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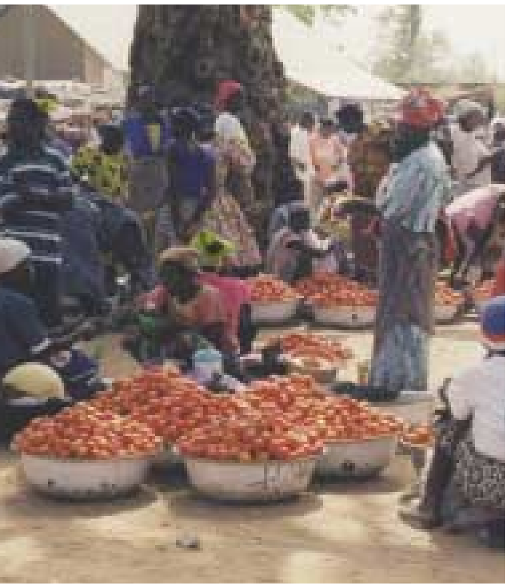

Natural Resources Institute

DFID Department for International Development

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The Natural Resources Institute (NRI) of the University of Greenwich is an internationally recognized centre of expertise in research and consultancy in the environment and natural resources sector. The Institute carries out research and development and training to promote efficient management and use of renewable natural resources in support of sustainable livelihoods.

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Contents

Acronyms and Abbreviations

CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
DFID	Department for International Development, UK
EBRD	European Bank for Reconstruction and Development
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
NGO	Non-Governmental Organization
NRI	Natural Resources Institute
PRSP	Poverty Reduction Strategy Paper
RIMISP	The International Network of Methodology for the Investigation of Systems of Production, South America
RNFE	Rural Non-Farm Economy
SME	Small and Medium Sized Enterprise

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Introduction

This publication is part of a growing volume of empirical work on the rural non-farm economy (RNFE) and livelihood diversification among the poor. The work presented here is based on a review of 55 DFID-financed RNFE and livelihood diversification projects, programmes and research comprising rural household survey and other field-related research projects representing a broad range of methodologies borrowed from economics, sociology and social anthropology. Over the past 3 years, DFID has funded policy research work and dialogue in four regions of the world on the RNFE through the World Bank-DFID collaborative programme. In particular, this has included work in Africa (Uganda), Asia (India and Bangladesh), Latin American countries and Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) (Armenia, Georgia and the Balkans).

The RNFE is of interest to governments, bilateral and multilateral donor agencies, NGOs and development practitioners because of its prevalence in both developing and transition economies. In many parts of the world, the number of poor people in rural areas exceeds the capacity of agriculture to provide sustainable livelihood opportunities. Even with a decline in fertility rates and a slowing of population growth, this situation will not change significantly. Out-migration is not possible for all types of people, and urban centres cannot (or should not, for economic and social reasons) be assumed capable of providing adequate livelihood opportunities for all those unable to make a living in agriculture. For these reasons, a healthy RNFE holds out the prospect of improved livelihoods for people living in rural areas. This set of circumstances highlights the RNFE as a potential vehicle for poverty reduction in rural areas.

This publication is intended to be read in conjunction with the following papers: (i) Davis and Bezemer (2003) on key emerging and conceptual issues of the RNFE in developing and transition countries; (ii) rural non-farm access issues and best practice in RNFE project design by Wandschneider (2003a,b); and (iii) key issues on the RNFE by Wiggins (2003).

What is the Rural Non-Farm Economy?

Chapter 1

The rural non-farm economy (RNFE) may be defined as comprising all those non-agricultural activities which generate income to rural households (including income in-kind and remittances), either through waged work or in self-employment. In some contexts, rural non-farm activities are also important sources of local economic growth (e.g. tourism, mining, timber processing, etc.). The RNFE is of great importance to the rural economy because of its production linkages and employment effects, while the income it provides to rural households represents a substantial and sometimes growing share of rural incomes. Often this share is particularly high for the rural poor. There is evidence that these contributions are becoming increasingly significant for food security, poverty alleviation and farm sector competitiveness and productivity.

