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# Achieving success in rural development: toward implementation of an integral approach

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## Abstract

Starting from an analysis of the reasons for failure of previous “integrated” approaches to rural development, we propose here a conceptual framework for an “integral” approach better in tune with current opportunities for and constraints on rural poverty reduction. The approach is centered on the process whereby well-being is determined, linking household asset positions, the context where the assets are used, pathways from poverty through specific livelihood strategies, and well-being outcomes. This in turn identifies entry points for policies and programs to improve the well-being outcomes that consist in interventions to: increase access to assets, improve context, provide social protection, and achieve social incorporation of the rural poor.

*JEL classification:* R200

*Keywords:* rural poverty; rural development

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## 1. Why is it necessary to give increased attention to rural development to meet the Millennium Development Goals?

Rural development has been badly neglected by international development agencies, and this requires urgent redress if there is any chance that the Millennium Development Goals (MDGs) will be met. Neglect is best appreciated when contrasting the 25% share of the World Bank’s lending portfolio going to rural development to the 75% share of world poverty that is rural (World Bank, 2002). Not only is the number of rural poor worldwide three times larger than the number of urban poor (Figure 1), but the incidence (Figure 2) and the depth of poverty are also much higher in rural areas. Consequently, the first MDG of halving world extreme poverty and hunger by 2015 cannot be reached without a focus on rural poverty reduction. Rural areas also systematically lag behind urban areas in meeting the other MDGs that concern education, the status of women, child mortality, maternal health, the incidence of endemic diseases, and

environmental stress. To meet the MDGs, rural poverty and lags in rural social development need to be attacked directly, for which rural development must be placed much higher on international development agencies’ priority lists.

Why has rural development been so badly neglected when it is common knowledge that rural poverty dominates world poverty, and when combating poverty has become the top priority for most international development agencies? The answer is in part because past efforts at rural poverty reduction have had little success. Aggregate income growth, the main instrument for poverty reduction, has proven to be a weaker force for reducing rural rather than urban poverty (e.g., Figure 2 shows that the income elasticity of the incidence of poverty is  $-0.07$  in urban areas and  $-0.05$  in rural areas). For Latin America (Figures 3 and 4), these elasticities are  $-0.09$  and  $-0.06$ , respectively. The ratchet effect of economic booms and busts is consequently larger for urban than for rural areas (see Figure 5 for Mexico), with poverty in the former rising more steeply during recessions and falling more sharply during growth spells.

Hence, if growth is to be more effective in helping reduce rural poverty, the qualitative nature of growth

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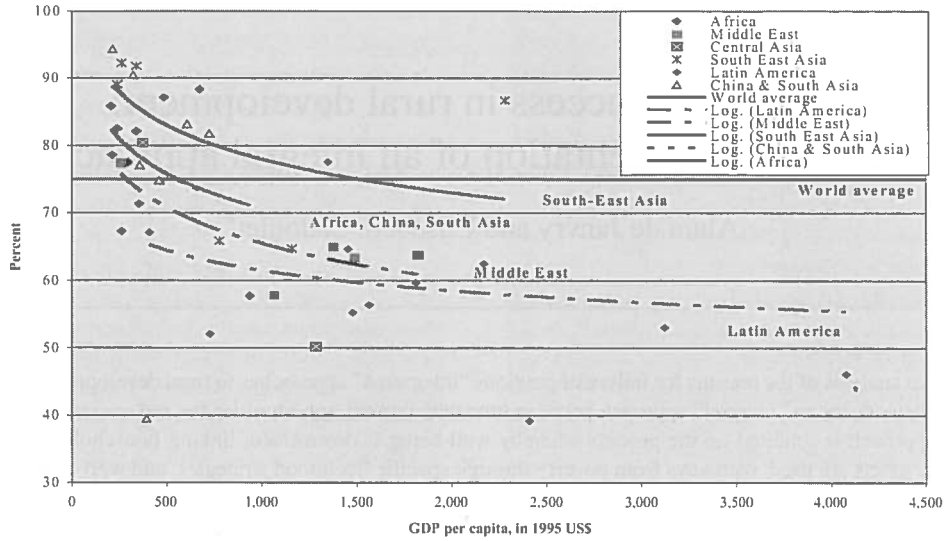


Figure 1. Percentage of total poverty that is rural, by regions.

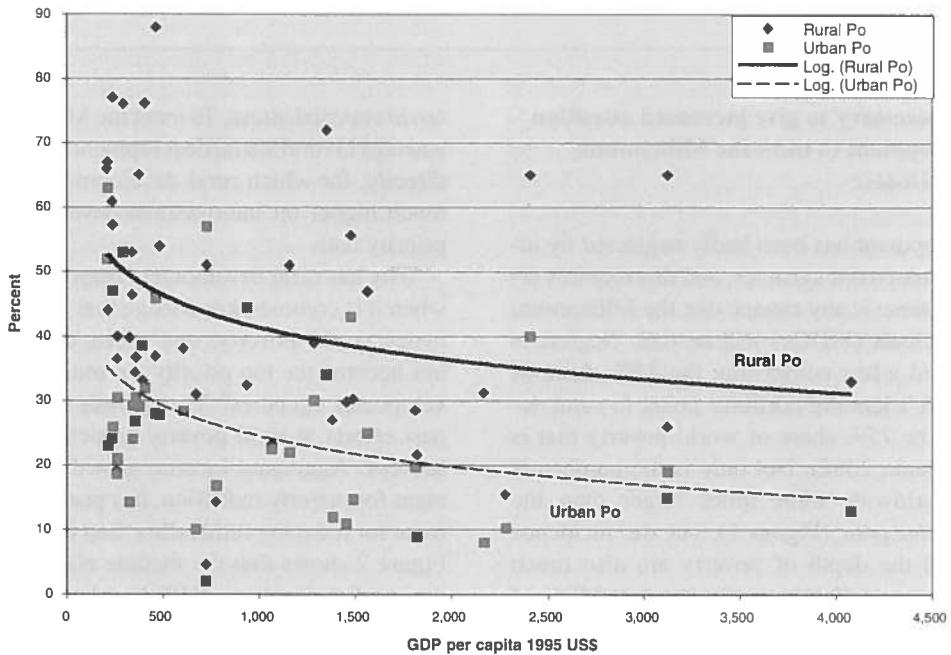


Figure 2. World rural and urban poverty.

