7- Explaining rural poverty persistence in Tunisia from the perspective of path dependence theory

Safa Ben Hadj Mbarek Mkacher (Université Tunis el Manar)
Since independence in 1956, Tunisia has experienced a significant reduction of poverty and improvement of social indicators. Yet, regional and socio-economic disparities remain significant. The issue of regional disparities was at the core of the social unrest in the Mid-East regions that are essentially rural regions and have led to the revolution of January 14, 2011. Persistence of poverty among rural population questions rural development policies based on modernization and agricultural development. However, the modernization policy has always favored the exclusion of poor rural population holding small farms. Based on these observations, this paper aims to analyze of rural poverty persistence as “path dependency process”. We first argue that land tenure is a key of the puzzle for examining the interaction between institutional framework regulating agriculture and economic outcomes of different rural social classes. Whereas, land tenure system is a result of agrarian reforms occurred in the 70’s that aimed to clarify private property rights on land. In that perspective, we review historical evidence about institutional reforms of land tenure in Tunisia since independence, and we argue about their consequence in terms of rural development. Thus, during the decade 75-85, big farmers, benefiting from institutional arrangement have developed “learning through institutions” and competitive strategies. The cumulative process would create “institutional path dependency”. that would structure the economic game through time and would result in “economic path dependency”. This framework in terms of path dependency explains not only economic performance of large scale farms but also the trap to poverty of the rural population. Key Words- Rural poverty- land tenure system- agricultural modernization- path dependency- Tunisia.
1. Introduction

Access to land and land tenure security are at the heart of all rural societies and agricultural economies. Having land, controlling it and using it are critical dimensions of rural livelihoods, and determine rural wealth and rural poverty. Thus, social and economic impacts of access to land on growth, and rural poverty reduction have revived the academic and political debate about public action on the allocation of rural land. (Bandeira P, and Sumpsi J.M [2009]).

One calls, as did the mainstream international thought, for the importance of formalizing private property rights in order to allow formal markets to work, and is only willing to support direct public intervention on the provision of public goods like communication infrastructure and education. (Rigg J.[2006])

Others(Griffen K et al 2002, Akram-Lodhi, A.H et al. (2007)) argue that land reforms are crucial to reduce inequalities and rural poverty. They argue that concentration of land concentration results in “inefficiency and a lower average level of poor income. However, the large landowners, benefit absolutely” (KEITH GRIFFIN K et al., [2002], pp 290).

This paper addresses the debate from the case study of the Tunisian agrarian structure and its impact on rural development. We first argue that access to land has always led to marginalize rural population in terms of access to the prerequisites of modernization (intensification, mechanization, and competitive). Rural poverty has led to the “revolution of 14 January 2011”. (Cf, figure 1 &2).

We then address the problem from the perspective of regional path dependency theories to advance explanatory elements of rural poverty persistence. We argue about the historical evidence of land distribution and private property consolidation deployed since independence and their social and economic implication on rural livelihoods. (Section 2)

2. Landholding pattern and rural poverty in Tunisia

The starting point of our arguments is that poor rural households engaged in production activities typically have access to land, but their land holdings are small (averaging 2 ha), rarely irrigated and often exhibit low productivity, especially after the liberalization of the agricultural sector. Thus, land tenure appears as one of major factors of impoverishment of rural populations.

Tunisia has experienced a significant reduction of poverty and improvement of social indicators. Yet, regional and socio-economic disparities remain significant. The issue of regional disparities was at the core of the social unrest in the cities of Sidi Bouzid, Kasserine, and Thala in the Mid-East region that are essentially rural regions.

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Overall, the Eastern coast is in better shape than the Western and Southern regions (see Figure 2). The population and economic activities are mainly concentrated in the North East (governorate of Tunis) and the Mid-East (governorate of Sfax) with the coastal region accounting for 75% of non-agricultural jobs. As a result, there is significant variability in average consumption and in poverty across rural and urban regions. In 2000, while the poverty headcount (national average) stood at 18.4%, it in fact ranged from 6.9% in Greater Tunis to 30.8% in the Mid-West. Similarly, unemployment is especially severe in the hinterlands (see figure 1). Since 2004, the unemployment rate has exceeded 22.6% in the region of Jendouba, Le Kef, Kasserine and Gafsa that are essentially rural communities. Furthermore, persistence of poverty among rural population questions public orientations in terms of rural development based on agricultural development.

Figure 1: Aspects of poverty among rural population

Source: General census on consumption and housing 2004

From the early 60’s, the agricultural sector has been undergoing a modernization process characterized by a progressive intensification and the use of technology. However, the modernization policy has always favored the exclusion of small farms that have to compete with large farms relatively modern. They are, thus, forced either to sell their properties to large farmers, or to resort to sharecropping.

