

Fasbender, Karl

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Karl Fasbender*

Aspects of Regional Rural Development

The priority previously given to urban areas by development programmes was replaced in the 1980s by efforts to implement deliberately targeted rural development. These often relatively complex projects showed less sustainable success than had been expected, however. What are the requirements for a regional rural development policy of the 1990s?

In most developing countries the rural regions have constituted the backbone of economic and social development, and they continue to do so today, although their importance is declining. Just how significant they are and how that role is changing soon becomes apparent from the relative share of national populations they account for. While an average of 76% of developing countries' populations lived in the rural areas in 1965, the proportion remaining in 1989 was 58%. The pattern is still more obvious in the 41 low-income countries, including the world's two most populous nations of China and India, where the corresponding proportions were 83% and 64% respectively. With just one or two exceptions, the only region in which the urban population predominates – averaging 71% in 1989 against 53% in 1965 – is Latin America.¹ It is thus evident that economic and social development are crucially determined by the rural regions. The agricultural sector alone, which has the most formative influence upon them, accounts for approximately one third of gross domestic product in the low-income countries and employs more than half of the workforce.

Up to the late 1970s, that is in about two decades of development policies, the dominant part played by the rural regions and the agricultural sector had led whatever resources were available to be used to the benefit of urban agglomerations and the industrial sector which largely shapes them. Having seen the progress made by industrial countries in developing their economies after World War II, developing countries strived to reshape their own economies from largely agricultural into largely industrial ones, orienting their investment strategies mainly to increasing fixed capital. Conversely, only secondary importance was attached to promoting agriculture and the

rural areas, unless the areas were themselves involved in supplying input materials for industry or important raw materials for export.

The intention behind this type of development policy orientation was to stimulate a sufficient level of economic growth, to create productive jobs, to substitute for imports of industrial goods and/or to promote exports. The successes achieved, though differing from one country to another, were indeed also generally quite considerable. Average GDP growth in the developing countries was normally far higher than that of the industrial countries during that period.

However, that success story is not quite what it seems at first sight for one has to take account of the low level of output at which the developing countries started out, of the rapid population growth occurring, and of the one-sided use made of rural resources. Moreover, these growth rates were often bought at the expense of aggravating inter-regional imbalances, involving migration from rural into urban areas at levels which could not be justified by the urban demand for labour, of forfeiting self-sufficiency in food production, and not least of increasing poverty.

To illustrate, according to World Bank data there were approximately 560 million people living at or near the subsistence level in 1969, a figure which had already risen to 940 million at the end of the 1970s and crossed the one-billion mark in 1985. Relative to the populations of the countries concerned, poverty in 1985 was concentrated in the developing countries of Southern Asia (46.4%) and sub-Saharan Africa (16.1%). These two regions accounted for 29.7% and 11.1% respectively of developing country inhabitants as a whole.² As a general

* Hamburg Institute for Economic Research (HWWA), Hamburg, Germany. This article is based on: Karl Fasbender: Aspekte ländlicher Regionalentwicklung, in: B. Fischer (ed.): Dritte Welt im Wandel der Weltwirtschaft, Hamburg 1992, pp. 185 ff.

¹ World Bank: World Development Report 1991, Washington, D. C. 1991.

² Cf. World Bank: The Assault on World Poverty. Problems of Rural Development, Education and Health, Baltimore & London 1975; World Bank: World Development Report, 1982 and 1990 editions.

rule, 80-90% of such poor people live in rural areas.³ The concentration of poverty in rural areas is thus not only absolute, but also relative to the rural proportions of the population.

During the 1970s, the development bottlenecks which were becoming ever more apparent as a result of rural areas being placed at a disadvantage led to a shift in the trends as to where the main sectoral and regional emphasis was placed. This is symbolized by a now famous speech given by Robert S. McNamara to the governors of the World Bank and the International Monetary Fund in Nairobi in September 1973. From then on, the World Bank began to attach higher priority to "poverty-oriented concepts".⁴ The International Labour Organization (ILO) gave priority to "basic-needs-oriented strategies".⁵ The Food and Agriculture Organization (FAO), for its part, advocated a relatively comprehensive form of "rural development".

