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Rethinking Rural Development

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Rural development has been central to the development effort, but rural poverty persists and funding is falling: a new narrative is needed. This overview article describes a Washington Consensus on Food, Agriculture and Rural Development, and summarises from the various contributions here the elements of a post-Washington Consensus. Rural areas are changing, particularly with respect to demography, diversification, and strengthening links to national and global economies. Key issues include: agriculture as the engine of rural development; the future viability of small farms; the potential of the non-farm rural economy; the challenges of new thinking on poverty, participation and governance; and implementation problems. The article concludes with five general principles and ten specific recommendations for the future of rural development.

Introduction

Rural development is in a troubled state. The evidence lies in the persistence of rural poverty,[1] but also in the declining flows to the sector,[2] and the concerted effort to rethink policy by both international funding agencies and developing country governments.[3] Of course, there is a paradox. Poverty reduction is the name of the game in international development. Poverty is not only widespread in rural areas, but most poverty is rural, at least for now.[4] Yet this core problem appears neglected. What is going on?

The decline in funding applies much more to agriculture than it does to other sectors. But agriculture matters on its own account, and in any case there is a deeper problem. Put briefly, it is that the crisis in rural development reflects a loss of confidence in the rural development 'project', which has for long been central to the development effort. In policy terms, rural development has lacked a convincing

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1. IFAD (2001:15) estimates that 75% of the 1.2 billion people living on less than one dollar a day live and work in rural areas. Alderman et al. (2001) provide country data from poverty surveys in the 1990s: 95% of the poor are rural in Uganda (1997), 89% in Bangladesh (1995-6), 82% in Kenya (1992), 78% in India (1994), 69% in China (1998), 48% in Brazil (1990). The rural headcount is at least twice the urban in all these cases, except for India (rural 37% below the poverty line, urban 30% – but see World Bank (2000:26) on Indian poverty data).
2. IFAD (2001:41) states that 'the real value of net aid disbursed to agriculture in the late 1990s was only 35% of its level in the late 1980s'. See Csaki and Mikos in this volume for supporting data on the World Bank and the EU respectively.
3. See the donor articles in this volume, and also new national rural development strategies, e.g. Kenya, India, Tanzania.
4. We come later to the impact of urbanisation. IFAD, again, nevertheless projects that over 60% of the poor will be rural even in 2025 (IFAD, 2001: 15).

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narrative, offering manageable and internationally agreed solutions to clear and well-understood problems.

Our collective endeavour, in this issue of *Development Policy Review*, is to contribute to the rethinking now under way. At first sight, there is surely no shortage of ideas. Reaching back to the 1950s, and working our way forwards through half a century of unremitting debate and action, we find community development, intensive agricultural development, integrated rural development, livelihood approaches, and a variety of participatory paradigms, all scrambling for policy space.[5] In agriculture, the field is crowded by Green Revolution and new, Doubly-Green models, jostling with sustainable agriculture.[6] From an alternative perspective, different articulations abound: accumulation and differentiation, 'depeasantisation', the shift 'from women in development' to 'gender and development'.[7] Ellis and Biggs in this volume review some of these, pointing in particular to the persistence of a small-farm model – a small-farm ideology – as the big strategic idea in rural development over the last half-century.

It would be ridiculous to pretend that none of these narratives has relevance today, though of course some are mutually contradictory. We do, however, suggest that rural development has been 'stuck', as sometimes happens to development ideas. The Washington Consensus (WC) on liberalisation and structural adjustment is an example, and provides a metaphor for an argument on rural development. One of us has suggested elsewhere that rural development thinking in the second half of the 1990s could be characterised as a kind of Washington Consensus on Food, Agriculture and Rural Development (FARD), shared by governments and donors alike; and that what we need is a post-Washington Consensus (PWC) on FARD (Maxwell, 1998; Maxwell and Heber-Percy, 2001).[8] This is an idea taken up here, with specific reference to agriculture, by Kydd and Dorward. Why a PWC? Partly, as Kydd and Dorward point out, because the WC doesn't work. But in addition, as we and they also argue, because the WC misrepresents reality. This is a key theme. Rural reality is not what it was.

So far, so good, but we need three things to take these notions forward. First, some stylised facts about rural development, then, now and in future. Second, a review of the core narrative and its sticking points. Third, the first sketch of a new or counter-narrative. We take these up *seriatim*. Some key issues emerge: the extent to which we can rely on agriculture as the engine of rural development; the future viability of small farms; the potential of the non-farm rural economy; the challenges of new thinking on poverty; participation and governance; and implementation problems. It is hard to generalise about the great diversity of rural situations, but we conclude nevertheless with five general principles and ten specific recommendations for the future of rural development.

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5. Chambers (1974, 1983, 1993, 1997); Rondinelli (1983).
6. Pretty (1995); Conway (1997); Von Braun (2000).
7. de Janvry (1981); Harriss (1982); Goodman and Redclift (1981); Gibbon et al. (1993); Kabeer (1994); Bryceson et al. (2000); Bernstein and Byres (2001).
8. On the original Washington Consensus and PWC, see Williamson (1994); Stiglitz (1998a and 1998b).

Rural development, then, now and to come: some stylised facts

Our argument[9] is that trends and discontinuities in the character of rural areas generate a rural development *problematique* sharply different from that of the past. We need to beware, however, of ambiguities in the term 'rural', and of the great heterogeneity of places identified as rural.

The term 'rural' is indeed ambiguous. Wiggins and Proctor point out that there is no exact definition of the term, but that rural areas are 'clearly recognisable'. They constitute the space where human settlement and infrastructure occupy only small patches of the landscape, most of which is dominated by fields and pastures, woods and forest, water, mountain and desert. IFAD (2001:17) adds to this that rural people usually live in farmsteads or settlements of 5-10,000 persons, but also makes the point that 'national distinctions between rural and urban are arbitrary and varied'.[10]

Beyond these core features, related to natural resources and population density, rural areas can be characterised in different ways: as places where most people spend most of their working time on farms (*ibid*.); by the abundance and relative cheapness of land (Wiggins and Proctor); by high transaction costs, associated with long distance and poor infrastructure (Binswanger and Deininger, 1997, cited by Kydd and Dorward); and by geographical conditions that increase political transaction costs and magnify the possibility of elite capture or urban bias (Binswanger and Deininger, 1997, but also Moore and Putzel (1999) cited by Johnson).

Within rural areas, there are challenges to over-aggregation, both physical and socio-economic. On the physical side, there is a long tradition classifying rural areas by agro-ecological potential, based on analysis of soil, landform and climate attributes (see, for example, long-term perspective studies by FAO, summarised in Alexandratos (1995)). This kind of analysis has been merged with socio-economic data, for example by Leonard (1989), who suggested that 55% of the rural poor lived in low potential areas, principally in Asia. Conway (1997:134-5) has characterised the low potential problem as follows:

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

9. Following Maxwell and Heber-Percy (2001: 49ff.).

10. The formal borderline between a village and a town can be as few as 2,000 people or as many as 20,000, and is further blurred by seasonal migration. IFAD believes that these borderline problems lead to overestimates of the degree and speed of urbanisation: many small towns would better be regarded as large villages (IFAD, 2001:18).

insecure. Extension services are few and far between, and research aimed specifically at their needs is sparse.

Further disaggregations can be, and are, suggested by the authors in this volume. Thus, Wiggins and Proctor build their analysis on the idea of proximity to towns (and their economies of agglomeration), distinguishing between rural areas that are peri-urban, middle countryside, or remote. Kydd and Dorward take a more economic perspective, distinguishing between 'pre-modernisation' and 'post-modernisation' areas. Rahman and Westley, similarly, discuss the particular problems of 'early development' rural areas.