The RNFE can be defined/classified on many dimensions: on-farm/off-farm, wage/self-employment, agriculturally related/otherwise, etc. An ideal classification of the RNFE should capture some or all of the following distinctions:

- activities closely linked to farming and the food chain, and those not part of that chain since agricultural linkages are often important determinants of the RNFE's potential for employment and income generation
- those producing goods and services for the local market, and those producing for distant markets (tradables) since the latter have the opportunity to create jobs and incomes independently of the rural economy
- those that are sufficiently large, productive and have capital to generate incomes above returns obtainable from farming, and those that offer only marginal returns since this reflects the RNFE's capacity to generate local economic growth; although low return activities can maintain households above the poverty line, they usually do not foster growth.

Why are policy-makers and economists interested in the RNFE? And why should policy-makers and donors invest in rural areas (and thus in the RNFE)? Just because most of the poor live in rural areas is as much an argument for social welfare as economic development. Most development economists (reflecting mainstream economic thinking) have maintained that under-investment in rural areas and the RNFE is largely due to: (i) there being one primary economic activity, namely farming; (ii) that in theory the share of agriculture as a primary sector declines in the course of economic development; and (iii) labour moves out of agriculture and rural areas. Accelerating the importance of the RNFE is the disproportionate increase in demand for non-farm output as incomes rise (the theory of 'economic transformation' where the share of the farm sector in gross domestic product (GDP) declines as GDP per capita rises over time, termed Engel's Law (Haggblade *et al.*, 2002)). This is the structural transformation of a successful developing economy. The role of the RNFE in the process of economic development might comprise three stages (see Start, 2001): (i) large in 'pre-developed' countries; (ii) decreasing as development, urbanization and agricultural specialization takes off; and (iii) increasing again with urban congestion.

The transformation process is not identical in all countries and regions, and is shaped in part by factors such as a region's comparative advantage in the production of tradable products (especially agriculture), population density, infrastructure, location and government policies. Regions with significant recreational, mineral or trade advantages (e.g. a port or highway) may be less dependent on agriculture as a motor of growth, and hence may expand and diversify their RNFE much earlier in the development process. Growth of the RNFE can also be de-linked in varying degrees from agriculture by market and trade liberalization policies that enhance non-agricultural opportunities, and these possibilities are increasing with globalization. Many rural regions have greater opportunities today to find additional motors for growth. Moreover, the motor does not even have to be local, as long as the local economy is 'open' in that workers can commute and local farm and non-farm firms can sell to the area where the motor is providing job opportunities and generating growth. For example, a mine or a big city in a coastal region could induce non-farm employment growth in the nearby highlands. Nonetheless, in terms of the importance of the RNFE for economic development two key arguments should be stressed: (i) the potential multiplier effects (demand-led growth linkages between the RNFE and farming); and (ii) the integration of farming into national and international value chains, shifting value addition to rural areas (see Davis and Bezemer, 2003). This should assist rural areas in taking advantage of the potential benefits of globalization and improve local incomes.

Composition of the RNFE

For most rural people in developing and transitional economies, rural non-farm activities are part of a diversified livelihood portfolio. The rural population in developing countries derive important income shares from rural non-farm activities. Ellis (2000) states that 30–50% is common in sub-Saharan Africa, and FAO (Reardon *et al.*, 1998)[1] gives a mean figure of 42% for sub-Saharan Africa. In Asia and Latin America, FAO estimates the figures to be 32% and 40%, respectively. (Ellis (2000) gives appreciably higher estimates for South Asia.) Bezemer and Davis (2003a,b,c,d) found that the average non-farm income shares of rural

Table 1: Rural non-farm income shares by region

Region	Average share
Africa	42
- East/South	45
- West	36
Asia	32
- East	35
- South	29
Latin America	40
Eastern Europe and CIS*	44

Source: Reardon *et al.* (1998); Bezemer and Davis (2003a,b,c,d)

* This figure represents surveys conducted by NRI and partners in six CEE and CIS states. The average rural non-farm income shares range from 31% in Armenia to 68% in Bulgaria.