needs to be modified. This issue is discussed in this paper, with consideration for the regional dimension of growth, i.e., ensuring that it reaches the areas where the rural poor are located. In addition, the decline

observed in the share of total poverty that is rural as income per capita rises (Figure 1 for the world and Figures 3 and 4 for Latin America) has not been due to success in raising rural incomes faster than urban

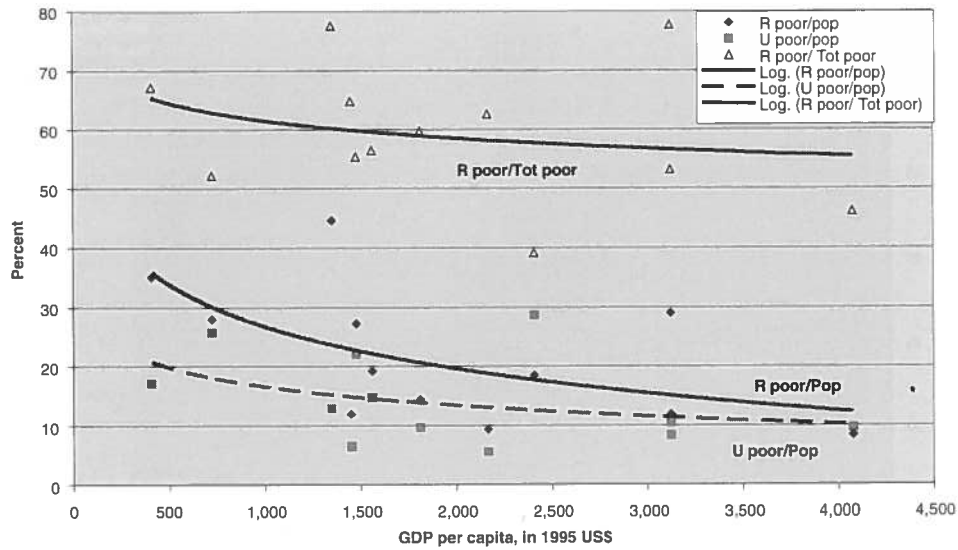


Figure 3. Latin America (number of rural and urban poor as shares of total population). Countries: Bzl, Col, CR, DR, Ec, El S, Guat, Nica, Pan, Para, Peru.

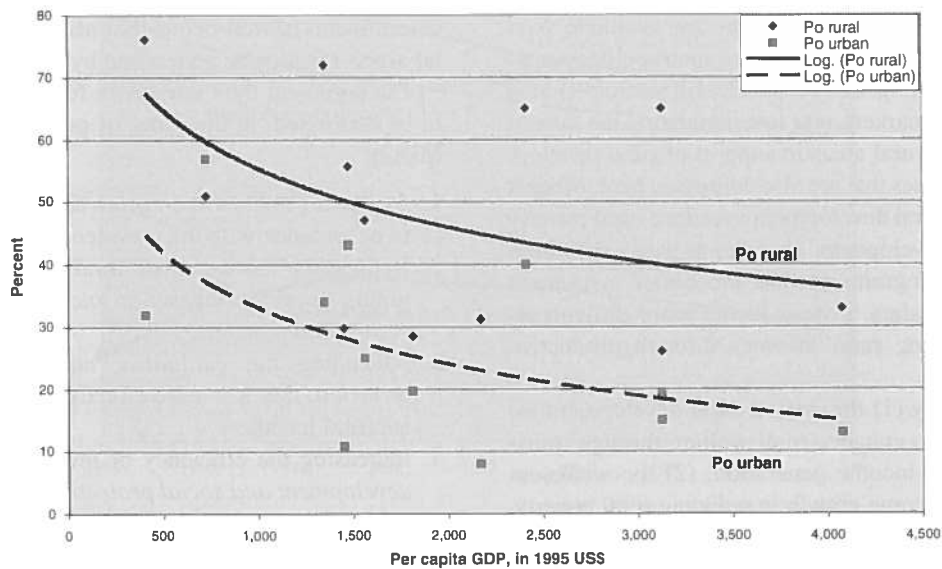


Figure 4. Latin America (incidence of rural and urban poverty).

incomes, as much as to migration to urban areas. This is because migration to the metropolitan areas of ill-prepared rural migrants has generally only contributed to displacing poverty to the urban sector. This role of migration can be seen in contrasting the more rapid

fall in the number of rural than urban poor (Figure 2) while the incidence of poverty falls by much less in the rural than in the urban areas. This is indeed an important reason why the number of urban poor is rising faster than the number of rural poor (see Figure 6

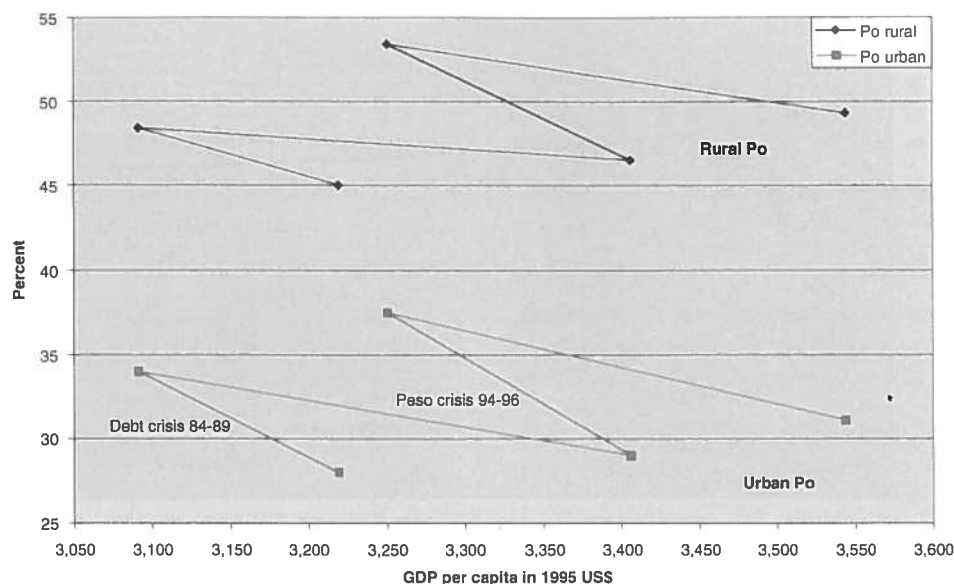


Figure 5. Mexico: Poverty (Po) and the ratchet effect of economic crises.

for Central America where data are available over time). Reducing migration toward metropolitan areas, preparing rural migrants for successful participation in regional labor markets, and functionalizing the flow of remittances to rural areas in support of rural development are all issues that are also addressed here. Modest success with rural development to reduce rural poverty has induced development agencies to partly shift their anti-poverty programs toward the easier instrument of welfare transfers, instead of the more difficult attempts at raising rural incomes through productive activities.

