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**Rural Development, Environmental Sustainability, and Poverty Alleviation: A Critique of Current Paradigms***Susanne D. Mueller*

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**Abstract**

Donors have developed new micro-level and local paradigms to address rural development, environmental sustainability, and poverty alleviation to bypass, ignore, and substitute for badly functioning and corrupt states. Yet, states still set the macro-economic, legal, and policy parameters or “rules of the game” within which other entities operate, and many non-state actors are only nominally independent. Hence, technical initiatives stemming from these paradigms, aimed at growth and equity are often theoretically misconceived and tend to fail when implemented. The paper critically discusses the new paradigms, including decentralization, civil society, micro-entrepreneurship, and capacity building, among others, mainly using African examples.

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# Rural Development, Environmental Sustainability, and Poverty Alleviation: A Critique of Current Paradigms\*

*Susanne D. Mueller*

## Introduction

This paper raises questions about current paradigms (Kuhn, 1996) of integrated rural development, environmental sustainability, and poverty alleviation. The terms themselves are ill defined and elusive, at best representing desired end states. There also continues to be little concrete understanding of the relationship between means and ends.

Earlier paradigms of development were largely Keynesian and state centric, with a strong emphasis on growth. More recent understandings have stood this worldview on its head. Analysts no longer see the state as the engine of production, growth, and equity. Instead, new paradigms celebrate the local over the national, civil society in preference to government, and micro-entrepreneurship rather than industrialization as the way to overcome poverty and achieve rural development. The private sector rather than the state is seen as the preferred supplier of agricultural services, whether speaking of marketing, credit, or input supply. Furthermore, lapses in reaching desired end states tend not to critique these means-ends hypotheses themselves. Instead, residual if not euphemistic explanations of a lack of capacity and participation often are invoked, again without much content or analysis as to what the real problem is.

Notwithstanding the many issues and questions that have arisen in the application of these new paradigms, there is still an almost unquestioned, if not religious, faith in their ability to contribute more effectively to rural development, environmental sustainability, and poverty alleviation than past approaches. Like the hard sciences, donors and academics tend to cling to their paradigms. Unlike them, paradigms tend to shift when they are unfashionable or politically out of tune rather than when they are wrong.

This essay raises questions and discusses issues that have emerged when these new ‘isms’ of development have been applied in the field. The intent is to highlight problems faced by rural people on a daily basis in the face of these new paradigms. The hope is that the analysis below will lead to critical thinking about the paradigms themselves and the means to achieve them, thereby opening up a host of questions about current thinking and what is to be done in the future. The discussion suggests that all is far from well. At the heart of the new paradigms is an attempt by donors to bypass, ignore, and find unlikely substitutes for badly functioning states with micro level and local initiatives. This occurs amidst the contradiction that the state still sets the macro-economic, legal and policy parameters or “rules of the game” within which other institutions and actors operate, many non-state entities are only nominally independent, and a large number of technical initiatives aimed at growth and equity are misconceived.

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\* All examples come from research conducted by the author. An earlier version of this paper was written for a group of experts to Economic and Social Council (ECOSOC) of the United Nations, to discuss rural development, environmental sustainability, and poverty alleviation.

## **Selected Examples and Critiques of New Paradigms**

### *Decentralization*

Decentralization is a central linchpin of the new paradigm of rural development. It is seen as an antidote to corrupt extractive states that characteristically have exploited the rural poor, a means of improving service delivery to them, and the best way of encouraging popular participation so that rural people will be party to their own development.

The above ideal type vision of what would occur if this paradigm were put into practice is not necessarily what has happened. Instead, when decentralization has been implemented, two situations have commonly arisen.

First, although decentralization was partly conceived as a way of overriding the state and its negative characteristics, its implementation often has reproduced the state in another guise. Formally, decentralization is in place. Informally, however, decentralized authorities are often just new clones of the state. When this happens, as it often does, decentralized authorities are no different than their predecessors: no more accountable, no more democratic, and no more interested in the plight of the rural poor, integrated rural development, or environmental sustainability than the centralized state preceding them. Furthermore, locally the rural poor sometimes have fewer avenues of redress than in the past when they could appeal to a less parochial and higher authority that was removed from their day-to-day situations. Instead, because rural communities are often highly stratified, authoritarian, corrupt, and repressive, as well as responsive to parochial interests, citizens often feel they cannot exercise their rights even when formally speaking, they have decentralized institutions through which they can articulate their grievances.

