

Fasbender, Karl

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# Strategy of Integrated Development

## Some Remarks on the Development of Rural Areas in Developing Countries

by Karl Fasbender, Hamburg\*

**The emphasis of development policies has for many years been placed on primarily growth-oriented development strategies. Although the latter have indeed induced an astounding increase in real GNP levels in Third World countries, they have not been able to decisively reduce existing social disparities. The more distribution-oriented approaches prevalent since the mid-70s have also, for their part, revealed substantial weaknesses. The strategy of integrated development attempts to combine the positive elements of both approaches into one comprehensive *modus operandi*.**

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For almost three decades the discussion on development policy was dominated by strategy concepts such as balanced and unbalanced growth, growth by export promotion or import-substitution, big push, growth poles and take-off. On the whole, the success of the associated measures was indeed commendable. The increase in real GNP, for example, averaged an annual 5.5 % between 1950 and 1980, outpacing that of industrialised countries by more than one percentage point. Despite the immense population increase in Third World countries, per capita income rose by about 3 %, thus almost equalling the increase registered in developed countries.

Nevertheless, the significance of such strategies in the overall discussion has undeniably declined. One exception in this respect is export orientation, a result in particular of the increasingly alarming debt situation facing many countries.

Despite the impressive nature of past growth the problem of distribution still remains unsolved. Ever since the mid-70s, therefore, the primarily growth-oriented strategies have gradually been replaced by more distribution-oriented approaches to development. Demands are now made for poverty-, target-group- and/or basic-needs-orientation, underlining the considerable difference in approach to previous concepts. Admittedly, the latter also served the purpose of reducing poverty. However, the incorporation of the poor in the process of growth was dependent on the trickling-down of growth benefits to the poor via productivity increases, increased demand for labour, etc. Effects were expected to spread from the centres of

growth to the under-developed regions. The growing income disparities created by this specific process of growth were regarded as a necessary yet transitional course of events, which had to be tolerated in the interests of the accompanying positive effects on capital accumulation.

The expected spread, trickle-down, linkage and other effects were, however, often less extensive and took much longer than could be politically and socially justified. Very often economic growth could not prevent an increase even in absolute poverty. Altogether, the number of persons living on the verge of mere subsistence lies between 500 and 700 million, depending on whether the poverty-line is taken to be US \$ 50 or US \$ 75 annual per capita income. This figure represents a 33 % or 49 % share, as the case may be, of the total population of developing countries<sup>1</sup>, most of the absolutely poor living in rural areas.

The criticism of the meaningfulness of poverty-lines<sup>2</sup>, although to a certain extent justified, cannot belittle the necessity of development policy putting more emphasis on the direct fight against poverty. The fact that the provision of basic-needs goods, such as food, clothing, shelter, educational and health services, after 30 years still rank among the most serious development problems is evidence enough of the deficiencies of previous policies.

One advantage of the various distribution-oriented development approaches is that they clearly lay bare

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\* HWWA-Institut für Wirtschaftsforschung-Hamburg.

<sup>1</sup> Cf. World Bank: The Assault on World Poverty, Problem of Rural Development, Education and Health, Baltimore and London 1975.

<sup>2</sup> Cf. N. L. Hicks, P. Streeten: Indicators of Development, The Search for a Basic Needs Yardstick, in: World Development, Vol. 7 (1979), p. 570.

the weak-points of previous strategies, adapting their measures accordingly. The measures pursued by individual approaches, however, which often claim conceptual independence, are of a rather selective nature. Furthermore, they fail to systematically complement one another.<sup>3</sup> They do not do justice to the complexity of development problems. Although the importance of economic growth is not denied, it is virtually ignored by the proposed sets of measures.<sup>4</sup> As a result, the latter, to a certain extent unintentionally, come close to representing a kind of social welfare policy.

The strategy of integrated development, conceived for rural areas, tries to steer clear of such disadvantages and at the same time combine the positive elements of previous approaches into a comprehensive *modus operandi*. It thus comprises both substantial elements of more recent development approaches as well as those contained in previous growth strategies. Although this combined strategy is still in its early stages and has not yet undergone sufficient practical testing, many development policy-makers and theorists<sup>5</sup> share the opinion that it does contain decisive elements for a promising development policy and should thus be included in practical development policies.

"Integrated development" in rural areas is to be understood here as a policy which is simultaneously geared towards distribution and growth – as opposed to previous growth policies in which distribution was a successive stage to growth. Via target-group-oriented, multisectoral and regional measures, its intention is to help reduce social disparities and increase gross domestic product. For the time being, the main distribution policy objective is to guarantee the satisfaction of basic needs. The remaining development policy objectives, such as the attainment of external economic or ecological equilibrium, are, depending on the situation of the country in question, maintained as subsidiary or sub-targets.