It is precisely (1) the drift in rural development toward seeking to enhance rural welfare through transfers instead of income generation, (2) the weakness of aggregate income growth in reducing rural poverty, and (3) reliance on migration to the metropolitan areas as the main instrument to contain rural poverty, that need to be corrected. Income generation by the rural poor themselves needs to be placed squarely back on the poverty reduction agenda to achieve the MDGs. In addition, social expenditures in education, health, and the status of women need to be both increased in rural areas to reduce the gap with urban areas, and made more efficient to be competitive in qualifying for aid budgets. Not only are these expenditures important

determinants of well-being, they also create fundamental assets for income generation by the poor.

The argument thus starts with four issues that need to be addressed, in the order of priority, to reach the MDGs:

1. *Increasing the attention* given to rural development in accordance with the prevalence of rural poverty.
2. Redressing the thrust of rural development programs toward emphasis on *income generation* as opposed to transfers.
3. Amending the *qualitative nature of economic growth* so that it is more effective in helping generate rural incomes.
4. Increasing the efficiency of investments in *social development and social protection* in rural areas.

## 2. Why have past approaches at integrated rural development not been more effective?

Rural development flourished in the 1970s and 1980s, in part under the leadership of the World Bank and USAID, following the approach of what has been referred to as "Integrated Rural Development." This approach mobilized the public sector to deliver services to the rural poor, trying to integrate the many

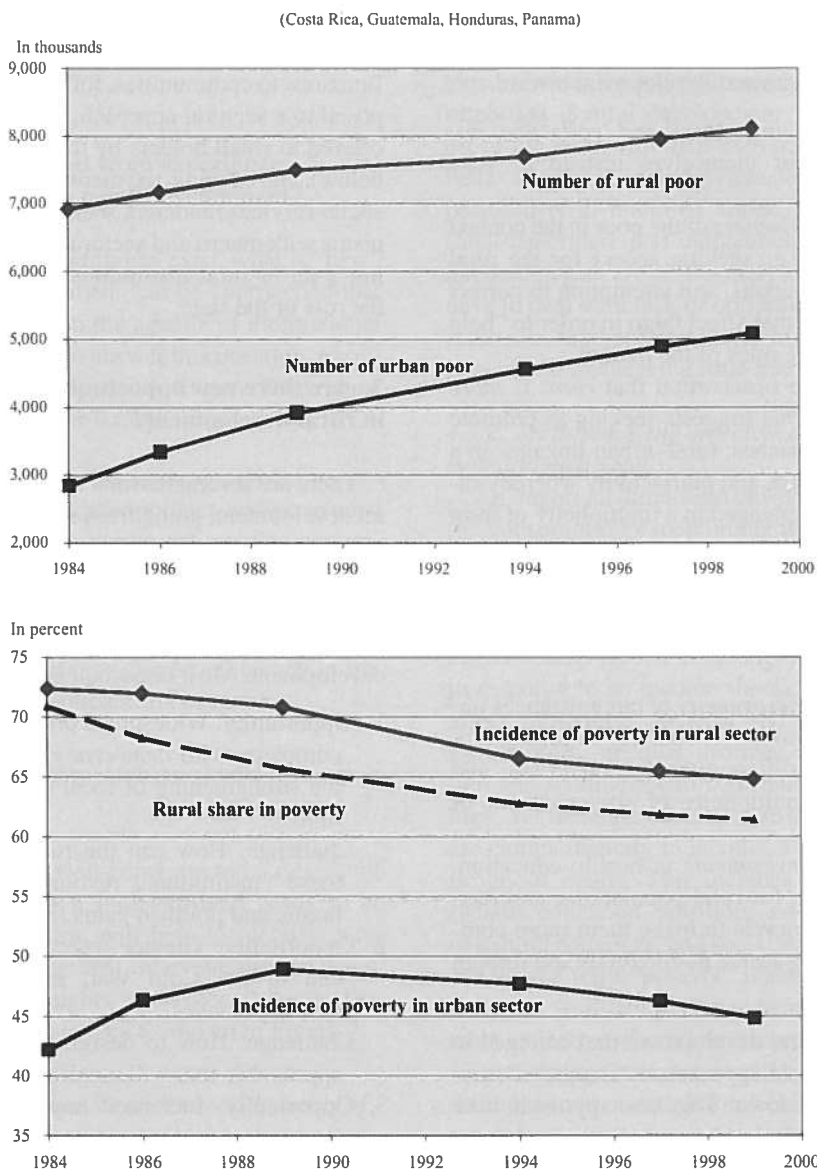


Figure 6. Poverty in Central America (Costa Rica, Guatemala, Honduras, Panama).

public services required for poverty reduction through the role of an implementation agency. It principally focused on agriculture, seeking to extend to small farmers the benefits of the Green Revolution.

This approach met with limited success, as the results have generally not been sustainable beyond the

end of state support. The approach itself was made dysfunctional by a decline in the role of the state and in the size of public budgets following structural adjustment. Difficulties with the approach led to a drift in attacking rural poverty toward welfare transfers instead of income generation and social development.

Important lessons were, however, learned from the experience with integrated rural development, including the need to reorient rural development toward:

- Relying more on *individual and collective* initiatives of the poor themselves instead of state tutelage;
- Achieving *competitiveness* of the poor in the context of market forces, i.e., seeking access for the rural poor to dynamic markets, and attempting to correct the market failures that affect them in order to “help the poor play by the rules of the market”;
- Capitalizing on the observation that *rural is more than agriculture*. This suggests seeking to promote multisectoral approaches, rural–urban linkages in a territorial perspective, and pluriactivity whereby rural households are engaged in a multiplicity of farm and nonfarm activities;
- Placing rural development efforts in the context of supportive *international and macro* policies, as opposed to the traditional urban policy bias denounced by Lipton (1977);
- Recognizing the *heterogeneity* of circumstances under which the rural poor operate, requiring approaches that are differentiated, demand-led, and that allow for a multiplicity of strategies out of poverty;
- Increasing *social investments* in health, education, and women’s status for rural populations, and raising their *efficiency* levels to make them more competitive in attracting scarce public funds and foreign aid budgets.