Missing from the decentralization equation are two realities. Principally, and contrary to myth, rural communities are not normally harmonious Rousseauian states of nature. Instead, class and patron-client relations stemming from various rural hierarchies and cleavages based on family ties, ethnicity, religious differences, as well as differing levels of access to state power divide populations. These divisions and cleavages tend to reproduce themselves institutionally in decentralized authorities, often offering no improvements over the central state, and sometimes a further regression to the mean from the standpoint of the rural poor. Furthermore, the decentralization equation falls into an unfortunate intellectual trap; it assumes one can change the way in which organizations operate solely by making formal changes in institutions or by developing new organizations. This flies in the face of reality. Similar formal institutions in different places operate differently because of different norms, belief systems, and enforcement mechanisms. These are what Douglas North has called “rules of the game” (North, 1994) and tend to change over long periods of history rather than overnight. This is apparent from what has happened when the decentralization paradigm has been put into practice in developing countries. The results raise the broader question of whether the implementation of formally decentralized institutions is likely to achieve the mythical ends desired in light of existing theories about change and development as well as concrete realities on the ground.

Second, proponents of decentralization argue that local authorities tend to be less corrupt, more accountable, and more likely to improve rural service delivery than the centralized state. Often, this has not happened in practice. Instead, by virtue of setting up multiple foci of fiscal autonomy, decentralized authorities have the potential to be no better than the centralized state on all of the above counts

(Treisman, 2000). In fact, corruption among autonomous unaccountable authorities in Britain was one of the main reasons for later centralization.

Currently, to take just one of many possible examples, the operation of decentralized authorities in Tanzania, illustrates the limits of formal decentralization discussed above. In the past, centralized government supported many extractive and ineffective parastatals at the local level and farmers were at their mercy. However, decentralized authorities in Tanzania now have recreated the state in a new guise, creating virtual chaos for small farmers as they apply different cesses on similar crops in different areas, all arbitrarily decided upon by the members of these authorities. The resulting extraction and chaos from the standpoint of small farmers is no more conducive to rural development and poverty alleviation than in the past (Delgado and Minot, 2000; Cooksey, 2003).

The above points and example illustrate Douglas North's observations that changing the formal rules of the game is far easier than transforming the informal rules of the game and the norms and incentive systems that support them. Furthermore, the fact that in the past the state often has performed badly does not mean that it is inherently incapable of being the engine of positive change. In many countries, it depends very much upon who is in charge, the tone that is set, and the degree to which the rule of law is entrenched and not on the intrinsic characteristics of the nation state *per se*.

*Issue:*

The tendency of international agencies and governments has been to deal with the formal aspects of rural institutions, imbuing those that are local with almost mythical characteristics, while ignoring the informal norms and practices that keep them from regressing to the mean and functioning as theory would suggest.

Consequently, international development agencies should reexamine how they think about institutional change, both national and local, and what they expect from it under what conditions. The paradigm of decentralization as a panacea for most rural ills has been elevated to a level not supported historically (Amsden, 1989, 1984) or by current realities. Furthermore it is important to face, whether with centralized or decentralized institutions, the day-to-day experiences of many of today's rural poor: lack of anonymity; fear of retribution and sanctions for criticizing the powers that be; few opportunities for genuine participation (Cooke and Kothari, 2001; Green, 2000); and a lack of services regardless of the formal characteristics of institutions.

Notwithstanding all the current attention being given by donors to institutional change and its affect on integrated rural development, environmental sustainability, and rural poverty, this critique raises a broader question. It concerns the saliency of institutions as an independent variable, especially given the sometimes unclear if not variable relationship historically between similar types of institutions and different levels of development. Furthermore, institutions themselves may be intervening variables, something implied by North, but not acknowledged by current paradigms and their operationalization by international development agencies. These are serious matters that must be thought about and spelled out more clearly as well as the role of the state, which is far from dead.

*Civil Society*

Robert Putnam's work on Italy (Putnam, 1993) found an early and statistically significant relationship between the growth of non-state organizations and developmental effectiveness. This study followed the col-

lapse of the Soviet Union and a renewed emphasis by western donors on democratization in third world countries. During this brief hiatus, western donors no longer found it geo-politically necessary to support corrupt repressive states. For both reasons, donors promoted civil society organizations as a means of circumventing and developing an antidote to states that were extracting more from their rural populations than they were contributing to sustainable rural development.

