THE RECONSTRUCTION OF RURAL INSTITUTIONS

by Gustavo Gordillo de Anda
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1. Statism and Rural Economy

Most of the agriculture of Latin America and the Caribbean shared, at the end of the eighties, more or less the following features: an over-protected agriculture; strong intervention by the state; excessive regulations and obstacles to interactions with other economic agents; a static land market; and a bi-modal type of productive organization, i.e. few powerful economic units and a large mass of smallholder producers. During recent years, in the context of economic and political liberalization, analyses and public debate on agriculture in developing countries have explored new trends that include a broader view of the role of agriculture, a change in strategies and a new conception of the interaction between markets, state and civil society.

The task of transforming the cluster of state institutions in the rural sector has been very significant. However, in spite of some important progress, governments are still in the middle of the road and there is a lack of institutional answers to the demand and needs of less endowed producers.

Deregulation, streamlining of bureaucracies and privatization of state enterprises have been predominant features of the first stage of the reforms. There is growing consensus about the desirable features of a second stage of reform focused on institutional reconstruction:

a) an even greater elimination of paternalistic and authoritarian practices;

b) effective state support of the agricultural adjustment process that, by respecting producers’ autonomy, is able to induce economic reconstruction and productive reconversion processes, accompanied by alternatives to economic development and social cohesion of the rural communities; and

c) an innovative scheme of incentives and regulations that fosters synergetic linkages between market dynamics, state promotion and producers’ strategies.

These desirable features assume the adoption of a reconstruction approach of the rural institutional framework that it is not limited to changes in the organizational structures and functions of state institutions.

Several academic works (North, Bruyn, Bardham, Binswanger, de Janvry, Ostrom, Schmitter, Streeck and Lehmbuch) point to new experiences and favourable conditions for institutional change and to the dynamics of social interventions in the market or the role of social capital in institutional crafting. More generally, the possibilities to assemble combinations between market assisted strategies based on interventions by the state, community and professional associations among the state, market, communities and associations, can potentially prove its accuracy in channelling conflicts and generating the kind of synergies needed in a process of reform.

These combinations look at communities that enhance the necessary mutual trust for a stable economic change; producers’ organizations and other associations that contribute to the development of contracts among social agents that are reciprocally negotiated and agreed upon; markets that open reproduction opportunities to communities; and public policies to assist the market’s potential as an efficient mechanism to allocate resources. These combinations have been an exception; however, under the new development conditions that are being created, they appear to be feasible and perhaps indispensable.

These academic contributions call for a reformulation of conceptual frameworks and question assertions that were adopted almost as premises. In this regard, it is worth emphasizing several points that are of critical importance when considering the possibilities for change and development of agrarian institutions.

As a starting point, it is necessary to adopt an institutional framework that is not limited to the network of state institutions with their legal supports, but also the set of rules and conventions, acceptable and agreeable to the producers, and even ethical and moral norms of behaviour which are part of the structural framework of social interaction. Within this broader approach, the main role of institutional development is to increase efficiencies and reduce uncertainties through the design of a stable structure - although not immutable - that favours economic and social interaction.

It is also a point of departure that the institutional framework, in particular the structure of opportunities and incentives created by this framework, is the underlying determinant of economic performance; this thesis has been particularly documented within the scope of agricultural performance of developing countries.

According to Douglas North, institutions in the broadest sense serve to reduce the uncertainties of people’s daily lives; this is expressed in an infinite number of formal and informal rules which regulate the conduct of an individual, i.e., his/her transactions within a society. Institutional stability will last as long as it conforms to a cost-benefit balance for the society. Thus the reformist thrust is created when it is more attractive to alter the institutional contract than to maintain its continuity.

One important consequence of this approach within the framework of what we know today of the political economy on reform is that although institutional change is propelled by changes in the relative prices, in demography or by technological restructuring, the only way to define a rhythm of change that limits the inevitable instability change brings is by engaging in processes of consensus building.

Recent political and economic liberalization reforms involving deregulation, privatization, tax reforms and main economic stability have made it possible to formally cancel anti-agriculture biased policies.

Still pending, however, are the implementation of schemes directed to reduce the disparity and high levels of transaction costs in the rural sector; the missing linkages and inertia which limit economic reorganization and, in particular, the multiplication and diversification of contractual and associative forms; the obstacles to community-based development; and the absence of policies that recognize the diversified strategies of rural producers.

Furthermore, an institutional framework is lacking that would guarantee people’s participation as well as redefine the new role and dimensions of state promotion. To sum up, the following is needed:

a) to acknowledge producers’ representations as entities of public interest with rights and responsibilities in the design and management of rural policies. This recognition has to be accompanied by a legal framework that would promote concerted contracts between agents in decision-making; policy design and the allocation of resources by region, activities and producers’ groups;

b) a negotiated state reform that would define the modalities of state promotion, basic rules of access and dimensions of the public resources involved in the main instruments of agricultural policies. It is particularly important to define the terms of a direct support system; a scheme to promote and develop capital formation opportunities; a gradual transformation of the tax policy within the rural sector; flexible programmes to accompany trade liberalization focused on vulnerable groups; and land tenure reforms.

The purpose is to establish a path of transformation that would reflect consensus, direction and the stability of agricultural policies in order to generate certainty and contain authoritarian and discretionary risks.

The above elements lay a fundamental basis for future institutional developments within the desired features of autonomy, inclusion and effective subsidiary action by the state. The definition and implementation

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2 Talk by the President of the World Bank to the Staff after the Annual Meeting, October 1996.
of rules and practices that acknowledge the growing dynamism and diversity in the countryside, expressed
through the new social actors, groups, associations and organizations that have unfolded a complex and
pluralistic fabric and that need to find positive forms of co-existence and synergy.

However, a transition period unfolded by the reform can also result in an institutional crisis in the rural
sector in which four factors may arise: a) an institutional vacuum generated or exacerbated by the absence of a
new institutional framework for the entire rural society and operational for the magnitude of the implemented
structural changes; b) an imbalance between the intention and the capacity for renovation of rural institutions,
while maintaining their legitimacy; c) a strong, although sometimes dispersed, resistance that does not disappear
and that, on the contrary, can hinder or distort the institutional change proposed in the reformist strategy; and d)
the absence of synchronism between the structural and institutional development of the rural sector and the
changes in the rest of the economy and society, which would imply that a favourable macro-economic and
political setting is not sufficient for structural transformation to take place at the micro and sectoral level.

The continuation of a rural institutional crisis can create or deepen the stagnation of the agricultural
sector as long as there are no new institutional structures able to open new channels through an effective
economic development supported in the long term by a rural development vision that would allow for greater
balance in the relations between the agricultural sector and the rest of the national economy.

Another factor that impacts the agricultural sector is the tendency towards a selective modernization
only in some sectors or regions based on simplistic economic criteria that envisage these as the only “viable”
sectors. In reality, this is the basis for the deepening productive and social imbalances in the rural sector, under
conditions in which the macro-economic environment of a country cannot offer by itself a real and lasting
alternative for the displaced actors or regions in the countryside, thus giving a new shape to the restructured
countryside: **vacuum plus exclusion**.

