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COMBINING GROWTH AND SOCIAL PROTECTION IN WEAKLY INTEGRATED RURAL AREAS

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Growth-focused strategies, especially for rural Africa, are making a comeback. One important question is what such growth might do to reduce rural poverty, and, increasingly, what potential it offers for reducing the risks of civil strife in neglected areas. For some countries, rural areas will continue to contain the majority of poor for many decades, and the majority of these live in areas weakly integrated into markets, so that the size and timing of impacts from growth in better integrated areas are uncertain. Is social protection (in the form of resource transfers) the only viable strategy for the more remote areas in the meantime, or are there worthwhile interventions for these that promote appropriate agricultural or non-farm growth, perhaps incorporating wider interpretations of social protection? The responses to these questions discussed below are piecemeal and tentative, and some are far from new, but this area of debate is here to stay, and merits more detailed study if the best use is to be made of scarce resources.

Policy conclusions

- Growth-focused visions have the potential to reinvigorate rural areas, but tend to underestimate the gulf between areas well integrated and weakly integrated into markets, and the small relative size of the former, especially in Africa.
- Weakly integrated areas contain the majority of rural poor, and are the most prone to civil strife, especially where they contain ethnic minorities. Frequently they are also the most ecologically fragile.
- The impacts of growth in well integrated areas on poverty elsewhere, whether through a 'trickle-out' of price or income effects, or through migration into them, will be at best be gradual.
- Although social protection measures are an intuitively appealing alternative, they face severe fiscal and implementation constraints and are likely to be limited to those (i.e. the destitute) who cannot readily engage in productive activity.
- More viable alternatives are those which are growth-oriented but incorporate social protection measures. This paper suggests how these might be pursued in respect of agriculture, indicating how environmental and citizenship perspectives might also be built in
- These will require province-based visions and participatory arrangements for planning public investment and service delivery, which will complement the national-level perspectives of PRSPs.
- Initially, such measures will be largely publicly funded, but may be implemented by private non-profit or commercial agencies
- They will need to address more fully than hitherto the *interactions* among sectors or resources, such as the health/nutrition/drinking water nexus (and its implications for agriculture), and spatial interactions, especially between small/medium towns and their rural hinterlands.
- Many of the ideas discussed here are not new, but remain largely unimplemented, suggesting that the returns to the study of implementation constraints (or, more fundamentally, 'implementality') would be high.
- There is no case for 'writing off' agriculture in the more remote areas, nor, at the other extreme, for assuming that the private sector will 'look after itself' by filling in all the gaps in production chains (which it will not, until adequate infrastructure and enabling conditions are in place, which will take decades in some areas).
- To monitor nuanced policies of these kinds will require new knowledge and policy analysis capabilities, and to strengthen these is an urgent requirement.

Introduction

Fresh thinking on how poverty in rural areas can best be addressed is opportune for several reasons:[1]

- poverty will, according to one estimate (IFAD, 2001), continue to be predominantly rural until 2025, and is predominantly located in the more 'difficult' areas;
- transitions towards creating viable markets in which agricultural producers can thrive have taken much longer, and have had more serious social effects, than those promoting liberalisation and privatisation in the early 1990s had imagined, prompting calls for state re-engagement in some areas;
- persistent distortions in global markets are more damaging to the interests of developing countries than many of the advocates of globalisation had imagined. The most pervasive of these – subsidies by OECD countries to their own producers – alone amount to $1billion/day, equivalent to the aggregate GDP of Africa, and six times the global volume of foreign aid (*The Economist*, 2 February 2002, p.75);
- new, and perhaps unjustifiably stringent, food safety, sanitary and phytosanitary regulations regarding food products in the EU and elsewhere will amount *de facto* to a new non-tariff barrier to developing country agricultural exports;
- volumes of aid have fallen in real terms, and aid to agriculture in the late 1990s was only 35% of its value ten years earlier (IFAD, 2001);
- these distortions mean that few developing countries, and few producers within such countries, have yet been able to seize the prospects for growth offered by globalisation, and this trend seems set to continue;
- they also mean that an agriculture which remains as heavily taxed as in the past (Schiff and Valdes, 1992) has no prospect of competing internationally: the paradigm of disproportionate taxing of agriculture to fund investment in other sectors (or consumption) has to be overturned.

