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The new agro-biotechnologies

Challenges, trends and institutional considerations

IICA

El Niño and the agricultural sector

Perspectives

Rural poverty and territory,
an open discussion

The author discusses the implicit characteristics of definitions of poverty; reveals the possible shortcomings of some measures of poverty that are currently in vogue; proposes a territorial approach to solve the problem; and considers the costs and results of a set of policies.

Rafael Echeverri P.
Specialist in Sustainable Rural Development, IICA

Today, poverty is one of the most worrying manifestations of the flaws of the development models applied in the rural areas of countries in the region. The incidence and continued existence of poverty highlight the failure of governments to find a solution and raise doubts about the strategies implemented, the interpretations of the causes and the very nature of the problem.

The following issues are explored in this article: i) the definitions of poverty and their roots in conceptual and political models, ii) the interpretation of poverty in the territorial approach to development, and iii) the policy implications of these approaches to poverty.

1. Definitions of poverty

Various theoretical, conceptual, ideological and political approaches are used to define poverty. Not all definitions are comparable, nor do they explain this very important social problem in the same way. I would like to invite all those interested to engage in an open discussion of the ways in which we approach this issue and the consequences of adopting the different definitions.

The individual or collective nature of poverty

The causes of, and the mechanisms that reproduce, poverty are a matter of constant concern to academics, governments and international agencies. Studies offering different explanations of the problem abound. For the most part, they concentrate on the individual and family circumstances of the poor, the factors related to poverty, its characteristics and, in particular, on defining interpretive models for measuring and monitoring it.

This article looks at a complementary dimension of poverty: the territorial perspective. It views poverty as a social phenomenon and considers the territorial, collective implications and determinants. Its premise is that the economic, political and social dimension of poverty is not an individual or family problem, but a collective problem. And this difference is crucial. While some development models consider poverty to be an effect of an individual's position in the social order, this approach regards it as a problem of society as a whole, as a structural dysfunction of the general model. For a

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long time our attempts to identify, characterize and define poverty have focused on the characteristics of the problem rather than on its determinants, because we have viewed it as an individual problem. Many studies have shown the relationship between education and poverty, between access to productive assets and poverty, between fertility and poverty, between productivity and poverty, between entry barriers to labor markets and poverty, and between migration and poverty. Links have been found that point to the lack of education, assets, information and opportunities as the causes of poverty. Some authors call this approach the "tautological analysis" of poverty, as the determinants and characteristics of poverty are one and the same. In other words, the lack of assets is not the cause of poverty, it is poverty.

If we approach the issue of poverty from other perspectives, we have to find out why the poor lack assets in order to determine where the roots of the problem lie. This leads to poverty being thought of as a social, collective problem with individual manifestations or implications. This point is of key importance in decisions regarding public policy design and management, and leads us to the first dimension to which I would like to turn my attention. If poverty is caused by the development model and is a social problem, the determinants are to be found in the environment of the groups that live in poverty. What makes a population - not an individual - more likely to be poor, that is, to lack assets, income and education?

Economy of efficiency and economy of poverty

The second issue is the dual vision of the economy and poverty. The premise is that vulnerable, non-viable individuals and groups of people exist within efficient economies geared to trade and exports. The received wisdom is that economies exist that do not fit into the model. This is due to a failure to see the economy as a single, integrated whole - markets, factors of production, goods and services and, especially, labor markets. The policies associated with this approach include strategies to provide compensation and assistance - social networks, direct subsidies, scholarships, welfare - and very little with regard to integration, the principal concern. Consequently, efficient, commercial economies are regarded as having nothing to do with poverty, which is linked to other models where the linkages and junctions continue to be very problematical. A dual vision of the economy and a dual vision of policies prevail. There is one policy for the economy and a separate policy for poverty.