The three main objectives for rural development can be summarized as: (i) increased productivity; (ii)
greater justice through higher incomes; and (iii) food security. The achievement of these objectives demands an
integral transitional strategy based on increased autonomy of the producers. It does not make sense to
promulgate flexibility, transparency and participation without acknowledging differentiation and economic
pluralism. The important thing is to incorporate the many forms of differentiated strategies and social actors in a
broader dialogue that would result in inclusion. As stated by de Janvry, when the available information is
imperfect, it is more important and convenient for the state to strengthen the bargaining power of the less
favoured than to try to regulate private contracts.³

Without political and social empowerment, which is by no means indifferent to economic performance,
it is foreseeable that under the new conditions of deregulation and flexibility in production organization, the
farmers - without the strength of a democratic organization and participation - will face greater disadvantages
resulting from the opening of the economies and the influence of entrenched local powers.

In other words, it is essential that the complex rural society be reflected in the structure and practices of
public institutions, so as to include and qualify the demands of social actors, especially of those who were
excluded from the first phase of the reforms.

The above means profound changes in the mechanisms for access to support services and public
resources, accompanied by a strong decentralization processes of development entities, in order to guarantee the
necessary autonomy for local agencies in the allocation of resources and a flexibility of their programmes, as
well as to open effective and permanent possibilities for reaching a consensus with the producers.

2. **Rethinking the Perspectives towards Ownership of Rural Policies**

**Old Problems and New Trends**

The old paradigm of the rural economy which prevailed until the end of the eighties included five elements:

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³ v. Alain de Janvry in P.K. Bardham (ed.), The Theory of Agrarian Institutions, Oxford University
a) **protection of the agricultural sector** through closed markets, price controls, secured supply of subsidized credit, state channels for marketing and tax exemptions, to name the most common mechanisms;

b) **excessive state intervention** - in the markets of both agricultural and livestock products and inputs, as well in the economic decisions of producers. This latter element gave room to vast segments of the rural economy being managed as an extension of the state economy;

c) **excessive regulations and obstacles to the linkage among social agents.** The purpose was to maintain the peasant economy as a separate, almost autarchic part of the economy, by exercising all sorts of prohibitions against the participation of industrialists, investors or commercial agents in agriculture and livestock activities, resulting in the unfolding of black markets and several forms of simulation;

d) **immobilization of land,** especially in countries such as Bolivia, Nicaragua, Peru and Mexico. Likewise, excessive regulations hindered investments and economic restructuring, encouraged cases of idle lands and halted access to investment options;

e) **large heterogeneity in the countryside,** where a small number of powerful economic units contrasted with a mass of landholders confined to small units, mostly under *minifundio* conditions with no chances for development. The chronic concentration of resources and development services in the most developed regions and the anti-agricultural bias of public policies have fed this heterogeneity for decades.

The agriculture paradigm that worked within a closed economy, implemented by the state and with precarious links among economic agents has been contested not only in academic terms but also by actual developments. To sum up, the development model based on import substitution was not only biased against agriculture *in toto* but it also developed a compensatory sectoral policy - expensive and inefficient in productive terms - disproportionately favouring economic units devoted to agricultural exports or designed to meet new consumption patterns in expanding urban markets. By contrast, support and services to reach the family farm economy were insufficient.

The transformation of the rules of the rural economy implies a change in paradigm - a change that faces many obstacles, but that also presents opportunities. The possibility exists to build an agricultural paradigm with the aspects mentioned below. Although we are far from a new construction of the role of agriculture, important trends must be taken into account:

a) **a free-market agriculture,** in which the markets work better and the state is streamlined, both in quantitative and qualitative terms;

b) **an extended agriculture,** that transcends simple primary production and is based on a greater and more diversified economic organization of rural producers, linked to other economic agents in different forms of horizontal and vertical integration;

c) **a service agriculture,** from the creation in an endogenous fashion of enterprises responsible for the marketing, storage and transport of products, consultancy in productive projects, dissemination of technology, technical assistance, training and education in business administration;

d) **a new contractual agriculture** that allows for the establishment of clearer and more balanced rules among the different productive agents, encourages private contracts (such as leasing of land and share-cropping) and establishes permanent links with the business community;

e) **a flexible agriculture.** Intersectoral analysis should start at the rural household level - a household that is not merely participating in the one (agriculture) sector, but in both the farm and non-farm sectors, comprising activity in local rural areas and towns, as well as in migration. A focus on linked markets (land-credit, land-labour, labour-credit) is indispensable for adequate policies in the rural sector. Hence, the reality of the farm household in developing countries is...
really that of a ‘multisectoral firm’, and traditional monosectoral policy approaches are inadequate. A. Bagnasco, in analyzing the industrial model of small enterprises in northern Italy stresses the important articulation between regional cities and the countryside (1988). He finds a significant statistical correlation between the development of the small enterprise system and the type of labour relations in agriculture mainly based on small family farms and sharecropping. In the latter the basic unit of reference is the farmer’s family that obtains income from off-farm activities as well, ensuring the flexibility of its workforce in its functioning;

f) an agriculture based on knowledge and human capital that invests more in human capacity building and in the development of producers’ roles as market agents and entrepreneurs;

g) an agriculture linked to macro-economic policy as well as to rural welfare as a result of its revaluation as a fundamental component of the national economy and society, and with a differentiated state development based on policies that effectively respond to the needs and possibilities of the different types of producers, regions and products;

h) an agriculture responsive to the feminization of the countryside. Agricultural tasks are becoming increasingly concentrated in the hands of women, in part because of the breakdown of traditional family structures and higher rates of male out-migration from rural areas. Such migration is mostly the result of the search for non-agricultural wage employment elsewhere, or forced by civil unrest or environmental displacement. In some parts of (mostly southern) Sub-Saharan Africa, female-headed households may make up to 60 percent of total households in rural areas. In Asia, they perform over 50 percent of the work required in rice cultivation. Some of the most complex agricultural systems in Latin America are the home gardens commonly run by women. By tending to home or neighbourhood gardens women can reduce the demands placed on their husbands’ wages (in Latin America, a family may save about 10 - 30 percent of the total food bill), or else supplement these with cash income derived from the sales of their produce. Women typically also work more hours than men - up to 60 hours per week - and for less or no income, but their crucial role is to coordinate the activities of the rural sector;

i) an associative agriculture with economic organizations and associations that make it possible to establish economies of scale and thus open access to new commercial and financing channels;

j) a concerted and co-responsible agricultural policy of rural welfare - of commitments and contributions - focusing on fight against poverty and the allocation on the part of rural populations of knowledge and skills related to the development of the popular economy and community organization;

k) a sustainable agriculture in which the use of resources is integrated with its conservation, with new technological matrixes that correspond to its productive heterogeneity, is friendly to peasant production and guarantees sustainable development;

l) an urban agriculture. It has been estimated in 1994 (Mougeot) that about 12 percent of the world’s total population -- 700 million people -- are supplied with food by 200 million urban farmers, in large part through informal purchases on the streets. In Asia estimates commonly place the number of households involved in city farming at over 50 percent of total urban households. Vegetable consumption and perishable produce in particular are to a large extent provided by urban agriculture. Urban agriculture therefore appears to make a substantial contribution to income flexibility, and to food security at large, providing an estimated 10 - 40 percent of overall nutritional needs in developing countries. Dietary variety is supplied by fruits and vegetables, some livestock (poultry, birds, smaller animals, occasionally cows), staples (cassava, maize, and beans), and berries, nuts, herbs and spices. Urban food production does not usually require extensive landholdings, or guaranteed long-term use. It is characterized by the critical involvement of women, especially in the big cities of the developing world