Yet a number of new initiatives are being taken which ought to provide a stronger basis for rural development in future, including the New Partnership for Economic Development (NEPAD) among African leaders, and efforts to convert debt into aid among the Highly Indebted Poor Countries (HIPC) through new Poverty Reduction Strategy

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(PRS) processes, driven by participatory consultation, led by governments, and supported coherently by donors. The majority of HIPC governments have long seen economic growth as the driver of rural development and poverty reduction, and at least one donor is taking a fresh look at growth, noting that it needs to be over twice as high as the sub-Saharan Africa average of 3%/yr if there is to be some prospect of achieving the Millennium Development Target of halving the proportion of people in poverty by 2015. There is a strong pro-growth lobby in Washington and elsewhere (e.g. Dollar and Kraay, 2000), and at least one influential policy paper (Fafchamps et al, 2001) has recently argued strongly for a focus on export-led growth, suggesting that earlier development assistance failed in part because of divided objectives between growth promotion and social protection.

This paper seeks to contribute to the current reassessment of rural development. Its central proposition is that the *location* of poverty matters, and it first proposes a market-based definition of location, namely that the majority of the poor are to be found in areas *weakly integrated* into markets. It then suggests that much of the desired rural growth is likely to occur in well integrated rural areas, and that 'spread' effects are poorly defined and will take much longer than anticipated. Can, then, other types of measure – based for instance on 'social protection' – be relied upon to reduce poverty in weakly integrated areas (WIAs)?[2] The analysis by, among others, Nayak et al. (in press) in India suggests that, in the poorest areas, fiscal and implementation constraints prevent purely social protection measures from having more than a very limited role. This drives the main argument of the paper – namely, that we must start where poor people are, not where we would like them to be – in order to develop a new wave of initiatives which build into poor people's existing livelihood portfolios the types of growth that are not only more 'socially protecting' but also generate environmental dividends and help to reduce the risk of civil conflict occurring disproportionately in 'difficult' areas. The paper makes specific suggestions on how production-focused policies (here, in relation to agriculture) can be reformulated to incorporate elements of social protection. It examines the types of planning and delivery mechanisms that would be appropriate, emphasising those offering prospects of enhanced citizenship among poor people, and finally indicates areas where new knowledge is required and additional capacity has to be built.

Location matters: who and where are the poor?

There is general agreement that within 15–20 years most of the poor will no longer live in rural but in urban areas. However, for the poorer countries where poverty persists at high levels and where the absorptive capacity of urban areas remains limited, poverty will continue to be largely rural. There seems little reason to dispute longstanding estimates (e.g. in various IFPRI publications) that the majority of rural poor are in located in 'difficult' areas. These have been diversely described (Box 1). An important feature of such areas is that they are often the locus of civil strife,[3] and, in the wake of September 11th, there is growing concern that past neglect has contributed to conflict, especially where ethnic minorities are present. For present purposes, 'difficult areas' are defined primarily as those weakly integrated into national and international markets. In some cases, these correspond with entire countries (such as those landlocked in Africa). For instance, the cost of transport between Kampala and Mombasa is equivalent to a tariff ranging from 50% to 140% on Uganda's manufactured exports. A recent analysis (*The Economist*, 2 February 2002, 73–5) suggests a growing bifurcation between the small number of developing countries able to integrate into world markets, and those not (including much of sub-Saharan Africa).

Box 1 Definitions of 'difficult' areas, and spatial distributions of poverty

'Difficult' areas are variously defined as having:

- low agricultural potential (owing to combinations of climatic, hydrological, soils, topographic or pest and disease problems)
- fragile ecology
- weak infrastructure
- highly fragmented and weakly functioning markets
- poor connectivity to national, regional and global markets

Some of the rural poor are small, own-account producers in the agricultural or rural non-farm economy (RNFE), some are labourers (whether seasonal, casual or permanent), all are (generally undernourished) consumers. But the poor are not fully defined simply as low income-earners or consumers: they are also characterised by low ownership and weak access to assets (natural, physical, financial, social and political), high levels of vulnerability to risk and uncertainty, and exclusion by social, administrative and political processes. Households headed by orphaned children, the elderly or women with high numbers of dependents are disproportionately represented among the poor. The inability of these to engage fully in production is problematic for growth-based strategies: existing mechanisms of resource transfer must be strengthened, or new ones introduced, if they are to share the benefits of growth. Finally, many of the poor are members of tribal, religious or ethnic minorities (tribals constituting some 70 M or 7% of India's population and significant parts of the populations in Latin America and SE Asia), who may not wish to follow conventional, western trajectories of 'development', so that particularly sensitive strategies are needed to identify options for these people and to protect them from the more predatory features of market-based development.