Certainly, there are many excellent examples of what local populations and international donors can achieve by working with civil society organizations. Nevertheless, the assumptions both about civil society and what can be achieved with its assistance are often overblown and out of tune with the realities of rural life.

There has been a good deal of critical academic and other literature discussing the concept of civil society and its reality on the ground in many third world countries (Ndegwa, 1996; Harbeson, *et.al.*, 1994; Orvis, 2003; Harris, 2002). Nevertheless, donors and international agencies have tended to analytically conflate non-governmental organizations (NGOs) with the concept of civil society. They have assumed, often incorrectly, that the former is synonymous with the latter, simply because NGOs are not legally or formally part of the state.

Contrary to myth, many NGOs in third world countries are not necessarily part of civil society (Rahman, 2002; Chabal and Daloz, 1998; Kasfir, 1998 to take just a few of many possible examples). As donors began assiduously to assist NGOs in preference to the state, numerous individuals as well as relatives of state employees and even the state in a new guise, began to set up NGOs to attract foreign assistance. Consequently, in many cases NGOs represented vested interests both outside and inside the state, were not always distinguishable from it, were sometimes a means of aggrandizing foreign aid, and were not necessarily more attuned to the rural poor or sustainable development than government or other organizations.

In addition, even when NGOs have not been part and parcel of the state in a new guise, they are not inherently preferable to it. NGOs sometimes have been tied to local parochialisms, are not necessarily technically qualified to assume tasks that have been foisted upon them, and often lack a national vision of development. Nevertheless, in the face of declining financial assistance, leading to more and more privatization of aid, plus the current view of the state as the enemy of development, international agencies and other donors have embraced civil society, with NGOs as its manifestation and its new panacea.

*Issue:*

Historically, in the West, East Asia and elsewhere, the state has played a central role in economic development, a point discussed in detail by Amsden (Amsden, 1989, 1994), among others. Notwithstanding current paradigms to the contrary, sustainable rural development in the future will most likely still depend on the role of a strong progressive state (Joseph, 2003). The assumption that because many of today's states are corrupt, repressive and not oriented towards their citizenry does not mean that the role of the state is unimportant or will go away. Furthermore, civil society often is shaped by the laws and enabling environment provided by the state and rarely has the ability to be a substitute for it, except in totally failed situations. In addition, the assumption that NGOs are part of civil society and an antidote to the state often ignores the reality that they are part of the latter, *de facto*, even if not *de jure*. International development agencies need to be more nuanced in their support of civil society and should not assume that NGOs and

civil society are necessarily one and the same. They need to acknowledge these realities, plus the historically important role of the state in their assistance strategies.

The uncritical support given by donors to both decentralization and NGOs is part of a new populist paradigm to bypass government and go directly to the people. It tends uncritically to assume that non-state actors are preferable to the state and to overemphasize the role of institutions, which are very difficult to change at the informal and normative level. This state of affairs comes at a time, when development agencies are not examining critically or in depth the real issue of what should be done substantively to promote integrated rural development, environmental sustainability, and poverty alleviation. This may be in part because the problems seem so intractable and so many past paradigms of development have failed. Donors need to get back to the hard question of what is to be done, to understand that institutions are simply means in the process, and to recognize that non-state actors cannot substitute for the state, whose laws and policies still affect them.

### *Macro-Micro and Sectoral Relationships*

Any proper analysis of rural development, environmental sustainability, and poverty alleviation acknowledges the importance of government in setting sound macro-economic, political, and social policy. These policies determine the parameters of what is possible in terms of development. However, the tendency among international development organizations has been to separate the macro from the micro, as if the former does not matter. Within many of these agencies, disciplines and sectors also often operate in isolation from each other. However, poor rural people live in an integrated rather than a segmented world. It is almost a truism to say that the macro affects the micro and *vice versa* and that sectors do not exist in isolation. However, often, one would hardly know this, looking at donor assistance strategies and their lending operations. Several examples follow, demonstrating how such approaches lead to assistance packages that misconceive problems and solutions and hence are designed to fail in terms of promoting rural development or alleviating poverty.