**Changes and Challenges in the Countryside**

What are the critical changes that the Latin American countryside has experienced during the last years? Four can be mentioned:
a) One change refers to the type of economic development: Since the fifties, the modernization process of Latin American and Caribbean countries has led the agricultural and livestock sectors to play an efficient role as sources of foreign exchange, food and inexpensive primary goods, and to provide the labour force for industrial production. This resulted in widespread poverty and cheap labour in the middle of small pockets of developed agriculture heavily dependent on subsidies. However, by the seventies this development model exhausted itself and its main feature - a closed economy - has practically disappeared.

The first transcendental change, the passage from a closed economy to an open economy and from a style of development with an anti-agricultural bias to one that is trying to eliminate it, also poses the first important challenge to the present rural society: Which is the best insertion of the agricultural sector in a new development model capable of guaranteeing a balanced growth for the sector?

b) The second change relates to the technological matrix. The vision of a homogeneous countryside was a very serious conceptual mistake reflected in the policies that, by not taking into account the different strategies at the household level, deepened the heterogeneity without a clear counterpart in productive terms. By favouring technological packages that depended very much on large-scale irrigation systems and industrial inputs, a “mining-type” of agriculture was created: expensive, dependent on government subsidies and irresponsible in its treatment of the environment. Within this model, research, technological development, technical assistance and the extension systems of prevalent productive systems were left to their own fate. The exhaustion of this type of development and the new technological revolution give cause to severe doubts about the technological pattern followed in the countryside. This second big change poses another challenge: How to unfold new technological matrices that match the heterogeneity of production, are friendly to peasant production and guarantee sustainable development? How to rebuild the technological base derived from the green revolution without affecting, but on the contrary stimulating the productivity arrived at in the areas with the greatest potential?

c) The third change refers to the social fabric which has been radically transformed. At present, Latin American countries are more urban than rural. However, it is important to describe this change. The expected industrial utopia was not achieved. Industry did not absorb the labour excesses from the rural sector; the service sector expanded, without leading to a highly productive and modern sector with high salaries, but instead, to an informal sector of poverty stricken populations; rural-urban migration became a survival strategy for rural communities. All of this altered the social fabric of the countryside. What does it mean to be a farmer today? The concept of farmer conceals many realities: the smallholder farmer, the agriculture or livestock entrepreneur, the “avecindado” (neighbour), the woman farmer, the day labourer, the migrant, the transnational farmer, the inhabitant of peasant cities (i.e. the urban peasant). This third big transformation implies a third challenge for the rural world: How to build a new organizational structure that houses the social plurality of the countryside without generating an oligarchy of associations?

d) The fourth and last change relates to statism. It is not so much an issue of how big or how small the government should be, but rather a question of boundaries between public intervention and private activities, between the interplay between the state and civil society. It has been well documented that statism eliminated these boundaries. In the countryside, bureaucracies were established between the rural community and the state. Their power derived from the mediation between communities and government. Black markets developed to avoid mediation and clientelism. But bureaucracy developed in state agencies and enterprises which were not subject to accountability. The new communitarian “elan” that is appearing in many regions demands clear rules and participation, i.e. democracy. This fourth change implies another challenge for the rural society: How to advance in the process of democratization of the countryside by innovating institutions which link community, market, associations and the state?

Policy Reform: Towards a Responsible and Responsive State

Reflection on the new role of the state, in particular of public intervention in agricultural and rural development, has evolved around four main issues: policy instruments, legal framework, rural participation and
institutional re-engineering. A basic plan for a new state promotion would start with the expansion and deepening of the agriculture and livestock policy reform instruments, at present committed to the rebuilding of flexible institutions, with the high participation of producers and with a dynamic that does not affect economic freedom or free trade.

Likewise, it would be necessary to build social consensus on the objectives, terms and costs of the main policies of rural promotion, especially with regard to supports, and translate these agreements into legal schemes that would guarantee the fulfilment of commitments and the stability of policies and rules. The latter is a precondition to the achievement of any other objective and to the generation of certainty among the economic agents in the countryside.

Another essential aspect of this promotion plan is decentralization, i.e. the redistribution of state power into geographical areas, which - in a general democratic context - means the devolution of power in a co-responsible way both to municipalities and to producers’ organizations. Also, this aspect is essential for the successful management of differentiated interventions.

A new support policy - enshrined in the law and periodically reviewed - can become the nucleus of state promotion. The “green” subsidy - detached from a narrow productive process and focusing on rural incomes - could be the basis for differentiated interventions taking into account producers’ characteristics, rural household strategies, regional imbalances and adaptation to trade liberalization. Without neglecting the objective of securing a certain level of income for producers with low incomes, the policy should favour multi-activity in the countryside and reconversions at the farm level, especially if strongly linked with sustainable policies, such as soil conservation, water harvest, etc.

In this sense, a support policy decoupled from products would have to incorporate, in a balanced manner, the following objectives: (i) to improve competitiveness vis-à-vis the main commercial partners of the country and thus achieve a better symmetry between direct support services delivered by the agriculturalists at the national level; (ii) to selectively compensate, directly or temporarily, those producers whose incomes and economic strategies have been negatively affected by the different structural reforms, i.e. support them so that they can adapt to the new conditions; and (iii) to provide direct assistance and services at the household level in disadvantaged areas, in order to provide an element for capitalization and options for income generation.

Such a policy of direct support could form the pivotal point for the rest of the policy instruments and should support new linkages between policy makers, producers and other economic agents.

The other four important components of this support system would be:

a) A rural financing system that recovers the credit culture in the agricultural sector, above all within the context of the family farm economy. This system should match the different producers’ characteristics and should be complemented by self-help mechanisms, savings accounts, etc.. Furthermore, the financing system would aim at concentrating the resources of medium and low income producers with feasible projects in order to secure the productive use of funds by the borrowers and achieve a solid commitment by the rural community to repay the debt. The emphasis should be laid on savings mobilization and capital formation.