Do conventional growth strategies impact on weakly integrated areas?

Econometric studies have long argued that agriculture is the engine of wider growth, including that in the rural non-farm economy and, to some degree, in the urban economy. Problems of data and econometric technique notwithstanding, this broad conclusion appears irrefutable. More recently, cross-sectional multiple regression models of this kind claim to have identified a strong link between agricultural growth and poverty reduction, suggesting that an increase in agricultural yields of one third might reduce the numbers in poverty by a quarter or more (Irz et al., 2001).

Box 2 Prerequisites for growth

Governance needs to be improved at all levels, including greater responsiveness to citizens' demands and rights, reduced corruption, improved financial transparency, and improved capacity for policy monitoring and course correction – in short, states need to shift from predatory to enabling modes;
Business environments to attract new private (and largely foreign) investment, and to stimulate (and attract back) domestic savings, need to be right, including improved legal, regulatory, administrative financial and insurance frameworks;
Infrastructure development, possibly with increased private sector involvement, is a further component of the enabling environment; as is
Human resource development, including the 'demographic transition' to lower population growth rates;
Regional integration can have powerful trade benefits.
Finally, export-led growth is unlikely to succeed against high **tariff and non-tariff barriers** in importing countries, and to reduce them is a priority.

One of the most severe drawbacks of the models on which these estimates are based is that, although they identify consumption and employment effects as potentially the most relevant to the poor, they do so by drawing on cross-sectional analysis, but as White and Anderson (2001: 284), observe 'which sectors are pro-poor is probably country-specific, so that cross-country analysis cannot pick up strong effects'. For this reason, cross-country studies cannot be expected to give much indication of the effects of growth (e.g. as between strongly and weakly integrated areas), nor of ways in which the impact on the latter might be strengthened. Two related questions are whether the conditions for enabling growth are common to both strongly and weakly integrated areas, and whether they can be expected to progress equally across both. Box 2 summarises some of these conditions.

Commonalities among the conditions for growth between well and weakly integrated areas

If the preconditions in Box 2 were established, would this not equally benefit well and weakly integrated areas, so that business would thrive in both and specific measures for more difficult areas would be unnecessary? In reality, political pressures are likely to ensure that the preconditions are met first in the better integrated areas. To implement them elsewhere will be more expensive, given rationing the sparse population densities in many weakly integrated areas (e.g. one household per km^2 in Zambia). For the same reasons, service provision relevant to human resource development (agricultural extension, education, health care) is also likely to be rationed. The quality of service provision will be more difficult to monitor there, as will be that of government response to citizen's rights and demands. Development strategies for weakly integrated areas need to be designed against realities of this kind.

'Trickle out' from well integrated areas?

A second set of questions concerns how far any growth effects achieved within well integrated areas can be expected to impact on WIAs. The more they can be expected to, the more a policy of *laissez faire* (i.e. without specific attention to WIAs) would be adequate. Apart from any positive consumption or employment effects such growth might have, the tax revenues it generates should permit increased public investment overall, including in weakly integrated areas. As far as market-based effects are concerned, employment, investment and income effects have been calculated and projected forwards in some contexts, but are well below the levels associated with, for instance, the Asian Tiger economies, whose industries succeeded in absorbing massive amounts of rural labour and correspondingly in reducing poverty over the decades of the 1960s–80s. Where growth is lower, such effects are likely to be limited to the well integrated areas themselves.

Kenya, for instance, exhibits many of the desirable features of an economy geared to external markets: it has a tourist industry with an annual turnover equivalent to 17.5% of GDP, and a floriculture- and horticulture-based export industry contributing 15% of GDP. However, the evidence of impact by these in weakly integrated areas is extremely sparse, and poverty persists there. Countries such as Kenya are clearly exceptional: many others in sub-Saharan Africa are likely to be much less responsive to growth strategies, whether or not export-oriented, and the size of sub-sectors with potential for rapid growth is much smaller in relation to their overall numbers of rural poor, so that poverty impacts, whether through price, wage or employment effects, will be slow to materialise.