Growth with inequality and poverty

The third issue under discussion is growth with inequality and unemployment, a well-documented outcome of the Washington consensus. Following the implementation of structural adjustments that led to major macroeconomic progress, people have decided that growth is necessary but not enough. This has become something of a catchphrase, but we are still not very clear about what we mean by "not enough." It has a lot to do with the models of growth with inequality and unemployment, and is closely related to the dual economy. It has been shown that in this region, having opted for structural adjustment to achieve growth, inequality has increased. Furthermore, despite major progress in many sectors of the economy, we continue to experience growth with inequality and unemployment in countries where increasing the productivity of the labor force should be a development objective. Poverty alleviation is not one of the key objectives of macro and adjustment policies, which are geared simply to growth. In other words, the well-known trickle-down effect has not worked. We have had growth but not development, much less a reduction in poverty and inequality.

Imperfect markets and unstable institutions are at the heart of this development paradox. Trusting exclusively in the market is all very well when the economy concerned has well-developed market institutions. The situation is quite different in the case of economies characterized by distortions, a lack of operating mechanisms, monopolies, weak property rights, skewed access and fragile public institutional structures.

> *While some development models consider poverty to be an effect of an individual's position in the social order, under this approach it is regarded as a problem of society as a whole.*

Measuring poverty

The way in which poverty is measured depends on the theoretical and ideological approach used to analyze the problem. Some approaches focus on the lack of infrastructure, i.e., unmet basic needs; others, on the quality of life; yet others, on human development indexes; a fourth alternative is a poverty line based on income. Why has the poverty line been imposed and all other measures ignored? The problem is not academic but political, since the poverty line measures only one thing: consumption. It defines poverty in terms of consumption. The objective of the model is to increase consumption and, while it is an important indicator for making comparisons, it creates large gaps.

I witnessed a discussion concerning a World Bank study that showed that poverty in a country in the region was at practically the same level as in the 1970s. The discussion centered on whether providing universal education and electrification, building more roads and improving health had been a waste of time. Over the previous 30 years, the rural areas of the country had undergone a major transformation; the poverty indicator said they had not, however. There is an explanation, and it has to do with how poverty is measured. Many elements related to the new approaches to poverty are excluded. This poses a big challenge, because policies based exclusively on the poverty line create serious complications of interpretation, especially for policymakers. At one point in the discussion, a senior official asked "But what are you saying? That what I see in the countryside does not exist, that people are just as poor despite all the transformations?"

The World Bank also produced a very important document on the reinterpretation of poverty, viewing it as more than a problem of income or of access to assets. It analyzed poverty as a social and cultural phenomenon, as a question of identity. New ideas are being put forward then, such as social valuation, integration, discrimination, inequality, recognition and self-esteem, all key elements for defining strategies and achieving progress with poverty reduction.

The measurement of poverty is far from perfect. Using poverty line assessments to determine policies for communities whose model and vision does not include the same idea of accumulation can lead to serious mistakes. Consider the following example. A few months ago, everyone was astonished at the results of a survey of happiness that was carried out in a large number of countries. It turned out that the "happiest" country was Colombia. Considering the country's poverty and development indicators, we Colombians should be terribly sad; but perhaps we are happy because we do not know much about indicators. Could it also be that our poverty strategies produce bad results because we focus on the wrong things? By preferring not to use "robust" measures, are we ignoring intangible elements that reflect the true situation of poverty in our region? Should governments consider these elements when taking decisions, decisions regarding which IICA has an enormous responsibility?

In gauging poverty, we have to bear in mind transition, poverty thresholds and social mobility. Poverty is always a "lack of something" and will always be relative. Eighty years ago in Colombia, the infant mortality rate stood at 150 per 1000. Today the figure is around 40 and the challenges are different. The problem used to be illiteracy, today it is the quality of secondary education. The problem used to be hunger, today it is nutrition. The problem used to be the development of institutional capabilities, today it is the defense of democracy. The goals and needs change, so we need to be aware that the transition processes are very important, that poverty in Nicaragua is not the same as poverty in Costa Rica, that the needs and lacks of societies change and that simplistic measures of income and consumption (indicators such as income of one or two dollars per day) do little to help us understand a social problem of such magnitude.