The institutional components of this system could be second-tier institutions with the global task of regulating strategies; regional banks as nodes of a vast network of local banks; small formal credit and savings groups in each community - as basic subjects of financing - linked through credit unions and/or other forms of regional peasant associations such as cooperatives that would occupy an intermediate position between the regional bank and the credit groups, and a network of local enterprises - public or private - that would provide commercialization, technical assistance and insurance services. Basically, this is a scheme for the private sector to develop. Public sector should concentrate on setting rules and regulations.

b) The infrastructure policy should, without neglecting some large strategic irrigation projects - especially since the total irrigated surface decreased at a rate of 1.4 percent per year in Latin America between 1980 and 1992 - focus on substantially expanding small productive infrastructure (irrigation and conservation of aquifers, soil conservation) and commercial infrastructure, such as wine cellars, cold storage and transport systems.
c) It is necessary to rebuild science and technology institutions, restructuring them with a circuit to improve technology transfer and the training of human resources. This assumes the integration of universities and technical institutes within a scheme for the massive dissemination and transfer of knowledge and skills, supported by new interactions with the producers. Also, the reform of rural educational and research institutions should include the unfolding of a technical training strategy, supported by the premise that the human capital is a fundamental factor in reshaping economic activities; and by an approach that would search to expand the activities directed to education and the improvement of its quality, as well as to identify new strategies that match the processes of productive reconversion and economic restructuring. The process of restructuring the R + D could be usefully supported by a resource fund from institutions and research centres can draw.\(^4\)

d) A sustainable development policy would encourage and regulate any form of ownership of natural resources, including social responsibility for their use. Thus, in contrast with the scattered efforts of a simple conservation strategy, a productive ecological policy would focus on assisting the producer and not the resource itself. This would lead the producers to acknowledge that sustainable strategies can generate greater and sustainable productivity.

To sum up, the processes that accompanied structural reforms have made it possible to formally cancel inefficiencies and limitations. They have also improved in a very incipient manner fragile incentive schemes and opportunities in the Latin American and Caribbean agricultural sectors. However, there are still pending issues to be solved: the high levels of transaction costs in rural areas; the sluggishness and lack of opportunities that hamper economic reorganization, especially the multiplication and diversification of contractual and associative forms; obstacles to the development of community initiatives; and absence or frailty of specific markets, i.e. land, credit, etc..

Similarly, in general, there is a need to develop a particularly “user friendly” institutional framework, including legal norms and practices. The following is needed: (a) acknowledgement of farmers’ associations as public entities with rights and responsibilities for the management of rural policies. This recognition should be accompanied at national and regional level by negotiated contracts for decisions in the sector, the design of public policies and the allocation of resources; and (b) the crafting\(^5\) of a public institutions system that would draw from informal or customary arrangements and provide for systematic consultation and decision making in relation to public policies. In other words, the purpose is to establish a legal framework that would imprint consensus, direction and stability on the agricultural and livestock policy in order to generate the desirable certainty in the countryside.

3. **Building Cohesiveness: A New Social Policy**

In most Latin American and Caribbean societies the crisis of the 1980s resulted in vast and diverse restructuring processes that affected not only the political and economic system, but also cultural spheres in terms of the formation and transmission of important values for social integration. The attempt to reformulate and gain consensus on a new vision of social justice, i.e. a set of substantive principles to judge the norms, institutions and social practices, fits into a diffused and scattered movement in Western societies that aims at reconstructing the political theory of the traditional liberal ideology. This diffuse movement is subject to different interpretations: socialist, liberal and even conservative in all its manifestations, with a very strong equity component. It aims at guaranteeing equality of opportunities, but does not pretend to create a false social symmetry that cancels interests or differences. Far from this, it attempts to strengthen the opportunities of the weakest in order to enable them to develop. This is, I believe, the linking point between social policy and democracy.

The fundamental point of view in the social policy reform is that of a profound revision of the linkages with the macro-economic policy, particularly with fiscal policy. Macro-economic stability is presented in social terms as a promise of fair distribution of the potential benefits from growth. In this respect, fiscal policy has an

\(^4\) See the interesting issues raised by H. Rouillé d’Orfeuil in the World Bank seminar on “Building a Global Agricultural Research System”, September 1996.

important role to play and a current area of debate refers to the possibilities of expansion of expenditures even in the presence of a sound but restrictive fiscal policy.

This paper takes the position that restrictive policies should be used only in a specific moment of time (for example, an over-adjustment to act on inflation) and should give way to a policy of harmonization of the urgent need to combat poverty: neither a one digit inflation policy nor a fiscal surplus can be considered only in terms of the needs for a macro-economic policy, but within the framework of their linkages with social policies. Redistributive policies cannot be set aside until stabilization is achieved because of the latent fragility generated on the political scene which, in turn, has an impact on the economic stability. The challenge of stabilization and its difficult passage to sustainable growth rest with its linkages to the social policy. Otherwise, at the same time that the policy is being over-simplified - stability by economic repression does not create by itself growth - it looses relevance regarding the final objectives of any economic policy: the social welfare of most of the population.

On the other hand, a public expenditure policy is not the only way to address the problem of linkages between economic and social policies. There are policies that can favour a better distribution of resources. A clear example is represented by agricultural policies: macro-economic considerations cannot be reduced to a simple equation of what the general profit will be, but should also take into consideration which population groups will benefit from it, which will loose and how much they will loose, and how to create the appropriate conditions for redistributive flows through productive reconversion projects and training of the labour force. All of these actions have the final objective of increasing the number of potential beneficiaries of the economic reforms.

Attempts made by the specialized agencies of the United Nations and by multinational financial institutions to overcome traditional (orthodox) strategies in terms of redistributive policies are beginning to answer some of the key concerns of the current situation: Which measures can improve income distribution? Which measures effectively address the deficiencies in terms of health, education, housing, employment, social welfare and above all food security? Which are the available policies that can address equity, reduce the regional disequilibrium, integrate social policies within productive processes, and enhance democratic participation?

The following is an outline of the possible answers. The order of presentation does not correspond to a priority or hierarchy of the different proposals:

a) Growing fiscal transfers with healthy financial support are a precondition - although not the only one - for the renewal of the social policy in two of its most important spheres: (a) the fight against extreme poverty, especially related to the food security of low income families; and (b) the consolidation of an efficient and fair system of basic services for the population to increase the sufficiency, efficiency and equity of social expenditures in order to guarantee better access to public services: drinking water, sewerage, electricity, education, health and social security. Housing is another important point of the social policy, which has been characterized by its close dependence on the economic sector, but with adverse consequences in terms of equity. In order to transform the housing policy into social policy, it is necessary to allocate resources and services to guarantee access and security of land tenure to the poor. Likewise, it is necessary to give priority to housing programmes that finance construction processes undertaken by rural and urban populations themselves.

b) Another redistributive instrument is to increase government expenditures on infrastructure, particularly in rural areas. First, it is necessary to reduce the costs associated with the transport of goods consumed in the rural areas by decreasing transaction costs for the benefit of rural consumers. This policy would also increase the value of rural lands and, thereby, the assets of the sector. It is important that these rural infrastructure programmes lead to improved income, employment creation, permanent marketing opportunities and a close relationship with support policies that target the reconversion process and enhance productivity.

c) Generally, policies that tax the wealthier have not been successful, either due to the tax evasion capacity of this sector which directly or indirectly affects the financial dynamics, or because in the past greater fiscal pressure was translated into increased prices or reduced incentives for new investments. However, this is the sector with the greatest contribution to offer. Procedures to
obtain income from these sectors could only be based on specific contributions through income tax for a specific period of time and with a gradual reduction. The same approach could be applied to property taxes on high value housing or the elimination of some exemptions in the stock market, the buying and selling of luxury, or inheritance.