We shall return to these classifications and disaggregations, but there is an important underlying substructure of rural change on which they need to be superimposed. This is our story about trends and discontinuities. Table 1 provides a selection of statistics for three developing countries on different continents and for developing countries as a group, with projections to 2020 where available.[11] It is important not to overgeneralise, but the table shows that rural populations continue to grow in absolute terms but shrink in relative terms, compared with the population as a whole. Population densities are mostly increasing and, though poverty remains high, human capabilities, to use Sen's terminology, are generally rising – as indicated by the statistics for literacy, infant mortality, and access to health and sanitation. Connectedness also seems to be improving, though there is doubtless an urban bias in the provision of roads, electricity and telephone lines. In economic terms, it is noticeable that agriculture has declined sharply in relative terms, as an employer and as a contributor to exports and to GDP. Finally, cereal yields and availability have risen, though prices have fallen. Projections are always subject to great uncertainty, but there is little reason to suppose that all these trends will not continue.

Many important areas of change are missing from the table because of lack of suitable global time series data: the spread of conflict (on which see Farrington and Lomax), the commercialisation of agriculture and the development of global commodity chains (Kydd and Dorward), rapid technical change (Tripp), and the rapid development of the rural non-farm economy (Start).

The interaction between demographic change and migration deserves particular mention. On the positive side, some observers point to a 'demographic gift' associated with falling fertility, by virtue of which dependency ratios fall and both consumption and investment can be expected to rise (IFAD, 2001: 30ff.). On the other hand, the data suggest that urban populations will exceed rural populations in developing countries by 2020 (Figure 1). As long-term perspective studies show, this change is associated with a growth in mega-cities and a movement of population to areas of economic dynamism.[12]

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11. See Alexandratos (1995); Pinstrup-Andersen et al. (1997); Pinstrup-Andersen et al. (1999); Rosegrant et al. (2001a). For a useful compendium of forecasts, see Urey and Kannemeyer (2001).

12. The West Africa Long-Term Perspective Study, for example, shows a long-term drain of population from the Sahel to the large cities on the coast: between 1960 and 1990, the number of town dwellers rose from 12 to 78 million, absorbing nearly two-thirds of total population growth; by 2020, the urban population of the region is expected to exceed 270 million, with perhaps thirty cities of over 1 million people (Snrech, 1995: 10ff). For a recent review of long-term changes in the same area, see Drylands Research (2001).

Table 1: Comparative rural development indicators in selected developing countries

Indicator	Developing country/LMI[1]			India			Kenya			Brazil		
	1970	1999	2020[5]	1970	1999	2020	1970	1999	2020	1970	1999	2020
Rural population (% of total)	72	59	48	80	72	61	90	68	52	44	19	13
Rural population density (people per sq. km)	463	542[a]	-	274	438[a]	-	295	494[a]	-	163	62[a]	-
Agriculture, value added (% GDP)	24	12	-	46	28	-	33	23	-	12	9	-
Labour force in agriculture (% of total)	66	47[b]	-	71	67[b]	-	86	19[b]	-	45	24[c]	-
Cereal production (kg per capita)	224	226[c]	242	205	189[c]	200	182	73[d]	-	247	225[c]	328
Cereal yield (kg per hectare)	1212	2316[c]	3065	1135	1806[c]	2432	1278	1350	-	1409	2290[c]	3466
World wheat prices (US$/mt) constant 1990 prices	240	149[c]	136									
World fertiliser prices (US$/mt)[2]	121	110	-	-	-	-	-	-	-	-	-	-
Exports of goods and services (% of GDP)	12	28	-	4	12	-	30	24	-	7	11	-
Agric. raw materials exports (% of merchandise exports)	16	2	-	6	2[a]	-	12	8	-	12	5	-
Rural poverty rate (%)[3]	-	-	-	-	36.7[e]	-	-	46.4[f]	-	-	51.4[a]	-
Illiteracy rate, adult (persons aged 15 and above)	47	25	-	67	44	-	59	19	-	32	15	-
Infant mortality rate (per 1000 births)	107	59	-	137	71	-	102	76	-	95	32	-
Access to improved water source (% of rural pop.)[4]	-	70	-	-	86	-	-	31	-	-	54	-
Access to improved sanitation facilities (% of rural pop.)	-	34[d]	-	-	14[d]	-	-	81[d]	-	-	40[d]	-
Prevalence of HIV (% of adults)	-	1.2	-	-	0.7	-	-	14[f]	-	-	0.6	-
Roads, total network per person (km)	-	-	-	-	0.3[c]	-	-	0.2[g]	-	-	1.0	-
Electric power consumption (kwh per capita)	214[h]	913[a]	-	92[h]	384[a]	-	66[h]	129[a]	-	431[h]	1793[a]	-
Telephone mainlines (per 1000 people)	11[i]	79	-	2	27	-	3	10	-	20[i]	149	-

[a] Data for 1998, [b] 1995, [c] 1997, [d] 2000, [e] 1994, [f] 1992, [g] 1996, [h] 1971, [i] 1975

[1] Low & middle income

[2] Weighted average of urea, phosphate, DAP, potassium chloride and TSP, constant 1990 prices

[3] Population below national poverty line

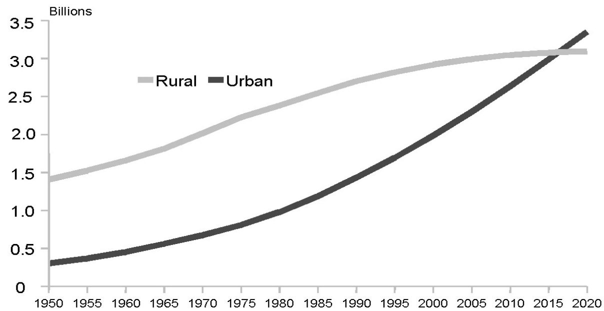
[4] E.g household connection, public standpipe, borehole, protected well or spring or rainwater collection

[5] Projections from IFPRI

Source: World Bank (2001); UNDP, *Human Development Report* (various years); IFPRI.

Rural populations will stabilise while urban populations continue to grow rapidly. Will migration mean that rural areas lose their best young workers and become holding grounds for the very young and very old?

Figure 1: Urban and rural population levels in developing countries, 1950-2020



Source: Pinstrup-Andersen et al. (1999)

AIDS, of course, may accelerate this outcome. In 16 countries, more than one-tenth of the adult population is infected with HIV, with substantial impacts on morbidity and mortality, and thus on the demographic profile, but also on labour supply, dependency ratios, school enrolment and social networks (FAO, 1998; Smith et al., 2001).[13] The preponderance of young, old, and dependent in rural areas increases.

To summarise the argument, we know that rural space is hard to define precisely, highly heterogeneous, and resistant to generalisation. Nevertheless, we suggest that in all its diversity, rural space has changed fast and will change faster. The key points for the future are:[14]

- Rural populations will begin to stabilise, possibly with a lower dependency ratio initially as birth rates fall, but then a higher one, as migration (and AIDS) remove young adults.
- The connectedness of rural areas will improve, with more roads and other infrastructure (including telecommunications).
- Human capabilities will improve, with better education and health.
- The great majority of rural people will be functionally landless, either without land altogether, or with only a small homestead plot.
- Most rural income in most places will be non-agricultural in origin (though with linkages to agriculture in many cases).
- Most farms will be predominantly commercial, i.e. buying most inputs and selling most of their output.

13. See also FAO (1998); Barnett and Whiteside (2000).
14. Adapted from Maxwell and Heber-Percy (2001: 53).

- Farms (other than part-time subsistence or homestead plots) will be larger than at present, and getting larger.
- For those farms able to engage in the commercial economy, input and output marketing systems will be integrated, industrialised and sophisticated.
- As a result of all the above, disparities between rural areas will increase.
- Agriculture's contribution to GDP will be no more than 10%.
- Agriculture will contribute no more than 10% to exports (perhaps more in Latin America and sub-Saharan Africa).
- Agriculture will become a net recipient of government revenue.

None of the above guarantees a particular outcome, either good or bad, for the rural poor, let alone for particular sorts of poor people, women, say, or minorities (see Rahman and Westley). However, the pattern of change does emphasise the need to understand the diversity of rural areas and the complexity of livelihoods and livelihood strategies. It is not surprising that the livelihoods approach (reviewed here by Ellis and Biggs) has become a common tool of rural development analysis.