2. Interpreting poverty from a territorial perspective

The most widely used approach and policy place emphasis on economic sectors and social actors: one policy for potatoes, another for cassava; one policy for bananas, another for the such-and-such chain; one policy for women heads of household, another for the indigenous population, and yet another for illiterate people. In short, separate policies for different groups. However, there is no policy that covers everything, because we are unable to link together all the issues involved in development, the sustainability of resources and poverty, as a socioeconomic problem. The concept of "territory" does cover everything. It is something that appears fairly obvious in academic circles, but is a great innovation in public policy systems. When one goes to a real community to explain to the people that the territory is an integrated, multidimensional, multisectoral whole, they say, "we've known that ever since we were born," "life is like that, life is education plus work, plus health, it is everything tied together."

Only politicians believe that life can be compartmentalized - education over here, health over there, and roads over there.

As a concept, territorial development, economic geography and the regional focus have been around for a long time. Today, however, a very strong current is emerging of major transformations, huge transformations, led by countries like Mexico, which is introducing a reform to "cover everything," rural development legislation centered on spatial planning. The new act states that it is not a sectoral matter, that is not agriculture alone, that the different aspects need to be tied together, and mechanisms to promote the change are proposed. Brazil is undertaking a similar transformation.

Underlying the territorial approach is the idea that rural society is linked to the space and, in appropriating it, builds a territory, a historical and social product, in which economic, social, institutional, cultural, political and environmental systems evolve simultaneously in the form of networks, based on factors of localization and their interrelationships. The territory is the concurrence of economic sectors, hence it is multisectoral; it is the concurrence of various dimensions of social life, hence it is multidimensional. And, because of these concurrences, the processes that take place there are multifunctional. The specificity of the rural territory is its strong reliance on natural resources as a factor of localization and dynamism.

Within this framework, poverty appears as a phenomenon of the relationship among economic, social and political systems. As occurs with other aspects of society, poverty is an interrelationship of these dimensions, of these networks, of their operation and functioning. If we ask ourselves what the determinants of poverty are using this approach, it is not possible to limit them to individual aspects.

The interpretation of the economy of a territory leads us to ponder the way in which the economic units of a capitalist system, based on individual private property and the satisfaction of individual consumers, and society and the territory as a whole build a complex system designed to maximize the individual and collective benefits simultaneously. This is the heart of the economic vision of the territory: individual benefits (private income), as well social or collective benefits (social income). As individual businesses, firms must generate private income and, in order to do so, optimize the resources they control. The territory, as a collective unit, must generate social income and, in order to do so, optimize the resources available within its borders, including its businesses.

To achieve maximum profitability, productivity must be optimized. There has to be a development policy for both private (individual) and social (collective) profitability, and the productivity of the firm or territory. Under the territorial approach, the objective of increasing production is tied to the objective of improving the well-being of the territory. This approach views poverty as the result of a failure to link these dynamics; poverty occurs when a dynamic private economy with high private income fails to generate social income or even destroys it. However, it is also the result of a poor dynamic of the private economy. Traditional policies and the dual vision of the economy and poverty have ignored this relationship between private income and social income.

In the final analysis, competitiveness is a profitability differential. Private competitiveness is the result of companies' productivity and their capacity to generate income. This competitiveness is determined by productivity. Thus, one of the most serious problems facing rural society is how to raise the productivity of the factors of production and remunerate each of them adequately. In this case, poverty is related to the productivity of labor and the mechanisms and ways of remunerating it.

A key component of a business's productivity is in the hands of its entrepreneurs: its ability to innovate, manage risk and integrate into markets. However, the conditions that the environment provides for its activity are another key aspect. This is determined by the localization of the business, i.e., by the conditions of the territory where the productive activity takes place. A favorable territorial environment has a defining impact on productivity. A number of studies have demonstrated that the factors in the environment are more important than the factors within the firm. The facilities that a territory provides to a given business activity - e.g., the physical infrastructure, the institutional framework, knowledge, the labor force and security - are known as systemic competitiveness and consist largely of the public goods available. In other words, a key part of the conditions required for a firm to be profitable and competitive depends on the public, collective effort.