According to B. Thabet, M. Boughzala, and B. Ben-Ammar [1993], land distribution among farmers represents ‘‘an important negative side of agriculture’’ in Tunisia. Table 1 shows the evolution of the pattern of landholding with respect to the size of farms. Three main observations can be made on the basis of this distribution. Table 1 shows that there is an extremely unequal distribution of landholding. The bottom 54% of the landholders possess only 11% of land, while the top 1% account for more than 20%. Second, 85% of Tunisian farmers cultivate farms of less than 20 hectares, with an average farm size of 10.2 hectares.

Table 1: Pattern of Landholding in Tunisia 1961-2005

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<tbody>
<tr>
<td></td>
<td>% of holders</td>
<td>% of cultivated area</td>
<td>% of holders</td>
</tr>
<tr>
<td>0-5</td>
<td>41%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>5-10</td>
<td>22%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>10-50</td>
<td>32%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>50-100</td>
<td>3%</td>
<td>11%</td>
<td>12%</td>
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Jouili M [2008] has shown that access to land is a major factor of marginalization of small farms. In fact, the study of Jouili M [2008] appears to confirm that returns increase depending on the size of the farm. Big farms are able to adopt technical progress allowing them high level of intensification.

Disparities in levels of intensification are reflected in differences in performance. Indeed, the yields increase with farm size, while direct costs per unit decrease as the farm size increases. In term, “this differentiation can only increase the poverty and the impoverishment of small farmers and forced most of them to migration to urban communities”. (Jouili M [2008], pp 322)

Furthermore, during the period 2000-2004, the proportion of farmers who have invested reached 61% of farmers of who have over than 100 ha, while that of small farmers, remained relatively low; only 23% of farmers with areas smaller than 10 ha have invested during the same period.

This is due to unequal access to financial resources. During the period 2004, 20.6% of big farmers, over 100ha have obtained bank credits against only 4.1% of small farmers less 5ha. Similarly, 26.8% of the big farms benefited from state subsidies against only 9.2% of small ones. (figure 2). In fact, large farms are eligible to conditions of bank lending and subsidies. Contrary to small farms who have an economic return which does not always reflect the standards of the banking system. (Jouili M 2009).

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### Table: Access to land by farm size (2004)

<table>
<thead>
<tr>
<th>Size Range</th>
<th>Total 100%</th>
<th>0-1 ha 29%</th>
<th>1-2 ha 1%</th>
<th>2-3 ha 25%</th>
<th>3-4 ha 1%</th>
<th>4-5 ha 22%</th>
<th>5-10 ha 100%</th>
<th>10-20 ha 100%</th>
<th>20-50 ha 100%</th>
<th>50-100 ha 100%</th>
<th>100 et + 100%</th>
</tr>
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<tbody>
<tr>
<td>&gt;100</td>
<td>2%</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
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</tr>
</tbody>
</table>

Source: Survey on structure of farm 1994-2000

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### Figure 1: Mode of investment's financing by farms' sizes 200-2004

![Mode of investment's financing by farms' sizes 200-2004](image)

Thus, access to land appears to be a discriminating factor in the modernization process preceding transition to market. In fact, small farms are disfavored in term of access to resources such as bank loans or state subsidies. Small farms turn out to be unable to keep pace with modernization and globalization. On the other hand, families depend entirely on their farms are often small farmers, in fact, 43% of families living entirely from their farms have farm holdings of less than 5ha, while only 8 %of these families have holdings of more than 50 ha.( Survey on structure of farm 1994-2004). In terms of this statistical survey, we can conclude that poor rural households (holding less than 5 Ha) do not benefit from agricultural institutions. In contrast, big farms who are either rural bourgeoisie or urban entrepreneurs are big winners of agricultural policies.

Ownership systems are the result of land inheritance regulations. Thus, on the rest of the paper, we focus on the way agrarian reforms have shaped the development of rural area. Historical institutionalism provides pertinent theoretical framework in terms of path dependency and interest group to explain emergence and persistence or evolution of institutions.

3. Rural poverty persistence as a result of path dependency process

In the precedent section, we have shown that rural development strategies based on agricultural modernization has led to marginalize poor rural population holding less than 5ha land. Thus, land tenure is the key of the puzzle for examining the interaction between institutional framework regulating agriculture and economic outcomes of different rural population.

