2nd Triennial GFAR Conference

22 – 24 May 2003
Méridien Président Hotel, Dakar, Sénégal

Linking Research and Rural Innovation to Sustainable Development

Achieving Success in Rural Development: Toward Implementation of an Integral Approach
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Why is it necessary to give increased attention to rural development to meet the Millenium Development Goals?

Rural development has been badly and increasingly neglected by international development agencies, and this requires urgent redress if there is any chance that the Millenium Development Goals (MDGs) will be met. Neglect is best appreciated when contrasting the 25% share of the World Bank’s lending portfolio going to rural development to the 75% share of world poverty that is rural. Not only is the number of rural poor world wide three times larger than the number of urban poor (Figure 1.1), but the incidence (Figure 1.2) and the depth of poverty are also much higher in rural areas. The first MDG of halving world extreme poverty and hunger between 1990 and 2015 consequently cannot possibly be reached without a special focus on rural poverty reduction. Rural areas also systematically lag behind urban areas in meeting every single one of the other MDGs that concern education, the status of women, child mortality, maternal health, the incidence of endemic diseases, and environmental stress. To meet the MDGs, rural poverty and lags in rural social development need to be attacked directly, for which rural development must be placed much higher on international development agencies’ priority lists.

Logically, one can ask why is it that rural development has been so badly neglected when it is common knowledge that rural poverty dominates world poverty and when combating poverty has officially become the top priority for most international development agencies? The answer is in part found in the observation that past efforts at rural poverty reduction have all too often met with mixed success. Aggregate income growth, the main instrument for poverty reduction, has proven to be a weaker force to reduce rural than urban poverty. This can be appreciated in Figure 1.2 for the world where the income elasticity of the incidence of poverty is −0.07 in urban areas and −0.05 in rural areas. For Latin America (Figure 2.2), these elasticities are −0.09 and −0.06, respectively. The ratchet effect of economic booms and busts is consequently larger for urban than for rural areas (see Figure 3 for Mexico), with poverty rising more steeply during recessions and falling more sharply during growth spells in urban than in rural areas. Hence, if growth is to be more effective in helping reduce rural poverty, the qualitative nature of growth needs to be modified. This is an issue we discuss in this paper, considering the regional dimension of growth so it reaches the areas where the rural poor are located. In addition, the decline we observe in the share of total poverty that is rural as income per capita rises (Figure 1.1 for the world and 2.1 for Latin America) has not been due to success in raising rural incomes faster than urban incomes, as much as to migration to urban areas. We calculate, for example, for Latin America that more than 80% of this decline has been due to migration. This is because migration to the metropolitan areas of ill prepared rural migrants has generally only contributed to displacing poverty to the urban sector. This role of migration can be seen in contrasting the more rapid fall in the number of rural than urban poor (Figure 2.1) while the incidence of poverty falls by much less in the rural than in the urban areas (Figure 2.2). This is indeed an important reason why the number of urban poor is rising faster than the number of rural poor (see Figure 4 for Central America where we have data over time). Reducing migration toward metropolitan areas, preparing rural migrants for
successful participation in regional labor markets, and functionalizing the flow of remittances to rural areas in support of rural development are all issues that we also address in this paper. Modest success with rural development to reduce rural poverty has induced development agencies to partly shift their anti-poverty programs toward the easier but limited approach of welfare transfers, instead of more difficult attempts at raising rural incomes.

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

We thus start with four issues that need to be addressed in priority to reach the MDGs:

- The first is increasing the attention given to rural development in accordance with the prevalence of rural poverty.
- The second is redressing the thrust of rural development programs toward emphasis on income generation as opposed to transfers.
- The third is amending the qualitative nature of economic growth so it is more effective in helping generate rural incomes.
- The last is not only increasing but also significantly raising the efficiency of investments in social development and social protection in rural areas.

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

Rural development flourished in the 1970s and 1980s, in part under the leadership of the World Bank and USAID following the approach of what has been referred to as “Integrated Rural Development”. This approach mobilized the public sector to deliver services to the rural poor, trying to integrate the many public services required for poverty reduction through the role of an implementation agency, usually the Ministry of Agriculture, the Ministry of Social Welfare, the Office of the President, or a parastatal agency outside the ministerial structure. It principally focused on agriculture, seeking to extend to small farmers the benefits of the Green Revolution.