In the 1980s and 1990s donors in Malawi often concentrated on what was viewed as a pro-poor development assistance strategy. Mostly, this consisted of rural development policies designed to support local producer groups and to increase the production of improved maize. In doing so, there was a failure to acknowledge one central macro-economic policy issue that radically reduced the possible effectiveness of these micro-level initiatives. This was that government prohibited poor farmers on communal land from growing tobacco, the only lucrative cash crop. Until this policy changed, their incomes would not improve. Instead of dealing with this central economic policy of the state, donors, including most international organizations, spent considerable effort supporting local grassroots intermediaries to give credit to poor farmers to produce improved maize. For a variety of reasons to be discussed later, this often was not economically viable. The result was that the problem was misconceived, farmers went into debt, and the proposed solutions did not work.

During the same period in Lesotho, a good deal of development assistance supported local groups in farming even though Lesotho has no comparative advantage in agriculture, and historically the main source of income for the rural poor has been remittances from mining in South Africa. Even with income from mining declining, it might have been better for donors to acknowledge existing realities and put more of their funds into education that would increase the competitiveness of individuals seeking employment elsewhere rather than in agriculture. Instead, donors supported the animation of local grassroots groups,

although it later became clear that individuals in these groups did not view farming as the mainstay of their existence and lacked the incentives to participate in such programs. Again, the result was failure.

In the case of Uganda, donors assisted local groups to develop organizations to protect the environment in an area where the hills were virtually denuded. These hills were of marginal interest to community members because their livelihood was mostly off-farm and did not stem from toiling their land. Hence, they did not have much incentive to put their labor into environmental protection. Again, not enough time was spent analyzing how individuals from rural communities, who looked like farmers, made their income or what their incentives were to engage in certain types of rural development initiatives.

All three examples suggest that rural incomes and employment often are multi-sectoral, off-farm, and strongly affected both by macro-economic and national policy considerations. Hence, it is not possible to ignore the relationship between macro-level phenomena and micro-level behavior or to leave participation and social issues to anthropologists, political issues to political scientists, and economics to economists.

Related to the above is the fact that many seemingly perfect technical solutions are not perfect for all places at all times. Agricultural economists have devised theoretically sound technical interventions that often are not implemented because of a lack of political will by government, because of household labor constraints that make it difficult for poor farmers to carry out the steps that would optimize production, or because of cultural prohibitions and various types of constraints that keep markets from operating. Some examples follow.

Kenya continued to violate its agreements with donors on grain marketing because those in charge of the state benefited from such an arrangement. The response of donors to government's pattern of one step forward, three steps back, sometimes deliberately ignored the point that the problem was political, related to protecting the vested interests of key actors, and not technical (O'Brien and Ryan, 2001).

Credit to the poorest of the poor in Malawi, used *in vitro* instead of *in vivo* estimates to argue for smaller and smaller packages of inputs on credit for maize. However, poor farmers generally were poised on the edge of famine. After six months, food ran out and they were mostly forced to hire out their labor to buy in food to subsist. This situation led to severe on-farm labor constraints. This translated into a tragic situation where farmers did not have the time to farm their own land adequately and could not afford to hire in labor. Consequently, they had to cut so many corners in the application of inputs that their yields and gross margins suffered. The results were far short of the original, albeit unrealistic and overly optimistic, estimates of donors that did not take into account the difficult obstacles faced by poor farmers in the field. Farmers' incomes did not improve and they could not pay back their loans.

In other parts of Africa and in India, the creation of a land market, to take just one example, often does not operate like a market. Instead, cultural prohibitions on selling land on which ancestors are buried often undermines what might be a sound economic choice or investment strategy, or farmers are so indebted to money lenders that they are only *de jure* owners.

All of the above examples point out the importance of donors adopting integrated strategies of development that do not separate the micro from the macro and bring together rather than separate sectors and issues from each other.



*Issue:*

To address the problems of sustainable rural development and poverty alleviation, donors must take account of the realities that both affect and characterize the daily lives of the rural poor. Rather than being separated as they are in today's new paradigms, international agencies need to integrate the micro and the macro as well as the economic, political and social realities of the rural poor before devising untenable solutions for people whose lives are not separated into discrete parts.