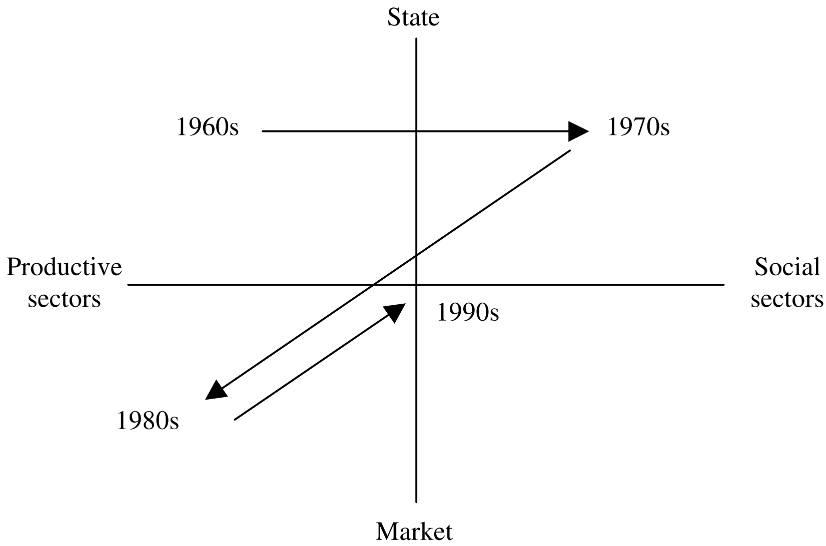
Narratives and sticking points in the rural development debate

The diversity of policy narratives on rural development is almost as great as the diversity of rural space. An initial way to characterise the evolution of mainstream policy is on two axes (Figure 2), representing the balance between productive sectors and social sectors, and between state and market. In the 1960s, the Green Revolution was associated with large-scale state investment in infrastructure, research, and support for the adoption of new technology. In the 1970s, budget priorities shifted somewhat to the social investments required by integrated rural development programmes. In the 1980s, in the era of structural adjustment, public sector institutions were trimmed and budgets cut. In the 1990s, with an upsurge of interest in poverty reduction, a more balanced view took hold. Reviewing a variety of sources, Maxwell and Heber-Percy (2001:57) identified this view as a Washington Consensus on FARD and concluded that:

> an accommodation has been found between the pre-eminence of a poverty reduction objective and the legacy of a neo-liberal, market-oriented economic model. Growth is regarded as essential, the private sector will be the main engine of development, government will provide strategic policy and investment support for infrastructure, service delivery and marketing, participation will be encouraged (perhaps more in some models than others), and safety nets will be provided.

A key question for us will be whether the re-balancing has gone far enough.

Figure 2: Rural development thinking: 1960s-90s



Can agriculture be the engine of rural growth?

We begin with a totem of the rural development literature, that agriculture is the best way to reduce rural poverty. The arguments and data pulled together here by Irz and his colleagues certainly make a convincing case. They identify twelve separate reasons why agricultural growth might be expected to reduce poverty, at farm level, in the rural economy, and nationally (Table 2). The effects are direct and indirect, short- and long-term, and of a partial and general equilibrium nature. They are not guaranteed, however. Irz et al. provide a long list of qualifications and necessary conditions, and stress repeatedly that definitive outcomes cannot be predicted *a priori*. For example, agricultural growth may lower food prices and thus provide cheaper wage goods which stimulate industrial growth: however, if the economy is open to international trade, prices will not fall below international levels and the benefit may not materialise.

Given the indeterminacy of the theoretical arguments, Irz et al. review the empirical evidence. They conclude that the benefits are substantial, and that

> for the poor, extra farm jobs and higher wages may be the single most obvious benefit [of agricultural growth]; followed by the impact of additional spending in the rural economy; and the value to the national economy and social welfare of reduced costs of food.

The empirical analysis can be taken further, by decomposing growth by sectors, running computable general equilibrium (CGE) models, or, as in the article here, carrying out cross-section analysis. All of these tend to confirm a positive relationship between

Table 2: The benefits of agricultural growth

Farm economy
Higher incomes for farmers, including smallholders
More employment on-farm as labour demand rises per hectare, the area cultivated expands, or frequency of cropping increases. Rise in farm wage rates.
Rural economy
More jobs in agriculture & food chain upstream & downstream of farm
More jobs or higher incomes in non-farm economy as farmers & farm labourers spend additional incomes
Increased jobs & incomes in rural economy allow better nutrition, better health & increased investment in education amongst rural population. Lead directly to improved welfare, & indirectly to higher labour productivity.
More local tax revenues generated & demand for better infrastructure – roads, power supplies, communications. Leads to second-round effects promoting rural economy.
Linkages in production chain generate trust & information, build social capital & facilitate non-farm investment.
Reduced prices of food for rural inhabitants who buy in food net.
National economy
Reduced prices of food & raw materials raise real wages of urban poor, reduce wage costs of non-farm sectors.
Generation of savings & taxes from farming allows investment in non-farm sector, creating jobs & incomes in other sectors.
Earning of foreign exchange allows import of capital goods & essential inputs for non-farm production.
Release of farm labour allows production in other sectors.

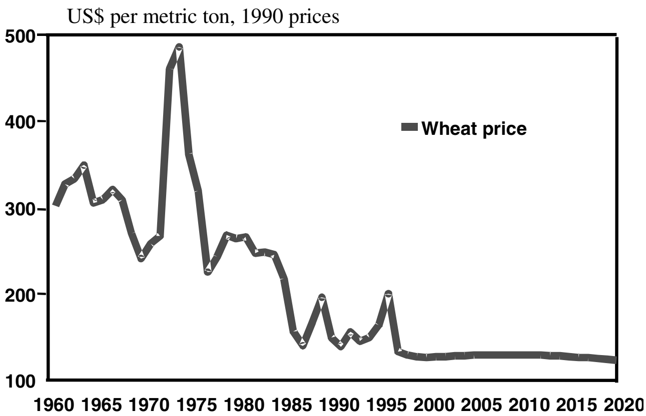
Source: Irz et al.

agricultural growth and poverty reduction. For example, Datt and Ravallion (1996, cited in Irz et al.) established that in India rural growth reduces poverty both in rural and urban areas, but urban growth does not alleviate poverty in rural areas. Similar results, emphasising the importance of agricultural growth, are available for Bangladesh, Kenya, the Philippines and Bolivia. The regression analysis produces similar results: 'the regressions presented strongly suggest that agricultural productivity is an important determinant of poverty and that increases in yields have the potential to lift a large number of individuals out of poverty'. Specifically, a yield increase of one-third might reduce the numbers in poverty by a quarter or more.

In that case, why cavil? Four reasons. First, many of the positive effects of agricultural growth depend on small farms being in the vanguard, which, as we shall see in the next sub-section, may be problematic. Secondly, the long-term global fall in agricultural commodity prices and terms of trade has undermined the profitability of agriculture as a business, and casts doubt on the continued empirical validity of earlier findings. Thirdly, agriculture is pushing against natural resource boundaries, particularly soil and water.[15] And finally, as a matter of fact, we observe that diversification out of agriculture appears to be occurring in many dynamic rural economies.

The price question is important and has been cited as a reason why agricultural projects have fallen out of favour (Csaki). Figure 3 expands on the data given in Table 1, illustrating a fall in cereal prices of around 50% in real terms since 1970, with no recovery foreseen, despite the impact on demand of increased population and income (Rosegrant, 2001). Over the same period, input prices have also changed, but by less. Thus, fertiliser prices fell, but by less than 10% in real terms between 1970 and 1999 (Table 1). The farm-gate price of inputs has also been affected by the removal of subsidies, for example on irrigation water and fertiliser.

Figure 3: World cereal prices 1960-2020



Source: Rosegrant (2001).