Results achieved through this approach met with limited success as they have generally not been sustainable beyond the end of state support. The approach itself was made dysfunctional by declines in the role of the state and in the size of public budgets following structural adjustment. Difficulties with the approach led to a drift in attacking rural poverty toward welfare transfers instead of income generation and social development.

Important lessons were, however, learned from the vast experience with integrated rural development. They suggested in particular the need to re-orient rural development toward:

- Relying more on individual and collective initiatives of the poor themselves instead of state tutelage.
- Achieving competitiveness of the poor in the context of market forces. This implies seeking access for the rural poor to dynamic markets, and attempting to correct the market failures that affect them in order to “help the poor play by the rules of the market.”
Capitalizing on the observation that rural is more than agriculture. This suggests seeking to promote multisectoral approaches, rural-urban linkages in a territorial perspective, and pluriactivity whereby rural households are engaged in a multiplicity of activities, both farm and non-farm.

Placing rural development efforts in a context of supportive international and macro policies, as opposed to the traditional urban policy bias denounced by Lipton.

Recognizing the heterogeneity of circumstances under which the rural poor operate, requiring as a consequence approaches that are differentiated, demand-led, and allow for a multiplicity of strategies out of poverty.

Increasing sharply social investments in health, education, and women status for rural populations, and also raising their efficiency levels to make them more competitive in attracting scarce public funds and foreign aid budgets.

The approach to rural development that gradually emerged in the 1990s turns upside down the old approach of “integrated rural development”. This new approach, that we will call “integral rural development”, has evolved from practice, through experimentation with rural development projects organized by pioneering organizations such as IFAD, the Inter-American Foundation, and innovative NGOs. It was recently adopted and perfected by the World Bank (see, “Reaching the Rural Poor: An Updated Strategy for Rural Development”, 2002), the Inter-American Development Bank (“Rural Poverty Reduction in Latin America and the Caribbean”), the Inter-American Institute for Cooperation in Agriculture (“Poverty and the New Rurality”), the UK’s Department for International Development (“Sustainable Livelihoods”), and CIRAD (“localized agricultural systems” or SYAL). This approach is still largely experimental and incompletely defined. It is a process as opposed to a blueprint, characterized by pragmatic adaptation to local conditions. In spite of its fluidity, it rests on several fundamental principles that contrast it to the “integrated” approach, most particularly in emphasizing decentralization, participation and collective action, devolution of managerial functions to communities, following a territorial as opposed to a sectoral approach, pursuing the advantages offered to small holders by the “new agriculture” (see below), introducing payments for environmental and social services rendered, seeking coordination mechanisms with macro and sectoral policy, and reconstructing a set of rural institutions following descaling of the role of the state.

Are there new opportunities for success in rural development?

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

1. Widespread progress, even if far from complete, with democracy, decentralization, and the thickening of local civil-society organizations. Challenge: How can the rural poor capitalize on these “institutional revolutions” to secure economic and political gains for themselves?

2. Greater freedoms, gained with the end of the Cold War, in experimenting with new approaches. Challenge: How to design experiments with new approaches that will maximize learning?

3. Increased importance given by the international community to environmental problems. Challenge: How to use this concern for the environment in support of rural development, in particular in order to secure transfers of funds toward rural areas?
4. Modest increases in **foreign aid budgets**. Challenge: How to make a convincing case in directing these additional resources toward rural development?

5. **Steep learning curve** with elements of an “integral” approach to rural development. Challenge: How to use what has been learned in localized success stories for design and scaling up?

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

So, while greater opportunities exist, what is there of “new” about how rural development can be approached that justifies putting it high on the agenda of international development agencies? To answer this question, a conceptual framework is proposed in Figure 3 that must address the following four issues:

i) Explain the determinants of rural well-being.

ii) Identify the entry points (policies and programs) for rural development interventions that can improve well-being.

iii) Identify the processes through which pro-poor rural policies and programs are determined.

iv) Identify instruments for greater efficiency in implementing these policies and programs.