International organizations and other donors do not support the above increasingly important matter. There is little attempt to recruit individuals who can think cross-sectorally. Routine tasks are turned into pseudo-specialties. One result is that agencies search for "experts" on NGOs, decentralization, poverty and other non-fields (presumably meaning someone who has worked in these areas) rather than for social scientists with sound training and solid analytical skills in one of the major established disciplines. Beyond this, there is an attempt to sidestep a serious analysis of the problems highlighted above by inventing new jargon to support new paradigms (e.g. sustainable livelihoods, capacity-building, civil society, decentralization, non-formal education, appropriate technologies, micro-enterprises, rural financial intermediaries, etc.). This masks the need for a serious rethinking of issues, approaches, and questions concerning the soundness and utility of one solution over another. Instead, the tendency is to think in a segmented fashion about problems that require integrated thinking, not to appreciate the constant relationship between the micro and the macro, to ignore political considerations, to pretend that often powerful states do not exist, to turn mere tasks into nonexistent pseudo-disciplines, and to invent new jargon to homogenize extremely complex and diverse situations. The ultimate result is to seriously threaten, if not hamper, the ability of international agencies to address the very critical problems of rural development, poverty alleviation, and environmental sustainability today. Instead, the untouchable "isms" of bad jargon spewed forth by these new paradigms suppresses rather than invites questions.

***Small Enterprise Development and Anti-Industrialization***

In the West, East Asia, and elsewhere, industrialization plus the development of manufacturing was the engine of growth that transformed rural life. This vision of growth has all but been abandoned in the new paradigm of development with its emphasis on micro-initiatives.

In many third world countries, the environment for economic investment, whether domestic or foreign, has been negative. Many countries still are locked in patterns of single-commodity production, often representing legacies from the colonial period. For poor farmers, this has meant experiencing something akin to the great depression of 1929 every few years (Collier, 2001).

While speaking of the need for diversification, donors simultaneously have encouraged the development of small enterprises. In part, this is a stopgap recognition that many rural poor are landless and that even others cannot rely on agriculture alone to survive. While these micro-enterprises constitute the real economy for many rural poor, they do not offer a substitute for employment, an assured wage, or much hope for improving their lives in the future. Instead, the rural poor overwork and underconsume. In such situations what is produced often cannot be sold or markets for such products are limited due to gluts of similar products (whether agricultural or non-agricultural), lack of quality control, the high costs of transport, or international standards.

Paradigms opposed to strong centralized state-propelled development often have supported what purported to be more people-oriented micro-enterprises. Along with this situation coupled with the idea of appropriate technology came the phrase “small is beautiful”. Donors obliged by supporting small enterprises where farming was unviable, land was inadequate to support consumption, and where few jobs were available for the rural poor. Notwithstanding this reality, it is worth noting that in the West, one out of two small businesses fail, even when conditions are more supportive. Hence, myth to the contrary, the results of so many failed small enterprises in third world countries should not be surprising. Furthermore, they also are unlikely to represent a panacea in terms of rural development or poverty alleviation.

Both development agencies and entrepreneurs engaged in small businesses often have neglected to analyze whether the desire to have a local bread factory, a stall-feeding project, or to produce local potato seeds, tools, and crafts is something that can turn a profit. Surprisingly enough, much donor aid for micro-enterprise development is both unviable and unprofitable. Farmers in Lesotho were encouraged to produce potato seeds only to discover that their same extension officer had a nearby community do the same thing, resulting in a glut. Donors supported women with sewing machines to expand dressmaking in Mauritius. However, the liberalization of the market accompanying Mauritius’s impressive economic transformation also crushed these businesses and others, as they could no longer compete either with factory-made garments made locally or with imports. Both were more competitive in terms of price and quality. In Malawi, a stall-feeding project that might have been viable for one or two people produced almost no profits for a large group. In Mozambique, local farmers preferred to buy South African tools instead of what their own neighbors made because the quality of the former was superior and lasted longer. Even in India, small businessmen often have to pay off state agents or are in such a vicious circle of indebtedness to landlords that they are only paper owners of their land and their enterprises.

Notwithstanding the new paradigm of small business development as opposed to industrialization, a good deal of micro-enterprise development is both unviable and unprofitable as soon as one looks below the surface. However, the myth that “small is beautiful” persists even though it is often a symptom of poverty and may increase rather than alleviate it.

