. Even here, however, livelihoods are more diverse, with at least 45% of income derived from non-agricultural sources, and often 80%. Non-farm income is sometimes agriculture-dependent, but often not: long distance migration, usually to cities, sometimes international, contributes an increasing share of household income. (*Bryceson*)
7. In the 1960s, agriculture accounted for perhaps 40 per cent of the national economy, and the rural economy as a whole for perhaps 60 per cent of the total. Agricultural exports accounted for around 60 per cent of exports. By the end of the 1990s, these figures had generally halved at least, more in East Asia, less in sub-Saharan Africa. (*Maxwell*)
8. Rural areas are more integrated into the world economy, as a result both of liberalisation and improved infrastructure. World-wide, trade has grown twice as fast as GDP for several decades, and the rate seems to be increasing. Rural producers, including small scale producers, are increasingly involved in global commodity chains. (*Kydd and Dorward*)
9. The geography and demographics of rural poverty largely reflect the Africanisation and (arguably) feminisation of poverty more generally. A notable feature, however, is the concentration of rural poverty in 'low potential' areas – perhaps two thirds of the rural poor live in areas of low agro-ecological potential and/or poor communications. Conflict is also a regular feature of rural life in many areas: up to 20 % of Africans may be exposed to conflict in any year. (*Farrington, Wiggins*)

**Table 1: The changing context for rural development**

<b>Changing Context</b>	<b>Illustrative data</b>
Diversification is taking place in rural incomes	Studies for Africa show a range of 15 to 93 Per cent reliance on non-farm income (WDR)
More of the poor are in low potential areas	66 Per cent of rural poor live in less favoured areas (IFPRI)
There are growing environmental concerns	An estimated loss of 2 billion hectares of land through degradation since 1945. (Conway)
The geographical distribution of poverty and human (under)development is changing	23 per cent of Africans fail to reach the age of 40, compared to only 8 per cent of East Asians (UNDP)
HIV/Aids is having a dramatic impact in SSA	Life expectancy has fallen by nine and six years respectively in Botswana and Zambia. (UN)
The share of the population in rural areas is falling	By 2035, 50 Per cent of the world's population will be in cities. (IFPRI)
The importance of agriculture is declining.	Agriculture will account for less than 10 per cent of GDP in developing countries by 2020 (IFPRI)
Urbanisation and rising incomes are changing the pattern of demand for food	By 2020 milk demand will have increased by 15 times (IFPRI)
The world economy is increasingly globalised	International trade has grown 2 to 3 times as fast as global value added in the last decade (WB)
International trade expansion is not uniform	Africa's share of world exports fell from 11 Per cent in 1960 to 4 Per cent in 1998 (WB)
Access to FDI is uneven	FDI for Africa is only 1.9 Per cent of GDP (WB)
Increasing liberalization, though slowly in agriculture	Effective protection has fallen from 12 per cent in the 1960s to 3 per cent in the 1990s (WB)

*Source: Ian Urey 2001*

### **Approaches to rural development**

10. Thinking about rural development has evolved over the years, in a symbiotic relationship with thinking about rural development more generally: from community development, through the Green Revolution, to integrated rural development, and from the mid-1980s onwards, increasing attention to sustainable livelihoods as a route to poverty reduction. (*Ellis*)
11. These competing narratives reflect different priorities and choices, on a range of topics, as noted: state or market; growth or stability; agriculture or non-agriculture; high or low potential areas; expenditure on investment or consumption; etc . . . There is at present a rough-hewn consensus among the major donors, with poverty reduction as the objective, and a strategy which emphasises agricultural growth, with the private sector as the main engine of development, and government providing strategic policy and investment support for infrastructure, service delivery and marketing. Environmental sustainability, food security and participation are major themes. (*Maxwell, Farrington*)

12. With specific regard to agriculture, there is a kind of 'Washington consensus'. Its main concerns are with agricultural intensification, and with policy and institutional failures; its main prescriptions have to do with liberalising and developing markets, improving service delivery, building public-private partnerships, and decentralisation. (*Kydd and Dorward*)
13. There are alternatives on offer. In the agricultural sector, two candidates are 'a doubly-green revolution', combining higher productivity with greater environmental sustainability - this has informed discussions in the CGIAR, and the new orientation to poverty – and 'sustainable agriculture', presented as a variant which places greater emphasis on reducing the use of external inputs, and on a high degree of social mobilisation. Beyond agriculture, the strongest narrative probably builds on the notion of sustainable livelihoods, examining ways in which the assets of the poor (social as well as physical and human) can be strengthened and then used to pursue a variety of different agricultural and non-agricultural activities. (*Farrington, Tripp*)

### **Emerging Issues**

14. In discussing rural development policy, it is important not to over-generalise, either about the diversity of situations on the ground, or about the potential of simple narratives. This said, there are important insights from current debates.