It is critical to agree on a social contract with the taxpayers concerning the destination of taxes. It is important to earmark the proportion of the resources coming from agreed tax rates and establish a social control mechanism to ensure not only the destination of these resources but also the criteria for their regional distribution by population groups.

d) Reduction in the relative prices of basic rural consumption goods. There are two approaches to achieve this objective: through price subsidies with subsequent distortions, or through an increase in the supply of rural consumption goods. The latter, within a free trade scenario, can be achieved by a gradual relaxation of import restrictions on basic goods: assuming that the first “deciles” are net consumers or producers for self-consumption (corn, beans, rice, sugar, etc.), a reduction in prices associated with increased imports would imply a net benefit. However, this might conflict with the indispensable margins to support an assistance policy and to accompany the transformation process of small farmers’ agriculture. Thus a strong policy to promote internal markets is also indispensable.

With regard to deregulation of basic grain markets, it is critical to assist small groups of producers for self-consumption through three inter-connecting channels: (i) by promoting such organizations and associations that would generate lower transaction costs and improve access to productive services; (ii) by fostering rural infrastructure and local micro-enterprises to satisfy the demand of products that are absent from the regional market; (iii) through direct support programmes to improve peasants’ incomes.

e) Massive support to the so-called third sector is an important strategic element of a new social policy. These initiatives might be in the informal or formal economic sector and the support should cover the promotion of micro-enterprises; of cooperative forms of production and consumption; associated enterprises that have promoted trade unions; and the network of service enterprises created by civil society organizations, such as “rosacas” associations, self-insurance funds and distributors of inputs developed in the rural sector. The objective is to generate a substantial opening of opportunities both to create small and medium-scale enterprises, as well as to access management knowledge, technology and markets.

The Food and Agriculture Organization of the United Nations, the Economic Commission for Latin America (ECLA), the United Nations Development Programme (UNDP), the International Labour Organization (ILO), the Inter-American Development Bank (IDB) and the World Bank all recommend, with different emphasis, that economic growth with improved equity should be accompanied by efforts not only to provide greater productive capacity for the modern and export sectors, but also by an increase in the productivity and income levels of the most disadvantaged segments of society. They also point to the urgency to renew and broaden massive training programmes in the informal sector and to provide better marketing opportunities, and to disseminate management skills to micro-enterprises in the formal economic sector. In an optimistic scenario of growth for Latin America, UNDP estimates that during the 1990s the role of the informal economic sector in creating employment will continue to be decisive. It is estimated that 70 percent of the total new jobs created in the region between 1980 and 1987 were generated by the informal sector, while the corresponding figure for the last decade of this century would amount to 50-60 percent.

Thus, more than a direct governmental effort to create employment, what the economy needs is a massive programme to enable improvements in productivity and incomes. To achieve this objective three basic components are required: (i) organization to reduce transaction costs and improve access to public services and productive resources; (ii) training; (iii) institutional capital formation schemes, technical assistance and commercialization suitable for the operation of micro-enterprises. World-wide technological changes that have made small production units competitive, together with the shocking reality of the peasant and informal urban economy have laid the basis for a re-evaluation of these forms of production.
With the support of these forms of informal economy, a high degree of efficiency in the transformation of welfare resources can be achieved. Resources generated by these means do not need to be redistributed, because they are already in the hands of the target population that, in addition, has the family’s well-being as its main concern. In the context of the informal economy, work represents greater connotations than just the generation of income, by establishing better social conditions that encourage solidarity, identity and greater creativity, thus catalyzing the potential of the organized community.

f) In order to broaden and strengthen people’s ownership of knowledge and skills relevant for the society, not only those related to production and commercialization, but also those concerning daily life and consumption, it is necessary to promote community organization and political life, productive transformation, develop the informal economy and satisfy basic needs. Generally, most of the activities involved in social policies have aimed at improving the infrastructure sector, for example by building roads and schools, carrying out drinking water works and providing health care services. No doubt that all this is indispensable to improve the living standards of important segments of the population, but these measures are not sufficient to achieve sustainable improvements and depend on government spending. Sustainable improvements imply that marginal population groups acquire the necessary skills that would allow them to increase their incomes.

In order to increase the well-being of marginal or unprotected groups, it is essential to improve the quality of their lives and their access to knowledge. What really matters is a social policy that provides incentives and opportunities provided to its social target groups by means of investments in human capacity building. The world-wide tendency to increase productivity by “investing in people” has acquired a crucial role in development strategies. Also, productivity increments should be envisaged, not only as a result of technological developments, but following institutional changes propelled by technological innovations.

To sum up, institutional changes involve a transformation of the social production function in the same way that technological changes transform the production function according to conventional theory.

g) In the present time, the original sense of a solidarity commitment by states and societies is to ensure that the individuals and groups involved in market relations have access to the basic resources to benefit from these relations. When free associations are promoted, the enhanced negotiation capacities play a levelling role. Equitable negotiation cannot be guaranteed, but the disequilibrium between agents in the marketplace can be compensated for.

The promotion of social organizations is not limited to professional associations. It also plays an important role in the establishment of an incentive scheme prone to the multiplication and consolidation of the organizational efforts carried out by local groups in terms of productive activities, food security and access to services and housing. The experience gained by several countries where cooperative associations, community organizations and other forms of organizations have achieved an important place in the economy and have an adequate legal system, shows that the marketplace operates better when assisted by organized groups.

The evaluation of social arrangements has not only been scarce, but it has been done in isolation or in flagrant confrontation with a key issue that is being incorporated in the debates about legal and state reform, i.e. greater participation and leadership role of the private sector in the countryside.

Some common beliefs about the sustainability of the reformed sector indicate that economic agents will increase their investments only in small sections of commercial agriculture. There are other who have a pessimistic view about the collapse of community property in the presence of free markets.

This subject presents the following main elements: security and regularization of land tenure; new spaces for the participation of private agents; the beginning of the end of the division between the private and the so-called social or third sector, while at the same time recognizing their different approaches to production and productivity.

4. Legal Reform in the Countryside
Let me now try to extract some lessons from the legal reforms carried out in the 1990s in many countries in Latin America, but also in other parts of the world where countries are experiencing a transition toward democracy and market economy.

Land tenure reform is usually part of a broader economic and political reform process. These reforms can stem from diverse conditions. They can, for example, emerge as a consequence of a revolution, as was the case in both China and Mexico and in several European countries during the nineteenth and twentieth centuries. Similarly, however, land tenure reforms can occur as the result of specific conjunctural conditions or unique local events, such as, for example, the position of a country in the international community or as a result of local calamity or major disruption. The examples of Taiwan, South Korea and Japan embody these formative causes. Despite the difference in formative impulse, there is a common trait that characterises all land tenure reforms: the displacement of a political coalition from government.