Whatever differences there may have been in their approaches to development, the concept of developing countries themselves and of bilateral or multilateral agencies all shared the feature that they attached great importance to combating rural poverty and to utilizing the potential offered by the rural areas. Rural regions were no longer regarded exclusively in terms of what they could supply to the urban areas. Rather, their own specific problems, potential, peculiarities and objectives were now given attention. Similarly, the wide variety of reciprocal relationships between the countryside and the towns or cities were given greater attention in development policy considerations. This change in the tide of development policy largely began to take effect in the late 1970s and early 1980s.

Also during the 1980s, however, it became apparent what difficulties were associated with efforts to implement deliberately targeted rural development, and how complex these inevitably were. Even many of the rural development projects receiving expert and monetary support from the World Bank, the official German development agency Gesellschaft für Technische Zusammenarbeit (GTZ) or from other institutions were neither able to reach the majority of the poor nor to secure all the project objectives on a sustained basis, as cross-sectional analyses have shown.⁶ Among the main causes of this problem is undoubtedly the general economic framework distorted in favour of industrial and urban regions, that tended to result in most countries from the mixed economic systems operated, which in turn were conceived of as a "Third Way" between market and centrally planned systems. The obstacles to efficient rural development policy involved here were also underestimated to some extent by many governments and development organizations, as indeed they continue to be to this day.

A positive factor in this regard has been the increasing move towards a market economy by many developing countries since the mid-1980s, coupled with the reduction of distortions in the governmental regulation of the general economic framework. Given that many developing countries have given preference to a step-by-step and hence relatively long-term transition in the economic system, it would seem appropriate here to throw more light on some of the chains of cause and effect which are of particular importance for the development of rural regions.

Influence of the Economic System

In general terms, it can be said that the mixed-economy systems with a dominant tendency towards central economic planning practised in many developing countries have now reached the limits of their capabilities. They are no longer in a position to allocate resources efficiently, whether in the urban centres or in the rural regions. In these cases, the measures taken to alleviate the disadvantages arising from the economic systems having been distorted in favour of urban areas by governments have themselves led to increasingly complex systems of dirigistic intervention, examples of which include fixed prices, subsidies, production norms or quotas, state purchasing monopolies, import prohibitions and/or the allocation of loans. In many such instances, the systems involved have attained such a degree of complexity that they can neither be effectively managed nor can they be financed without inflationary increases in the money supply. The correction of distortions in the general economic framework associated with the increased adoption of elements of the market economy, and especially with the reintroduction of a price mechanism capable of functioning properly as a decentralized instrument of economic guidance, therefore leads almost inevitably to a more efficient deployment of factors of production in rural areas too. Points of special note in this regard include:

- *The introduction of food and raw materials prices which reflect the scarcity of the commodities involved.* The maintenance of artificially low prices for selected

³ Advisory Council of Experts (Wissenschaftlicher Beirat) to the Federal Ministry of Economic Cooperation: *Ländliche Entwicklung in den 90er Jahren: Ein Weg zur Armutsbekämpfung*, November 1991 (preliminary manuscript).

⁴ Cf. Robert S. McNamara: *Die Jahrhundertaufgabe – Entwicklung in der Dritten Welt*, Stuttgart 1974, pp. 156 ff.

⁵ International Labour Organization: *The Basic-Needs Approach to Development*, Geneva 1977.

⁶ Gesellschaft für Technische Zusammenarbeit (Association for Technical Cooperation): *LRE aktuell, Strategieelemente für eine Umsetzung des LRE-Konzeptes unter veränderten Rahmenbedingungen – Zusammenfassung* (mimeo), Eschborn, July 1991, p. 3.

agricultural products to the benefit of urban consumers and industries signalized to agricultural producers – in contradiction to real scarcity relationships – that there was a lack of sales opportunities at prices which covered costs. Consequently, capital and labour were attracted away from the agricultural sector and into other, usually urban fields of activity, yet "...without sufficient account being taken of the true macroeconomic costs and benefits".⁷ The reduction of price distortions creates incentives to increase output and to mobilize additional resources. The result will be an increase in net value added in rural regions.