Applying this reasoning to the territorial approach, we can say that the efficiency of businesses is determined by the conditions and opportunities offered by the territory. We could also say, however, that the competitiveness of businesses has a key collective dimension, offered by the territory.

The social effort that goes into creating systemic competitiveness is justified if the businesses based in the territory, in addition to their private profitability goals, contribute to social profitability. Every

After implementing structural adjustments to achieve growth, inequality has increased and, despite having made major progress, we continue to have growth with inequality and unemployment in countries where increasing the productivity of the labor force should be a development objective.

economic activity influences the environment in a particular way, be it by generating quality employment, conserving the environment, improving social relations or some other externality. Not all business activities influence poverty in the same way; indeed, there are some that may be efficient and profitable in private terms, but which generate poverty in the territory where they operate.

A competitive territory is one that offers systemic competitiveness and favors profitable businesses that have maximum positive externalities on the territorial environment where they are located. It is clear that the competitiveness of a given territory, reflected in high social profitability, depends on profitable businesses, which, in turn, depend on the public goods available in the territory.

A poverty alleviation policy cannot be premised on the idea that there is an efficient and dynamic private economy that has nothing to do with the social elements or poverty. Some would argue that the job of a minister of agriculture or of industry is to ensure that the respective sector is profitable, and that poverty must be tackled with social policies. This argument is totally at variance with the territorial approach. Put succinctly, the idea is that public policy should manage the public goods that lead to systemic competitiveness, in order to encourage the business activities that produce most social income, well-being and poverty reduction. In other words, poverty can be eradicated by nudging the productive system in the right direction, not by compensating its victims.

At the heart of this discussion lies the forbidden issue of multifunctionality. "Forbidden" because it is the argument used to justify the distorting subsidies that the developed countries apply to their agricultural sectors. Leaving this complex discussion aside, it is fair to say that all human activities are multifunctional, even more so if they are productive activities. There will always be indirect effects that affect society positively or negatively. What the territorial approach does is to reposition the issue of multifunctionality on the development agenda of our countries.

3. Public policy and poverty

As we have seen, the fact that business activities generate private profits and, via multifunctionality, certain externalities for the rest of society means that public policies should be designed to maximize social income, reflected in well-being, where overcoming poverty becomes a core objective.

Policymakers have a relatively standard set of instruments that are classified according to the role they play in each component of the model for managing the economy within the territory. In other words, under a model of territorial competitiveness (see Figure 2).

Public policies in a model of territorial competitiveness

For each of these elements there is a policy. We could call it a recipe book for policymakers from Patagonia to Mexico. What can a policy do? It can protect or subsidize production, provide training/technical assistance or introduce agrarian reform-capitalization-financing. Thus, successively, for each of these elements there are more or less standard policies: information-commercialization systems, productive alliances or absorption policies for chains, macroeconomic policy and policy for free competition, productive specialization, property rights, institutional modernization, social capital, infrastructure, supply, social services, knowledge, technology development, technology transfer, human development for the labor market, incentives for multifunctionality or direct subsidies… That is the "menu," that is the "basket."