Land tenure experts have frequently resorted to an overly simplistic typology of land reforms: those initiated from the “top” and those initiated from the “bottom”. In fact, all land tenure reforms are top-down: an enlightened elite with a sense of statehood conceives of reform as a mechanism for the consolidation of its power in relation to other elites. A more visionary and politically astute elite, however, not only displaces competing coalitions, but does so through the construction of the state and its necessary political, economic and legal relations. Land tenure reform is crucial in this context because the recognition of property rights infers a corresponding recognition of the right to participate in the political community. And citizenship, one is aware, does not refer merely to the provision of social, civil and political rights (as defined in the Marshallian conception of citizenship), but is grounded on a recognition that the effective use of these rights might, and indeed should, lead to the enhanced welfare of citizens and future generations. In this context, it is important to realise that land reform does not occur in a social vacuum. Many land reforms for example, are prefaced by pressures from the “bottom” - the action of new social movements in rural areas frequently precipitates reforms and can prompt the emergence of a political elite willing to push for land reform. The justifications for specific land reforms are diverse, but at a general level can be divided into three sets of broad considerations: economic, political and social. One could argue, however, that the single most important thrust invariably relates to political considerations, namely, issues of governance. A concern with governance does not mean that land reform occurs only as a result of major civil disruption or the threat of disruption, but also in circumstances in which popular support is required in order to ensure the consolidation of a political elite.

Land tenure reforms are sometimes reduced to a single dimension; the redistribution of land either through confiscation or through buyouts. That was of course the implicit meaning of the agrarian reform concept in both Mexico and China and the model that was proposed during the 1960s in Latin America under the umbrella of the Kennedy/Johnson Alliance for Progress initiative. Two lessons can be drawn from these experiences: a) land reform must be accompanied by corresponding institutional reforms relating to land tenure and rural development, b) land reform must be accompanied by policy reform. These sensitivities can help to clarify the broader concept of land tenure reform. Security of land tenure should be linked to both a supporting legal framework and to the formation of necessary institutional arrangements to permit the effective functioning of the supportive legal matrix. Institutions are vital - they import the necessary rules through which land transactions, for example, are organized. As a result, therefore, it becomes clear that land redistribution only assumes meaningful significance following the creation of the necessary legal and institutional instruments to ensure that the land is held as a right according to whatever tenure conditions are defined in the reform process. These arguments allow us to recognise three “types” or, in order to reflect the temporal/historical dimension, “generations” of land reform. The first refers to land reform in which land is issued or redistributed by the state according to defined discretionary rules. The second refers to cases in which land is purchased for redistributive purposes, and the third generation refers to cases in which land reform occurs in the context of a comprehensive supporting institutional framework, that enshrines rights and security. And, of equal importance, the third generation type of land reforms is distinct in that it does not concern itself solely with landless groups, but also seeks to utilise reforms as a means to strengthen the economic and productive potential of existing producers who are constrained by pre-existing tenure arrangements and institutional dysfunction.

From the 1980s until the present, major changes have occurred in terms of the role of the rural sector in different countries. Of course the specific traits of these reform efforts vary from one country to the other, but they can be summarized according to four dimensions: reform of public institutions, reform of the legal framework, reform of the policy instruments and transformation of the relation between the farmers and the state. The approach adopted for legal reform in countries that have already developed some agrarian reform processes - Latin America, for example - is relevant for this discussion.
First, the frequently large distinction between legal prescription and reality and practice has been acknowledged. Land transactions occur throughout rural areas, often regardless of whether they are prohibited or restricted. Illegality or restriction, however, does impact directly on the form and function of land transactions. The instability and precariousness of the situation for example, mean that many of the transactions are short-term, discouraging long-term investments in the land. In many cases, the removal of these obstacles and constraints is a vital precondition for the encouragement of further private investment in the rural development process, and in particular, investment from the non-agricultural sector. Whilst these sources of external investment are certainly important, one must recognise the immense investment contribution derived from within the farm sector. It is therefore important that legal reforms direct specific attention at the need to remove the obstacles that discourage or inhibit farmer investment on their land. Many third generation reforms have indeed focused on this issue (whilst recognising the importance of clear prior clarification of individual rights to specific parcels of land).

Secondly, recognition of the vast and diversified range of land transactions was crucial to avoid classifications which, if implemented, could create additional rigidities and constraints. As a result, it has been recognised that tenure and accompanying legal reforms must respect and reflect the immense diversity of transactions that occur in rural areas. (This recognition itself, directs greater general attention at the transaction issue.) Furthermore, one common condition has been identified in almost all recent third generation land reforms: farmers must have access to a wide range of land tenure options in order to allow them to respond strategically and effectively to changing conditions, opportunities and external constraint environments.

Thirdly, some reformist thrusts recognized the importance of informal rules and actors in shaping informal land markets. In particular, it was recognised that certain specific agents enjoy a privileged position stemming from their ability to influence and guide the nature of informal land transactions. These agents do not operate in a vacuum. Invariably, the absence of formal rules, procedures and enforcement has allowed them to establish networks and linkages in order to heighten their benefits but also to permit certain selected aspects of the transaction process to be covered by the existing framework. This is to say therefore, that the absence of formal rules and procedures and/or their enforcement is invariably matched by the emergence of a parallel but informal system of rules, procedures, and, most importantly, beneficiaries. The existence of these agents is important: clarifying the rules of land transactions and extending the role of the state and formality represent a challenge to the power, control and perhaps wealth of those individuals who have benefited from informality. The state, or those charged with the reform of a system, cannot afford to ignore these individuals. They represent both a powerful focus of potential opposition and dissent. Similarly, it is important to analyse the informal rules that have arisen; they invariably reflect local conditions, needs and capacities. At the political level, it may often be important to incorporate these agents into the new coalitions and networks owing to their already existing linkages with farmers and other important groups in the land transaction equation. Fourthly, it is possible to conclude therefore, that land tenure reform is basically an institutional reform with clear legal, political and economic consequences. From the economic side, through the recognition of existing land markets, and ipso facto, of different types of transactions, the third generation land reform impacts directly on production processes and the allocation of resources. But, above all however, it is clear that this type of reform (and other types of land reforms, too) constitute political reforms: it implies both the displacement of a category of social agents (the informal “rule-makers”) and simultaneously, the constitution of a new social force - the newly enfranchised farmers. This latter group, the farmer beneficiaries of the reform process may become part of a new post-reform governing coalition.

Owing to the inherently political nature of these different types of reforms, the results have been mixed. On the one hand, institutional vacancies have frequently appeared. The transformation of state intervention in this regard and the establishment of new institutions invariably take longer than the actual achievement of the legal reforms, resulting in the emergence of an intervening institutional vacuum.