I. The process through which rural well-being is determined

If we are to raise levels of rural well-being, we need to understand the process through which it is determined. This, in turn, will help us identify entry points that rural development interventions can use to alter outcomes toward higher levels of well-being. This process can be conceptualized as follows (see Figure 3):

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

Rural households are endowed with assets that establish their capabilities. In turn, the levels of well-being they will achieve with these assets depends on the opportunities and constraints offered by the context in which they operate. Behavior in using assets may be individual, or it may be collective. It is always influenced by the behavior of others, both poor and non-poor. Rural development will have as a purpose to change the capabilities (assets) and the opportunities and constraints (context) that determine the well-being outcome. Understanding the actors and how they define their livelihood strategies individually and collectively is thus the cornerstone for the formulation of any approach to rural development. This is particularly important if rural development is to reach the poorest of the poor with their own particular idiosyncratic behaviors. This includes female-headed households, pastoralists in marginal zones, forest dwellers, artisanal fishermen, and indigenous people. Their livelihood strategies are all the more complex that they have to deal with lack of opportunities, marginal environments, and precarious conditions leaving little margins for error.

2. **Well-being, the objective of rural development, is multidimensional**

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

3. Household assets are highly heterogeneous and yet complementary

Following the livelihoods approach, a household’s asset portfolio determines its capability in generating income. These assets are multidimensional, implying both complementarities among assets and a multiplicity of entry points for rural development programs aimed at increasing asset positions. Assets include natural capital (land, water, trees), physical capital (tools and equipment), human capital (education and skills), financial capital (liquid assets such as livestock and bank deposits), and social capital (relations of trust with others and membership in organizations). Asset positions need to be assessed by gender and age as household endowments may be widely unequally accessible for particular members, women and youth in particular. Heterogeneity of asset positions implies differential abilities to respond to opportunities across households and individuals. Hence, a same policy reform will have widely differentiated incidence across categories of rural poor. A key feature here is that poverty is due to lack of access to assets, land and education most particularly. Getting these households out of poverty thus requires either increasing their access to land or diversifying their activities off-farm, what we call “pluriactivity”, for which education is key. It is indeed a distinguishing feature of the rural poor that their sources of income tend to be highly diversified, combining agriculture with off-farm activities. This even in contexts like the Sahel where the local non-farm economy is little developed, pushing households into long distance seasonal migration.

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

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

- The international price level for tradable agricultural commodities, affected in particular by OECD farm policies and also trade protection between developing countries.
- The national policy environment, both macro (growth, real exchange rate) and sectoral (trade policies, subsidies).
- The nature and quality of governance at the national and local levels.
- Public goods such as agricultural research and extension services, and infrastructure.
- The performance of markets, particularly in term of competitiveness, transactions costs, and constraints on access for the poor, including markets for the assets they hold.
- Rural institutions such as financial services and community organizations for service and
5. There are several roads out of poverty

Finding a way out of rural poverty can be achieved by traveling along several alternative roads. Most frequent has been migration of the rural poor to the urban environment. If these migrants are not prepared to compete on the urban labor market (where education is key), this may only result in displacing poverty from rural to urban environments, as the data show. Agriculture offers a second road. Important here is not farming of traditional staple crops on small expanses of land that will never generate enough income to erase poverty, but opportunities offered to smallholders by the “new agriculture”. It consists in producing high value-added crops, seeking remunerative market niches, pursuing quality and food safety, relying on certification and labeling of products, seeking contracts with supermarkets, agroindustries, and agroexporters, adding value by moving up in the marketing chain, etc. A third road out of poverty is through off-farm activities, including employment in small and medium enterprises, self-employment in microenterprises (e.g., cultural industries), and remittances from household members. Combining agriculture (in particular the production of staple crops on small plots of land to secure home consumption) and off-farm activities leads to the pervasiveness of pluriactivity. This is particularly important in the least well endowed regions where the “new agriculture” has low potential. Pluriactivity offers many advantages to participating households: while individual household members tend to be specialized in one activity (say the father in farming, the mother in commerce, and the daughter in free-duty zone industrial employment), the household as a totality is a diversified enterprise, engaged in a portfolio of activities that meet each member’s comparative advantage while together providing risk diversification. Finally, transfers also offer a road out of poverty, and it is most important for those unable to work or exposed to uninsured shocks. This multiplicity of roads out of poverty also means that rural development interventions to provide opportunities out of poverty can pursue diverse and multiple strategies. This is why a territorial approach to rural development that goes beyond a sectoral focus on agriculture and seeks instead success along all possible roads out of poverty has greater potential.