Regional development is “highly path dependent, temporary conditions and shocks, as well as historical accidents may have permanent effects as patterns of specialization, of economic success or economic backwardness” (Martin R; Sunley P[1998] pp 211). Thus, path dependence is a way to narrow conceptually the choice set and link decision making through time (North 1990: 98-99).

This section focuses primarily on identifying the possible sources of regional path dependence, and setting out in what ways institutional path dependence occurs economic path dependence.

In that perspective, we review historical evidence about institutional reforms of land tenure in Tunisia since independence and we argue about their consequence in terms of rural development.

3.1. Conceptual framework of regional path dependence theory

The importance and extent of path dependency within growth processes have given rise to a large literature (Arthur W.B.1989, North 1990, Pierson P 2000, Martin and Sunley 2006). Within economics, much of this literature has focused on mechanisms that may give rise to economies of scale, such as, for example, the adoption of standards. In that sense, endogenous regional development theorists argue that positive externalities from human capital development and technological leadership “lock-in” regional patterns of development. Increasing returns described as self reinforcing or positive feedback processes are considered as source of path dependency. (Pierson P 2000).
North (1990) presents a historical process of societal changes. This can be summarized as follow:

**Institutions > specific policies > outcomes (and, thus, altered "institutional framework")**

Institutions are defined as set of constraints, incentives and possibilities that determine agents' strategies. Thus institutions are conceived as “distributional instrument laden with power implications” (Mahoney J and Thelen K 2010). Institutions are fraught with tensions because they inevitably raise resource considerations and invariably have distributional consequences. Any given set of rules or expectations will have unequal implications for resource allocation, and clearly many formal institutions are specifically intended to distribute resources to particular kinds of actors and not to others. This is true for precisely those institutions that mobilize significant and highly valued resources (e.g., most political and political-economic institutions). (Daouki D, Feng J, Jiang H [2006]).

As long as the institutional framework and the incentive structure remain constant, the economic game will be channeled into a certain direction favoring certain actors on behalf of others. This cumulative process is source of institutional path dependence that would structure the economic game through time. Thus, institutional path dependence will ultimately lead to economic path dependence in a standardized way through time and lead societies to play a game that results in undesirable consequences.

In this conceptual framework, once created “institutional path dependence” is subject to self-reinforcing process. Actors benefiting from institutional arrangement have developed learning through institutions and will either impose to change or adopt their strategies to continue benefiting from new institutional arrangements.

In the rest of this paper, we will build on this conceptual framework to explain persistence of poverty among Tunisian rural population.
3.2. Context of creation of “path dependence” process

Tunisian strategy of rural development based on the promotion of agricultural sector has lead to the creation of a “path dependency” favoring big farmers and the exclusion of poor rural households.

Historical evidences about the initiation of institutional path dependency appear to confirm the thesis of an endogenous path’s creation as a cumulative process of individual and organizational learning and adaptive capability of interest groups. (North 1990)

Creation of institutional path dependence has begun with the process of nationalizing agriculture land during 1956-1961. The governmental “Office des Terres Domaniales” offered to purchase colon estates that would be then managed as state farms. These lands thus will constitute the core lands of agricultural cooperatives.

The law of 12 May 1964 on the “nationalization of land” owned by foreigners has helped raise the agricultural land in state property. Interim management of public lands is entrusted to the Office of Lands’ State (Office Terres Domaniales) ensuring their transfer to agricultural cooperatives. .... began slowly but accelerated (table2). Of the two million hectares that might be brought under cultivation, six hundred thousand are destined to become “cooperatives de polyculture et de mise en valeur”. By 1965 the government had achieved nearly half this goal in cooperatives centering on the interior region.

The objective was to increase yields and diversify production through mechanization. To achieve these objectives, the Plan called for all cultivable land in the North which was in farms of less than 500 hectares to be grouped into unites. (Hopkins N.S., (1981))

This major institutional change was intended to affect small and average size land holdings in order to achieve more efficient operations on the hypothesis that large holdings are more economically viable. The cooperative structure, to put it briefly, was a model developed by urban elite for organizing rural people (Ben Salem L, 1976), and it was fairly insensitive to the delicate balances of rural life. Thus the cooperative system has lead to the destruction of rural economy.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of agricultural cooperatives</th>
<th>Superficies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>15</td>
<td>10211</td>
</tr>
<tr>
<td>1963</td>
<td>81</td>
<td>64249</td>
</tr>
<tr>
<td>1964</td>
<td>50</td>
<td>38455</td>
</tr>
<tr>
<td>1965</td>
<td>67</td>
<td>70000</td>
</tr>
<tr>
<td>Total</td>
<td>213</td>
<td>182915</td>
</tr>
</tbody>
</table>

Source: Plan for economic and social development 1965-1968

As a result of the opposition from the bourgeoisie and from large segments of the rural population the movement was abruptly stopped in early September 1969. (Moudoud E 1985).