□ *The establishment of realistic exchange rates.* In order to facilitate imports of capital goods by the industrial sector, many developing countries tolerated or deliberately brought about the overvaluation of their currencies.⁸ However, that also had the effect of artificially cheapening or subsidizing food imports, and the resulting increase in supply led to low prices which did not correspond to true competitive conditions. Consequently, farmers had little incentive to produce and the real net output in rural areas was relatively low. The negative effects of overvalued currencies were further reinforced by the undue difficulty in exporting produce. Since agricultural produce and raw materials still constitute the major part of many developing countries' exports, this in itself placed rural regions at a particular disadvantage. As in the case of the removal of price distortions in the domestic goods markets, the elimination of currency overvaluation also generates positive income effects for rural areas.

□ *Domestic capital costs corresponding to supply and demand.* By deliberately keeping interest rates low, many countries endeavoured to encourage investment in key sectors. Indeed, in countries with high rates of inflation negative real rates of interest were frequently accepted. Quite apart from the macroeconomic consequences of this (intensification of the tendency towards capital flight and/or towards a reduced propensity to save), it also has to be noted that rural regions only draw limited benefit from the low cost of domestic capital. One immediate obstacle in this respect is the fact that banks and financial institutions are normally concentrated in relatively large cities. Given that agriculture has rarely counted among the key industries in developing countries because of the development policies cited above, and given also the poor lending margins available to financial institutions due to

government low-interest policies they had little incentive to change their past business policies and to make loans available in rural areas. Now that interest rates are beginning adequately to reflect relative scarcities rural regions have become more attractive to commercial banks. Once they get involved in these areas, the supply of credit improves noticeably, for although the market interest rates prevailing are higher than the subsidized loan charges of the past, they are nevertheless far lower than the usurious interest demanded by traders and money-lenders who in the past were frequently the only available source of credit. It is by no means uncommon for them to demand interest rates of more than 100%. Apart from these credit availability considerations, the readjustment of interest rates combined with an improved banking presence also helps to achieve the increased savings ratio in rural areas which is a prerequisite for further development.

□ *Deregulation and reduction of subsidies.* Economic policy-makers in many countries have attempted to curb the negative effects of the economic discrimination described above by instituting various regional or sectoral support measures. Examples of this have included subsidies on fertilizers, pesticides and/or seed, or indeed their provision free of charge. Low profit margins or insufficient cost reimbursement – coupled with supply shortages, inadequate transport infrastructure and/or a lack of competitors – gave traders and government agencies little incentive to service relatively remote regions. In order to save costs, rural catchment areas around the cities, where transport facilities were better, or else larger farms, or both, were generally given preference when subsidized products were distributed. In principle the same effect has applied to the mainly government purchasing organizations, many of which also prohibit competition from private-sector traders and maintain a monopoly on the purchase and resale of agricultural produce. The inevitable consequence has been the aggravation of intra-regional disparities in the rural areas.

As an overall observation, it can be said that the introduction of prices in accordance with scarcities – whether for factors of production, for goods or for services – coupled with the reduction of subsidies and deregulation have had a beneficial influence on agriculture and on rural regions. Resource potential which has already been tapped can now be utilized more efficiently, and additional resources can also be mobilized for the development process. In most cases, this effect will even apply to those rural areas which used to do best out of the various specific support measures provided, as the latter were not generally sufficient to completely counteract the detrimental effects generated by other policy fields such as exchange-rate policy.⁹

⁷ Dietrich Kobschull: Zur Rolle der Landwirtschaft bei der Entwicklung der Binnenmärkte, in: H. Körner (ed.): Probleme der ländlichen Entwicklung in der Dritten Welt, Berlin 1988, pp. 29-47, here p. 36.