II. Entry points for investing in integral rural development

How can this approach help define entry points for investments in rural development? The conceptual framework in Figure 3 identifies four entry points. Each of these, in turn, suggests an array of investments that can help reduce rural poverty. Key is to maintain an appropriate balance between investment types in accordance to particular situations. In general, however, the suggestion is to increase investments in programs that promote income generation and social development, while reducing programs that seek to address poverty through cash transfers to individuals with the capacity to work.

Entry point I: Programs to increase access to assets

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

Land: Programs to increase access to land for the rural poor, and improve the security of access to land (through granting formal titles or recognizing informal rights to individuals or to communities), are both fundamental and controversial. Lessons learned from recent experiences indicate that there are many alternative strategies that can be followed to promote access to land
in support of rural poverty reduction. For instance, many countries have introduced constitutional constraints on land use, requiring minimum thresholds of land productivity or imposing ceilings on land ownership. Farms that do not satisfy these requirements are subject to expropriation. This is the legitimacy advocated by the MST in Brazil in invading large under-used estates. Other countries such as Bolivia have tried to revisit the legality of properties with dubious land titles, seeking in this fashion to reclaim large expanses of land that could be distributed to the poor. Remaining public lands (Venezuela) or quotas of lands improved by public irrigation projects (Dominican Republic) can also be used for land settlements. Finally, several countries have pioneered subsidies to land market transactions, favoring access to land for the poor. Large programs have been put into place in Brazil, Colombia, South Africa, and at a smaller scale in many countries through land funds, sometimes managed by NGOs. These programs are still at experimental stages and in much need of experimentation and analysis. However difficult to achieve, historical experience shows that access to land is, relatively, the easy part in attempting to reduce rural poverty through land reform, while securing the sustainable competitiveness of beneficiaries is by far the harder task. This is why so many hard fought land reforms have been effective in promoting access to land, but not in reducing poverty. Hence, the market test for success of these programs is the latter, not the former as commonly advertised.

**Rural education:** Poverty is inherited if parents do not educate their children and do not provide them with good health and nutrition. To break this vicious circle of inheritance, many countries have introduced conditional cash transfer programs, where parents (usually mothers) receive payments in exchange for sending their children to school and to health visits. Programs of this type are in place in Mexico (Progresa), Brazil (Bolsa Escola), Honduras, Nicaragua, Argentina, Costa Rica, Jamaica, Colombia, and Turkey. These programs have been successful in enhancing school achievements, but they are expensive. This is largely because, like many programs directed at the broad objective of poverty reduction, they are targeted on the poor. This is, however, not efficient if the objective is to enhance educational achievements in rural areas. Many poor send their children to school without needing payments. As a consequence, large shares of budgets for educational subsidies are “wasted” on people who already did what they are now being paid to do. Better is to target transfers to maximize educational gains, choosing as beneficiaries children most likely to start going to school (when they were likely not to go) or to stay at school (when they were likely to drop out) thanks to the transfers. This includes, of course, mainly children of poor parents, but also children of non-poor parents at risk of not going to school, perhaps because their parents are not educated or they live far away from a school. This is the true concept of affirmative action, where chances of getting an education are equalized across children, whatever their social origins. In general, the rules in targeting human development programs that pursue specific goals (such as education, health, nutrition, etc.) should be separated from targeting exhaustively and exclusively the poor, even though these programs altogether enter in a broad portfolio of interventions aimed at reducing poverty coordinated in a Comprehensive Development Framework or a PRSP. This is important to make human development programs more efficient, one of the fundamental requirements in attracting larger foreign aid budgets.