When small entrepreneurs are successful and do well, often it is without credit, in contrast to prevailing wisdom on the subject. What keeps these small businessmen and women from enlarging their enterprises, becoming more successful, and maturing into medium and large-scale businesses that could offer rural employment? In Tanzania and parts of Central Asia, there is a phrase, the “missing middle”, to describe this phenomenon. Here, in large part, it is the lack of a fair environment that prevents small enterprises from moving up to the next stage. Small business people in this situation often face a plethora of hostile governmental laws, regulations, and tax regimes required by the state to enlarge their businesses. Discouraged by this, micro-entrepreneurs tend to deflate their horizons and retreat to smallness, staying just below the state’s radar screen so that they can operate free of harassment. Foreign direct investment sometimes responds in the same way: failing to invest or divesting where the business environment is hostile. In both situations, any progress towards developing the manufacturing sector or industrializing is thwarted.

*Issue:*

For reasons that are not entirely clear, development agencies have shied away from discussing the above issues. International agencies dealing with rural development, sustainability, and poverty alleviation have tended uncritically and indiscriminately to embrace micro-entrepreneurship as a panacea, when it is at best a stopgap measure in terms of rural development and poverty alleviation. Agencies need to acknowl-

edge both the conceptual problems in this approach as well as the immense difficulties faced by all types of entrepreneurs where the state erects legal and other barriers designed to destroy them and the business climate in general, thereby increasing rural poverty and impeding development.

International development organizations also need once again to discuss the possibilities for developing manufacturing and industry as a means of providing employment opportunities to address rural poverty and development. Donors have tended to concentrate on micro-level rural solutions to micro-level poverty when the real solutions may not be, and historically have not been, *in situ* at all. Here one is reminded of Chang's notation in his work, *Kicking Away the Ladder: Development in Historical Perspective*, (Chang, 2002) that the development advice offered by donors has tended to follow the motto "do as I say, not as I do".

### ***Privatization of Marketing, Input Supply, and Rural Financial Services***

After independence, most developing countries used parastatals to provide marketing, input supply, and financial services. This was both a legacy of the colonial period and a reaffirmation of the dominant Keynesian state-centric paradigm.

Parastatals did not serve their rural clients well. They tended to take the lion's share of the world market prices, had high administrative expenses, supported vested interests, often did not collect perishable commodities on time, and paid farmers late, if at all. Many rural development banks chose their borrowers badly, relied on weak financial intermediaries, had high arrears, eventually went bankrupt, and were closed. Lending also tended to be highly politicized. Rich farmers often deliberately defaulted. Many poor farmers had such small profits that they were forced to choose between eating and paying back their loans. Both groups had many clever *male fide* borrowers, whom the state lured in by saying incorrectly that loans to them were free. The experience of the Grameen Bank in Bangladesh and Pride Africa in Tanzania gave rise to the somewhat misleading phrase, "the poor are bankable". Consequently, donors pressured third world governments to push more and more credit out to poorer and poorer clients, making repayment increasingly improbable.

With the collapse of the Soviet Union, international donors began more critically to assess the performance of the state in many areas. In terms of marketing, rural financial and input supply services, the state received poor marks whether from the standpoint of quality of service delivery, cost effectiveness, or reaching their rural clientele. Instead, it was seen correctly to be wasteful, self-serving, and corrupt.

Along with this analysis came a new paradigm promoting private sector development and a greater emphasis on market forces. In many respects, this new emphasis has been salutary. A number of parastatals have been privatized and those that remain are being forced to compete with the private sector. In other cases, privatization in the countries of the former Soviet Union and elsewhere has been less sanguine (Kotkin, 2001), sometimes resulting in the wholesale looting of the state.

With the emergence of this new paradigm of the market as opposed to the state, other problems have appeared.

In the era of state-centric paradigms, rural areas, particularly in Africa, were peppered with government-owned and operated development banks, cooperative parastatal marketing agencies, and a host of other state organs that provided credit, marketing, and input supply services, even when they were

done badly. Now that government has scaled back or privatized these parastatals, numerous rural areas are bereft of agricultural services. Many banks and private marketing agents have found it too costly and unprofitable to go to remote rural areas where roads are bad, clients are dispersed, and production output is often low and of poor quality. Even when private businessmen go to these places, rural producers often are faced with a monopoly buyer or provider and are just as vulnerable to the exploitation and poor services they experienced in the past.