The approach to rural development that emerged in the 1990s turned the old approach of “integrated rural development” upside down. This new approach, here termed “integral rural development,” evolved from practice, through experimentation with rural development projects organized by pioneering organizations such as IFAD, the Inter-American Foundation, and innovative NGOs. It was recently adopted and perfected by the World Bank (2002), the Inter-American Development Bank (2004), the Inter-American Institute for Cooperation in Agriculture (2003), and INRA/CIRAD (2001). This approach is still largely experimental and incompletely defined. It is a process as opposed to a blueprint, characterized by pragmatic adaptation to local conditions, yet resting on several fundamental principles that contrast it to the “integrated” approach, most

particularly in emphasizing decentralization, participation and collective action, devolution of managerial functions to communities, following a territorial as opposed to a sectoral approach, pursuing the advantages offered to small holders by the “new agriculture” (see below), introducing payments for environmental and social services rendered, seeking coordination mechanisms with macro and sectoral policy, and reconstructing a set of rural institutions following de-scaling of the role of the state.

### 3. Are there new opportunities for success in rural development?

There are several reasons why a new approach to rural development, going from integrated to integral, has a chance to succeed in helping meet the MDGs. Opportunities come from major changes that have occurred in the last 10 to 15 years. Each of the opportunities in turn poses specific challenges for success in rural development. Most important are the following five:

1. Opportunity: Widespread progress, even if far from complete, with *democracy, decentralization*, and the strengthening of local civil society *organizations*.  
Challenge: How can the rural poor capitalize on these “institutional revolutions” to secure economic and political gains for themselves?
2. Opportunity: Greater *freedoms*, gained with the end of the Cold War, in experimenting with new approaches.  
Challenge: How to design experiments with new approaches that will maximize learning?
3. Opportunity: Increased importance given by the international community to *environmental* problems.  
Challenge: How to use the concern for the environment in support of rural development, in particular in order to secure transfers of funds toward rural areas?
4. Opportunity: Modest increases in *foreign aid budgets*.  
Challenge: How to make a convincing case in directing these additional resources toward rural development?
5. Opportunity: *Steep learning curve* with elements of an “integral” approach to rural development.



Challenge: How to use what has been learned in localized success stories for design and scaling up?

#### 4. What have we learned from experience with new approaches to rural development?

So, while greater opportunities exist, what is “new” about how rural development can be approached that justifies putting it high on the agenda of international development agencies? To answer this question, a conceptual framework is proposed in Figure 7 that must address the following four issues:

- (i) Explain the determinants of rural well-being.
- (ii) Identify the entry points (policies and programs) for rural development interventions that can improve well-being.
- (iii) Identify the processes through which pro-poor rural policies and programs are determined.
- (iv) Identify instruments for greater efficiency in implementing these policies and programs.

##### 4.1. The process through which rural well-being is determined

If the levels of rural well-being are to be raised, the process through which it is determined needs to be understood. This, in turn, will help to identify entry points that rural development interventions can use to alter outcomes toward higher levels of well-being. This process can be conceptualized as shown in Figure 7.

##### 4.1.1. Rural poverty must be understood in terms of the behavior of the actors involved: the rural poor and their organizations

Rural households are endowed with assets that establish their capabilities. In turn, the levels of well-being they will achieve with these assets depends on the opportunities and constraints offered by the context in which they operate. Behavior in using assets may be individual, or it may be collective. It is always influenced by the behavior of others, both poor and nonpoor. The purpose of rural development will be to change the capabilities (assets) and the opportunities and constraints (context) that determine the well-being outcome. The cornerstone for the formulation of any

approach to rural development is thus an understanding of the actors and how they define their livelihood strategies individually and collectively. This is particularly important if rural development is to reach the poorest of the poor with their own particular idiosyncratic behaviors. This includes female-headed households, pastoralists in marginal zones, forest dwellers, artisanal fishermen, and indigenous people. Their livelihood strategies are all the more complex because they have to deal with lack of opportunities, marginal environments, market failures specific to them, and precarious conditions leaving little margin for error.

##### 4.1.2. Well-being, the objective of rural development, is multidimensional

An important dimension of well-being is income and the consumption expenditures that it affords. Insufficient income (income below a poverty line) implies poverty. Uncertain income implies vulnerability, often with irreversible consequences, such as the fire sale of productive assets, or taking children out of school in response to an income shock, or hunger spells that affect subsequent physical and mental development. Furthermore, unequal incomes undermine participation and willingness to contribute to social undertakings. Yet there are other dimensions to well-being that are complementary to income, and are more of a public goods nature. This includes human development (health, education, nutrition), sustainability in the use of natural resources, and social status and rights. In this article, the term “poverty” is reserved for the income deficit in well-being, and reducing it should be a primary objective of rural development. Improving overall well-being, however, implies balance in raising the different components that define it. Successful rural development thus requires an integral perspective on the different dimensions of well-being, seeking, in particular, interventions that will achieve joint gains in more than one dimension (e.g., productivity, sustainability, and health by means of technological innovations in agriculture).

##### 4.1.3. Household assets are highly heterogeneous and yet complementary

Following the livelihoods approach, a household’s asset portfolio determines its capability to generate income. These assets are multidimensional, implying both complementarities among assets and a