The concept of "integration" within this context can therefore have different meanings:

<sup>3</sup> Cf. S. Schönherr: Konzeptionen ländlicher Entwicklungspolitik (Concepts of Rural Development Policy), in: Zeitschrift für ausländische Landwirtschaft, Vol. 18, No. 1, p. 13.

<sup>4</sup> It should not however be overlooked that in recent research work the distribution-policy approaches, in particular the basic needs concept, have been developed along the lines of an integrated development.

<sup>5</sup> Amongst cf. Economic Advisory Council to the German Federal Ministry for Economic Cooperation: Möglichkeiten und Grenzen der Kooperation der Bundesrepublik Deutschland mit Entwicklungsländern auf dem Gebiet der ländlichen Entwicklung (Possibilities for and Limits to Cooperation between the Federal Republic of Germany and Developing countries in the Field of Rural Development), Bonn 1979, p. 29.

□ *Social Integration*: Incorporation of the impoverished population into the development process, i. e. into the economic and social system;

□ *Multisectoral Integration*: Combining of development measures relating to all relevant sectors into an overall package, thus avoiding development barriers and achieving optimal utilization of impulses resulting from individual projects (spread effects, forward and backward linkages, etc.);

□ *Regional Integration*: Consideration of the mutual intra- and inter-regional interdependencies, including the dependence between urban and rural regions, in an effort to achieve an efficient allocation of regional resources, thus reducing regional disparities which often overlap and aggravate social problems.

□ *Institutional Integration*: Coordination of all planning and implementational measures within the administrative and organisational structure so as to guarantee concerted efforts by all development institutions. In doing so it should be taken into account that the demand for participation in planning, which up till now has in most countries been the exclusive privilege of the central authorities (top-down planning), not only involves a greater degree of co-determination for the local authorities (bottom-up planning), but also for the local population, usually represented by self-help organisations and cooperatives.

### Target Components of Integrated Development

Integrated development can therefore be clearly distinguished from other strategies with regard to the objectives fixed and the instruments used. The equal importance attached to the main objectives, growth and distribution, is of particular importance.

□ The *distribution orientation* serves to reduce social disparities. However, in order to guarantee at least a subsistence level for the impoverished population it is often essential to supplement the desired distributional norm in the short run by adding the demand for the satisfaction of the basic needs of the target population. The satisfaction of basic needs in this sense is to be seen as a minimum approach, or as the first step towards a more even income distribution. This objective, however, has to be supplemented by the growth objective, if only because of the limited scope for distribution in developing countries.

□ The *growth orientation* attempts to achieve an optimal allocation of the production factors and to guarantee the saving necessary for the investments

required for an appropriate increase in national product. The ultimate objective is steady and self-sustained growth.

The intention, contained primarily in the growth-oriented strategies, of achieving the "take-off" stage and reducing the differences in development between industrialised and developing countries, is not therefore removed. Accordingly, the realisation of corresponding development measures must not only focus its attention on effects relevant to distribution but also on a growth-oriented utilisation of the production factors, labour, land and capital, and on the required capital accumulation.

### Partial Conflict of Objectives

For an exact empirical analysis the following question must be answered: to what extent can the desired distribution and growth effects be achieved simultaneously within the context of integrated projects? The discussion on this issue is characterised by two opposing opinions.

The advocates of the growth strategies in their pure form usually acknowledge that integrated development can also lead to an increase in national product. However, they believe that, in particular, the element of basic needs represents a developmental decelerator. Here, the main argument is based on the assumed implications for the formation of savings and real capital. "For if in the case of low incomes resources are primarily used to enable immediate consumption, investment activities remain at a low level. However, without productive investment the overall structure of production cannot develop in such a way as to ensure economic growth."<sup>6</sup>

In contrast, the proponents of integrated development maintain that in the case of investment strategies oriented towards real capital human capital is underestimated as a factor of growth. Human capital is taken to be those human abilities created and required during the course of production. Important in this respect are the level of education and technical know-how.<sup>7</sup>

Greater efficiency resulting from measures geared towards basic needs, however, focussing for example on food supply, health and education, would trigger off positive effects on human capital and thus subsequently on economic growth. In addition, these basic-needs goods could be financed by measures which have little influence on the investment level. These could include the structural shift of resources in the private and public sectors away from the less fundamental towards fundamental needs.<sup>8</sup> Furthermore, it is impossible to generally assume that in developing countries the rich account for a greater contribution towards investments relevant to growth via a higher savings ratio than do the poor population groups. On the one hand, it has been confirmed that small farmers save just as large a share of their income as big landowners<sup>9</sup>; on the other, many of the rich shy away from long-term profitable investments when faced with political and/or economic difficulties.