⁸ M. Holthus, K. Stanzel: Kriterien zur Einschätzung von Verschuldungslagen, in: U. E. Simonis (ed.): Externe Verschuldung – interne Anpassung, in: Schriften des Vereins für Socialpolitik, New Series, Vol. 144, Berlin 1984.

As the distortions are ironed out of the economic system, the urban centres simultaneously lose some of their earlier advantages. That increasingly places rural regions in a stronger position to compete with the towns and cities for scarce production factors such as capital or qualified labour.

Adjustment Problems in Rural Areas

The positive stimuli provided to rural areas by a change of economic system do, of course, only work through piece by piece if a gradual transformation is followed. Yet whatever approach is taken to the change of system, adjustment problems may arise which will vary according to specific regional circumstances and according to the structural distortions occurring, but which impair development during the transitional phase.

□ Without doubt, the price elasticity of supply is relatively high in rural regions too. This even applies to agricultural small-holdings. Nevertheless, in the short term price elasticity may tend to be rather low, especially in regions where the main crops take several years to mature. Apart from that, many farmers have an inherent distrust, derived from their past experience, of the continuity and sustainability of any change in policy. They thus tend not to respond to price changes until the reforms can be regarded as reliable in the medium or longer term. Gradual or half-hearted reforms will make such responses slower. Zambia is a case in point, as it freed the price of the staple food of maize in 1990, while maintaining controls over the price of maize flour.

□ The release of controls on the producer prices of major agricultural commodities normally leads to an increase in farmers' real incomes. Multiplier effects which typically range from 0.5 to 0.8 also benefit the non-agricultural sectors of the rural economy, and that in turn feeds back positively again to agriculture.¹⁰ However, in those regions where landless workers make up a major part of the population there will also be negative effects. Because wages will generally increase more slowly than prices during the transitional phase, especially where the supply of labour is abundant, the problem of poverty may be exacerbated for a period.

□ Another aspect which needs to be considered here is that adjustment processes during the transitional period are frequently accompanied by a loss of real income for the urban population (due to food price increases, the reduction of hidden unemployment in government and administrative bodies, etc.). The drop in demand this generates is likely to have a disadvantageous effect on those rural regions producing primarily for the domestic market.

□ Increased efforts to introduce market elements and the associated structural adjustment processes also frequently take place simultaneously with overdue measures to consolidate the public sector budget. Under these circumstances, government bodies are forced to make savings, yet quite apart from these constraints the structural adjustments and the new poor population groups they engender – especially in the urban areas which had previously been unilaterally favoured by economic policy – will present new demands on the government budget. Given that no market system can function without the acceptance of the most important social groups, and also that urban groups tend to be better able to assert themselves politically than their rural counterparts, governments making such a transition concentrate their development policy efforts upon promoting adjustment processes and the social cushioning of such processes in the cities and their surrounding areas. International organizations too, particularly the IMF, not only promote structural adjustment but for some time now have also sought to ensure that the process is given the necessary social cushioning. The main beneficiaries of the latter process are the “new poor” who may have become unemployed as a direct result of the structural adjustment measures, together with “vulnerable groups” whose position will be severely affected by high food prices and by cuts in social spending.¹¹ In both cases these are primarily urban groups.

As just the few examples above will have shown, the process of creating the necessary macroeconomic framework for an efficiency-oriented development policy brings adjustment problems with it not only for the urban areas which will previously have been favoured, but also for the rural regions which will previously have been at a disadvantage. It needs to be examined on a case-by-case basis to what extent the adjustment problems or the positive impulses will have the upper hand in the short term. However, in the medium and the long terms there is no doubt whatever that the positive effects will predominate for the rural regions.

Elements of a Rural Development Strategy

In many countries, establishing a macroeconomic framework appropriate to the problems and objectives connected with the decentralized mechanisms of a market economy is an absolutely essential prerequisite both for

⁹ Cf. D. Kebschull, op. cit., pp. 37 f.; K. D. Mielke, T. K. Warley: *Agricultural Protectionism in the Developing World*, Washington, D. C. 1986.