#### ***(a) The new consensus on poverty***

15. The World Development Report on poverty, published in the autumn of 2000, narrows agency differences on poverty, and moves the debate forward: poverty is defined as being not just about income, but as 'multi-dimensional' (including access to social services, self-respect, autonomy); participation is viewed as central, not just in the sense of listening (as in *Voices of the Poor*), but more proactively; and an appropriate strategy will combine elements of opportunity (meaning growth), empowerment and security.
16. There's much to say about poverty and about WDR. In terms of rural development policy, there are probably six key challenges: (a) to recognise the multi-dimensional objective; (b) to build on the ideas about the importance of assets and asset vulnerability in the livelihoods of poor people; (c) to note WDR's strong statements on the dangers of liberalising markets if the institutional preconditions have not been met; (d) to respond to the equally strong call for measures which reduce inequality of both assets and incomes; (e) to find practical ways of making rural institutions more responsible and accountable to poor people; and (f) to take seriously the insights about the losers from market reform, the imperative to protect the poorest, and the need for new social protection measures. (*Maxwell*)

#### ***(b) A 'post-Washington consensus' on agriculture and rural development***

17. The Washington consensus on agriculture and rural development has many strengths, in its emphasis on: improving incentives and services; investment in infrastructure, governance, human resources, and research and extension; and private sector service delivery. On the other hand, it tends to neglect less-favoured areas, and pays insufficient attention to overcoming institutional constraints on farm access to purchased inputs and seasonal finance. Liberalisation also poses significant new threats, especially to small-scale farmers growing semi-tradeable food crops in low potential areas, who may not be able to meet the quality and timeliness requirements of new

global supply chains, and who may not be competitive in some circumstances, for example because of high transactions costs (*Kydd and Dorward*).

18. A post-WC strategy is implicit in WDR 2000 (for example, on the sequencing of market liberalisation), but not made explicit. An agricultural strategy consistent with WDR 2000 would pay more attention to making sure that small farmers compete on a level playing field and receive strategic support, particularly in overcoming market failure and reducing transactions costs (for example in input supply and output marketing). Institutions would be central, and priority would be given to supporting institutional innovations which reduce the risks associated with input, output and credit transactions by the poor. In line with WDR, these innovations would need to be in place early in the liberalisation process. They might be particularly necessary in low-potential ('pre-modernisation') areas. (*Kydd and Dorward*)

### **(c) Spatial dimensions of rural development**

19. It is not enough to note that poor rural people live in different kinds of rural areas: the constraints and opportunities are markedly different and require different strategies. Key factors are (a) proximity and access to cities, (b) the amount and quality of natural resources, (c) density of settlement, and (d) vulnerability to natural catastrophes. Simplifying a complex spatial picture, it may be helpful to distinguish between peri-urban zones, the 'standard' countryside, and remote rural areas. In general, though, 'location theory suggests that rural areas in developing countries only have a comparative advantage in a narrow range of activities'. (*Wiggins*)
20. In peri-urban zones, the main opportunities are likely to include intensive agricultural activities for the city (market gardening, dairying), short-distance commuting, weekend leisure, and town-oriented industrialisation. Further away from towns, arable farming, some tourism, and resource-based industrialisation are options. In remote areas, subsistence farming, long-distance migration and 'niche' tourism are likely to be the main options. (*Wiggins*)

### **(d) Diversification**

21. The spatial dimension has implications for diversification. Poor people seek to diversify livelihoods, and may do this locally or over long distances: the phenomenon of 'multi-locational' households is increasingly familiar. Diversification is not a panacea, however. The poor may find themselves in a casualised labour market, essentially engaged in 'hunting and gathering' for work, with low returns, high vulnerability, and little scope for accumulation. This kind of diversification may be essential for survival, but does little for poverty reduction. In many places, there is a U-curve of diversification, which sees non-farm activity concentrated among the poor (as a survival or coping strategy) and among the rich (as an accumulation strategy). (*Start*)
22. Local diversification is only likely where rural areas have a strong growth sector and good potential for linkages from that sector. The basics in poor areas are investment in infrastructure and human capital, and 'activation' of credit, capital and land markets. Beyond the basics, priorities are to develop industrial 'clusters' and growth points, and to support urban links. Pro-poor labour markets contribute to diversification. (*Start*)