Sustaining the viability of any business in an environment of rapidly falling or stagnating prices requires lower margins (which in this case means lower incomes for farmers) or aggressive technical or institutional change to lower costs (hence frequent calls for a new Green Revolution, especially in Africa), or a shift to new, higher-value products (hence the interest in horticulture and other non-traditional exports). Of course, in a competitive environment, margins will have to fall or costs be reduced not just against an absolute standard, but against a comparative one, i.e. faster than competitors in the world economy.[16]

15. The donor articles are particularly strong on this point. See also Boyd and Slaymaker (2000); Nicol (2000).

16. For a discussion of competing schools of thought on solutions to world food problems, see Pretty et al. (1996). Will the 'business-as-usual optimists' win over the 'new modernists' or those who believe in the 'industrialised world to the rescue'?

Two sets of prescriptions are commonly presented to governments in response to these core problems of agricultural profitability. The first is to reduce agricultural subsidies in the North, currently costing an estimated \$360 billion a year, and thereby create new markets and allow prices to rise – for example, see Mikos on policy coherence in the European Union, and Csaki on the World Bank's position on this topic. There is some scope here, but perhaps not as much as sometimes thought. Stevens, for example, reports that a 30% reduction in protection (more than was achieved in the Uruguay Round) would raise wheat prices by only 6% (Stevens, 2001): this is equivalent to reversing about three years' worth of the secular decline since 1970.

The second solution is for the governments of developing countries to invest more in public goods for agriculture, and amounts to finding a way to reduce costs and increase efficiency. This is the heart of the argument put forward by Kydd and Dorward, who argue that the current Washington Consensus on Agriculture (WCA) limits the scope for necessary public investment in the sector. Csaki adds to this the need for investment in global public goods, for example international agricultural research.

Kydd and Dorward provide a detailed account of the 'composite analysis' underlying the current WCA and propose an alternative. Agriculture in poor regions, the WCA argues, is under-capitalised, characterised by a skewed distribution of resources, and subject to policy and institutional failure. In particular:

- agriculture suffers from quantitatively inadequate support, excessive taxation, and discrimination in macro, trade and industrial policies;
- agricultural marketing institutions, particularly parastatals, providing services to farmers, have been inefficient, uncompetitive, and poorly linked to international markets;
- rural financial systems have failed to stimulate and capture agricultural savings and channel these to agricultural investment;
- political institutions are weak, both within government and in civil society (e.g. farmers' organisations);
- insecure property rights have inhibited investment in land improvements; and finally
- OECD agricultural and trade policies have limited market access, depressed world market prices, caused greater price volatility and inhibited processing to add value within poorer countries.

The prescription which follows is to reverse these failings. Kydd and Dorward observe that 'a key requirement put forward for developing and harnessing the potential of poor country . . . agriculture is "agricultural systems intensification", meaning increased farm productivity based on the development or application of new and improved technology'. The WCA analysis is incomplete, however. In particular, Kydd and Dorward argue that the Consensus opposition to parastatal involvement in agricultural input and credit supply results from inadequate understanding of the nature and importance of transaction costs within smallholder agriculture. These are high, partly because of poorly functioning finance and product markets. Kydd and Dorward conclude that output markets, input delivery and seasonal finance need to be considered together, with subsidies to kick-start demand: 'the (micro-economic) institutional arrangements and transactions costs and risks in output markets, input delivery and seasonal finance need to be given as much attention as has traditionally been given to the micro-economics of production'. This is a message that finds an echo among donors, as Mikos, for example, exemplifies, with a call for greater market regulation.

If all this fails, the answer is protection: tariffs to keep prices up and protect domestic producers from import surges; special measures to preserve national food security; and a new 'food security box' in the WTO, to ensure that such measures are not subject to legal challenge (Green and Priyadarshi, 2001). But we will have come a long way if this is to be the foundation of rural development policy.

Can small farms survive?

A paradigm of agricultural growth based on small-farm efficiency, Ellis and Biggs suggest, has 'dominated the landscape of rural development thinking throughout the last half-century'.

The paradigm is one in which staple production plays a key role, usually in the form of semi-tradable cereals (Kydd and Dorward; Rahman and Westley). Its roots go deep, and are traced by Ellis and Biggs. In the 1950s, development thinking was dominated by surplus labour models and a focus on industrialisation, with community development as the intervention that would provide a palliative for rural poverty until urban, industrial jobs could be found. In the 1960s, however, the role of agriculture was re-defined, as a sector that was needed to provide wage goods for the industrial sector, but that could also be a source of inputs, foreign exchange, investible surplus, markets – and employment on its own account. Small farms were seen to be efficient, not least in exploiting new, green revolution technologies that were largely scale-neutral. This view has provided long-term strategic consistency in rural development thinking.

Has it had its day? The small-farm model has been central for theoretical and empirical reasons, but there are grounds to question the case. The debate revolves around whether small farms (whatever we mean by 'small'[17]) are financially and socially profitable, with or without additional investments in rural public goods.

In favour of small farms, it is argued, expanding from Ellis and Biggs, that:

(i) small farmers make efficient decisions;
(ii) they use family labour intensively, to the point of self-exploitation, because it is seen to have close to zero opportunity cost – and in doing so avoid the supervision constraint of managing a large, hired labour-force;
(iii) they tend to be located in places (e.g. on slopes) that militate against mechanisation;
(iv) as a result of (ii) and (iii), they maximise return to land, which is the scarce resource for them, and also for the nation;
(v) they innovate successfully because new technology is scale-neutral and (these days) no more risky than traditional technology – both in purchasing and in application on-farm;

17. IFAD's evidence shows that a large farm in Brazil was 100 hectares, in the Pakistan Punjab 20 hectares, and in Malaysia, anything over 5.7 hectares.

(vi) they can participate successfully in marketing chains, either on their own, or with the help of co-operatives;
(vii) they cause less environmental damage than large farms; and
(viii) they spend more of incremental income on locally produced goods and services, thus maximising growth linkages.

As Ellis and Biggs note, the case for small-farm agriculture can be presented as a win-win option, satisfying both growth and equity objectives. It has empirical support going back to Schultz's pioneering work in the 1960s (Schultz, 1964), with the recent evidence summarised by IFAD (2001: 79): land productivity of small farms is at least twice that of the largest ones in Colombia, Brazil, India and Malaysia. IFAD concludes that some of the gaps may be due to land quality, but that they result mostly from higher employment intensity: 'usually, small farmers' advantages are due less to high yields of the same crop than to a higher value crop mix, more double-cropping and inter-cropping, and less fallowing'.

There is, however, a case against, particularly with regard to small farms in the new-style rural spaces described in the previous section, characterised by much greater income diversity, stronger rural-urban links, and greater integration into the world economy. In particular,

(i) land is often not the scarce resource on small farms (especially, but not only part-time farms), where cash or seasonal labour may be limiting;
(ii) part-time farmers may not see the need to maximise the return from farming;
(iii) small farmers are more likely to grow low value staples for self-sufficiency;
(iv) new technology is capital-biased, reflecting long-term investment by the private and public sectors in meeting the needs of farmers in the North;
(v) the skills required to manage new technologies are beyond the scope of many small farmers;
(vi) small farmers pay more for inputs and receive less for outputs than large farms;
(vii) new commodity chains impose quality and timeliness requirements that small farmers find hard to meet (and that co-operatives cannot help with); and
(viii) large farmers manage dangerous chemicals more carefully and are more likely to use new, resource-saving technologies.

The evidence for these propositions is fragmentary. Killick, in a review of evidence of the impact of globalisation on the rural poor, concludes with 'concern . . . about the long-term ability of many poor smallholder farmers to respond adequately to population pressures, growing international competition and agricultural commercialisation' (Killick, 2001:175). Similarly, Rosegrant and his colleagues cite evidence that smallholder agriculture in Mexico, Central America and Brazil forgoes the benefits of specialisation and scale economies: 'an important question regarding future agricultural development in Latin America is whether smallholders can enhance their productive efficiency in order to compete with large-scale agriculture . . .' (Rosegrant et al., 2001b: 36). Similar sentiments have been expressed regarding sub-Saharan Africa (Spencer, 2001), and, with qualifications and more optimism, India (Gulati, 2001).