¹⁰ Advisory Council of Experts, op. cit., p. 2.

¹¹ P. Wolff: *Strukturanpassungsprogramme, Versuch einer Bilanz nach zehn Jahren*, Berlin 1991.

rural development and for the efficient utilization of the multifarious interrelationships between urban and rural areas to the benefit of the economy at large. On the other hand, such a framework in and of itself is not a sufficient means of bringing about optimum rural development, especially during the adjustment phase, nor of redressing the microeconomic agglomeration advantages which urban areas are likely to have accumulated over time, nor again of retaining the macroeconomic disadvantages of urban agglomerations within tolerable limits. Supplementary measures are therefore necessary in order to attain the superordinate goal of any development policy, namely to raise the level of development.

Measures or investment projects which are monosectoral and designed to deal with bottlenecks may in specific cases make substantial contributions to attaining this goal. However, they cannot normally do justice to the complexity of development problems in rural areas. That is especially true of regions in which the conditions for the operation of social trickle-down or economic spread effects – such as adequate human capital, a functioning money-based economy and/or a certain minimum level of interplay between individual sectors and regions – are not, or only insufficiently, fulfilled.

Yet there are many rural regions which still lack prerequisite conditions of this type. Measures to reduce existing impediments to development, to prevent the arising of new ones and to make the best use of the impetus thus created therefore need not only to be properly integrated into one overall package, but also to take account of the social, multisectoral and regional circumstances and special characteristics. These instrumental elements will be touched upon below, taking account of the changes occurring in the general economic set-up.

Social Integration

Given that the objective of "... (a higher) level of development involves the capacity to grant a certain standard of living to relevant population groups, the elements which make up the standard of living become a central evaluation strategy for the process of development."¹² These parameters are defined differently in each instance, as they are ultimately derived from the societal values prevailing in a particular country. Under the aegis of the United Nations, common criteria have been agreed as regards the essential minimum elements in the

standard of living, namely food, accommodation, clothing, health and education.¹³

Hence the initial priority objective of rural development has to be one of ensuring the provision of these basic needs to the various population groups. Because of the sheer number of people belonging to these groups on the one hand and the extremely limited funding leeway available to the government sector on the other, social transfers can only, if at all, be applied to a very limited extent.

The upshot of this is that the objective can only ultimately be achieved via the integration of the poor population groups into the development process. In the first instance, integration into the development process means participation in the fruits of economic development. The main means by which that should be achieved are output and growth oriented measures. If people's capacity to achieve more for themselves can be increased, that will help them to help themselves. For them to participate in the results of the development process, then, it is crucial that the poorer groups be involved in the production process. It has been shown in the past that development projects – even if their intention is to provide basic needs – often pay insufficient attention to the wishes or to the absorptive capacities of the poor groups, and as a result do not find a sufficient level of acceptance. It is often therefore absolutely essential, in order to curb the resulting bottlenecks and the waste of resources, to ensure that the poor or other target groups are strongly represented in the planning and decision-making process.

In order for rural inhabitants, especially the poorer among them, to be more effectively integrated by making their own efforts towards the development process, they must first abandon their still widely held blind faith in the omnipotence of the government. In most countries, though, this change in attitude has indeed already begun because of the shortage of foreign exchange and capital. This brings the principle of subsidiarity into operation, according to which the state ought to concentrate its development efforts upon those areas which are not, or at least not yet, covered by private enterprise.

The immediate task therefore facing economic policy-makers is one of reducing the effect of obstacles to self-help. The starting-points they choose for such measures to alleviate bottlenecks will depend on the specific circumstances in the particular country and its particular regions. From among the wide variety of packages of measures which might be considered, two will be singled out below which are of particular significance.

Because of the vital importance of agriculture in rural areas, a high priority must be accorded to granting the population adequate access to the production factor land

¹² R. Hemmer: Zur Problematik der gesamtwirtschaftlichen Zielfunktion in Entwicklungsländern, Saarbrücken 1978, p. 112.