An appraisal of the conflicting positions touched on here would suggest that if respective projects were correspondingly organised this could pave the way for long-term compatibility between the growth and distribution objectives. Indeed, in the long run even higher rates of increase for gross national product could be expected by resorting to the integrated development strategy than by one-sidedly basing the development approach on growth principles.

In view of the fact that (1) investments in human capital involve a time-lag before taking full effect, (2) the argument of a relatively high savings ratio for the impoverished population cannot be generalised, and (3) the recommended restructuring of public and private expenditure can only be partially realised in practice, setbacks in growth rates may indeed occur in the short and medium term. This fear is confirmed by the practical conflicts between objectives which occur when fixing the priorities for development measures. The concentration of existing measures in region A, for example, may well be expedient in terms of distribution policy, whereas growth considerations suggest a priority for region B. Similar conflicts can also emerge during the selection of labour-intensive or capital-intensive technologies.

As long as the satisfaction of basic needs remains an objective of intrinsic socio-political value for this and the coming generation, the course of integrated

<sup>6</sup> J. B. Donges: Für eine effizienzorientierte Entwicklungspolitik (For an Efficiency-oriented Development Policy), in: WIRTSCHAFTSDIENST, Vol. 62, No. 1, 1982, p. 13. Cf. on this point and during the following also R. H. Hemmer: Zur Problematik der gesamtwirtschaftlichen Zielfunktion in Entwicklungsländern (On the Problems of the Macroeconomic Target Function in Developing Countries), Saarbrücken 1978.

<sup>7</sup> Cf. Economic Advisory Council to the German Federal Ministry for Economic Cooperation: Regionale Aspekte einer Grundbedürfnisstrategie unter besonderer Berücksichtigung des Stadt-Land-Problems in Entwicklungsländern (Regional Aspects of a Basic-Needs Strategy with Special Emphasis on the Urban and Rural Problems in Developing Countries), Bonn, April 1982, p. 58 ff.

<sup>8</sup> Cf. P. Streeten: From Growth to Basic Needs, in: Finance and Development, No. 3, Vol. 16, September 1979, p. 29.

<sup>9</sup> N. L. Hicks: Is there a Trade-off between Growth and Basic Needs?, in: Finance and Development, No. 2, Vol. 17, June 1980, p. 19.

development is likely to remain the most suitable strategy for solving the growth and distribution problems apparent in the rural areas of developing countries. The champions of integrated development strategies, however, would be well advised to take potential conflicts more into account, not only in the discussion on development policy but also in practice.

### **Instrumental Elements**

In this respect the instrumental characteristics are just as important as the two-pronged primary objective.

□ *Multisectoral Orientation:* This aims at utilising the development possibilities in all sectors by orienting production towards measures designed to cater indirectly and directly for basic needs, to reduce social disparities and to employ production factors effective to growth.

The diversity of the basic-needs goods clearly demonstrates that an integrated policy must set its sights on various sectors or sub-sectors. The ultimate aim is to enable such sectors to provide the missing products or services to an extent which is both quantitatively and qualitatively satisfactory. To achieve this end, measures concerning input supply, marketing, provision of the necessary credit and transport facilities, etc., are also essential. It is quite obvious that projects of this kind presuppose a periodically and spatially coordinated form of planning and implementation.

Although measures aimed at directly providing basic-needs goods have, and should have, a certain priority in practical policies, this is not an irrefutable principle. For example, growth policy considerations may not be the only motive for cultivating agricultural goods other than foodstuffs (cash crops or tree crops) in regions in which foodstuff cultivation can only be carried out to a limited extent. The creation of income will help guarantee an adequate supply of food.

□ *Spatial Orientation:* This involves the deliberate utilisation of all economic, social and cultural development potentials in any given region within the

context of the growth and distribution policy objectives (reduction of regional and social disparities in any one country).

In accordance with this approach, integrated rural development must also take into consideration the urban conurbations, in particular in their capacity as processing and administrative centres and suppliers of higher-quality services (hospitals, universities etc.). An integrated urban development must for its part include the rural regions in their capacity as procurement areas, markets, etc. In the final analysis, both forms differ only in the specific nature of their target-group-related measures.

Integrated development is therefore also integrated regional development. The reason for the concentration in the discussion on development policies on rural areas is primarily due to the fact that most of the impoverished population live in rural areas and that urban development programmes stand little chance of success without previous – or at least simultaneous – rural development. For example, the success registered by slum clearance schemes would otherwise normally be thwarted by increased immigration into the towns.