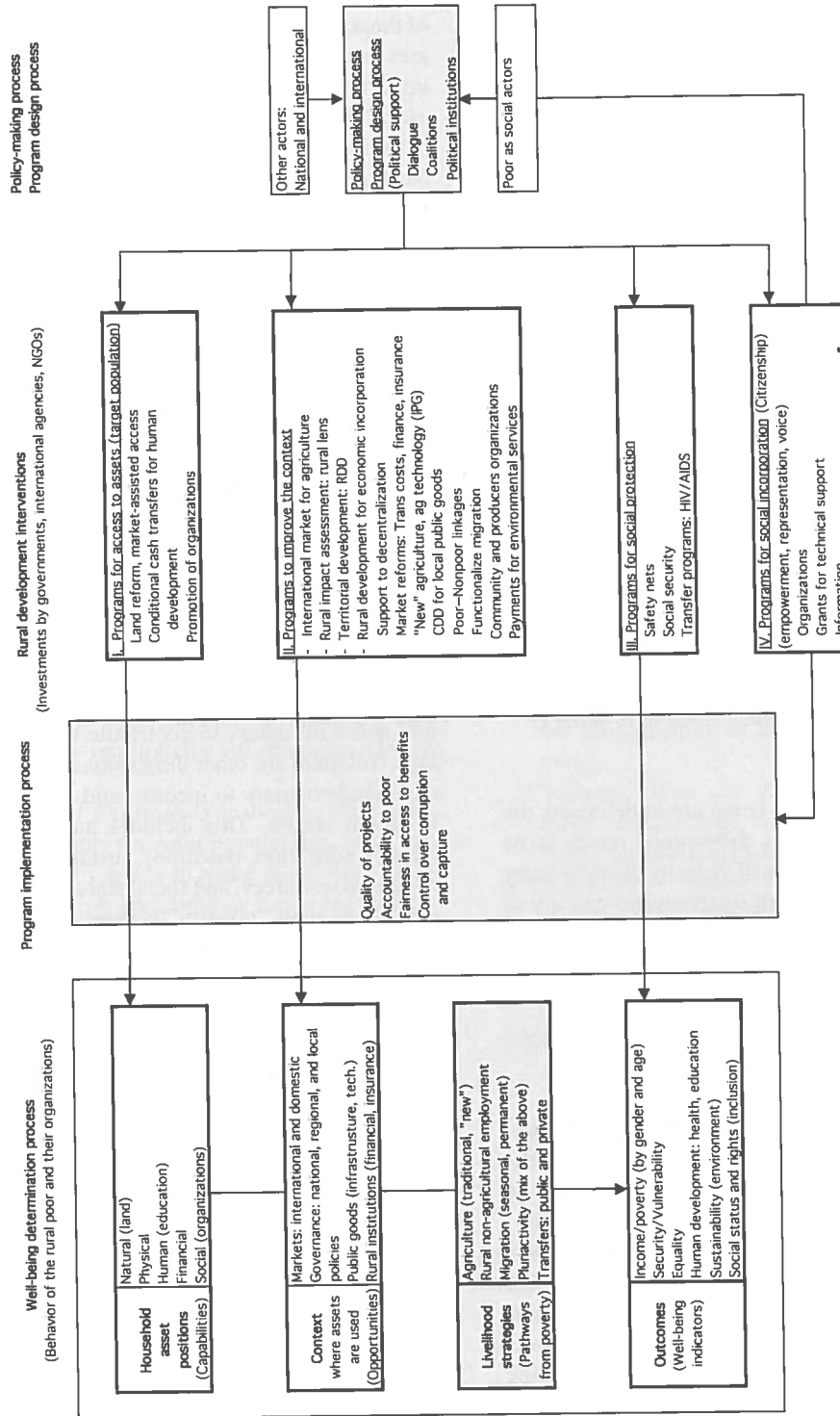


Figure 7. Conceptual framework for integral rural development.

multiplicity of entry points for rural development programs aimed at increasing asset positions. Assets include natural capital (land, water, trees), physical capital (tools and equipment), human capital (education and skills), financial capital (liquid assets such as livestock and bank deposits), and social capital (relations of trust with others and membership in organizations). Asset positions need to be assessed by gender and age, as household endowments may be unequally accessible for members, women and youth in particular. Heterogeneity of asset positions implies differential abilities to respond to opportunities across households and individuals. Hence, any specific policy reform will have a widely differentiated incidence across categories of rural poor. A key feature here is that poverty is due to lack of access to assets, most particularly land and education. Getting these households out of poverty thus requires either increasing their access to land or diversifying their activities off-farm, for which education is key. It is indeed a distinguishing feature of the rural poor that their sources of income tend to be highly diversified, combining agriculture with off-farm activities.

#### 4.1.4. *The income generation value of assets depends on the quality of the context where they are used*

Good asset endowments in an unfavorable context will not help households escape poverty. Access to land, for instance, is only effective in getting households out of poverty if their competitiveness can be secured, which depends on the nature of the markets, institutions, public goods, and policies where they operate. Important aspects of context that determine the well-being value of asset use include:

- The international price level for tradable agricultural commodities, affected in particular by OECD farm policies and trade protection between developing countries;
- The national policy environment, both macro (growth, real exchange rate) and sectoral (trade policies, subsidies);
- The nature and quality of governance at the national and local levels;
- Public goods such as agricultural research and extension services, and infrastructure;
- The performance of markets, particularly in terms of competitiveness, transactions costs, and constraints

on access for the poor, including markets for the assets they hold;

- Rural institutions such as financial services and community organizations for service and mutual insurance.

This multidimensionality of context implies, again, complementarities and a multiplicity of entry points for rural development programs aimed at increasing the productivity of the assets used by the poor.

#### 4.1.5. *There are several pathways from poverty*

Finding a way out of rural poverty can be achieved by traveling along several alternative pathways. Most frequent has been *migration* of the rural poor to the urban environment. If these migrants are not prepared or able to compete on the urban labor market (where education is key), this may only result in displacing poverty from rural to urban environments. *Agriculture* offers a second pathway. What is important here is not farming of traditional staple crops on small expanses of land that will never generate enough income to erase poverty, but opportunities offered to smallholders by the “new agriculture.” It consists of producing high value-added crops, seeking remunerative market niches, pursuing quality and food safety, relying on certification and labeling of products, seeking contracts with supermarkets, agroindustries, and agroexporters, adding value by moving up the marketing chain, etc. A third pathway from poverty is through *off-farm activities*, including employment in small and medium enterprises, self-employment in microenterprises (e.g., cultural industries), and remittances from household members.

Combining agriculture (in particular, the production of staple crops on small plots of land to secure home consumption) and off-farm activities leads to the pervasiveness of *pluriactivity*. This is particularly important in the least well-endowed regions where the “new agriculture” has low potential. Pluriactivity offers many advantages to participating households: while individual household members tend to be specialized in one activity, the household as a totality is a diversified enterprise, engaged in a portfolio of activities that reflect each member’s comparative advantage while together providing risk diversification. Finally, *transfers* also offer a pathway from poverty, especially for those unable to work or exposed to uninsured shocks. This multiplicity of pathways from poverty also means that

rural development interventions provide opportunities out of poverty, and pursue diverse and multiple strategies. This is why a territorial approach to rural development that goes beyond a sectoral focus on agriculture and, instead, seeks success along all possible pathways from poverty has greater potential.