**Social capital:** Organizations support collective action which has as functions service to members in a context of market failures, the development of joint enterprises for income generation, acquiring market power, gaining political representation, accessing information, and obtaining training. Programs in support of the development and improved performance of organizations are the cornerstone of an integral approach. A major challenge is to transform organizations that were created by the state or by donors for the appropriation of rent into organizations for the generation of value. Another challenge is to balance the advantages offered by the traditional community for trust, solidarity, and reciprocity with the requirements of effective organizations in democratic leadership, professionalism, and capacity to absorb external influences. Assuming that traditional
communities can alone sustain devolution programs and provide the basis for effective producers organizations has all too often been proven wrong (Abrams and Platteau; Carroll). At the same time, traditional community organizations, if they do not stifle the emergence of 7 producers organizations, can help the latter be more successful if they are effective in the provision of mutual insurance, public goods, and the management of common pool resources.

Entry Point II: Programs to improve the quality of the context where assets are used

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

International market for agriculture. Even in a perspective of integral rural development that takes a territorial as opposed to a sectoral approach, agriculture remains the main source of income for the poor in most rural regions, either directly as farmers or indirectly as workers or entrepreneurs in activities linked to agriculture. Yet, the profitability of agriculture worldwide is being undermined by trade restrictions on the markets of OECD countries and by the huge subsidies given to their farmers, to the tune of $340 billion a year compared to a foreign aid budget of $60 billion. Agricultural trade is also restricted by protection on developing country markets. Clearly, rural development and rural poverty reduction cannot succeed under these conditions. Urgent is to eliminate these price distortions, engaging in the Doha negotiations from the perspectives of making agricultural policies in the industrialized countries consistent with the MDG of poverty reduction. In the transition toward a new world order for agriculture, developing countries’ peasants need to be given protection and subsidies so that market distortions do not result in their premature elimination, clearly for the wrong reasons and at enormous human and efficiency costs.

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

Territorial development. It is widely agreed that economic growth is essential for poverty reduction. Yet, it is also well known that aggregate economic growth has had modest impact on rural poverty else than through migration to the metropolitan areas. This is because growth all too often does not create new opportunities in the regions where the rural poor are located. Endowing the poor with assets is of no consequence on rural poverty if they are not located in a context where growth offers them new employment and investment opportunities. This is the purpose of regional (territorial) development. While extensive in the 1990s, decentralization has almost exclusively been pursued at the municipal level, a unit of decision making appropriate for the delivery of public goods and the targeting of social expenditures, but not for the definition of income generating strategies. For this, larger economic regions are needed. The dynamics of growth in their rural hinterlands is importantly based on the intensification of rural-urban linkages centered on secondary cities. Indeed, we observe in many countries a reconsideration of decentralization in support of economic projects, seeking to either define regions administratively
or to promote the formation of associations of municipalities for the implementation of specific economic projects in the corresponding territory (e.g., a watershed development project that cuts across municipalities, or the promotion of regional specialty products in localized agricultural systems). To be successful in their economic initiatives, territories need to endow themselves with institutions for three functions:

- **Institutions for consultation and coordination**: regional development councils or roundtables to which concur all segments of society in the region: public, corporatist, and non-profit.
- **Institutions for planning**: bureaus for the identification and strategic creation of comparative advantages, the planning of public investments, etc.
- **Institutions for promotion**: regional chambers of commerce, etc., that have as a function to develop the region’s corporate image, promote culture, define quality products, seek certification and labeling, advertise regional specialties, etc.

It is only if these regional employment and investment opportunities exist that rural development can be effective in assisting the poor benefit from these sources of income. This more decentralized regional growth pattern may be obtained at a cost relative to centralized growth in the metropolitan areas, but hopefully minimal if properly studied and implemented. Yet, it may be the opportunity cost that has to be incurred to increase the poverty reduction capacity per point of economic growth if we are concerned with rural poverty reduction. The quality and quantity of growth thus need to be reconsidered for maximum aggregate poverty reduction, including importantly rural poverty.

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

The first is that many **markets fail** the poor, preventing them from deriving full benefits from the assets they control. The most notorious four are: (1) High transactions costs on product and factor markets associated with distance, poor infrastructure, imperfect information, and lack of market power. (2) Lack of access to credit due to collateral requirements by commercial lenders and lack of public credit histories in gaining access to loans from microfinance institutions. (3) Extensive non-insured risks implying the need to engage in costly risk management, at the opportunity cost of reduced expected incomes. (4) Missing markets for environmental services delivered by rural people, including watershed management, biodiversity conservation, and carbon capture. Overcoming these market failures requires institutional innovations such as service cooperatives, microfinance institutions and credit bureaus, mutual and regional insurance schemes, and payments for environmental services.