### **(e) Technical change**

23. Despite diversification, agriculture remains an essential source of income, directly and indirectly. Technical change is at the heart of post-Green Revolution agricultural strategies, which often begin by noting the declining rate of technical progress in developing country agriculture, and growing environmental problems. In the world as a whole, however, technical progress is hardly slowing; and in agriculture, the developed world is experiencing major change in biological (including GMOs), informational, mechanical and chemical technologies. Technical change in the North is largely driven by the private sector. Technical change may be biased against the South, and in particular against small farms. Policies are needed which reflect the spatial diversity already discussed, and also the fact that, because of diversification, many farmers are actually part-time (and therefore need labour-saving, not labour-using technologies). (*Tripp*)
24. Most new technologies can be characterised as being very specific (for particular environments, conditions, or markets), or information intensive (requiring that farmers learn new management techniques). In these circumstances, if new agricultural technology is to contribute to rural development, it must meet three challenges: (a) identifying the most efficient mechanisms for providing information to farmers; (b) setting technology development policies that distinguish among different types of rural household; and (c) identifying a clear mandate and sustainable support for public research. The private sector can play a part, but public support to research and information delivery will be essential; the irony is that public sector research and extension services are often 'moribund'. (*Tripp*)

### **(f) Shocks and vulnerability**

25. Social protection is another plank in the post-Washington consensus, particularly, but not exclusively, in the context of market liberalisation: WDR is clear about the 'obligation' to protect the losers, and might have been stronger still if it had taken on board the current debate about economic and social rights (c.f. UNDP's Human Development Report for 2000). Rural people are usually more exposed to risk than urban people, and less able to count on state intervention to mitigate risk or relieve its effects. Rural livelihood vulnerability may be increasing, as a result of rising inequality, increasing incidence of HIV/AIDS, civil conflict, increasingly severe weather events, and the adverse consequences of globalisation. (*Devereux*)
26. It is sometimes argued that community-based social insurance has provided an adequate safety net in the past, and can do so in the future. The evidence is not convincing. Community efforts were never able to deal with large-scale, community-wide 'co-variate' risk; and, more generally, the 'moral economy' on which they were based has been weakening. Public action is thus justified, and public transfers can provide both a safety-net, and, with careful design, for example using works programmes, a springboard out of poverty. There may also be scope for public-private partnerships, for example with regard to insurance. A key challenge is to meet the fiscal costs of social protection. (*Devereux*)
27. Conflict presents an especially difficult challenge. It is long-standing and pervasive in many countries, with a debilitating impact on both the assets and livelihood options of the poor. The Governments of conflict-affected countries often rate very poorly in Country Policy and Institutional Assessments (CPIAs). And donors are often trapped in out-dated notions of a relief to development continuum. Intervention to protect and support the poor is necessary, but fraught with ethical and political dilemmas. (*Farrington*)

### ***(g) Decentralisation: deconcentration and devolution***

28. Finally, and again referring back to the over-arching poverty reduction strategy of WDR 2000/1, a cross-cutting issue has to do with deconcentration (passing responsibilities down to lower levels of government) and devolution (passing political authority down the line). A common proposition is that decentralisation in both these ways will make the state apparatus more responsive to local needs. There are, however, three essential preconditions for success: (a) elected bodies at local levels must have adequate funds; (b) local bodies must have adequate powers; and (c) there must be accountability of elected representatives to citizens, and of bureaucrats to elected representatives. (*Johnson, drawing inter alia on work by Manor*)
29. There are many obstacles to decentralisation on these terms: the power of local political elites, the capacity and capabilities of local officials, the current absence of 'programmatic' politics required for effective local democracy, and the costs of participation to poor people. Effective decentralisation is a project in its own right, and cannot be willed into being: second best and step by step approaches may be required. (*Johnson*)

### **Conclusion and future challenges**

30. Rural circumstances are changing; development thinking is changing; and rural development policy needs to keep up: these are the core messages of the review. Different governments and donor agencies have different perspectives and pursue different combinations of rural development policies. They may or may not already respond adequately to the messages of the review. To help test whether they do or not, Figure 1 summarises the main findings so far reached.
31. The key outstanding question has to do with aid for agriculture and rural development. As noted frequently in the literature, support for agriculture has fallen sharply: according to the IFAD Rural Poverty Report 2001, by over two thirds.
32. If aid for rural development is to be reestablished on a growth path, then it will be within the wider aid context, dominated by ideas about the Comprehensive Development Framework, Poverty Reduction Strategy Papers, and Sector Wide Approaches. Key features of the CDF and PRSPs are a holistic approach, ownership, partnership, and results-orientation (especially in connection with the International Development Targets). In principle, these present no greater problems for rural development than they do for other sectors, though this does not mean that debates can be ignored: for example, about what partnership really means, the value of targets, or the political feasibility of genuine ownership. There is also a real problem with what to do about non-performing governments (*Maxwell, Farrington*)