The evidence in this volume can be found in a number of articles. Thus, Tripp argues that 'farmers face increasingly complex, privatised and competitive markets that condition their choice of technology'. He describes the way in which new technologies will require increased levels of knowledge for appropriate management, and draws a sharp distinction between the needs of emerging commercial farmers, on the one hand, and a semi-subsistence and often part-time sector, on the other. The latter should not be abandoned, but will require different technological packages, often labour-saving, and with much greater support from research, extension and input delivery services. Rahman and Westley add that new technology should yield more per unit of input, be adjustable to the seasonal demands for labour and food, be robust against climatic risk, and be less material cost-intensive.

Other articles make supporting points about the problems of small-scale farming. In particular, Kydd and Dorward suggest that the case for the efficiency of smallholder farming may be 'breaking down, where globalisation intrudes, non-traditional crops are promoted, and agricultural modernisation involves increasing use of capital'.

Let us assume for a moment that the financial viability of small farms is at risk, at least in some places; that, to use Kydd's phrase, the win-win frontier is shrinking. Greater investment in public goods might make the difference, as we have seen. There might, in addition, be social reasons for subsidising small farms, perhaps poverty-related or environmental: in many places, after all, there may be few alternatives on offer.[18] Kydd and Dorward make the point, also echoed in Devereux's article, that subsidising small farmers may be a cost-effective way of providing support to the rural poor. For example, fertiliser subsidies, Devereux's example, might be cheaper than food aid. We will again have come a long way, however, if this is the best case that can be made for supporting small farms in poor countries.

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

An alternative is to emphasise the rural non-farm economy (RNFE). As Start points out, recent surveys suggest that non-farm sources account for 40-45% of average rural household income in sub-Saharan Africa and Latin America, and 30-40% in South Asia, with the majority coming from local rural sources rather than urban migration. Some of this, perhaps much of it, will, of course, be agriculture-related, directly or indirectly, including from common pool resources. Much RNFE, however, is independent of agriculture, for example in Ghana (Canagarajah et al., 2001).

Diversification (which is what the RNFE is about) can be *by* households or *of* economies. The first is best understood by analysing the livelihood strategies of what are often described as 'multi-functional' households (Ellis and Biggs). The second requires a broader, and complementary, approach to long-term structural transformations (Wiggins and Proctor; Start).

Livelihood diversification is a core issue, and of great current interest both to developing country governments and to donors, as the articles here demonstrate. The main implication of multi-functionality is that engagement on the assumption that these are full-time farmers will lead to misunderstanding. Tripp demonstrates this with

18. A case in point was recently studied by one of us (CA) in Zambezia Province, Mozambique. The economics for smallholders of producing maize for sale have deteriorated sharply, but neither plantation employment nor migration offers easy alternative sources of the cash income needed (including to buy inputs for the maize).

respect to technology, but the principle can be more broadly applied, for example to financial services, markets, and institutions. As Barrett et al. (2001:329) observe, 'it is difficult to imagine an effective rural poverty reduction strategy for Africa that does not aim to harness the potential of the nonfarm sector. Yet absent well-targeted interventions, stimulus of the rural non-farm economy is likely to bypass most of the poorest rural Africans'.

What kind of stimulus is necessary? This is a complex area. In the first place, the terminology of NFRE is so all-encompassing (from saw mills to computer chip processing) that recognising its importance does not help in identifying where to intervene. Secondly, however, as Wiggins and Proctor point out, different kinds of rural area have a comparative advantage in different kinds of activity. They see peri-urban areas specialising in manufacturing industry linked to towns, with some rural industry in the middle countryside, and, in remote rural areas, activities based on relatively immobile resources or skills (crafts and services, perhaps linked to tourism and recreation, minerals, crops that need near-farm processing).

Start also illustrates how connectedness shapes the RNFE, but also incorporates temporal aspects in a four-stage model:

(i) In pre-modern and subsistence societies, characterised by high rural remoteness and low urbanisation, the rural non-farm economy is small, and characterised by local service provision.
(ii) In Stage 2, as the agricultural economy grows, the rural non-farm economy is able to capitalise and expand.
(iii) However, as the urban economy grows and new roads connect rural to urban areas, the RNFE faces new competition and may decline.
(iv) Finally, in Stage 4, as the economic and social costs of urban congestion grow, new forms of RNFE may develop, perhaps benefiting from new outsourcing or clustering arrangements.

Start emphasises that this staged model cannot be applied uniformly and that 'different parts of the economy will develop at different rates, and many rural locations will display varying degrees of all stages concurrently, including migration to urban points of production . . . The actual position and mix will depend on levels of agricultural development, rural income, rural infrastructure and urbanisation.' Nevertheless, his evolutionary model emphasises important factors, particularly the value of natural protection in the early stages of development of the RNFE, associated with poor communications and high transaction costs, and the subsequent threat as this is eroded.

What does all this mean for the poor? There are no panaceas. Many observers have pointed to the bifurcation between relatively high-return activities in the RNFE, usually accessible to those with capital or skills, and low-return activities open to the poor. These low-return coping strategies are sometimes described, in Jan Breman's phrase (cited by Start), as 'hunting and gathering for work'. A key conclusion is that 'existing patterns of inequality tend to reproduce themselves as new opportunities make themselves available' (Start).

To put this another way, interventions will be needed which enable the poor to overcome entry barriers (Barrett et al., 2001) and participate in the more productive aspects of the RNFE. Training and credit are obvious interventions, and Start reviews other state interventions which can smooth the transition to an RNFE with long-term comparative advantage. Building on Start, strategies for intervening in RNFE can be grouped into roughly four types (Table 3): removing general constraints to growth; facilitating urban-rural links; facilitating enterprise growth; and sector or sub-sector interventions.

Table 3: Strategies for supporting the RNFE

Removing general constraints to growth	• Investment in transport, communication, education, health.
Facilitating urban-rural links	• Facilitate flow of migrants & remittances. • Increase the flow of market & price information to rural areas. • Regulations/standards that facilitate out-sourcing & sub-contracting. • Develop rural recreational amenities for urban population. • Identify options for increasing access to social-business networks.
Facilitating enterprise growth	• Develop small towns. • Support producer associations for marketing & sourcing. • Remove regulatory or bureaucratic burden on small/medium enterprise. • Reform 'extension' into business advisory service.
Sector or sub-sector specific interventions	• Support industrial clusters. • Incentives for industry relocation. • Use of planning gain in concession allocation to encourage local economic linkage.

Rural tourism provides examples of the potential of the RNFE and of how to increase benefits to the poor. The benefits are generally greater for the non-poor than the poor, particularly the poorest. However, in Southern Africa, Uganda, Nepal, Ecuador and St Lucia, pro-poor tourism initiatives were able to increase the incomes of the poor, and also to strengthen community institutional capacity, protect the environment, and create new commercial and political partnerships involving poor people (Ashley et al., 2001). The initiatives took different forms, but all depended in one way or another on state policy, regulation and co-ordination: for example, providing infrastructure, legislating for secure tenure, using planning controls to encourage private operators to make and implement pro-poor commitments, and generally encouraging Pro-Poor Tourism partnerships.

It is important, however, not to be dewy-eyed about the potential of the RNFE, particularly in remote areas. As Start emphasises, this 'is an expensive option involving a long-term investment perspective and strong ideals of regionally decentralised development and more spatially equitable outcomes'.

The challenges of new thinking on poverty

Agriculture, small farms, the non-farm rural economy: all these are concerned with livelihood. But rural development has always had a wider concern with health, education, participation, and social protection. In the vocabulary of the sustainable livelihoods approach, rural development has to be about all the various assets rural people access, and about the structures and processes which mediate how those assets are transformed into income and other desired outcomes.