One further point regarding the Mexican experience demands examination. The Mexican government undertook a “third generation” reform between 1991 and 1992. Two major household surveys carried out in 1990 and 1994 sought to examine the impact of structural change in rural areas. A total of 28 000 households were surveyed, representing a statistically valid total universe of over 3.5 million households. The work was undertaken by a joint team from the University of California at Berkeley led by Alain de Janvry and the

6 FAO: WFS 96/TECH/11 “Investment in Agriculture: Evolution and Prospects”.
Ministers of Agriculture and Agrarian Reform from Mexico. For the purposes of this discussion, it is worth highlighting some of the findings. The most important finding, confirmed by several different indicators (including for example, increases in sharecropping and intercropping) is that once state agencies withdraw from certain activities of the rural development process (i.e. the provision of inputs, credit, marketing), various forms of farmers’ production that had been repressed by state intervention, but had not disappeared, resurfaced immediately. This then, defines one of the specific characteristics and consequences of command-style economic management systems in rural areas: it subordinates peasants’ forms of production but does not suppress them. Instead, we witness that traditional or customary arrangements are invariably adapted to accommodate the demands and dictates of an external productive rationale stemming from state intervention. Similarly, one can imagine that the withdrawal of state agencies from certain crucial productive functions and the development of new forms of markets, will lead to further adaptation of existing customary arrangements and practices. The survey demonstrates the rationale that precedes this adaptation. The general finding is already well rehearsed in the specialised literature: farmers, as is the case with any other rational economic agents, seek to reduce risks. These two surveys clarify the specific strategies that are adopted in order to cope with risk in a rapidly changing economic and political environment. The surveys identified four “models” for coping with risk. Nonetheless, the common characteristic of all four models refers to the utilization and adaptation of previous customary – and generally informal – arrangements. These findings shed light on a crucial aspect: land tenure reforms, through the clarification of property rights and the transactions that accompany them, should also create a sufficient legal space in which the different options pursued by farmers in order to adapt to changing conditions, can occur.

The following conclusions can be distilled from the previous arguments:

a) land tenure reform does not refer uniquely to a process of redistribution. It is also a means of acknowledging existing arrangements on the part of farmers who are already in possession of land. Nevertheless, in terms of its implications, it amounts to an effective redistribution of land because it creates the conditions for legal land transactions and creates property rights;

b) there are different types of private property: individual, cooperative, corporate, condominium (the latter being the approximate modern equivalent of many indigenous communal land arrangements). Thus, although private property is a diverse condition, reflecting contingent laws, statutes and prescriptions, certain conditions are common to all private tenure arrangements. Firstly, they must be clear. Secondly, “private” refers largely to control: private tenure imbues the owner with control over the acquisition, use, enjoyment and disposal of the property. Nonetheless, these rights are conditioned by context-specific statutes and laws which determine the absolute freedom of an individual, through for example, restrictions on land use, modes of disposal and selected acquisitive rights;

c) redistributing land or certifying existing arrangements on land tenure affects the interests of those benefiting from the absence of legally recognized transaction rules. At the same time ownership creates owners, i.e. a social category of rural people who benefit from the land tenure reform (although these benefits may not always be directly perceived by the beneficiaries in that they may for example, perceive formalisation as a new and externally imposed constraint on their existing production strategies);

d) it is in the interest of the government to develop and consolidate a strong alliance with these new social categories. Coalition building requires both a supportive discourse - “ideological cement” - and specific institutions through which coalition and alliances can evolve;

e) land tenure reform is basically an institutional reform and must therefore be accompanied by other reforms, especially in terms of policies and support institutions. New investments will not be sponsored by land tenure reforms alone. Tenure reform is a necessary precondition but not an investment mechanism in itself.

5. Institutional Reform

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Democracy and Economic Reforms

The capacity of governments to evade obstacles to structural economic reforms is strongly conditioned by a key factor: the degree to which politics and the economics that are emerging from a transition stage exclude or discredit the previous principal political actors. Once the reform processes have begun, and after the initial surprising moment of macro-economic stabilization programmes, governments should address the challenges for consolidating structural reforms by creating legitimate political coalitions to support those reforms. The best way to do this is by a profound democratic reform. In general, and in spite of the successful albeit non-democratic examples of East Asian countries, scholars on the subject agree that democratic institutions can reduce the transaction costs of economic reforms and limit the misuse of public resources. Since the legitimacy of a democratic state does not only depend on its economic performance, and since it concedes a significant diffusion of power and responsibility, these democratic regimes are more stable and resistant during economic and even political crises.

Superior political incentives, the availability of information and the legitimacy of democratic regimes, prepare them for a better economic performance than their authoritarian counterparts, where the over-estimation of their historical legitimacy, or successful government performance make them more vulnerable than democracies during economic crises, particularly when authoritarian regimes base their legitimacy on good economic performance.

However, democratic performance depends on the political institutions that channel conflicts arising out of economic reforms. The experience from developed countries shows that there are a broad range of political institutions compatible with a market economy and a representative government, but the transition towards those institutional arrangements is difficult and reversible. In some cases the change towards social pacts is an important step in building a feasible democratic government; however, such action cannot replace the creation of less fragmented party systems with a capacity for aggregation and consensus building.

On the other hand, economic equity facilitates democratization and slows down the negative impacts of economic reforms. When citizens believe that the costs associated with the reform are fairly distributed, the reform can be more successful and the democratic regimes have greater possibilities to survive. When democracies protect the less advantaged groups from intolerable suffering, they show that solidarity is a basic component of their legitimacy.

Finally, one of the great surprises of the last years has been the coexistence, apparent compatibility and even complementarity of democratization processes with economic reforms, but there is no adequate theoretical interpretation to explain this fact. We need to know more about the distributive implications of the economic reform, and how traditional vested interests have been organized and reorganized in response to the economic reform. Until we know the mechanisms by which political and economic reforms can be mutually reinforced, we will not be able to create policies designed to effectively support either one.

Building Democracy in the Countryside

An obvious solution to the rural crisis is supported by the emergence of new institutional forms and the renovation of others, fostered by private, social, government and non-governmental interests, i.e. institutions that facilitate the diversification of the rural economy with a greater equilibrium in the use of natural and productive resources so as to achieve sustainable rural development. At the same time, the creation of new rural institutions requires a sound macro-economic environment as part of the development strategy promoted by the society and the state.

Actors in the rural sector interact with the institutional change; they are active agents and at the same time subjects affected by the transformation. Not all actors participate in the same way, or at the same time, in the institutional change, but the repercussions are felt by everybody although to different degrees. Indeed, institutional change in the rural setting presupposes that certain agents risk that their existence be questioned or have to adopt a different collective identity.