The withdrawal of subsidies for inputs eliminated many market distortions. However, this withdrawal coupled with the devaluation of many third world currencies often radically increased the price of inputs. Although agricultural prices for small farmers also have increased with devaluation, the margin of difference is still not necessarily enough to compensate for the high cost of inputs. Furthermore, even in cases where privatization of services has occurred, the state often still is involved in agriculture and continues to capture a margin of the profits.

As parastatal development banks have been privatized, many private banks decided it was not cost-effective to have a significant presence in rural areas. Hence, when they are there at all, they often reach only as far down as the district and provincial levels. Consequently, rural populations often have no reliable access to any financial services, whether safekeeping, withdrawal, savings, or credit. Implicit in the idea of the new paradigms was that donors should support the institutional strengthening of rural financial intermediaries, such as cooperatives, community based organizations, NGOs, and informal rotating savings and credit groups. The assumption has been that such support would build up these groups that then could offer financial services to the rural poor that formal institutions were no longer there to provide.

While many of the above solutions under the new paradigm sound sanguine in theory, rural inhabitants now commonly are faced either with no or totally inadequate rural agricultural services. Marketing and input supply services are often problematic at best, while rural communities generally view existing financial intermediaries, especially cooperatives, as corrupt and ineffective, Rousseauian development jargon notwithstanding. In Tanzania, while farmers buy minimal shares in cooperative societies as a quasi-insurance policy, they have little faith in their integrity based on their past performance. Hence, they still prefer putting their cash under their pillows or into hard assets rather than joining rural financial intermediaries, which they do not trust. In India, cooperative members tend to exclude less well-off farmers and also, even when they are allowed to join, find that the majority of inputs go to local elites.

*Issue:*

While the state of old tended to deliver inadequate, unreliable agricultural services, currently many farmers now receive almost no services. The question of how serious this is and what, if anything should be done has yet to be confronted by international donor agencies, which are still locked into the idea that the new market paradigm has been successful, as it has been in some cases. However, currently many farmers have poor access to services, have an output that is barely remunerative, and have few alternative employment opportunities. In previous periods of history elsewhere when farming became uncompetitive, individuals moved to large cities and worked in factories. Currently, in many developing countries, there is already a mass out-migration of labor, but with little chance of employment either in the rural areas, where they are already marginalized, or in the urban areas where there is great competition for few jobs.

International development agencies interested in the challenges of rural development, environmental sustainability, and poverty alleviation, must now ask what can be done. The new paradigm of the

market has created a host of new problems that cannot be ignored, notwithstanding the problems inherent in the old paradigms of the past.

### *Capacity-Building*

With the coming of new paradigms and new worldviews, the word “capacity” has entered the developmental lexus. It is now used widely without any specificity. Donors and others often speak about a “lack of capacity” to describe a problem or “capacity-building” as a way of solving it. The question is what does all of this mean concretely?

Institutions that are not performing well can have any number of problems. These include being badly managed, having unqualified staff, having workers who lack incentives because they are badly paid or otherwise demoralized, not having proper equipment, or being engaged in state-supported or individual corruption. Each of these problems is very different and implies very different solutions.

Unfortunately, many discussions of rural development, poverty alleviation and environmental sustainability use the term “capacity-building” indiscriminately, without stating what is meant and proposing solutions that mostly have nothing to do with the real problems, which rarely are spelled out. Routinely, donors choose to modernize equipment and to train staff as a means of improving how organizations function. However, often a lack of equipment and a lack of training, while relatively easily provided as solutions, are not the real problems.

A Northian approach to institutions (North, 1994), e.g. trying to understand the formal and informal rules of the game and the incentives and disincentives that support certain types of behavior, would help to ground the idea of institution- or capacity- building in some reality. It would do so by specifying the real problem behind badly functioning institutions, while tying ideas about how to strengthen them to specific problems.