The New Poverty Agenda – or rather the new New Poverty Agenda (Maxwell, 2001c) – is relevant here, and helps rural development move beyond the consensus of the 1990s, both on the content of policy and on the role the state should play. Strong links exist between five elements of a new paradigm: (i) the International Development Targets; (ii) a strategy to reduce poverty, best summarised in the *World Development Report* (WDR) *2000/1* (World Bank, 2000); (iii) Poverty Reduction Strategy Papers, as a device to operationalise the WDR strategy at country level; (iv) new technologies for delivering donor support to PRSPs, particularly medium-term expenditure frameworks (MTEFs) and sector-wide approaches (SWAps); and (v) underpinning the other four elements, results-based evaluation and reward.[19] An important lesson for rural development planners, emphasised in all the donor contributions here, is that they must learn to work within this structure.

The poverty agenda is relevant to rural development because it defines the objectives and delineates an approach. *WDR* 2000/1 is a useful source because it draws together (with one or two lacunae) international thinking on the subject. It has been summarised as follows.

> WDR 2000 adopts a multi-dimensional definition of poverty, and has a new, better-balanced triptych: opportunity, empowerment, and security. It also has a strong section on international actions. 'Opportunity' mainly refers to growth, with sections on making markets work better for the poor, and on how to expand the assets of the poor. 'Empowerment' is about making state institutions responsive to poor people and about building social capital. And 'security' is about managing risk and reducing vulnerability. . . Seven points stand out:
>
> - methodological innovation, in the shape of participatory poverty assessments in 60 countries, collectively articulating the 'Voices of the Poor';
> - partly inspired by 'Voices', but also drawing on an extensive literature, explicit adoption of a multi-dimensional model of poverty, which sets low income alongside access to health and education, vulnerability to shocks, and, importantly, voicelessness and powerlessness;
> - emphasis on the value of growth in reducing poverty, as one might expect, but also considerable emphasis on redistribution, admittedly largely for instrumental reasons, rather than as an end in itself, as a

19. For a review of the benefits and risks of this new construction, see Maxwell (2001a).

way of raising the poverty elasticity, but also because more equal societies grow faster;

- predictably again, a commitment to markets and to openness, but strong statements throughout about the dislocations associated with market reform and market processes, the need for strong and prior institutional underpinning of markets, and the 'obligation' to protect losers and those excluded from the benefits;
- empowerment as a major theme, not just participation in a narrow sense, but a focus on making state institutions responsive to poor people and on building social institutions;
- security promoted from being half a leg to a full leg, with a typology of risks, and a review of mitigation, coping and response strategies for natural disasters, economic crises, and many kinds of idiosyncratic risk facing individuals;
- finally, a discussion of international actions around the core themes of opportunity, empowerment and security, which touches on well-worn topics (protectionism in the North, debt relief, more and better aid), but also recognises why countries are nervous about capital market liberalisation and calls for democratisation of global governance institutions. (Maxwell, 2001c: 144-5)

There are inevitable gaps and qualifications (see Hubbard, 2001), but some important challenges to past conventional wisdom, for example on the pace and sequencing of market liberalisation. Kydd and Dorward's criticism of the WCA finds an echo here, and they in turn find support for a new approach which reverses past state compression.

Distribution issues also move up the agenda. In a significant departure, *WDR* argues for redistribution, not only to raise the poverty elasticity of growth, the amount by which growth reduces poverty, but also in order to increase the rate of growth itself, because 'unequal societies are more prone to difficulties in collective action, political instability, a propensity for populist redistributive policies (sic), or greater volatility in policies – all of which can lower growth' (World Bank, 2001: 56). This can only be helpful to those, for example Rahman and Westley, who argue for redistribution, whether of land, water, or other assets, as a key instrument to reduce rural poverty.[20] A word of caution is in order, however: the case for redistributive land reform rests heavily on the argument that small farms are viable financially. As we have seen, this may not always be the case.

Social protection is another challenge and has risen significantly in prominence since poverty re-emerged on the international agenda in the early 1990s. Our guide here is Devereux, who roots current concerns in past thinking on the subject, and makes the link to rural development policy. The key notion is 'vulnerability', which combines exposure to a threat with susceptibility or sensitivity to its adverse consequences. Poor people respond by adopting *ex-ante* risk-management strategies or *ex-post* 'coping'

20. On land reform, see Adams (2000).

strategies, and by turning to community support systems.[21] Governments may support these, directly or by intervening in factor or product markets (for example, cereal market stabilisation or crop insurance). They may also provide redistributive transfers to the poor, for example through cash or food transfer programmes.

The multi-sectoral approach of the new poverty agenda helps to answer a question about the boundaries of rural development. As the donor papers make clear, and as is evident, for example, from the PRSP Source Book on Rural Poverty (Alderman et al., 2001), excluding sectors from the planning process would be wrong. For practical purposes, rural development is unbounded, constrained only by the city limits or the sea.

But this raises another set of questions, about setting priorities and choosing entry points. As one of us has pointed out elsewhere, 'the profusion of concepts, principles, policies and cases [in WDR] makes for a rich mixture. But when it comes to concrete programmes, choices will be needed. Not everything will be possible. The WDR menu turns out to be *à la carte*, not *table d'hôte*' (Maxwell, 2001c: 148-9).

Devereux has part of the answer to this, suggesting that social welfare transfers can be structured so as to encourage growth (for example, by providing free fertiliser and seed rather than food aid). However, not all choices can be finessed in this way, as positive sum games. In the real world, there will be competing priorities. Some, for example, will argue for input subsidies as a way of kick-starting agricultural growth. Others will make the case for the education of girls as a short cut to improved nutrition and skill acquisition. Still others will promote infrastructure investments in roads or Information and Communication Technologies (ICT).

The truth is that there is no simple financial or economic calculus to simplify these choices. At least, this is the conclusion reached by Fozzard (2001), who reviews sixty years of research on the answer to 'the basic budget problem', namely, 'on what basis shall it be decided to allocate x dollars to activity A instead of activity B?'. Having ranged from cost-effectiveness and cost-benefit analysis to public choice and principal-agent theory, he concludes, regretfully, that politics rules:

> Resource allocation decisions in the public sector may be guided by technical analysis but are made through a political process in which technical analysis is but one, and not always the most important, consideration. (Fozzard, 2001: 44)

Beyond public expenditure: from participation to governance

Fozzard's emphasis on the political process reminds us that there is more to policy than public expenditure: the incentive and regulatory structure and, importantly, the governance framework, are also important. The more decisions are seen to be political, the more it matters that the 'politics' is right. Ellis and Biggs point to the important part that thinking about participation and process approaches has made to rural development; and we have seen that the *WDR* strategy for poverty reduction more generally rests heavily on participatory processes. The current rural development debate emphasises not just participation, but governance, with a particular emphasis on democratic

21. Common pool resources often make an essential contribution to risk-management strategies, further emphasising the importance of natural resources to rural poverty reduction (Shackleton et al., 2000).

decentralisation. As Johnson argues, ‘democracy and decentralisation are often presented as necessary conditions for effective rural development’.

The argument, however, is not entirely straightforward. Johnson cites well-known evidence of a poor correlation between economic growth and democracy, for example in East Asia. He makes similar points about devolution (in which local bodies are granted new political and financial responsibilities): the evidence here is from Colombia, Brazil, India, Bangladesh and Bolivia.

Why is there a weak link between democratic decentralisation and poverty reduction? A series of explanations is offered: that democracy undermines the autonomy that governments need to implement coherent policy; that office holders in democracies have strong personal and political disincentives to cross swords with dominant groups; that the poor are unable to bear the substantial costs of engaging in direct political action; that devolution makes it more difficult for governments to deal with regional inequalities; and that elite capture of local institutions militates against genuine poverty reduction.