¹³ United Nations: International Definition and Measurement of Levels of Living, New York 1961; International Labour Organization: Employment, growth and basic needs, a one-world problem, Geneva 1976.

via rights of use and of ownership. Because small and medium-sized businesses generally respond more flexibly to the exigencies of the market and, apart from that, because they put agricultural land to more intensive use, the system of land and property law is not only especially important from a social point of view but also from an economic one. Especially in Latin America, but also in a number of countries or regions in Africa and Asia, quasi-feudal agricultural structures are still in place today which constitute an obstacle to sustained improvements in incomes.¹⁴

Another point is that the efforts made by individuals or families for themselves often only have an optimum effect when they are supplemented or supported by community efforts channelled through self-help groups, interest associations, etc. However, a prerequisite for that is the assurance of the basic civil right of freedom of association, which still has yet to happen in a large number of countries. In this respect, it is not unusual for self-help organizations such as cooperatives to be turned into instruments of control by governments, thus preventing them from fulfilling the role for which they are intended. This is probably the fundamental reason why many cooperatives, especially in Asia, simply do not work.

If self-help groups are to do justice to their aims – and that includes having the ability to articulate their interests – they need to have qualified government authorities at the regional level available for them to deal with, which are in a position to recognize and reduce impediments to development while acting in accordance with the principle of subsidiarity. In many countries, though governmental tasks may well have been sufficiently decentralized on paper, this has not yet been assured in practice. Hence the decentralization implicit in the redistribution of tasks between the governmental and private sectors now under way in many cases must also be accompanied by a further type of decentralization in which functions are devolved from the dominant centre to regional and local levels.

Sectoral Orientation

The agricultural sector continues to need to be attributed a key role in efforts to develop rural regions, given its dominant significance for economic growth and combating poverty. The important points to concentrate upon are not only ensuring that people are able to grow their own food in order to provide subsistence, but also that they are in a position to earn an adequate income from the production and sale of agricultural products so that they can purchase adequate quantities of the foods they do not grow themselves and of other basic needs. The aims from

a macroeconomic point of view would be to provide domestic industries with high-quality raw materials at affordable prices, and to make optimum use of existing opportunities for import substitution or for exporting agricultural produce.

Achieving these and other objectives calls for increases in productivity, for which the inadequate agricultural policies of the past with their one-sided orientations and/or built-in inefficiencies have left enough scope. This applies especially to the farms run by the poorer population groups, who in the past have had little opportunity to innovate because they have had insufficient access to technical knowledge or to sources of finance. In order to allow the opportunities to increase productivity to be properly exploited, impediments to development must be reduced in conformity with the principle of subsidiarity. Again, the precise measures needed will vary from one region to another, but will generally be chiefly concentrated in the fields of advisory services, credit and marketing.

Because of high rates of population growth which are often accompanied by extensive farming methods, productive agricultural land is an increasingly scarce resource. The almost inevitable consequence of this is the reclamation of land for cultivation from what up to now have been forests – which are often burned down for the purpose – or other ecologically sensitive areas such as steep mountain slopes, whereby the mostly marginal soils offered by such land can only be farmed for a small number of years if traditional cultivation systems, which are mainly based on annual cropping, are used. The result is an accelerating process in which areas which from an ecological point of view ought to be conserved are in fact converted for agricultural use. The primary aim in such cases must be to develop cultivation systems adapted to local conditions, or in other words to take account not only of microeconomic and social factors but also of ecological needs. As such programmes frequently entail a strong component of arboriculture and thus do not begin to generate income until a number of years have elapsed, there may be a need for the government to provide start-up assistance to poor people. Here too, the swift transfer of land titles or of long-term rights of use are immensely important.