In Gabon, to take just one example, an international donor agency was planning to develop a project to reform public expenditure management. One goal was to improve rural service delivery in the areas of health and education, which had been poor. The initial idea of the means to this end was to increase controls in the public expenditure system to ensure that funds intended for health and education would reach their intended beneficiaries. However, further investigation by the donor revealed that the problem was not one of controls, but rather that the entire system was highly politicized and existing controls were being bypassed in favor of presidential directives. It was this politicization and the incentives that supported it that led to a poorly functioning public expenditure system and a lack of rural service delivery, not a need for more controls, more computers, or staff training. The existing public expenditure system was so highly aggregated that it was impossible to trace an economic vote in health or education to determine whether these services had reached their intended beneficiaries. Again, the aggregation itself indicated that there was a political method to the madness. As a result of its analysis, the donor agency decided not to go ahead with its initial project. Without asking the right questions and doing this research, the agency in question might have moved ahead to support a variety of traditional “capacity-building” activities that would have been irrelevant in terms of changing institutional performance.

In another case in Uganda, political factors led to a National Environmental Management Authority being placed in the Ministry of Natural Resources, potentially the main polluter, rather than in a more

neutral ministry, such as planning. The reasons for this institutional choice stemmed not from a lack of knowledge or “capacity” but from politics and an internal calculation of “ethnic arithmetic”. In this instance, as well as many others, using the term “capacity” or applying traditional solutions implied by the word would have been far off the mark.

*Issue:*

Discussions of a lack of access by the poor to social services and the problem of developing a supportive environment for private sector development, to take just two examples, often regress to highly general euphemisms, such as institutional “capacity-building” in proposing solutions. Such euphemisms avoid analyzing situations to the point where they identify specific problems or discuss causal means-ends relationships, indicating whether there are any concrete solutions to the problems identified and, if so, what actions by international development agencies would best support them.

Furthermore, many problems experienced by the rural poor in a host of areas—whether health, education, social protection, access to land and other services, or poorly functioning institutions that do not serve them—often are found to be political rather than technical. Donor agencies need to acknowledge political impediments as such rather than resorting to euphemistic no speak such as “capacity-building”, or strategies to promote integrated rural development, address poverty and ensure environmental sustainability will be ineffective.

## **Conclusions**

The above analysis has singled out a series of topics, by no means comprehensive, to highlight issues arising from the application of recent paradigms of development. The argument is that a number of these new paradigms of rural development, environmental sustainability, and poverty alleviation raise both conceptual problems and operational difficulties when they are implemented on the ground. In some cases, the ideas currently being proposed by development agencies as solutions bear little relationship to the realities or problems experienced by the rural poor on a daily basis. In other cases, the paradigms themselves are often mythical in their conception, representing desired end states. Hence, when implemented they tend not to work as they conflict with existing realities and are theoretically unsound.

Furthermore, in all of the paradigms discussed above, there is a common tendency to ignore or escape the reality of dealing with the monster in the room—poorly functioning corrupt governments that contribute to poverty and often destroy rather than promote development. International development agencies have responded by supporting a plethora of actors nominally outside the state. Often, however, these actors are not independent and even when they are they are still subject to the laws, policies, regulatory procedures, and power of the state, an entity that has always been of paramount importance. There is a tendency to ignore this reality. When it is not ignored, the unfortunate term “governance” is invoked as if one can build sound states (Grzymala-Busse and Jones-Luong, 2001) the same way one fixes water faucets in need of repair. Historically, the state, either directly or indirectly, has been a critical engine of growth, something that cannot be denied. Paradigms that ignore this reality are salves that will not heal real wounds. The difficulty is this: non-state actors are not substitutes for the state and bad states cannot be fixed easily, as North (North, 1994) so eloquently notes.

From a policy perspective, this analysis is intended as a point of departure to think critically about current approaches to rural development and attempt to get away from much of the simplistic jargonistic

thinking that has characterized current analysis. While the road ahead may be fraught with difficulties, they must be acknowledged. Today, Sub-Saharan Africa has been experiencing what one author describes as a “catastrophe”, with per capital GDP lower than in the 1980s and a declining life expectancy (Stern, 2002, p. 31). Current thinking about rural development, environmental sustainability, and poverty alleviation is unfortunately far removed from addressing either this catastrophe in Africa or those in other regions, including the downward spiral into poverty in much of Europe and Central Asia. One of the main barriers to sound inquiry are bad paradigms, the bad “isms” that flow from them, and the refusal to think hard and honestly about the very difficult problems of rural development, environmental sustainability, and poverty alleviation.

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