[1]The FAO study summarizes data from over 100 studies, focusing mainly on farm households, undertaken over three decades (1970s to the 1990s).

Table 2: Composition of rural non-farm employment by region (primary workers)*

Region	% rural workers employed in rural non-farm activity	% of women in total rural workers	% of total in manufacturing	% of total in trade and transport	% of total in other services	% of total in other activities
Africa	10	26	23	21	24	30
Asia	24	20	27	26	31	14
Latin America	35	27	19	19	27	33
West and North Africa	22	11	22	21	32	23
Eastern Europe	47	37	38	20	26	15

Source: Haggblade *et al.* (2002)

* These are indicative rather than precise unweighted averages.

households in some CEE/CIS countries is between 30% and 70%.

Table 2 shows the composition of rural non-farm employment in developing countries and transition economies. Agriculture still dominates, as the most important sector of economic activity for developing countries. Manufacturing is less important in terms of income and employment than the services and commerce sectors. Indeed, in our review of projects and research in this area, we found that these sectors seem to be both higher growth sectors and of particular importance to the poor. Within the RNFE, earnings from self-employment and non-farm wage employment dominate agricultural wage earnings and remittances.

What Motivates Diversification into the RNFE?

In poor rural areas, some households will make a positive choice to take advantage of opportunities in the RNFE, taking into consideration the wage differential between the two sectors and the riskiness of each type of employment. Rising incomes and opportunities off-farm then reduce the supply of labour on-farm. However, other households are pushed into the non-farm sector due to a lack of opportunities on-farm, for example, as a result of drought or the small size of land holdings. This may result in a similar pattern of rising non-farm incomes, but the motivations are quite different. For policy-makers it is important to understand why an individual is entering the non-farm rural market. One of the key areas of discussion in the literature is whether individuals respond to new opportunities in the RNFE. This has been discussed with reference to many dichotomies which essentially refer to the same distinction: demand-pull/distress-push, coping/accumulating, need/opportunity, etc. Demand-pull diversification is a response to new market or technological opportunities, while distress-push diversification is driven because there are no opportunities on-farm. Islam (1997) suggests that factors that lead to demand-pull diversification include the increased income of lower and middle-income households and increased demand from urban areas for rural products. He identifies successive droughts that depress income and hence increase the need for alternative incomes offering low-skill income as a distress-push factor. As evidence of distress-push, marginal wages or incomes are likely to be lower in the RNFE than on-farm agricultural earnings.

Recent work by Bezemer and Davis (2003a,b,c,d) on Armenia, Georgia and Romania shows that it is distress-push diversification that drives the majority of the rural poor into rural non-farm employment and income generating activities. Davis and Pearce (2001) discuss the importance for policy-makers of making this distinction between distress-push and demand-pull since each may require different policy responses. The former may require policy-makers to develop appropriate social safety net and interventionist policies to mitigate the short-run negative effects that sometimes accompany this type of diversification (e.g. over-rapid urbanization, negative environmental impacts, etc.). Where demand-pull factors are driving the process of diversification, policy-makers might seek to provide a suitable 'enabling environment' to support the development of the RNFE and sustainable rural livelihoods. However, deciding on whether demand-pull or distress-push factors are at work may not be straightforward.

What Determines Access to Non-farm Rural Employment and Income?

Chapter 2

Determinants of Access to the RNFE at the Household Level

This section is a summary of reviewed DFID project and research evidence regarding the importance of six factors which determine access to rural non-farm employment and income in Uganda, Tanzania, India, South America and three CEE/CIS countries (Armenia, Georgia and Romania): (i) education and skills; (ii) social capital; (iii) ethnicity and caste; (iv) gender dynamics; (v) financial capital; and (vi) physical infrastructure and information. There are clear patterns in access to rural non-farm opportunities.