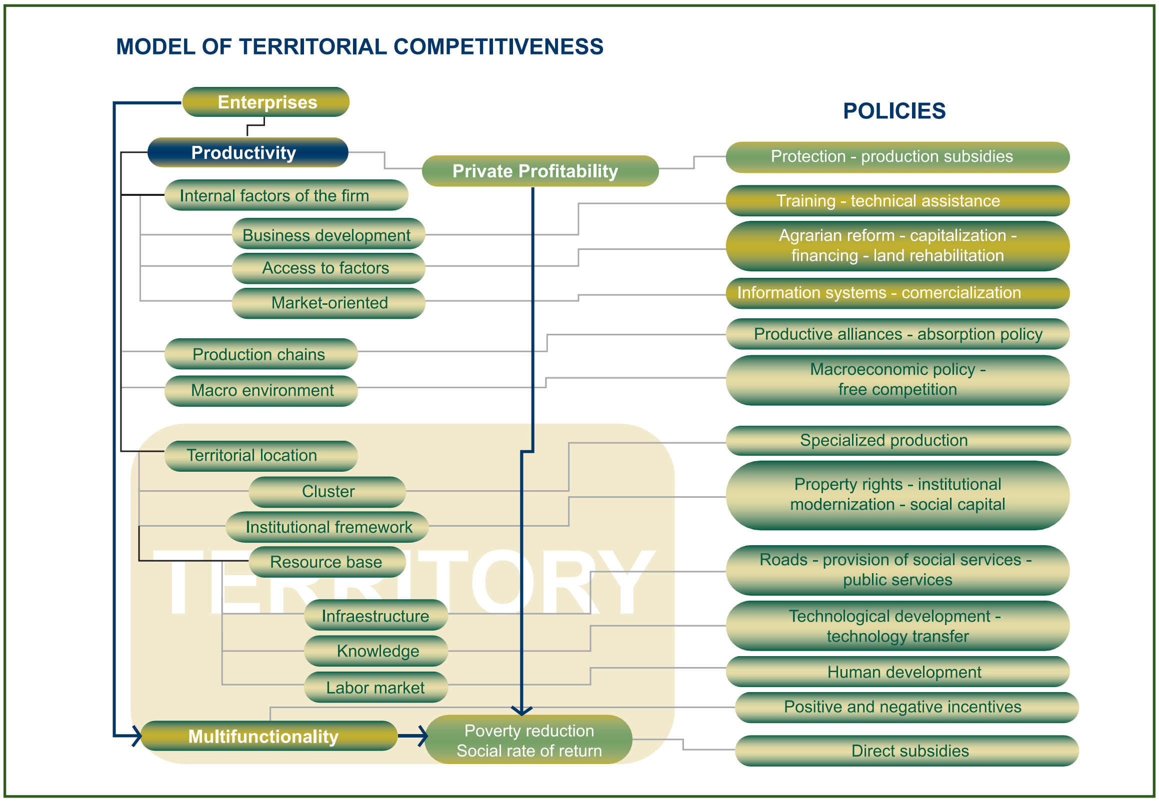
More important than the ways of implementing each policy and its management instruments and mechanisms is the composition of the basket and the priorities established. All may be used, but factors such as how they are applied, the objectives, the size of the investment in each one, the political weight of each one and the commitment determine whether a development strategy is successful. The model of territorial competitiveness makes it possible to establish the priorities and guide the application of policies.

Now the issue is what should we do? For example, IICA's Directorate of Sustainable Rural Development is constantly receiving requests for cooperation in this field, because we have made a big effort to disseminate the territorial approach. It has been taken on board but it needs to be implemented. The basket of policies for tackling poverty must be optimized, considering the new approaches.

The following table is an exercise based on the conclusions of various studies. We ask some questions about rural development policies: what is the policy's objective? What does the policy consist of? What impact does it have on poverty? What is its political cost? What is the fiscal cost? And, what policies are recommended? We are in for a few surprises.

Graph 1

Public policies in a model of territorial competitiveness



- Policies whose fiscal cost is high, or very high, and whose impact is low, or very low, in terms of poverty reduction, but which end up being implemented due to their high political cost/benefit; for example, due to pressure from organized groups. The cost of not implementing them is high, because the people behind them wield power.

- Policies whose fiscal cost is low, or very low, and whose impact is high, or very high, in terms of poverty reduction, but which end up not being implemented, or implemented only in a very limited way, because implementing them has a high political cost. The cost of implementing them can be high, as the people affected wield power.