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

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

The third is to use demand-led approaches, where the rural poor, their organizations, and their communities are offered “choice and voice” in identifying and managing the investments in public goods and services best meeting their perceived needs and opportunities. This is the Community Driven Development (CDD) approach pioneered by IFAD and widely implemented by the World Bank. Finding effective ways of enabling communities to perform these functions while avoiding capture of benefits by local elites, scaling up successful programs, and accelerating disbursements remain important challenges that require experimentation.

The fourth important principle is to seek maximum linkages between the poor and the non-poor. While the targeting of welfare transfers should try to maximize exclusion of the non-poor, the targeting of income generating programs should maximize linkages to the non-poor, so the poor benefit from the non-poor’s superior capacity to identify new markets, take risks, negotiate contracts, explore new technological alternatives, and exercise influence. The Petrolina development in Brazil is an excellent example, where the non-poor opened distant markets and negotiated contracts with distributors for the fruits and vegetables they and the poor produce, which could never have been done by the poor alone. Poor-non-poor associations can be obtained through joint ventures, subcontracts, and more simply employment opportunities in the local businesses of the non-poor, likely the safest and easiest option out of poverty for those with limited entrepreneurial skills and social capital. To avoid exploitation by the non-poor, organizations of the poor are important to help them develop countervailing power and appropriate a fair share of the value created through these associations.

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

- Assist rural areas release prepared individuals for urban employment, so that migration does not displace poverty, but to the contrary is an integral component of an aggregate poverty reduction strategy.
- Help migrants find employment in their regions of origin through regional development, as opposed to leaving them with no options but to migrate to metropolitan areas or abroad.
- Channel remittances toward local investment, e.g., through the capitalization of local banks and lending locally on the basis of reputation.
- Make migrants agents of local change by promoting linkages between migrants and their communities of origin through clubs, the flow of ideas for new initiatives, and subcontracts with local entrepreneurs.
Entry Point III. Transfer programs for social protection

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

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

Finally, transfer programs are essential for categories at risk, such as orphans from deceased parents due to the AIDS pandemic. What is wrong, however, is to use cash transfer programs as a way of reducing poverty among populations perfectly fit to work. Yet, this has increasingly been done in attempts at reducing rural poverty because transfers are easier to organize than income generation programs. Transfer programs need to be expanded, but not as a substitute for income generation programs for those who can work, the “old way” of getting out of poverty. International organizations must not yield to facile approaches. To return to the “old way”, they need to have on board people with the technical skills to help respond effectively to local demands for sustainable income generating projects, the essence of integral rural development.

Entry Point IV: Programs to promote the social incorporation of the poor

In the end, the only sustainable way of reducing rural poverty is to make the rural poor be their own agents of change. This requires social incorporation, the process of acquiring full citizenship rights and the ability to be represented, to voice demands, and to bargain for better deals, both in the market and in the political arena. Promoting social incorporation as the cornerstone of an anti-poverty strategy is likely the most important difference between integrated and integral rural development. For the rural poor that have historically been the most voiceless and the least represented segment of civil society, this is a sharp departure from past status. And this is all the more the case for the poorest of the poorest. This requires the promotion of organizations representing the rural poor, owned by them, and servicing their needs. Rural development programs can be specifically designed to seek the emergence and enhance the effectiveness of these organizations, both at the local level and into peak organizations. Innovative projects of this type have been pursued by IFAD and more recently the World Bank (e.g., CLCOP in Senegal and CPCE/OP in Burkina Faso). Yet, much is left to be learned about the approach. Needed is to experiment with different approaches, engage in stakeholder participatory appraisal, and seek strategies for scaling up and to accelerate disbursements, while maintaining accountability and efficiency. Peak organizations that are recognized as legitimate representatives by their constituent organizations are needed for effective access and representation. Organizing for social incorporation is one of the most important aspects to be explored in an integral approach to rural development, the true frontier of the field.