#### *4.2. Entry points for investing in integral rural development*

How can this approach help define entry points for investments in rural development? The conceptual framework in Figure 7 identifies four entry points. Each of these, in turn, suggests an array of investments that can help reduce rural poverty. The key is to maintain an appropriate balance between investment types in accordance with particular situations. In general, however, the suggestion is to increase investments in programs that promote income generation and social development, while reducing programs that seek to address poverty through cash transfers to individuals with the capacity to work.

##### *4.2.1. Entry Point I: Programs to increase access to assets*

Among the multiplicity of assets that sustain livelihood strategies, only three that are particularly important for rural poverty are discussed here: land, education, and social capital.

*4.2.1.1. Land.* Programs to increase access to land for the rural poor, and improve the security of access to land (through granting formal titles or recognizing informal rights to individuals or to communities), are both fundamental and controversial. Lessons learned from recent experiences indicate that there are many alternative strategies that can be followed to promote access to land in support of rural poverty reduction (Deininger, 2003). For instance, many countries have introduced constitutional constraints on land use, requiring minimum thresholds of land productivity or imposing ceilings on land ownership. Farms that do not satisfy these requirements are subject to expropriation. This is, for example, the legitimacy advocated by the MST (Landless Movement) in Brazil in invading large underused estates. Other countries such as Bolivia have tried to revisit the legality of properties with dubious land titles, seeking in this fashion to reclaim

large expanses of land that could be distributed to the poor. Remaining public lands (Venezuela) or quotas of lands improved by public irrigation projects (Dominican Republic) can also be used for land settlements. Finally, several countries have pioneered subsidies to land market transactions, favoring access to land for the poor. Large programs have been put in place in Brazil, Colombia, South Africa, and at a smaller scale in many countries through land funds, sometimes managed by NGOs. These programs are still at early stages and in much need of experimentation and evaluation. However difficult to achieve, historical experience shows that access to land is, relatively, the easy part in attempting to reduce rural poverty through land reform, while securing the sustainable competitiveness of beneficiaries is by far the harder task. This is why so many hard-fought land reforms have been effective in promoting access to land, but not in reducing poverty.

*4.2.1.2. Rural education.* Poverty is inherited if poor parents do not educate their children and do not provide them with good health and nutrition. To break this vicious cycle of inheritance of poverty, many countries have introduced conditional cash transfer programs, where poor parents (usually mothers) receive payments in exchange for sending their children to school and to health visits (Morley and Coady, 2003). Programs of this type are in place in Mexico (Progresá), Brazil (Bolsa Escola), Honduras (PRAF), Nicaragua (RPS), Argentina, Costa Rica, Jamaica, Colombia, and Turkey. These programs have been successful in enhancing school achievements, but they are expensive, largely because they are targeted at the poor without further selection criteria. This is inefficient because many of the poor can afford to send their children to school. As a consequence, it is better to target transfers to maximize educational gains, choosing as beneficiaries children most likely to start going to school (when they were likely not to go) or to stay at school (when they were likely to drop out) thanks to the transfers. This is important to make human development programs more efficient, one of the fundamental requirements in attracting larger foreign aid budgets.

*4.2.1.3. Social capital.* Organizations support collective action whose purpose is to service members in a context of market failures, the development of joint enterprises for income generation, acquiring market

power, gaining political representation, accessing information, and obtaining training. Programs in support of the development and improved performance of organizations are the cornerstone of an integral approach. A major challenge is to transform organizations that were created by the state or by donors for the appropriation of rent into organizations for the generation of value. Another challenge is to balance the advantages offered by the traditional community for trust, solidarity, and reciprocity with the requirements of effective organizations in democratic leadership, professionalism, and capacity to absorb external influences. Assuming that traditional communities can alone sustain devolution programs and provide the basis for effective producers' organizations has all too often been proven wrong (Abraham and Platteau, 2002). At the same time, traditional community organizations, if they do not stifle the emergence of producer organizations, can help the latter be more successful if they are effective in the provision of mutual insurance, public goods, and the management of common pool resources.

#### *4.2.2. Entry Point II: Programs to improve the quality of the context where assets are used*

This is, of course, a huge work agenda, but it has to be prioritized in the purposeful perspective of enhancing the well-being generation capacity of the assets held by the rural poor. Four aspects of the context that are most important as components of an integral approach to rural development are mentioned here.

*4.2.2.1. International market for agriculture.* Even from the perspective of integral rural development that takes a territorial as opposed to a sectoral approach, agriculture remains the main source of income for the poor in most rural regions, either directly as farmers or indirectly as workers or entrepreneurs in activities linked to agriculture. Yet, the profitability of agriculture worldwide is being undermined by trade restrictions on the markets of OECD countries and by the huge subsidies given to their farmers. Agricultural trade is also restricted by protection on developing country markets. Clearly, rural development and rural poverty reduction cannot succeed under these conditions. These price distortions should be eliminated, and the Doha negotiations should be conducted from the perspective of making agricultural policies in the

industrialized countries consistent with the MDGs. In the transition toward a new world order for agriculture, developing countries' peasantries need to be given protection and subsidies so that market distortions do not result in their premature elimination, clearly for the wrong reasons and at enormous human and efficiency costs.

*4.2.2.2. Rural impact assessment.* Rural development initiatives and agricultural policies are often contradicted by other policies affecting the exchange rate, interest rates, the pricing of industrial goods, and effective demand for rural goods. It is thus important to secure consistency between macro policy and rural development. A useful concept for this is the Canadian practice of "rural lens," whereby any national policy initiative must be scrutinized from the point of view of its potential impact on rural areas and the well-being of rural people. This is important to elevate concerns with rural development in the national policy agenda. Many costly investments in rural development have simply been wasted because they were contradicted by policy initiatives in other sectors of economic activity.