Arguments in this section suggest that the benefits of 'enabling' public investment, and of growth processes themselves, are likely to be geared towards well integrated areas. 'Trickle out', whether through employment or consumption effects, even in the fastest-growing economies, will take several decades to impact substantively on the majority of poor located in WIAs. In the meantime, there are potentially beneficial initiatives that can be taken within WIAs themselves. Two types of such an initiative are explored below: measures having a largely social protection focus, and measures combining growth with social protection.

Is targeted social protection an option for weakly integrated areas?

Targeted approaches

Targeted approaches aim either to promote growth opportunities among particular groups, or to transfer resources to those such as the sick, elderly or women with many dependents, who are unable to engage fully in productive activity and so may benefit little from growth promotion. Our concern here is mainly with the latter. Fiscal constraints mean that scope for income or consumption transfers to the poor is limited, and some large-scale cross-country econometric studies (e.g. Dollar and Kraay, 2000) have suggested that 'social spending' of all kinds has no statistically significant effect on the poor's share of income. However such studies suffer the same difficulties as identified above, making it unlikely that they will detect significant pro-poor impacts within-country. It is clear, for instance, that old-age pensions can have strong poverty-reducing impacts, but few countries are fiscally or administratively able to implement these. Also, donor commitments to food

Box 3 Constraints to implementing targeted approaches in India

Constraints include:

- genuine difficulties in determining at very local level who is or is not below the poverty line, but more often bribery (or political pressure) to include those ineligible and/or exclude those eligible;
- a widespread tendency among the bureaucracy to interpret what are intended to be flexible guidelines as rigid norms, and to supervise junior staff accordingly;
- political pressure to ensure that the bulk of benefits go to supporters of the ruling party;
- a wide range of corrupt practices in which bureaucrats at practically all levels demand payment for performing what ought to be their routine duties (issuing application forms, authorising legitimate applications…);
- tensions between central (i.e. often *funding*) and local (normally *implementing*) bodies. The latter rarely contribute much to funding but may be able to propose locally appropriate adaptation, with, in the Indian case, additional political contestation between States and Union over funding shares, targeting and delivery procedures.

Some types of scheme are clearly more prone to rent-seeking than others. For instance, housing schemes involve individual grants of moderately large sums (typically Rs 20,000 – approx. US$500), so that demands for bribes by minor officials to agree that potential beneficiaries meet selection criteria, obtain the necessary application forms, obtain necessary countersignatures, etc. can reap large sums. By contrast, old-age pension schemes involve very small transfers of around Rs100 per month, which is transmitted through post offices. Once registered, a beneficiary rarely attracts corrupt interests, given the small amount of money involved and its transparent and fairly safe payment system. These patterns argue for a shift in resources towards the less corruptible schemes, such as pensions. But this is unlikely to happen, at least in the short term: the very fact that they are not easy to manipulate means that politicians are not interested in them, so that they lack 'champions'.

Source: Nayak et al, in press

aid have had beneficial impacts on the poor in some circumstances. However, the potentially negative effects of food aid, along with questions of how far the infrastructure they have created has contributed to a growth in productive capacity, has led some (e.g. Devereux, 2001) to suggest that at least part of such donor assistance might more usefully subsidise agricultural inputs than provide food relief.

India has an extremely comprehensive set of targeted approaches, until recently totalling over 240 schemes, projects and programmes sponsored by central government alone, many of which are purely redistributive. Although in many cases exemplary in the pro-poor features of their design, these have exhibited chronic weakness in implementation (Box 3), prompting one seasoned observer to suggest if the aggregate budget for these of Rs 350bn (US$8.5bn) were simply handed out directly to the intended beneficiaries, it would buy 3kg of rice per household per day, which would be sufficient to remove undernutrition at a stroke (N.C. Saxena, 2001). Certainly, the inability to deliver such interventions efficiently, even in a country like India, where communications infrastructure is relatively good and education levels among administrators relatively high, bodes ill for the implementation of any effective redistributive measures being developed under PRS processes among the generally weaker HIPC countries. Implementability varies according to the characteristics of individual schemes, and this places a premium on designing for robustness in implementation. More knowledge is needed on how this might best be done.