- Policies whose fiscal cost is low, or very low, and whose impact is high, or very high, in terms of poverty reduction, and whose political cost is low. Basically, these are policies aimed at skills development. Many such policies are implemented, but haphazardly. Furthermore, the type of services they promote are not necessary for the most powerful groups, and the people who benefit most from them often have more immediate needs, because they are poor. Moreover, many such policies, while not having high fiscal costs, do have what we economists call high transaction costs.

- Policies whose fiscal cost and impact on poverty reduction are high or very high. These are policies that would form part of we might call a "Country Project," or a true poverty alleviation strategy with a long-term vision.

The policies chosen in any of these four categories reflect the priorities and forces driving public policies in a given country.

Políticies, poverty and recommended priority level

Policy objective	Policy	Impact on total rural poverty	Political cost/benefit	Fiscal cost	Recommeded priority level
Improve producers' profitability to offset lack of competitiveness.	Protection of foreign trade. Production subsidies.	**Very low** (Positive effect on rich and poor if they are well organized)	**High** (Creates pressure from organized groups in defense of their privileges; high costs for poor people)	**Very high** (High public investment, high cost for consumers)	**Low** (The most regressive strategy of all)
Improve the internal factors of rural enterprises to increase their productivity.	Training and technical assistance. Support for preinvestment.	**Very high** (Equipping small and medium-scale entrepreneurs with skills has a decisive effect on their inclusion in the modern economic dynamic)	**Low** (There is neither a lot of support for, nor opposition to, its application).	**Low** (Very cheap programs based on technical support).	**Very high** (Designed to integrate the poor into development, in a sustainable way).
	Endow producers with productive assets by means of subsidies: agrarian reform, land rehabilitation, subsidized credit.	**Low** (Evaluations of the long-term effects of these programs have nearly always been very negative).	**High** (There is a lot of pressure from the communities and politicians, since such policies are the classic mix of populism and aid).	**Very high** (Extremely expensive and their coverage is very limited).	**Low** (Not easy to stop doing it, but should be a low priority).
	Information systems and support for commercialization	**Very high** (A crucial aspect for a strategy designed to integrate the poor into the economy; without information, there are no markets).	**Medium** (Transparent information will always be politically attractive, but nobody will pressure very much for it).	**Very low** (Information systems are very inexpensive.	**Very high** (Should be an objective of the reorganization of the market).
Improve external factors (in the macro environment) of enterprises to raise their productivity	Macroeconomic policies Policies to guarantee free enterprise and the free market.	**Very high** (Macroeconomic stability is a determining factor in poverty, particularly via equity).	**High** (Powerful interests are involved and the fate of governments can be at stake).	**Medium** (Rather than fiscal costs, has enormous social benefits).	**High** (Should be a priority of any government).

Políticies, poverty and recommended priority level (Cont.)					
Policy objective	**Policy**	**Impact on total rural poverty**	**Political cost/benefit**	**Fiscal cost**	**Recommeded priority level**
	Regulate markets of production factors: land system, eliminate distortions in financial markets, promote land exchanges, regulate the leasing of land	**Very high** (Correcting the distortions, flaws and segmentations of factors markets is one of the most important areas in which the poor can be included, a way of overcoming the "law of the funnel")	**High** (Affects the interests of economic and political groups, particularly financial interests and landowners).	**Low** (Calls for regulation and political action, but no financial investment).	**Very high** (Is the true sign of political commitment).
	Productive partnerships to strengthen chains of value-added Harvest absorption policies	**High** (Competitiveness lies in value-added chain structures; the inclusion of the poor ensures an economy that will reduce poverty).	**Low** (There are no major pressures, even though a great capacity for negotiation is required).	**Very low** (If done well, involves no real fiscal cost).	**Very high** (Should form part of the necessary efforts to adapt the sector to international and national markets).
Improve external factors (in the immediate environment: territorial) of enterprises to increase their productivity	Promotion of *clusters* and specialization of production within the territory	**High** (Territories can be used to make individual producers more or less efficient, being "good neighbors" is obligatory, as production districts demonstrate today).	**Low** (There are no major pressures).	**Low** (Targeted, rather than additional investment, is needed).	**Very high** (An effort to transform the economic maps).
	Institutional framework: Land management, property rights, institutional modernization, decentralization, social capital, local cooperation.	**Very high** (The lack of democratic and efficient institutions places the poor, in particular, at a disadvantage and favors privileges and inequality).	**Medium** (Local interests will be affected, but a lot of support can be secured from many key sectors.	**Low** (It is a question of regulation and political leadership, not public investment).	**Very high** (Establishing institutions and social capital is recognized as being a key aspect of a poverty reduction strategy).