Thus, it is clear that the whole society does not decide or elaborate reforms in a jointly and unilateral manner. Reforms have universal elements, but their implementation is the result of a convergence between several forces in favour of a specific hegemony in the correlation of political forces. Convergence is not unanimity, it means the articulation of the common interests of different social subjects in relation to specific
policies, whereas they might at the same time confront partial or complete disagreements on other policies. The consolidation of convergences implies shaping the social base among convinced social subjects to carry out the agreed reforms. To maintain these convergences it is necessary to keep the equilibrium that exists between the concerted interests under the umbrella of an inclusive project. When that equilibrium is broken through the intervention of extrinsic or intrinsic factors, and there is no possibility for repayment, there is a risk of losing consensus, diminishing the power of the leading group and diluting the social base developed for the institutional transformation. It is important to underline that the base for a convergence, a coalition and even for the establishment of a hegemonic project in a democratic system implies a general consensus on basic rules.

Institutional reform in the rural sector requires first a simple social legitimacy in transforming the institutions, but its translation into a legal reform needs a political convergence that recognize the ability of the reform to consolidate the social base for transformation. The efficiency factor in institutional transformation cannot be separated from the distributive factors involved in all types of institutional reforms. It involves power shifts and political processes. This would mean that, in the case of an agricultural sector with a high degree of social polarization, for real modernization to take place it should be highly inclusive. Thus, the cornerstone of an effective rural development strategy consists of incorporating all social actors, i.e. small producers, family farms, indigenous populations, women, commercial farmers, investors and others, in the new institutional rules.

The transforming role of farmers movements is worth noting because of the difficulties involved in the implementation of reform projects in the rural setting. No institutional change policy can succeed unless it is supported and promoted the mobilization of farmers. Removing all institutional obstacles (legal, political, economic and cultural) that hinder the transformation capacity of rural societies, implies the conviction that there is no greater incentive to productive reorganization, the rational use of natural resources, increased productivity or technological innovation than the mobilization of the farmers themselves.

Within this framework what I understand as social mobilization as a means of production and the challenges that farmers and their organizations have to address are the following:

a) Representation, i.e. how to enhance the producer’s autonomy to make his/her own decisions, at the same time building a professional association that would allow him/her to gain collective power.

b) Ownership, which means the consolidation of effective ownership by the producers of their assets, including the consolidation of solidarity networks generated by the rural community.

c) Inclusion, which means the incorporation of all rural people without creating an oligarchy of the rural organizations.

d) Integration, i.e. how to achieve the linkage between primary production, industrial transformation and commercialization so as to abolish any schemes that place the producers of primary goods on one side and the economic agents that benefit from it by incorporating added value on the other.

e) Complementarity, which implies the incorporation of a business type of culture, i.e. management, use of technology and competitiveness, in the farmers’ productive practices and sustainable development.

f) Rural urbanization to adopt secular urban values: tolerance, individual initiative and pluralism, and to incorporate them in the given group’s community values - cooperation, search for concerted solutions to conflicts, etc., so as to shape a new culture for rural production and well-being.

g) Strategic convergences, which redefines the relationship between the state and the autonomous social actors, with clear co-responsibility for maintaining social order and governing capacity. At the same time a coalition needs to be created with the private sector and urban actors in which rural development is one of the central axes of a new development model.

The challenge consists in directing institutionalized forms so that they continuously strengthen and channel private social initiatives. In this sense, it is necessary to redefine the concept of social mobilization in its broadest sense: as a state of permanent tension between the social forces that struggle for change and for continuity and are expressed in all spheres by unfolding and consolidating spaces and mechanisms to exercise their autonomy. The above is directly related to state reform and the creation of public spaces.
The recent economic and political reforms have exhausted the power of convening that results from criticism of old models including the paternalistic thrust. Today, the debate around reforms and alternatives to authoritarian models, centralism and corporativism in the management of agricultural policies is on the top of the agenda.

The solution to authoritarian regimes can become the touchstone to resolve the complex crisis of the agricultural sector. Authoritarian forms of designing and managing agricultural policy present ramifications that have been unknown to a certain extent, and point to the seriousness and negative effects of authoritarianism in the agricultural sector:

a) a significant reduction in the agricultural policy’s potential as a catalyzer of production;

b) the traditional discreitional action in development, coupled with vertical and exclusive practices of the same corporations, which determine the differences in access to public resources and reinforce polarizing tendencies;

c) the tendency to implement general policies for a wealth of differentiated productive realities which reduces and distorts development instruments; and

d) the over-valuation of the political market and the corporative logic which promotes a dynamic in the regional power networks contrary to the development of markets and producers’ initiatives.

In a few words, authoritarianism is a central obstacle to the revitalization of the countryside. It is important to remember that in the rural sector there have changes in the traditional processes of elaborating and implementing public policies. Changes that are the result of the partial breakdown of the corporatistic structure, privatization and deregulation processes, of the counterweight that introduces greater political and economic freedom for producers, and of the incipient capacity of social control.

However, the effects of these changes are blocked by the continuous presence of an authoritarian culture and the lack of initiative by producers’ representatives to advance toward a type of genuine, joint and co-responsible management of rural programmes and policies.

The limited changes in agrarian corporations that have occurred in the Latin American scenario over the past ten years have not yet coalesced. There are several reasons for this, among which:

a) the chronic gap between top representative bodies and the grassroots level which blocked the feedback of change;

b) the economic reforms that have frequently been designed with the explicit or implicit purpose of disintegrating and separating or disarticulating the instances of social representation; and

c) the intense minorities within and outside the rural organization which sometimes have been more reactive, but have not taken advantage of the possibilities provided by the reform to carry out economic democratization in the countryside.

At a different level, the new institutional framework that is beginning to emerge and the incursion in a new development models are conducive to the incorporation of new actors and gradual changes in the regional power structure.

In the event that the rural society reaches the right conclusions from the political possibilities that favour decentralization, a strengthening of federalism, people’s participation and social organizations in the management of public policies, the rural agenda will also have the means to limit and eventually dissolve the authoritarianism that still characterizes the management and implementation of rural policies.

Another way is found in decentralization and social participation, which are closely linked with the issue of governability and inclusion in the modernization project. It is in the rural environment that most demands and possibilities exist to carry out these two issues and to find answers to the economic stagnation in the countryside as well as the frail social stability of many regions.
There are also pending matters such as the absence of a concrete debate around the frontiers between the rural public and private sector to establish which demands and issues are of public interest and belong to the federal, regional or local agenda, and which issues need to be dealt with within the boundaries of the interactions between economic agents under the legal framework and the legal administrative apparatus. These definitions would also limit the influence of authoritarianism.

The above issues indicate the importance of creating and agreeing on a solid form of decentralization in rural development. A course of development that, in accordance with the new agricultural paradigm and under the assumption of increasing democratization in the agricultural sector, proposes the creation of local conditions for an effective social participation, where the final destiny of public resources allocated to the region and the implementation of policies are decided.

The creation of these local conditions is not enough. It is crucial to reorder the central institutional arrangement that guarantees a strategic national vision in the development of the agricultural sector and that has the real capacity to define, unite and manage the principal rural policies and programmes. This aspect is the key to put an end to the institutional dispersion which has traditionally decided and managed agricultural policies.

The above issues outline the premises for an effective revalorization of the regional context in the design process and the management of rural policies.
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