This is a depressing review, but Johnson has some crumbs of comfort to offer. He finds, for example, that the establishment and empowerment of local resource user groups can improve the ways in which local people manage and use natural resources. He suggests (as do Rahman and Westley) that collaboration between public agencies and local resource users – for example, joint forest management, fisheries co-management, or participatory watershed management – can produce ‘synergistic’ outcomes which benefit the poor. And he finds that there are practical tools which enhance participation in decision-making fora, especially those which enable poor people to hold public officials to account. Examples are cited from India, Colombia and the Philippines.

Three general themes emerge from these experiences. First, there has to be a balance between autonomy and accountability, for example when an ‘autonomous’ central government insists upon genuine participation and a culture of accountability at local level. Secondly, Johnson finds that external actors can play an important role in supporting the participation of the poor, meeting some of the costs, and helping to build external alliances. These change agents can be within the system, for example at higher levels of government. Thirdly, the analysis identifies the need to move from ‘procedural democracy’ to ‘deep democracy’: political parties and strong civil society organisations appear to be the key elements here.

Devereux, in this connection, observes, with special reference to the broader rural development agenda, that fresh thinking on social provisioning is driving a new division of labour between private individuals, the state and civil society actors. He concludes that

> the old dichotomies – state versus market, public versus private transfers – are unable to capture the diversity and the complexity of relationships between various actors – government, markets, donors, NGOs, CBOs, social networks – that together provide some degree of livelihood security to the poor. If current trends continue, a growing range of intermediate forms will occupy the institutional space between publicly provided social protection programmes and the emergence of well functioning and fully integrated markets, including a variety of public-private-‘third sector’ partnerships.

This agenda certainly takes rural development beyond the technocratic, and beyond the instrumental uses of participation. It is not, however, an impossible or idealistic aspiration, even for donors. It might not be too surprising that IFAD, represented here by Rahman and Westley, defines the problem in terms very similar to those of Johnson, and lays special emphasis on strengthening institutions for the rural poor. But even a large mainstream donor like the European Union, represented here by Mikos, takes a very similar line, rooted not just in a narrow analysis of rural development, but in a much wider development co-operation framework, which stresses the consolidation of democracy, the rule of law, and human rights. Indeed, in the case of the EU, these core principles are enshrined in international treaty. As Mikos observes,

> the EU has a strong political commitment towards peace, empowerment of beneficiaries, equal rights for all (including women and ethnic minorities) and open access to information. This implies an equitable distribution of political voice, and, in particular, some control on the influence of urban elites, as well as non-discriminatory legal rights within the rural population.

Implementation issues

We have made some progress in working through the elements of a new approach to rural development, and will come shortly to a summing up. However, we need to keep our feet on the ground. It is easy to make the case for rural development as a multi-sectoral activity, to demonstrate the importance of state intervention, to call for new partnerships with civil society, and to emphasise the importance of a political dimension. However, some of these are easier to achieve than others; and to achieve all at once may be beyond our grasp. Anyone working in rural development today should carry a folk memory of the institutional and organisational elephant traps that lie in wait for the over-ambitious (Chambers, 1974; Crener et al., 1984; Birgegard, 1987).[22] Farrington and Lomax remind us that

> an *a priori* ranking of rural development priorities . . . according to their expected level of benefit to the rural poor may turn out to be sub-optimal once the susceptibility of these to implementation constraints has been taken into account.

In addition to the 'old' problems of bureaucratic complexity and the newer problems of bureaucratic capture (on which see Johnson and Start, 2001), there are two particular issues discussed by Farrington and Lomax. The first is conflict, or chronic political instability, often associated with war, but also found wherever violence is 'permitted or deliberately pursued against sectors of a population on, *inter alia*, ethnic, religious or socio-economic grounds and where there has been a widespread breakdown of many institutions of the state, whether legislative, executive or judicial'. The greatest concentration of chronic potential instability (CPI) may be in sub-Saharan Africa, but cases can easily be identified in other parts of the world (Colombia, Afghanistan,

22. And not just rural development: see Maxwell (2001b) on similar issues in multi-sectoral nutrition planning, food security, poverty planning, etc. See also Saxena (2001).

Myanmar, parts of Indonesia, etc.). Rural development, as we have discussed it, is not necessarily completely off the agenda in CPI situations, but clearly needs to be approached in a different way: as relief, or relief linked to development, or rehabilitation. The political pitfalls are numerous, however, especially the risk that development efforts will compromise the impartiality and neutrality of humanitarian assistance (White and Cliffe, 2000; Macrae, 2001). Thus, Macrae argues that three necessary conditions must be fulfilled before the transition from relief to development can be undertaken:

- The question of juridical sovereignty, indicated by the presence of a unified, central state, must be recognised internationally.
- The juridical sovereign must be recognised as legitimate by key Western donors, particularly by the United States.
- The recipient state must be able to function as a state, able to make and execute policy and to maintain security. (Macrae, 2001: 158)

As Farrington and Lomax observe, the international community needs new ideas on how development assistance can be promoted when these conditions are not met.

The second issue concerns how rural development fits into the new technology for delivering aid, particularly the reliance on sector-wide approaches. SWAps are designed to provide a mechanism for corralling donors in support of government-owned and -led development programmes, structured at the level of line ministries and feeding in to a rolling medium-term expenditure framework managed by the Ministry of Finance. As recent reviews have shown (Foster, 2000; Brown et al., 2001), they work well when sectoral responsibilities are clear and when most activity is owned by the public sector: health and education are good examples in most developing countries. Rural development and even agriculture both fail to meet these criteria: rural development because it is not a sector, as defined; agriculture because most activity is in the private sector (i.e. farmers). The risk here is that governments and donors will put such emphasis on sector-wide approaches that both rural development and agriculture are marginalised in the development process.

It may be possible to re-focus agricultural programmes so that they become amenable to SWAps: Farrington and Lomax review some of the necessary conditions. For rural development, it may be better to avoid that particular treadmill and concentrate on getting the strategy right at the level of the PRSP: detailed sectoral plans can then be left to independent sector SWAps. This would certainly be consistent with one of the main evaluation conclusions of integrated rural development, that creating overarching super-ministries is less effective than careful co-ordination of independent line agencies: ‘integrated planning but independent implementation’. From the donor side, the EU’s proposal for a Rural Profile and Strategic Framework is a step in the same direction, as is the World Bank’s emphasis on a holistic, multi-sectoral approach.

Towards a new narrative on rural development

We are now in a position to sum up. We have found that:

(i) Rural areas are (of course) highly heterogeneous, whether the scale is agro-ecological, set in terms of distance from cities, or to do with the degree of agricultural 'modernisation'. However, some broad-brush classifications are possible and useful, particularly to distinguish peri-urban, middle and remote areas.

(ii) All rural areas are changing, in size, structure and capability of population, in the pattern of economic activity, and in the degree of integration with national and international economies. Urban populations will soon be larger than rural, most rural people will be functionally landless, and, in most areas, agriculture will be a relatively small productive sector, commercial in its orientation and incorporated into national and international commodity chains. Most rural households will have a diverse and geographically dispersed portfolio of income sources: they will pursue multi-locational and multi-occupational livelihood strategies.

(iii) Rural development policy has yet to catch up with these changes. The current Washington Consensus on Food, Agriculture, and Rural Development finds an accommodation between historic concerns with production and the social sectors, and between state and market. However, questions and sticking points remain.

(iv) The first of these is about whether agriculture can be the engine of rural growth, especially in 'early development'. There are many good reasons to believe it can, and the empirical evidence is encouraging. However, natural resources are pressured, and the long-term decline in agricultural commodity prices weakens both the sector and the case. Lower taxes and large-scale investment in public goods (physical and institutional) will help, by lowering transaction costs. Some also argue that developing country agriculture should be protected, for example by a 'food security box' in the WTO.

(v) The case for agriculture-led poverty reduction rests heavily on the productive efficiency of small farms and on their contribution to local economies, especially by virtue of demand for services (including construction). However, the future viability of small farms, and of the small-farm model, is increasingly in question: technological complexity, greater connectedness to markets, and the globalisation of commodity chains are all to blame. Public goods, again, will help lower transaction costs; and social welfare transfers can be re-designed to boost production (for example, fertiliser subsidies rather than food aid).