What kind of growth strategies for weakly integrated areas?

We have argued that conventional market-focused (and often high risk) growth strategies will not always be appropriate for WIAs, and that social protection measures embodying income or consumption transfers face severe fiscal and administrative constraints. Yet, on grounds of poverty reduction and often also of political stability, WIAs require more, and more nuanced, public investment. We now set out the main dimensions of how this might be done.

Focusing policy perspectives on local conditions

Most OECD countries have pursued some kind of regional policy (as indeed does the EU) to promote investment in the more remote areas. PRSPs and other schemes for allocating public investment in poor countries similarly need to be broken down into a number of province perspectives. These will:

- work with people, local business and local government to define realistic visions for development in those areas – which embrace both the farm and non-farm economy – but not exclusively with local people, since outside expertise will normally be required to identify both economic opportunities and pro-poor ways of exploiting them;
- set out priorities and sequences for public investment (e.g. in infrastructure and human capital) in support of this;
- identify how spatially fragmented markets can be

Box 4 Ways of combining production and social protection objectives (focusing principally on agriculture/NR sector)

i. **Reducing risk and uncertainty *both* by increasing the benefits of growth over time, *and* reducing their variability:** such benefits may be defined in terms of income or consumption, including qualitative (e.g. nutritional) dimensions. Efforts to reduce *inter*- and *intra*-year variations include: the promotion of new, multi-enterprise farming systems (across crops, livestock, trees) and development of on- or off-farm activities for 'slack' seasons; the development of drought tolerant, and pest and disease resistant, crop varieties; improved access to irrigation water; and improved soil qualities. Seasonal credit needs to be arranged so that repayment is not immediately post-harvest (i.e. when agricultural prices are lowest). Where standards of public administration are good, and seasonal swings in agricultural prices particularly severe, new, streamlined ways of intervening in grain markets can be attempted (in selective and closely monitored ways). In areas of pronounced seasonality of food supply, a particularly important task for the public sector research and extension system would be to develop and popularise early-maturing varieties that can supply food in the hungry season.

ii. **Reducing risk and uncertainty by supporting the pro-poor resolution of conflict over common resources (e.g. water, forest, grazing land):** such conflict may be among different categories of producer, but also between producers and consumers, as in the case of water – poverty effects are likely to be much stronger if domestic water supplies are prioritised over agricultural uses during drought. This may require restriction on the installation and/or use of certain technologies by farmers (such as deep tubewells) which reach deeper into the aquifer than domestic handpumps generally can. More secure rights to land and/or long-term investments such as trees allow these to be harvested to meet household crises. Microwatershed development, where it is handled sensitively, provides a context in which agreement on joint action over the rehabilitation of local resources has positive effects on production and the environment, in addition to reducing seasonality and enhancing people's capacity for local level planning. This is one of the few arenas prioritising societal over individual protection.

iii. **Reducing the vulnerability of poor households to idiosyncratic and covariate shocks**: insurance schemes may help in the latter case, but new models are needed to overcome the cumbersome nature of existing schemes; microfinance (not tied to particular purposes) can help to provide the financial flexibility needed by the poor to meet crises; wider access to telephones can help them to arrange emergency transfers as well as obtain information on productive activities; land reform can enhance their asset-base, and encourage the creation of a long-term asset base such as trees which can be harvested to meet peak expenditures, and formal land title can help them to secure loans.

iv. **Responding to emergencies and to complex political instability**: the scope for combining social funds with more imaginative approaches to agricultural rehabilitation needs to be explored in order to progress beyond current 'seeds and tools' approaches.

v. **Helping conflict-affected areas:** support is needed for the development of short- and longer-term livelihood, reconstruction, and mediation strategies for people in such areas. One option could be to identify local CBOs and nodal community members and empower them to work on problem identification, prioritisation and programme planning through to implementation and self-evaluation. Local leaders would have to identify the appropriate entry points.

vi. **Migration (seasonal, permanent) and commuting need to be monitored more closely and supported better**: for the long term, local economic development will aim to reduce 'distress' migration and enhance opportunistic, accumulative, migration. Meanwhile, support to migration will seek to reduce monopolies in transport, accommodation, identification of employment opportunities, etc., enhance mechanisms for financial transfer and reduce the potential losses of entitlements faced by the poor when they are away.