In the aftermath of the end of collectivization, many cooperatives are dissolved and the redundant workers were dismissed. Cooperators had lost little capital they had but recovered their land. Thus these poor farmers found themselves deprived of means of production, and thus they were forced to sell or rent their land and migrate to the cities in search of work (Lokman T. Zaibet and Elizabeth G. Dunn [1998])
3.3. Property right institutions

The dissolution of cooperatives and “agrarian reforms” that took place in the 1970s, along with the remaining traditional system has led to different forms of property regimes relative to household formations.

Before independence, ownership system was heterogeneous and land tenure was insecure. (Lahmar M 2006, Fadhel M 2006).

The land system was constituted of (i) lands without properties (habous, enzel, kirdar and communal land) and on the other side of melks (private properties) and public lands (ii) Land reform undertaken since independence, and accelerated in 1974, aimed to clearance of land tenure by registration for the establishment of property rights.

i. Collective lands

Collective land are, in their almost all of the land in the southern part of the territory, steppe zone to the arid climate. As discussed below, although collective origin, these lands come more in the field of individual private land.

The socio-economic situation of the people of these regions explains the genesis of these lands. The rural population of the area was made up of ethnic groups, mainly practiced itinerant ranching. This activity therefore requires frequent travel and, therefore, did not favor the establishment of a system of individual private property.

In 1974, an important legal decision was taken: owned land without titles of various origins (land vivified and held in collective ownership², enzel, habous, etc..), are recognized as hawz land, and legal status of Melk is granted. (Lahmar M 2006). They are then redistributed to rural population. The redistribution of collective lands has progressed by the application of an “accelerated formula”³. This practical and fast process is based on simple investigations made by “council’s management”. Thus, management councils played a decisive role in assigning public lands to private ownership.

The composition of the councils is build on the costum by allowing each lineage "orf" to be represented by one or more members depending on whether the lineage is considered as minor or dominant. Furthermore, in most cases, the president of the council is from a dominant lineage. The management councils compounded generally from notable rural bourgeoisie (ranchers, landowners, religious leaders ...) complicit with other wealthy they represent. As a result, they allowed them proprieties right of the best lands and concentrated lands on their hands. (Ben Saad A [2002]).

Thus it’s obviously that during institutional change period, rural bourgeoisie have adopted strategy of institutional entrepreneurs that seek rents and adapt its strategy to benefit from new institutional arrangement.

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² Collective lands occupy 2.1 million ha representing nearly a quarter of the country's agricultural land (Moussa F 2006). Collective lands are lands occupied by tribes still living under collectivism. These lands were shared among various ethnic groups or tribes.

³ Circular of the Minister of Agriculture May 2, 1973
In fact, despite the dissolution of the cooperative, the intensification of agriculture through promoting large modern farms continues to be the Tunisian approach in term of agricultural and rural development. In this sense, laws regulating public support to agriculture and access to credit favored big farms. In contrast, because the small size of their exploitation, small farms are often not illegible to benefit from public support or bank loans. For example, during 74-75 only 8.4% of small farms (less than 5ha) have benefited from seasonal credit in contrast of 26.2% of big farms (more than 200 ha).(Jouili M 2008).

ii. Public lands

In 1964, the Tunisian government decided to nationalize all land Tunisian having previously belonged to the settlers and foreigners in general. The decree was passed the hands of the state hundreds of thousands of hectares (735 000) which, however, one party was sold in haste, on the eve of this decree, to Tunisian. Thus, this law is still in force, forbade any personality or foreign legal to own privately some of the soil Tunisian. With this measure, the state had become the largest landowner in Tunisia, which it allowed to enter politics of cooperatives in the 1960s. Indeed, the state has turned these lands that were large modern farming cooperatives around which the other owners had to consolidate their operations.

With the judgment of the political cooperative system in 1970, private tenure was consolidated. 301000 Ha of public lands are offered for privatization. Once again, the modernization of agriculture appears to be a vector of marginalization of small farms. Indeed, following the privatization, land transactions have experienced a boom which favored the concentration of lands, amplified social disparities and led to the pauperization of the peasantry.(Ben Saad A 2002).

| Table 3 |
|---------------|-----------|
| Public Sector | 1580000 Ha |
| Cooperative sector | 227000 Ha |
| Poly-culture cooperatives | 51000 Ha |
| For privatization | 301000 Ha |
| Others | 790000 Ha |

Moreover, the process of privatization of agricultural land has led to the entrance of new actors. These are agricultural entrepreneurs who don’t belong to rural population. They represent the most advanced farmers provided with important financial resources allowing them to implement intensified and modern market orientation production.(Ben Saad A 2002). Thus the70’s were characterized by major changes in the lands’ structure that often benefited the private agrarian bourgeoisie. (Jouili M 2008, Moussa F 2006). Small farmers deprived of financial means to develop their land holdings, were conducted to rent or sell their properties to wealthier farmers.