*4.2.2.3. Territorial development.* It is widely agreed that economic growth is essential for poverty reduction, yet aggregate economic growth has had a modest impact on rural poverty other than through migration to the metropolitan areas. This is because growth all too often does not create new opportunities in the regions where the rural poor are located. Endowing the poor with assets is of no consequence to rural poverty if they are not located in a context where growth offers them new employment and investment opportunities. This is the purpose of regional (territorial) development. While extensive in the 1990s, decentralization has almost exclusively been pursued at the municipal level, a unit of decision making appropriate for the delivery of public goods and the targeting of social expenditures, but not for the promotion of income-generating strategies. For this, larger economic regions are needed. The dynamics of growth in their rural hinterlands is importantly based on the intensification of rural-urban linkages centered on secondary cities. Indeed, in many countries a reconsideration of decentralization in support of economic projects is observed, seeking to either define regions administratively or to promote the formation of associations of municipalities for the

implementation of specific economic projects in the corresponding territory (e.g., a watershed development project that cuts across municipalities, or the promotion of regional specialty products in localized agricultural systems). To be successful in their economic initiatives, territories need to endow themselves with institutions for three functions:

- Institutions for *consultation and coordination*: regional development councils or roundtables that include all segments of society in the region, i.e., public, corporatist, and nonprofit.
- Institutions for *planning*: bureaus for the identification and strategic creation of comparative advantages, the planning of public investments, etc.
- Institutions for *promotion*: regional chambers of commerce, etc., that function, in part, to develop the region's corporate image, promote culture, define quality products, seek certification and labeling, and advertise regional specialties.

It is only if these regional employment and investment opportunities exist that rural development can be effective in assisting the poor to benefit from these sources of income. This more decentralized regional growth pattern may have a cost when compared to centralized growth in the metropolitan areas, yet it may be the opportunity cost that has to be incurred to increase the poverty reduction capacity per point of economic growth. The quality and quantity of growth thus needs to be reconsidered for maximum aggregate poverty reduction, including rural poverty.

*4.2.2.4. Rural development for economic incorporation.* Once regional development creates investment and employment opportunities, poverty reduction requires rural development as a set of interventions to help the rural poor seize at least part of these opportunities. There are some important principles for success in this, derived from the practice of integral rural development programs.

The first is that many markets fail the poor, preventing them from deriving full benefits from the assets they control. The most notorious are:

- High transactions costs on product and factor markets associated with distance, poor infrastructure, imperfect information, and lack of market power;

- Lack of access to credit due to collateral requirements by commercial lenders and lack of public credit histories in gaining access to loans from microfinance institutions;
- Extensive noninsured risks implying the need to engage in costly risk management at the opportunity cost of reduced expected incomes; and
- Missing markets for environmental services delivered by rural people, including watershed management, biodiversity conservation, and carbon capture.

Overcoming these market failures requires institutional innovations such as service cooperatives, microfinance institutions and credit bureaus, mutual and regional insurance schemes, and payments for environmental services.

The second is to use the potential offered by the *new agriculture* to derive higher value added from limited land resources, one of the fundamental defining characteristic of rural poverty. Some of the main principles of the "new agriculture" are the following:

- Seek to identify *dynamic market opportunities* as the driving force in choosing investment priorities: export markets, market niches, demands derived from linkages with dynamic local activities (e.g., tourism).
- Apply *frontier technology* to peasant farming systems. Because most of these technologies are global or regional public goods, they need to be delivered by international organizations such as the CGIAR and its associated national partners.
- Focus on crops and animals with *high value added* per hectare and capture additional value added in moving up in the product chain toward transformation and marketing.
- Seek *higher prices* through quality, food safety, certification (organic, fair trade), and labeling.
- Sell *environmental services* through contracts (watershed management for water and soil erosion, biodiversity, carbon capture) or the competitive sale of environmental goods and services (ecotourism).
- Seek production *contracts* with supermarkets, agro-industry, and agro-exporters.

The third is to use *demand-led approaches*, where the rural poor, their organizations, and their communities are offered "choice and voice" in identifying and managing the investments in public goods and services

best meeting their perceived needs and opportunities. This is the Community-Driven Development (CDD) approach pioneered by IFAD and widely implemented by the World Bank. Finding effective ways of enabling communities to perform these functions while avoiding capture of benefits by local elites, scaling up successful programs, and accelerating disbursements remain important challenges that require experimentation. To support the emergence of new income-generating opportunities, demand-led approaches must be extended to the regional level, in Region-Driven Development (RDD) programs.

The fourth important principle is to seek *maximum linkages between the poor and the nonpoor*. While the targeting of welfare transfers should try to maximize exclusion of the nonpoor, the targeting of income-generating programs should maximize linkages to the nonpoor, so the poor benefit from the nonpoor's superior capacity to identify new markets, take risks, negotiate contracts, explore new technological alternatives, and exercise influence. The Petrolina development in Brazil (Damiani, 2002) is an excellent example, where the nonpoor opened distant markets and negotiated contracts with distributors for the fruits and vegetables they and the poor produce. Poor/nonpoor associations can be obtained through joint ventures, subcontracts, and more simply, employment opportunities in the local businesses of the nonpoor, likely the safest and easiest option out of poverty for those with limited entrepreneurial skills and social capital. To avoid exploitation by the nonpoor, organizations of the poor are important to help them develop countervailing power and appropriate a fair share of the value created through these associations.

The fifth important principle is to functionalize *migration* in support of rural development. Rural-urban migration is a necessary aspect of the "agricultural transformation," since the population engaged in agriculture needs to decline as GDP per capita rises, a process that has been important in holding in check rural relative to urban poverty. This powerful force needs to be functionalized for rural development in the following four dimensions:

- Assist rural areas release *prepared individuals* for urban employment, so that migration does not displace poverty to the urban centers, but to the contrary

is an integral component of an aggregate poverty reduction strategy;

- Help migrants find employment in their *regions of origin* through regional development, as opposed to leaving them with no options but to migrate to metropolitan areas or abroad;
- Channel *remittances* toward local investment, e.g., through the capitalization of local banks and lending locally on the basis of reputation;
- Make migrants *agents of local change* by promoting linkages between migrants and their communities of origin through clubs, the flow of ideas for new initiatives, and subcontracts with local entrepreneurs.

#### 4.2.3. Entry Point III: Transfer programs for social protection

Many individuals are unable to generate income due to age, disabilities, and disease, or are the victims of uninsured income shocks. Only transfers can help them escape poverty. *Safety nets* are consequently essential, and are in much need in developing countries. Largely missing, for example, are unemployment insurance schemes while developing economies are typically highly unstable, exposing individuals who have little ability to withstand risk, to bear all the costs of absorbing income shocks. Helping the rural poor reduce the need for risk management can be an important source of higher expected incomes in their economic activities. Programs to provide insurance include guaranteed employment schemes and safety nets put into place *ex ante* relative to the incidence of risk.