Education

Education is critical since the better-paid local jobs require formal schooling, usually to completion of secondary school or beyond. Education also makes migration more likely to be successful. It is far less clear that schooling, beyond primary level and the achievement of literacy and numeracy, provides skills that matter in the majority of rural non-farm activities. Nevertheless, the correlation of education with rural non-farm business success is often reported. Is this because there are other concomitants of success that correlate with the opportunity to complete secondary school, such as access to savings? Or are there intangible benefits of schooling, such as the ability to interact with public servants and other gatekeepers, or the development of social bonds at secondary school and training colleges that later serve in business? Or does formal education make it easier to learn new skills that are highly relevant to one or other rural non-farm activity?

There are markedly different attitudes to education reported in different communities. East and Southern African cases frequently report the extraordinary priority that parents place on getting their children through secondary school. In parts of West Africa, parents are more circumspect about the benefits of state education and indeed, in some accounts, look to religious schools to instil culture and discipline in their children.

These differences are not necessarily related to wider cultural differences. Attitudes to formal education can be polar opposites in Mexican villages no more than 60 km apart. In one village, great store was set by formal education for at least two generations, with the result that the village had several sons and daughters working as schoolteachers. In another community, the main and most lucrative activity was producing vegetables for the markets of Mexico City. Parents in Mexico City saw secondary education as unnecessary, compared with cultivation skills, driving pick-ups and negotiating with wholesalers (Wiggins *et al.*, 1999).

Social capital

Social capital at the individual level, defined by Fafchamps and Minten (1998) as the degree of interaction with others in the context of social networks, can enable economic agents to reduce transaction costs and partially address access constraints arising from imperfect markets. Social capital can translate into access to relevant market information and buyers, wage employment and business opportunities, formal and informal loans, cash advances, inputs on credit, skills, shared resources for production and marketing, and migration opportunities. Many examples of social networks and contacts being used by individuals and households to enhance their asset base and access income earning opportunities were observed and reported in all the regions studied.

Using data from sub-Saharan African countries and regression analysis, Fafchamps and Minten (1998) show that social capital has a positive effect on traders' sales and gross margins. In his study of the non-farm economy in Mexico, Lanjouw (1998) found that rural communities with a higher social capital index were less likely to be poor. Data on social capital are rarely available and, therefore, it is unsurprising that few studies have tried to measure quantitatively the impact of social capital on rural non-farm employment and income. Although none of the studies reviewed here attempts to estimate the importance of social capital as a determinant of non-farm employment and incomes, they provide useful insights through the use of qualitative research methods.

An unequal distribution of social capital can lead to social and economic outcomes that are both unequal and inefficient. The experience of many post-socialist transition countries illustrates this problem. Members of the old nomenclatura, including government officials and managers of former state enterprises and co-operatives, have capitalized on strategic contacts and personal relations developed during the socialist era to access assets, resources, information and opportunities (Janowski and Bleahu, 2002; Kharatyan and Janowski, 2002; Kobaladze, 2002). The concentration of critical social capital in the hands of a privileged minority has acted as a barrier to entry into business by the majority of the rural population, thus inhibiting competition in product markets and reducing confidence in state institutions.

Group strategies illustrate the potential of social capital to address credit and market access constraints, improve access to service provision, and overcome barriers to entry into income generation activities. In Uganda, severe disruption to traditional family structures during the 1990s because of AIDS and the consequent rise in the numbers of widows and orphans, has led to the spontaneous formation of women's self-help groups that pursue common social and income generating objectives (Zwick and Smith, 2001). Producer groups have also emerged in many parts of the country, often with the support of NGOs. Group enterprises in Uganda have been found to enhance access to non-farm activities and to improve the returns associated with those activities, but their benefits and sustainability remain critically dependent on the entrepreneurial skills of group leaders and the extent of intra-group conflict (Cannon and Smith, 2002; Zwick and Smith, 2001).