vii. **Improving market integration:** market information flows can be improved and institutions and partnerships built that will facilitate market entry and encourage competition in order to reduce the transaction costs of doing business with and within WIAs.

viii. **Developing the rural non-farm economy:** the RNFE can be developed on several principles, e.g. on the basis that remoteness and high transaction costs bestow natural protection from urban producers, and/or on the basis of adding value through the local processing of agricultural or NR products, especially where this coincides with periods of otherwise slack labour demand.

managed to protect local producers and consumers from excessively rapid change. Examples would include:

- regulating the import into the area of food aid or other forms of subsidised food to protect local farmers against unfair competition;
- using instruments such as local taxation to regulate 'imports' of modern goods (e.g. plastic utensils) which undercut the market for local industies, in such a way that the transition for such industries is gradual rather than violent.

This is not to argue for permanent high levels of protection, nor for province visions that remain fixed over long periods – they must, rather, be 'rolling' frameworks, updated at regular intervals in response to emerging opportunities and constraints.

Combining growth and social protection

From a growth promotion perspective, undoubtedly, much can be done to support producers even in WIAs in recapturing some of the major markets recently lost (often to higher-income producers based elsewhere) in major smallholder commodities such as cotton and cocoa (perhaps to a lesser extent in other commodities – tea, coffee, rubber – which have important employment and/or outgrower dimensions, in so far as they are located in WIAs). There may also be opportunities for exploiting market niches for low-weight, high-value produce (e.g. herbs, spices, crop seeds, honey, and non-timber forest products). However, the bulk of farming activity is likely to remain in food products geared to subsistence and/or local, fragmented markets. Where poverty is rife, WIAs are dominated by consumption deficits, in terms of both quantity and quality, and our arguments below are that there are important ways of linking production and social protection to support farmers, labourers and consumers more fully in these contexts – social protection being interpreted here not in the narrow sense of resource transfers, but in the wider sense of measures which add security to poor people's livelihoods.

One outcome of much of what we suggest would be to strengthen and stabilise local markets. Another would be to accept that the farming and marketing of food staples will remain important in WIAs for the foreseeable future and invest in research and extension to boost its productivity of these. Past investment in research and extension (classically the 'green revolution') focused almost entirely on well integrated areas. The latter can increasingly rely on private sector investment, so that public sector resources – from the CGIAR institutes down to national agricultural research systems (potentially in partnership with civil society organisations) can gradually refocus on areas of market failure, and they need donor support in doing so.

In all of the above, better understanding of the labour economy is crucial to poverty reduction (since, for many, labour is their principal resource). To generate higher-productivity opportunities for labour, and so enhance returns even in slack periods, and stabilise them between years, is perhaps the most fundemental way of enhancing social protection. This provides powerful arguments for strategic change in agricultural plans and programmes so that they aim primarily to increase returns to labour (and, secondarily, returns to land). This should be done in ways consistent with maintaining or expanding overall volumes of employment, and keeping down the price of food by appropriate sharing of the gains of technical change between producers and consumers.

It is worth emphasising that new policy options of the kind outlined in Box 4 have both supply and demand implications: success in reducing income fluctuations implies more constant levels of demand for food and related products, and positive effects on the price stability of these. Whilst these combinations of production and social protection initiatives have considerable potential, there is no suggestion that they can cover all eventualities. Where social protection can be afforded and implemented, it needs to be provided to those unable to engage fully in production or to benefit from the types or arrangement discussed above. In so far as it is provided, it will represent a further source of enhanced income and reduction in the variability of income, and food prices, and hence consumption.

The need for new local knowledge in support of 'growth with social protection'

Many of the options outlined above are knowledge intensive, and require much stronger policy analysis capabilities than are generally found. New knowledge is needed in several areas, including:

- How the labour economy works: long-term trends in employment, incomes, migration, etc.; which own-account producers in the farm or non-farm economy benefit from particular types of change, how and how far; which are excluded (or decline new opportunities), how and why. The same questions need to be explored for labourers, in addition to questions about the causes and effects of structural change, including for instance pressures towards the casualisation of labour markets.
- How the benefits of growth (in agriculture and the RNFE) are traditionally shared at local level between producers and those unable to engage fully in production, and between individuals and local-level *social* undertakings, including social risk management – efforts to combine production and social protection initiatives are premised to some degree on equitable sharing mechanisms.
- What local patterns of conflict exist among different categories of producer and between producers and consumers over access to common resources, to identify entry points and sequences for pro-poor policy intervention.
- What opportunities are available for using development support to WIAs to reduce the risk of civil conflict
- What opportunities are available for linking relief and development resources to progress out of situations of complex political instability.
- What opportunities are available for developing citizenship and the articulation of voice by the poor in community-based resource management discussions.
- What types of targeted intervention (whether focused on production or transfers) are more robust than others in the face of implementation constraints, and how these might be designed in future.
- How (and over how long) particular kinds of benefit from growth permeate weakly integrated areas. The types of cross-country analysis favoured in econometric modelling shed little light on this – specific country studies are needed.

Conclusions

Much of what has been written here may sound at odds with neoliberal prescriptions in which states merely facilitate and regulate the functioning of robust markets. It *is* at odds with these, and for two reasons: first, at a pragmatic level, many aspects of markets especially in the more remote rural areas, have demonstrably failed to function at anywhere near the level of efficiency that would best serve the interests of consumers or producers. Second, at a level of principle, the conditions faced by many of the poor are such that they cannot engage fully in markets, even for their own labour, or if they could, would run the risk of even deeper deprivation. One of the first duties of states is to enable their citizens to achieve acceptable minimum levels of wellbeing. For as long as the right of nation states to do this is respected, decisions over the role of the state need to be determined against political at least as much as economic criteria. At the international level, this implies a recognition of plural ways for states to engage with (or defend themselves from) globalisation; and, within nations, a recognition that policies can and must be differentiated by area, and this will imply different roles of state and market across areas.[4] This is not only consistent with the long practice of regional policy within OECD countries, but essential for appropriate prioritisation of public investment through national frameworks such as PRSPs, and for the design of modalities for local planning, service-delivery and accountability which are not only locally relevant but are accessible enough to permit the growth of citizenship through such measures as enhanced social embededness, democratic deepening and engaging appropriate external actors (Johnson, 2001). One important difference between developing country 'province policy' and the regional policies of OECD countries is that it is often the former which are the most prone to civil strife, especially where ethnic minorities populate the geographical margins. Again, the returns to public funding of development initiatives in WIAs which generate a 'peace dividend' (where the alternative is civil strife) are likely to be exceptionally high.

A related choice will be over the options for field testing new initiatives. The assumption underlying PRS processes is that implementation (and, implicitly, testing) will be driven by government. But donor 'projects' represent an attractive (and, for governments, a low-risk) alternative, providing that they are designed in ways which do not step unrealistically beyond the range of options open to government. Certainly, we see strong reasons for promoting donor-supported 'projects', both in this mode, and as a vehicle for building policy analysis capability within developing countries, which will be essential if more nuanced approaches to poverty reduction are to be monitored adequately, and course corrections designed.

A third conclusion is that the implementation capacity of most developing countries is far weaker than generally assumed by those advocating new forms of aid, such as PRSPs and budgetary support, and is being weakened further as the full effects of HIV/AIDS come into play. Many of the ideas developed in this paper will have a familiar ring to academics, donors and developing country administrators, and yet only a small fraction of the potential that they offer is being exploited in reality. There is no valid case for donors to bypass local administrations in trying to implement such measures. Yet there is a valid argument for donors to help in building local capacity and in experimenting with novel forms of service delivery which may subsequently be taken up by governments. The pendulum of donor interest is swinging towards 'higher level' forms of engagement – PRSPs, budgetary support, fiscal reform, policy advocacy and all that they imply. Yet, these depend crucially for their success on massive improvements in implementation capacity. Without new ideas and efforts here, the new donor interests will prove to be a blind alley, and in the process will seriously damage the wider cause of development assistance.

1 Many of these are also discussed by Ashley and Maxwell (2001).

2 Investments in the social sectors such as health and education are important from both productive and social protection perspectives, but are large topics in their own right and fall outside the scope of this paper.

3 An overview of sub-Saharan African countries by Farrington and Lomax (2001) for instance, suggests that of 17 countries experiencing chronic political instability in the late 1990s, the instability was most evident in remote provinces in 9 cases.

4 To re-emphasise: this does not imply efforts to defend in perpetuity some perceived local comparative advantage, nor does it argue for long-term subsidies.

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