Políticies, poverty and recommended priority level (Cont.)

Policy objective	Policy	Impact on total rural poverty	Political cost/benefit	Fiscal cost	Recommeded priority level
	Infrastructure development : roads, (collective) productive infrastructure, commercial infrastructure, utilities.	**High** (Investments in the form of public goods, i.e., for all the people of a given territory, have the best impact on poverty).	**Low** (There will always be political support for the provision of public goods, especially local and regional support).	**High** (This is where most public investment is concentrated).	**Medium** (Despite its impact, the policy must be carefully sold and managed given the high investments required, so as not to end up making false promises).
	Technology development research and development, technology transfer.	**Very high** (Everything suggests that knowledge is the key factor in competitiveness, particularly in the case of small producers, where there is enormous scope for improving productivity).	**Low** (No major interests behind it, it sounds good to everyone. Its importance has not been understood and few politicians actually include it in their agenda).	**High** (If the goal is serious knowledge development, investment must be stepped up, but it must reach 2% of GDP).	**Very high** (Placing emphasis on serious technological development can be the determining factor in long-term success, although there is not much to show in the short term).
	Development of human resources for work and production: labor markets	**Medium** (The preparations for the work are of key importance, but it depends on the development of others factors; training can easily become a major source of frustration).	**Medium** (There are many pressures for training programs).	**Low** (The fiscal cost is relatively low, within a comprehensive job training strategy).	**Medium** (It is a strategy that should be followed once it has been decided how structural problems are to be solved).
Management of externalities and multi-functionality of the rural economy.	Environmental incentives, fair market.	**High** (Send signals and give rewards or punishments, so that companies and businesses generate benefits for everyone, not just the entrepreneurs. It is a key way to achieve equity - for example, by punishing negative environmental impact and rewarding job creation or organic production or social benefits).	**Low** (There will be no opposition, even though there is a new force that requests and supports them. Unfortunately, it is very small).	**Low** (Very low fiscal cost, unless tax incentives are involved, which should be handled very carefully, as an exception).	**High** (Forms part of a more modern policy vision).

Políticies, poverty and recommended priority level (Cont.)

Policy objective	Policy	Impact on total rural poverty	Political cost/benefit	Fiscal cost	Recommeded priority level
Improve the incomes and quality of life of the population.	ISocial infrastructure: health, education.	**High** (A precondition for harmonious development, understood as being a responsibility of the State).	**High** (There are political forces that defend it and it will always be a measure of the State's social commitment. However, without favorable economic conditions in the human development environment, it contributes little).	**High** (Undoubtedly accounts for the biggest slice of the public spending that concerns us).	**High** (A strategy should be shared by all sectors. It is one of the State's biggest responsibilities, as it must achieve cohesion between these policies and the rest, on behalf of the rural population).
	Direct subsidies, grants, food assistance and food security.	**Low** (In individual terms, has a clear impact; it is a key strategy for contingencies, extreme poverty, famines, disasters, etc., but unsustainable for the entire poor population; its impact has always been localized and unsustainable in the long run).	**High** (A populist strategy that secures electoral support and nothing more).	**High** (For real coverage and quality programs, high public spending is required).	**Medium** (Should be limited to exceptional situations).