Ethnicity and caste

Ethnicity is an important determinant of participation in the RNFE, and can play both an enabling and constraining role. For example, the Iteso in Uganda are traditionally agro-pastoralists, and have only recently started to diversify into sedentary agriculture and non-farm employment, therefore, they lack basic business experience and skills (Smith and Zwick, 2001). More generally, the spatial distribution of Uganda's ethnic groups have in the past influenced the allocation of public investment, with Baganda areas in the central and south-western parts of the country benefiting from relatively advantageous access to economic infrastructure, education and health provision (Smith *et al.*, 2001). Higher levels of public investment in those two regions contributed to wider economic opportunities than elsewhere in the country.

The caste system remains a major stratifying force in rural India, especially at the village level. Field research in Madhya Pradesh and Orissa shows that members of the upper castes tend to dominate local power dynamics and to enjoy better asset endowments, higher social status and capital, and more favourable access to education and information (Dasgupta *et al.*, 2002; Pandey *et al.*, 2002; Rath *et al.*, 2002; Som *et al.*, 2002). While participation in economic activity is gradually transcending the traditional caste-based division of labour, the latter continues to play a significant role. Ethnicity was also identified as a determinant of rural employment patterns in Romania (Davis and Cristoiu, 2002; Janowski and Bleahu, 2002).

Gender dynamics

A gender perspective adds significant insight into rural poverty and livelihood issues. In the reviewed studies, gender has emerged as an important factor influencing participation patterns and trends in the RNFE. The role of gender in enabling or restricting access to economic activity also varies from country to country.

In rural Uganda, women participate more actively in crop farming than men, whilst the latter are more involved in non-farm activities. There has been a gradual shift since during the 1990s towards non-farm employment, especially among men and female-heads of household (Smith *et al.*, 2001). The need to sustain the household, combined with greater control over resources, seems to have pushed female-heads, whose number has increased significantly following the spread of AIDS, into non-farm employment. In India, rural non-farm employment over the past decades has expanded more rapidly for men, and recently there has been some overall decline in female participation (Coppard, 2001). Preliminary research findings in some communities of Madhya Pradesh suggest that mechanization is displacing labour in agriculture, and that the non-farm employment opportunities emerging from such developments, for example, in repair and transport activities, are being almost exclusively taken up by men (Som *et al.*, 2002). In Madhya Pradesh and Orissa, women strictly carry out many non-farm activities[2] while other jobs are exclusively undertaken by men[3] (Pandey *et al.*, 2002; Rath *et al.*, 2002; Som *et al.*, 2002). Women are rarely involved in enterprise management and in higher-level positions in the public sector. Generally, both men and women work in agriculture, but average female participation rates in the non-farm sector are low compared with those for men (Coppard, 2001). In the rural areas of Armenia, Georgia and Romania, it is men who generally start and manage small- and medium-size non-farm businesses, often combining that activity with farming (Kharatyan and Janowski, 2002; Bezemer and Davis, 2003a,b,c,d; Davis and Gaburici, 2001).

Credit

The single most commonly reported obstacle to investment and entrepreneurship is inadequate access to capital, however, demand constraints may also be a factor underlying restricted access to credit. Prospective rural investors do not lack all access, but loan size and maturity are often limited. Given lack of access to formal credit, the main source of funds is often from the savings and assets of the (extended) household. In this regard, the Ladder studies in Uganda and Tanzania note that households with assets can find ways to convert one or other asset to investment capital – an example of this would be cattle (see Ellis and Mdoe, 2002; Ellis and Bahiigwa, 2001). Initiatives from NGOs and government to promote micro-finance have in some cases improved access, but coverage is still incomplete and often excludes the poor. Private sector loans remain important, as do informal financial services because domestic savings capacity is often limited. However, foreign direct investment is also important, for example, agri-processing firms have utilized significant amounts of Foreign Direct Investment (FDI) in the transition countries via the European Bank for Reconstruction and Development (EBRD) co-financing joint ventures (Davis and Pearce, 2001).

[2] For example, broom and mat making, vegetable marketing, papad and bari preparation, and puffed rice production.

[3] For example, driver, mechanic, mason, carpenter and livestock trader.