In the medium and longer terms, however, agriculturally oriented measures of this type will only be able to make a sustained contribution to the achievement of development objectives if they are backed up by family planning programmes, healthcare services and educational facilities to which the poor have access. Greater importance also needs to be attached to promoting non-agricultural businesses in rural areas, over and above the efforts so far made to encourage craft trades or agro-

¹⁴ Advisory Council of Experts, *op. cit.*, p. 11.

industry. If this is not done, it will not be possible to reduce hidden unemployment and to set "small-scale economic systems" in motion locally. The consequence of this would be an intensification of the flight from the land and a continual increase in the macroeconomic disadvantages of urban agglomeration. Targeted rural development, then, must be multisectorally oriented.

Regional Orientation

Another thing any rational rural development policy must be in a position to do, however, is to take into account spatial bottlenecks, natural locational advantages, and the ethnic, cultural and/or religious characteristics peculiar to whatever region is involved. In other words, rural development policy must be so conceived as to be regionally oriented. If it is not, it will hardly be possible to take adequate heed of social absorptive capacities and to make optimum use of the development impetus generated by sectoral programmes.

For the vast majority of developing countries, an exception being very small countries, this means that they have to grant more substantial planning and implementational powers to regional authorities, to strengthen the "bottom-up" components in their planning and – a factor which is often overlooked in connection with this type of measure – to improve the scope for self-financing within these projects.

On the other hand, rural regional development policy must also consider reciprocal interdependencies between regions, including the mutual dependence between the cities and the countryside, in order to realize the desired growth rates and reduction in regional imbalances. So it is certainly necessary to have an overall "top-down" planning framework, but indispensable for development policy reasons to attain an appropriate relationship between top-down and bottom-up planning. Quite apart from that, decentralizing in good time can also be expected to be helpful to the political goal of maintaining the unity of the nation. What is beyond doubt is that exaggerated centralism – as clearly demonstrated by the former Soviet Union and other such examples – is ultimately more likely to be detrimental to that objective.

Among the bottleneck-oriented measures necessitated by an optimal regional rural policy, particular importance normally needs to be attached to initiatives to improve the transport sector. After all, the higher the level of development any region has, or is intended to attain, the more factors of production need to be brought together from increasingly far away in order to produce particular

goods and to make best use of the advantages of mass production or specialization. On top of such considerations, empirical analyses have shown that even in relatively underdeveloped regions the condition of feeder roads can itself be a substantial impediment or impetus to local development.¹⁵

Strategy Summary

It will be clear from the above remarks that creating an undistorted general economic framework is an essential precondition for the integration of rural regions into the economy which is necessary from the point of view of the economy as a whole. The complexity of the rural development issue on the one hand, together with the inadequate conditions which might otherwise allow economic or social trickle-down or spread effects to work swiftly on the other, gives rise to the need for additional measures to help achieve an appropriate level of development. These measures, which need to be taken to suit socially related, multisectoral and regional requirements, ought also to be harmonized with one another within the framework of an overall concept in order to make optimum use of the development impetus they create.

The constitutive elements of this rural development concept will be determined by the characteristics specific to the region for which it is intended. As a general principle, it is only really possible to achieve the desired objectives, particularly that of alleviating the problem of poverty, if rural population groups are more firmly integrated into the development process. The prime aim should therefore be to strengthen these groups' ability to help themselves. The shortage of government finance is in itself a good reason why it would seem appropriate that the state adhere to the principle of subsidiarity and focus its efforts on easing development bottlenecks. In many cases, these could be expected to include measures to clarify beyond doubt issues of land ownership and use, and to accelerate the decentralization of governmental tasks. Local government authorities need to be put in a position to act as a well-qualified point of contact for self-help groups and to form a rural development policy which takes account of the particular social, sectoral and regional characteristics and development opportunities in their area. These are tasks which are beyond the capability even of efficient national authorities, especially in large, multi-ethnic states. Thus the economic decentralization which has already been embarked upon in many instances ought to be accompanied by administrative decentralization.