(vi) If agriculture is faltering, the non-farm rural economy may take up (some of) the slack, though much is agriculture-dependent. The RNFE is indeed growing fast. It takes different forms, according to the degree of connectedness to the urban economy: early-stage non-farm enterprises benefiting from the natural protection of poor roads may disappear as infrastructure improves; but new enterprises will grow as businesses try to escape congested cities. Investment in the RNFE is important, particularly to reduce entry barriers to the poor, but must be driven by local comparative advantage.

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

(viii) The state is seen to have an important role in both poverty reduction and rural development, informed by the view that liberalisation and structural adjustment moved too quickly, with insufficient attention to the need for strong and prior institutional under-pinning of markets. In particular, the state needs to ensure that the poor can access reasonably performing and stable markets for finance, inputs and agricultural outputs – in some cases state-facilitated services will be needed to meet this need.

(ix) Participation features prominently in poverty reduction discourse, and also in rural development – but the issue is perhaps better understood as one of governance. Democratic decentralisation is the popular political technology, not always yielding the immediate benefits for rural poverty reduction that might be expected, but amenable to improvement. New partnerships with civil society are central.

(x) Multi-sectoral approaches are necessary, and the state has much to do. However, past experience reminds us that implementation constraints, whether caused by low administrative capacity or bureaucratic capture, are the enemy of good intentions. Plans need to be ranked with capacity to deliver as a criterion.

(xi) Furthermore, a different approach may be needed in areas affected by chronic conflict or political instability. A programmatic focus on linking relief and development, or on rehabilitation, may compromise underlying humanitarian principles and law.

(xii) Finally, multi-sectoral rural development does not sit happily with new approaches to delivering aid, which focus on sector-wide approaches implemented by individual line ministries. Though planning needs to be carried out collectively, detailed work will need to be handed over to specialised departments.

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

(i) recognise the great diversity of rural situations;
(ii) respond to past and future changes in rural areas;
(iii) be consistent with wider poverty reduction policy;
(iv) reflect wider moves to democratic decentralisation; and
(v) make the case for the productive sectors in rural development, as a strategy both to maximise growth and to reduce poverty.

Specifically, it will

(i) offer different options for peri-urban, rural and remote locations;
(ii) favour livelihood-strengthening diversification options for multi-occupational and multi-locational households;
(iii) accept the force of the post-Washington consensus – that market institutions need to be in place before liberalisation, and that states have a key role to play, for example in supplying (national and global) public goods;
(iv) explicitly take on inequality, in assets and incomes, with targets, timetables and concrete measures;
(v) propose measures to counter the anti-South bias of technical change, recognising the need for public support to research;
(vi) demonstrate that agricultural strategies will be consistent with natural resource protection, including water management;
(vii) recognise the importance of investment in infrastructure and human capital;
(viii) respond to the 'obligation' to protect the poor, with new social protection measures, including in conflict areas, and for HIV/AIDS;
(ix) propose pragmatic steps towards greater de-concentration and devolution; and
(x) identify the place for agriculture and rural development in PRSPs and sector programmes.

In implementing these principles, governments and donors face a series of choices, summarised in Figure 4. This illustrates different policy objectives, types of intervention, and outcomes. It reinforces a point with which we began: rural realities differ, and there is no one route to heaven.

Conclusion

As a final exercise, it is worth asking how far the issues we have raised are reflected in current donor efforts to reshape rural development policy. The answer, unsurprisingly, is that some are, and some are not – and that while there is a good deal of consensus, differences of emphasis still exist.

Farrington and Lomax identify poverty reduction as an overarching priority of agency rural development policies, along with environmental sustainability.[23] Donors recognise the power of the new poverty construction, and are anxious to work within the framework of PRSPs and sector-wide approaches. They mostly acknowledge the importance of diversification, and of urban-rural links, though they tend to be pragmatic in working with existing partners. And, similarly, they have confidence – sometimes over-confidence – in the idea of decentralisation, though many find their mandates make it difficult to engage on the topic.

Other themes are more embryonic. Farrington and Lomax find that many donors have still to deal seriously with the implications of globalisation for rural development, though Germany, for example, is working constructively to help developing countries

23. Their analysis is based on a review of the policies of Belgium, Denmark, France, Germany, the Netherlands, Sweden, the UK, the US, the EU, the World Bank, the Regional Development Banks, and the UN agencies.

Figure 4: Choices in rural development

Choices	Options	Questions & Considerations
Policy objective	• Poverty reduction • Output growth • Inter-regional balance	What trade-offs are involved?
Type of intervention	• Public expenditure & investment (e.g extension, health, food subsidies, research) • Regulatory framework (e.g. fiscal, financial, trade & tenure regimes) • Governance process (e.g. decentralisation, capacity & institution-building) • [direct role in production: e.g. state farms]	Are second-best solutions better in practice? What if the state is dysfunctional?
Spatial/rural focus	• A specific rural strategy or address urban bias in national strategies • A national approach, or several local-level approaches	Is political support for rural development sufficient? How to also address urban-rural interface?
Type of area	• Marginal: continued reliance on agriculture, any other growth poles, losers from globalisation? • Modernising: new opportunities/challenges from globalisation & nfre?	Where are returns highest (against which objective)?
Economic, social, political perspective	• Production strategies: (inputs, markets, infra-structure) • Invest in consumption: (education, health) • Political reform: (decentralisation, institutions, gender, rights)	Long-term vs medium- term goals. What is appropriate sequencing?
Agriculture & non-farm balance	Support for • Agriculture • Non-farm economy • Migration • Linkages between them	Degree of modernisation. Where is comparative advantage? What sectors can lead growth? Target intervention or underpin all options through infrastructure & education?
Scale & type of enterprise	Farming: • Small • Medium • Large farm Own-food producer or commercial employer? Non-farm: • Small & micro-enterprise • Medium/large enterprise?	Where is market potential? Which do & will the poor rely on – farms, employment, micro-business?
Whose livelihood	Farmers: • Full-time • Part-time • Men, women Non-farm earners • Landless • Migrants • Pulled by choice or pushed by necessity into nfre	Implications for different technology needs & market potential How to increase access of poor to higher-return employment or business options? How to base policy on an adequate understanding of livelihoods?

access the growing market for organic products in OECD countries. Similarly, donors as a group have still to think through the implications of the post-Washington Consensus on the risks of liberalisation, insofar as policies on institutional development are concerned. Perhaps they now have a forum in which to do that: Csaki describes the formation of a new consortium on rural development, a Global Alliance for Rural Development.

The donor papers here focus on a selection of multilateral policies (taking the EU to be multilateral for this purpose). The Farrington and Lomax conclusions generally hold, but it is notable how much rethinking has taken place. Each agency has different strengths. The EU, for example, is particularly strong on democratisation and on policy coherence (e.g. with the Common Agricultural Policy). IFAD will be noted for its strong focus (at least in early development) on food staple production on small farms, for its attention to the asset holdings of the poor, and for its analysis of how to reach excluded groups, such as minorities and women. The new World Bank strategy gives much greater priority than before to the non-farm rural economy, and also moves risk management up the agenda. Like the EU, it identifies OECD agricultural policies as a real constraint to rural poverty reduction, and commits the Bank to advocacy on this issue.

Whether these new policies will together constitute the strong narrative needed to energise rural development and reverse the fall in resources to the sector, or at least to agriculture, remains to be seen. Let us hope so. The articles in this volume suggest that there are some fairly deep-seated problems to be faced in rural development, particularly around the small-farm question. However, they also show that there is great potential in: providing public goods for agriculture; turning consumption subsidies into production subsidies; boosting the non-farm sector; promoting democratic deepening in rural areas; finding ways to support poor people trapped in conflict; and, in general, applying new thinking about poverty reduction in rural areas. A key fact bears repeating: three-quarters of the world's poor are rural, and that number will fall only slowly in the years to come.

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