By the end of the process of land distribution, once could outline two major facts characterizing agrarian area:
i. **Trend towards concentration**: In 1961/62, 4.5% of farms over 50 hectares have 40% land and 2.5% farms over 100 ha enjoy 28% of the land. In 1976, 4.6% of farms over 50 ha enjoy over 46% of the land and 1.9% of farms over 100 ha have 34% of the land. (Moussa F 2006).

i. The second characteristic to be noted is **fragmentation and parceling**. 68.3% of the farms under 20 hectares, consist of two parcels and more. These farms are essentially owned by rural population. (Mousse F 2006).

Disparities in farm size have resulted in differences in terms of economic performance of large farms and small family ones. To argue, we will briefly present results of two studies, ((Jouili M 2008) and Ben Saad A (2002)) in terms of access to land and economic performances.

In terms of this analyze, we have argued about the social impact of agrarian structures defined since 1970 on rural poverty. In fact, property rights established in the light of land reforms of the 70s, have resulted in an institutional environment favoring large proprieties over small family farms of subsistence. Thus, during the decade 75-85, big farmers that are benefiting from institutional arrangement have developed “learning through institutions” and competitive strategies. (Mantzavinos C, North D.C, Shrig S [2004]). Thus, they restructure and develop new market-based capabilities and will impose institutional changes. The cumulative process would create “institutional path dependency” that would structure the economic game through time and would result in “economic path dependency”.

This framework in terms of path dependency explains not only economic performance of large scale farms but also the trap to poverty of the rural population.

Big modern farms, benefitting from land distribution and other agricultural institutions have developed market-based strategies allowing them to benefit from gradual liberalization of agricultural sector since, mi- 80’s with the adoption of the adjustment plan and liberalization of agricultural trade since mi-90 (GATT, and free trade agreements with the European Union).

However, the liberalization of agricultural trade combined with the effect of adjustment plan and the state disengagement lead increase the disparity in productivity between traditional family farms and large modernized farms.

In addition, to actors’ interest, the concept of “cognitive path dependency” seems to be relevant in explaining persistence of modernization’s policy. In fact, since independence, modernization of agriculture appears in politics’ discourses as the ultimate alternative for rural development⁵. And, despite the proven ineffectiveness over time, this orientation continue to shape public policies of rural development.(Jouili M 2008). The viability of the agricultural institutions encouraging modernization is due to the resistance of the beliefs of policy makers despite the change of context (removal of the weight of agriculture in national economy) and international (specialization resulting from globalization) .The designers, then consider their view as obviously correct and unique. (Boyer R 2003).

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⁴ Land concentration is a relative concept. For a country like Tunisia, whose total area is 16 million ha UAA of 9,000,000 ha of which 5,000,000 ha are operated in average per year per 471,000 operators, exceed the threshold of 50 ha or, in the limit of 100 ha per Firm constitutes a concentration of land ownership.[Moussa F 2006]

Conclusions

In this paper, we have proposed two main explanations of poverty persistence among rural population in Tunisia. We first argued that rural poverty is result of the process of modernization of agriculture. In fact, in Tunisia, rural development is largely built on sectoral conception promoting development and intensification of agriculture. This political orientation has favored the concentration of land on the hand of a minority of big farmers. Furthermore, Tunisian strategy of rural development has led to marginalizing and impoverishment of poor rural households. The latter were conducted either to sell or to rent their proprieties and immigrate to urban regions.

This first conclusion remarks highlight the importance of agrarian structure in explaining economic performance of different social classes.

Based on the idea that “history matters”, we have advanced explanatory elements of rural poverty persistence on the perspective of path dependency theory. Actual agrarian structure are results of public efforts on clearance of land structure throughout registration process, privatization of collective lands and privatization of public lands undertaken during the 70’s. In that sense, we have shown how local actors have participated to the process of land’s allocation of results on concentration of land on the hand of small number of large landowners.

Whereas, this paper focuses on property rights and their impact on rural livelihood. We haven’t included right of use of land trough either rent land or valorizing of land. Moreover, the synthetic approach in this paper denies the diversities of agrarian systems among Tunisian regions that still necessitate clarifications.

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