Putting the requirements for rural regional development policy sketched out above into practice is one of the prime tasks facing planning and executive authorities in

¹⁵ F. Voigt: *Verkehr*, Vol. 1, No. 1, Berlin 1973, pp. 8 ff.; K. Fasbender, S. Erbe: *Towards a New Home: Indonesia's Managed Mass Migration*, Hamburg 1990, pp. 210 ff.

developing countries. The only way the measures required can be kept within tolerable limits, both in organizational and financial terms, is to combine them with moves towards economic and administrative decentralization. The authorities involved have to be in a position to deploy the scarce resources they have at their disposal to alleviate bottlenecks in accordance with particular regional circumstances.

The same orientation to alleviating bottlenecks also applies to supportive foreign aid. The resources available for such purposes need to be deployed in situations where a country's own domestic authorities are not yet able to remove the bottlenecks themselves (this therefore amounts to a "double bottleneck orientation"). The tendency which was apparent during the 1980s to endeavour – in a similar way to countries' domestic authorities – to eliminate regional development impediments frequently led to ambitious development projects which have proved difficult to deal with both organizationally and financially. One consequence of the tremendous amount of resources which needed to be invested has been that there is little possibility of the developing countries' repeating projects of this type under their own direction in other regions. Both of these aspects have given rise to a wide variety of criticisms.

What consequences the double bottleneck orientation will actually have for supplementary measures to be implemented as part of development cooperation programmes can again only be determined – as in the case of rural development *per se* – from the circumstances specific to a given country and to the given region within it. There are however a number of points which require special attention whatever region is involved:

□ Putting rural development concepts into practice in accordance with the circumstances specific to a given region and subsequently developing them on the basis of experience and of changes in the region's development level are tasks which generally place qualitative demands on young, still relatively inexperienced local and regional authorities – which are also handicapped by insufficient planning and decision-making bases – of a kind that they will only be able to meet once they have been through their own long drawn-out processes of trial and error. The same difficulties also apply to the coordination and liaison processes among the different authorities responsible for the region. Development cooperation with the various planning and coordinating authorities involved is often therefore a good way of seeking to avoid inappropriate investment.

The prime potential bottlenecks include properly establishing and recording data relevant to project planning and subsequently evaluating them, participatory

framework planning (i. e. indicative planning), and coordinating and evaluating multisectoral development specific to the region.

□ In contrast to the above, monosectoral development measures can now increasingly be planned and implemented autonomously and appropriately by the regional authorities. The sort of situation in which bottlenecks calling for cooperative efforts may arise include those in which it is necessary to adapt measures to ecological needs, to carry out the multi-disciplinary trials this calls for, or to involve rural target groups in decision-making and in the planning and implementation of development measures. These, then, are also cases in which the provision of support to the institutions concerned would seem appropriate.

□ In many cases, and especially during their early stages, self-help groups still require the input of specialist knowledge and organizational support. As the local authorities generally have little experience in these fields, this is an important area in which the region's own self-help potential can be encouraged by outside support.

□ Financial bottlenecks are quite commonplace in developing countries. Nevertheless, caution is needed before financial grants are issued or subsidized loans provided. There is a wide variety of experience to show that such assistance often militates against the use of less capital-intensive technologies and thus restricts the spread effects projects might otherwise generate. Times when it always is appropriate to consider providing finance, however, are when start-up assistance is required or when the often inevitable conflicts between the objectives of growth on the one hand and ecological considerations or social tolerability on the other need to be eased. However, this must not be allowed to lead to any longer-term dependence on subsidies.

To sum up, a concrete model of development cooperation can only be drawn up once the circumstances of the specific case are known, both with regard to the substance of the programme and with regard to the personnel and financial requirements involved. One point that can be made, however, is that many of the relatively complex projects of the 1980s are likely to have been no better at meeting the true requirements of development policy than some of the extremely small projects which can often be observed at present. One thing which is certain at all events is that to provide the institutional support, and help bring about the changes in the behaviour of rural population groups, necessary to ensure appropriate development, one must enter into the type of fairly long-term involvement which is resisted by many development policymakers in donor and recipient countries alike. Yet there is simply no alternative.