*Social security* schemes for rural areas, which are largely missing in most of the developing world, are not only important sources for welfare gains for the elderly, but they can create major efficiency gains. This is because they allow reduction of private welfare transfers from young to old, which compete with productive investments, and they allow intergenerational transfers of land at a younger age, serving to combat the generalized phenomenon of aging among rural entrepreneurs.

Finally, *transfer programs* are essential for categories at risk, such as orphans from deceased parents due to the HIV/AIDS pandemic. What is wrong, however, is to use cash transfer programs as a way of reducing poverty among populations perfectly fit to work. Yet, this has increasingly been done in an attempt to

reduce rural poverty because transfers are easier to organize than income generation programs. Transfer programs need to be expanded, but not as a substitute for income generation programs for those who can work, the "old way" of getting out of poverty. International organizations must not yield to facile approaches. To return to the "old way," they need to have on board people with the technical skills to help respond effectively to local demands for sustainable income-generating projects, the essence of integral rural development.

#### 4.2.4. *Entry Point IV: Programs to promote the social incorporation of the poor*

In the end, the only sustainable way of reducing rural poverty is to make the rural poor be their own agents of change. This requires social incorporation, the process of acquiring full citizenship rights and the ability to be represented, to voice demands, and to bargain for better deals, both in the market and in the political arena. Promoting social incorporation as the cornerstone of an anti-poverty strategy is probably the most important difference between integrated and integral rural development. For the rural poor, who have historically been the most voiceless and the least represented segment of civil society, this is a sharp departure from their past status. This requires the promotion of *organizations* representing the rural poor, owned by them, and servicing their needs. Rural development programs can be specifically designed to seek the emergence and to enhance the effectiveness of these organizations, both at the local level and in high-level organizations. Innovative projects of this type have been pursued by IFAD, and more recently, by the World Bank (e.g., CLCOP [Cadre Local de Concertation des Organisations de Producteurs/Local Committee for Coordination of Farmers' Organizations] in Senegal and CPCE/OP [Comités Provinciaux de Concertation et d'Echanges des Organisations Paysannes/Provincial Committees for Coordination and Exchange between Farmers' Organizations] in Burkina Faso). Yet, much is still to be learned about the approach. What is needed is to experiment with different set-ups, engage in stakeholder participatory appraisal, and seek strategies for scaling up and accelerating disbursements, while maintaining accountability and efficiency. Lead organizations that are recognized as legitimate representatives by their constituent organizations are needed for effective access

and representation. Organizing for social incorporation is one of the most important aspects to be explored in an integral approach to rural development, the true frontier of the field.

In the end, using rural development successfully for poverty reduction is a political undertaking. This is because policies and programs are the outcome of a political and administrative process in which a multiplicity of social actors (Figure 7) participate. If these policies and programs are to effectively serve in poverty reduction, it is a sine qua non condition that the poor be fully represented in the process where they are made and designed. This requires rural development interventions in support of social incorporation, the fourth entry point discussed here. This is, however, not enough. Translating social incorporation into influence over the definition and implementation of pro-poor policies and programs requires a set of institutional innovations that will *inform* the poor, support *dialogue*, and enable the exercise of *influence*. They must allow their participation in local and national democratic processes, including the elaboration of country-level poverty reduction strategies.

Finally, social incorporation of the rural poor has a fundamental role to play in program *implementation*, in order to allow them to monitor and enforce accountability, achieve fairness in access to benefits, and gain control over corruption and capture (Figure 7). Social incorporation of the rural poor is thus the major challenge for an integral approach to rural development. Success or failure in meeting this challenge will determine the effectiveness of rural development in reducing poverty. Much experimentation and learning remains to be done, requiring special funding if it is to happen. In such complex undertakings as integral rural development, projects cannot follow blueprints and outcomes are rarely as initially expected. The key to success is the ability for participants to learn from successes and failures and to internalize lessons learned into adjusting projects for greater efficiency.

## 5. What are the broad principles of an approach to integral rural development?

Integral rural development offers a significant opportunity to reduce the enormous and stubborn mass of rural poverty. Yet, it will not happen easily. It is a



complex undertaking, vastly underexplored, and where much has yet to be learned. In addition, the enormous heterogeneity of conditions under which the rural poor operate requires creativity and flexibility in project design and implementation, and this has to be done locally through decentralization and participation. The approach is not one where blueprints can be found, but one that requires systematic learning-by-doing and learning-from-others through horizontal exchanges and comparative analysis. It is consequently an approach that will demand time to mature and sustained support by donors, not quick entry-exits in search of rapid results. To put this approach to rural poverty reduction in motion toward the MDGs, there are several recommendations to development agencies that derive from the analysis in this paper. The following five priorities are put forward as leading issues requiring attention:

1. *Create capabilities*

Objective: Make the rural poor into able agents of change.

Instruments: Investments in social development (health, education, nutrition, family planning), improved access to assets including social capital under the form of organizations for the creation of value, provide greater social protection.

2. *Create citizenship*

Objective: Assist social incorporation of the rural poor.

Instruments: Promote and improve the effectiveness of local and peak organizations for representation of the rural poor, decentralization for greater access and accountability, and devolution for local control.

3. *Create opportunities*

Objective: Increase opportunities for the rural poor to generate income in their regions of origin.

Instruments: Pursue a territorial approach to rural development, opportunities offered by the "new agriculture," increase the profitability of agricultural commodities (Doha negotiations on agricultural protectionism and subsidies, and support for peasant agriculture in the transition to a new agricultural order), functionalize migration to local development, organize demand-led programs for public goods (choice), introduce payments for

environmental services, introduce new rural institutions in particular for finance and insurance, and promote poor-non-poor linkages.

4. *Create political support*

Objective: Elevate rural development in the political agenda.

Instruments: Introduce a "rural lens" approach to rural impact assessment, promote political reforms for participation of rural people.

5. *Create knowledge*

Objective: Experiment with, and learn about integral rural development.

Instruments: Analyze current experiences, experiment with alternative approaches, do real-time impact analysis, do impact analysis of demand-driven and decentralized projects, and engage in participatory learning. This learning process needs to be funded largely as public goods, as gains from lessons learned are widely shared. Otherwise, continued under-investment in learning at the project level will remain the norm, frustrating a transition into integral rural development.

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