**Figure 1: Emerging issues in rural development**

1. **The paradox:** the majority of the poor still live in rural areas, and yet donor support for agricultural and other rural development has slumped.
2. **A diminishing urban-rural divide:** rural and urban livelihoods are inter-dependent, and there is rarely a sharp geographical divide between rural and peri-urban. Rural development strategies must take account of the urban links and context.
3. **Diversified livelihoods.** There are few full-time farmers now, as households pursue multi-functional and multi-spatial livelihoods: support to the non-farm rural economy and to migration are as important as agricultural support.
4. **Small-holder farming in less-favoured areas faces new challenges:** more households consist of part-time farmers, work smaller plots and are headed by the elderly, young and women, so face severe credit and input constraints; access to subsidies and extension services has diminished; market changes increase the need for specialist techniques, quality control, information-intensive technologies and marketing involving high transaction costs – factors which provide larger farms with economies of scale. Targeted assistance is needed where small-scale farming can be competitive; otherwise small farmers need good exits from farming.
5. **Reverse state compression:** a strong state is needed to underpin the market and enable private sector development. Public interventions are needed to increase access to new opportunities (agricultural or non-farm) specifically by the poor, and to establish the institutional framework for effective market development.
6. **Technological targeting:** production increases based on the seed-fertiliser model of the Green Revolution have slowed. New technologies are likely to be more crop and region specific, and information-intensive. Technical change is biased against the poor. Policies to target technologies need to be location specific. Public intervention is particularly required in developing technologies and information channels appropriate to poor farmers.
7. **Rethinking institutional capacity and governance:** many recommended measures for rural development cannot be effective without significant capacity building and institutional support. In some areas, decentralisation should be promoted to reinforce positive trends for increased accountability. But in some areas, states are dysfunctional (eg conflict zones), or crippled (high HIV incidence), and second best solutions would be more effective than attempts at business as usual.
8. **Growing divergence between low and high potential areas:** less favoured (low potential) areas have very different needs to (high potential) areas where modernisation is already underway. They generally still need agriculture-based development, are least likely to gain from globalisation opportunities, and will generate lower returns because of their inherent disadvantages (remoteness, poor soils etc). Policy must adapt to context.
9. **HIV/AIDS:** AIDS is changing household structure, social relations, and economic capacity. In 16 countries more than one tenth of the population is HIV-infected. Services and policies must adjust to accommodate new household structures, the growing number of adolescent and elderly household heads, the growing shortage of productive labour, and decreased skills and experience within rural institutions and private companies.
10. **Rural risks and vulnerability:** the rural poor face new risks due to increasing natural disasters and rapid economic change. External support for risk-mitigation and coping strategies is generally insufficient. Public and private roles in supporting insurance and risk-coping need to be strengthened, which in turn depends on the fiscal burden being addressed.
11. **Preventing and managing conflict:** conflict has a debilitating impact on rural livelihoods, and increasing levels of conflict threaten the achievement of poverty reduction targets. Donors will need to escape from the conceptual and programmatic constraints of a linear approach to relief and development.
12. **Aid modalities:** as a topic, rural development fits well with ideas about the Comprehensive Development Framework and with Poverty Reduction Strategy Papers. However, it does not sit so well with Sector Wide Approaches, which are hard to implement in the agricultural sector. There will be real problems in reaching the rural poor in poorly performing countries.

Source: Caroline Ashley, ODI

33. The exception to this non-singularity of agriculture and rural development lies perhaps in the area of sector-wide approaches, which have proved powerful vehicles for helping governments to define priorities and improve donor coordination, in sectors such as health and education. Experience in agriculture is less encouraging, however, since the private sector (input suppliers, farmers, market agents) plays a much larger part than in other sectors, and government expenditure, the main focus of sector programmes, is therefore less influential. More experiments are needed for new modalities to emerge. (*Farrington, Maxwell*)
34. Finally, it is worth pointing out that rural development is not exactly a single sector, so that some kind of higher level planning device will be needed. The challenge will be to avoid the pitfalls of data-hungry, administratively complex models which undermined the viability of integrated rural development approaches in the 1970s.
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