□ *Target-group Orientation:* Although the integrated development policy sets out to improve the situation of society as a whole, development projects must be planned in such a way as to take particular consideration of the interests of the rural poor and make possible their participation in planning, implementation and benefits.

The fiscal policy measures normally used in industrialised countries to reach the lower income groups only have a limited effect in developing countries. In many cases the institutional prerequisites for such a secondary distribution are missing. Apart from this, the poverty problem in developing countries also requires direct measures, not just those aimed at the employed. "The available evidence on the nature of poverty in underdeveloped countries shows that half of the poor are self-employed and do not enter the wage

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economy. Most wage-earners are already in the middle-income groups, so that policies affecting the split between wages and profits mainly concern the upper end of the distribution."<sup>10</sup>

### Consequences for Practical Project Work

The extended concept of integration makes it clear why this concept is viewed in the international discussion as the most comprehensive concept for economic and social development. Very often, however, the difficulties which occur during the practical implementation of this concept are neglected. As these are of considerable relevance for an overall appraisal, the most important will now be outlined.<sup>11</sup>

□ Due to their multisectoral and spatial approaches integrated development projects will usually have to be of a relatively large and extensive – interdisciplinary – nature. The motto "small is beautiful" cannot apply here. The projects are usually likely to entail a mixture of relatively large capital-intensive (e.g. infrastructural) and smaller personnel-intensive (e.g. target-group-oriented) sub-projects. Since many of these sub-projects will have to be implemented in periodical succession, projects of this kind will automatically be of a long-term nature. This long-term aspect and the size of the project make great demands on the institutions responsible as regards the provision of personnel and material inputs at the right time.

□ The objective of primarily helping society's poor whilst at the same time helping society as a whole will probably come up against the limits of the social framework in many developing countries. The necessary breaking-up of existing and established structures in the interests of the particularly disadvantaged target groups is likely to be prevented by rigid, traditional customary rights. Even if the respective governments attempt to speed up change in such systems by introducing new laws, these rigid traditional structures in rural regions will take time to disintegrate. The situation becomes particularly difficult if the problems of the poor are overlapped by those of ethnic groups. Irrespective of this aspect, the very identification of relatively homogeneous target groups, a prerequisite for target-oriented measures, presents immense difficulties.

□ The relatively comprehensive intention of integrated development projects requires much greater planning efforts than, for example, is the case for monosectoral projects. Even if the planning methods applied are reduced, the strained developmental situation forces the authorities responsible in the respective regions to carry out planning, project preparation and implementation parallel to one another, at least in part. Planning efforts are thus accompanied by a considerable need for control. An efficient finance and personnel system is therefore essential. In cases where these factors are available a powerful coordinating body is often missing. An overall problem-oriented and bottleneck-oriented planning system is thus an essential prerequisite for project types of this kind. This would enable the authorities, which although perhaps well-meaning also have their own independence in mind, to pursue a target-oriented approach.

□ The afore-mentioned types of problems must be anticipated when carrying out technical and financial cooperation projects. Even if the foreign partners of the developing countries concentrate on the so-called "particularly bottleneck-oriented" areas, comprehensive planning, improvement of institutions, implementation of pilot projects and selected implementation projects for improving the general framework usually represent the minimum requirements for cooperation. The necessary budgetary means and required coordination between the authorities responsible for development questions in the respective donor countries – which, furthermore, often have to work together with multilateral institutions – do not usually come up to the efficiency criteria.

A solution to the afore-mentioned problems is, of course, necessary for efficient integrated development projects. However, the existence of such problems alone does not warrant a rejection of this type of project. "A pragmatic development policy cannot wait for such changes and only start with a poverty-oriented development strategy after these changes have taken place. In view of the growing poverty problem, therefore, it is all the more necessary to focus the present development and cooperation strategy on given limitations and to act immediately even if only minimum conditions ..."<sup>12</sup> are given. This makes project preparation and implementation all the more difficult. Continuous monitoring, scientific project support and careful evaluation can contribute towards extending the necessary scope for activities.

<sup>10</sup> H. Chenery, Montek S. Ahluwalia et. al.: *Redistribution with Growth*, London 1974, p. 43.

<sup>11</sup> Cf. D. Kebschull: *Anspruch und Wirklichkeit integrierter ländlicher Entwicklungsvorhaben* (Intention and Reality of Integrated Rural Development Projects), Experts' Conference held by the GTZ (German Agency for Technical Cooperation) on methodology and organisation of development planning in Wachtberg-Niederbachem, November 1981 (Publication in preparation).

<sup>12</sup> K. M. Fischer, F. Mühlenberg, M. Werth et al.: *Rural Development*, Hamburg 1980, p. 17.