In the end, using rural development successfully for poverty reduction is a political undertaking. This is because policies and programs are the outcome of a political and administrative process to which are participating a multiplicity of social actors (Figure 3). If these policies and programs
are to effectively serve for poverty reduction, it is a sine-qua-non condition that the poor be fully represented in the process whereby they are made and designed. This requires rural development interventions in support of social incorporation, the fourth entry point discussed here. This is, however, not enough. Translating social incorporation into influence over the definition and implementation of pro-poor policies and programs requires a set of institutional innovations that will inform the poor, support dialogue, and enable the exercise of influence. They must allow their participation to local and national democratic processes, including to elaboration of PRSPs.

Finally, social incorporation of the rural poor has a fundamental role to play in program implementation, in order to allow them to monitor and enforce accountability, achieve fairness in access to benefits, and control over corruption and capture (Figure 3). Social incorporation of the rural poor is thus the major challenge that an integral approach to rural development is pursuing. Success or failure in meeting this challenge will determine the effectiveness of rural development in reducing poverty. Much experimentation and learning are left to be done on this, requiring special funding if they are to happen. In such complex undertakings as integral rural development, projects cannot follow blueprints and outcomes are never as initially expected. Key to success is the ability for participants to learn from successes and failures and to internalize lessons learned into adjusting projects for greater efficiency.

**What are the broad principles of an approach to integral rural development?**

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

1. **Create capabilities**
   - **Objective:** Make the rural poor into able agents of change.
   - **Instruments:** Investments in social development (health, education, nutrition, family planning), improved access to assets including social capital under the form of organizations for the creation of value, provide greater social protection.

2. **Create citizenship**
   - **Objective:** Assist social incorporation of the rural poor.
   - **Instruments:** Promote and improve the effectiveness of local and peak organizations for representation of the rural poor, decentralization for greater access and accountability, and devolution for local control.

3. **Create opportunities**
   - **Objective:** Increase opportunities for the rural poor to generate income in their regions of origin.
Instruments: Pursue a territorial approach to rural development, opportunities offered by the “new agriculture”, increase the profitability of agricultural commodities (Doha negotiations on agricultural protectionism and subsidies, and support to peasant agriculture in the transition to a new agricultural order), functionalize migration to local development, organize demand-led programs for public goods (choice), introduce payments for environmental services, introduce new rural institutions in particular for finance and insurance, and promote poor-non-poor linkages.

4. Create political support
Objective: Elevate rural development in the political agenda.
Instruments: Introduce a rural lens approach to rural impact assessment, promote political reforms for participation of rural people.

5. Create knowledge
Objective: Experiment with and learn about integral rural development.
Instruments: Analyze current experiences, experiment with alternative approaches, do real-time impact analysis, do impact analysis of demand-driven and decentralized projects, and engage in participatory learning. This learning process needs be funded largely as public goods as gains from lessons learned are widely shared. Otherwise, continued under-investment in learning at the project level will remain the norm, frustrating a transition into integral rural development.
Figure 3. Conceptual framework for integral rural development

Well-being determination process
(behavior of the rural poor and their organizations)

- Household asset positions
  (Capabilities)
  (Opportunities)
- Context
  (where assets are used)
  (Opportunities)
- Actors' livelihood strategies
  (exit strategies from poverty)
- Outcomes
  (well-being indicators)

Program implementation process
(investments by governments, international agencies, NGOs)

- Programs for access to assets
  - Land reform, market-assisted access
  - Conditional cash transfers for human development
  - Promotion of organizations
- Programs to improve the context
  - International market for agriculture
  - Rural impact assessment: rural lens
  - Territorial development
  - Rural development for economic incorporation
  - Support to decentralization
  - Market reforms: transport costs, finance, insurance
  - “New” agriculture
  - Demand-led approaches
  - Poor/non-poor linkages
  - Financialize migration
  - Community and producers organizations
- Programs for social protection
  - Safety nets
  - Social security
  - Transfer programs: HIV/AIDS
- Programs for social incorporation (citizenship)
  - Empowerment, representation, voice
  - Organizations
  - Grants for technical support

Policy-making process

- Program design process
  - National and international
  - Other actors
  - Dialogue
  - Coalitions
  - Political institutions

Quality of projects: sustainability, effectiveness, efficiency, accountability, value for money, relevance, adequacy, ownership, partnership, coherence, replicability, sustainable livelihoods

Goals: poverty eradication, food security, environmental sustainability, gender equality, equity, social mobilization, human development