Physical infrastructure and information

Rural roads that allow reliable and regular motor vehicle access serve both the farm and rural non-farm economy. Rural electrification is also mentioned, although less frequently. This is particularly important for manufacturing activities (including agro-processing) of some scale. Reliable and abundant supplies of (preferably clean) water can allow some rural non-farm activities to take place. Surprisingly little explicit mention appears on the value of technical know-how and market information. Whether these are really not key variables, whether they are less visible when lack of capital and poor physical infrastructure are more obvious, or whether education is picking up the value of knowledge, is not clear; perhaps respondents in these studies are not aware of these issues?

While the influence of individual factors on non-farm employment was analysed separately, it must be noted that this offers a rather simplistic view. Assets have a degree of interdependence and fungibility, as suggested by the livelihoods framework (Ellis, 2000). First, the value of a specific asset often depends on other, complementary assets, which may be owned by others rather than the household or be held in public ownership. Second, the importance of particular assets varies with the type of employment. For example, education and contacts are particularly important for accessing formal jobs in government or the private sector, whereas skills acquired outside the schooling system and access to finance and market networks play a significant role in the development of entrepreneurial activities. Third, the availability of a particular asset often influences the level of other assets. For instance, social capital may enhance access to financial resources; education tends to be positively correlated with social capital and access to formal credit; land availability can serve as collateral for bank loans; and so on. Finally, asset endowments are neither static nor necessarily cumulative over time. For example, households may decide to forego certain assets, such as land or savings in kind and cash, in order to acquire other assets, such as education and equipment.

Wider Factors Determining Rural Non-farm Employment Opportunities

We also found several factors beyond the household, which affect the viability of the RNFE including agricultural development, natural resource endowment, economic infrastructure, level of public service, rural town development, and the business environment.

Agricultural development

The DFID-financed research in Uganda, Tanzania, India, South America and three CEE/CIS countries (Armenia, Georgia and Romania) confirms the critical importance of agricultural development for creating an environment in which the non-farm sector can prosper. Demand dynamics arising from agricultural growth are usually very significant. Agriculture stands out as the most obvious activity with the potential to increase rural incomes because of the numbers of people directly involved and its production linkages. Increased produce supplies enable the growth of upstream and downstream activities. Agricultural development also generates increased saving surpluses, which can be channelled to rural non-farm activities by farming households or the financial system. Labour flows between the agricultural and non-agricultural sectors are less predictable and dependent on whether the agricultural transformation releases or absorbs labour. The latter situation sometimes characterizes the initial stages of agricultural intensification.

Agricultural development generates a virtuous cycle, in which the expansion of agriculture fuels non-farm sector growth, and vice versa. The relative importance of rural non-farm employment may either increase or decline during the initial stages of agricultural development, depending on changes in the intensity of labour use in agriculture as it modernizes. The impact of agricultural growth on the local non-farm sector also depends on the strength of the supply and demand linkages within a particular region. These linkages are critically determined by land distribution patterns; the share of local agricultural produce processed within production areas; the intensity of input use in agriculture; the proportion of local savings channelled to investment within the region; and the local component of consumer demand.

Natural resource endowments

The DFID research shows that the development of the non-farm sector in a particular region is intimately dependent on its natural resource endowments. Apart from agriculture-linked activities, the non-farm sector comprises wood processing and trading, alcohol production, fish processing and trading, mining and quarrying, construction and tourism. Hence, in most contexts, favourable natural resource endowments are a necessary, albeit not sufficient, condition for the development of the non-farm sector and the rural economy in general.

Economic infrastructure

Economic infrastructure shapes the development of the RNFE by influencing the scope for developing certain economic activities, the operational costs faced by enterprises, and the conditions for accessing outside markets. The influence of rural towns, which can function as growth hubs, as well as transport infrastructure (and services), are especially important (see Box 1).

Levels of public service

The relative importance of the state for the development of non-farm economic activity is likely to be greater in poor regions, which typically lack other significant sources of demand. For example, public investment in schools, training centres, health clinics, roads, irrigation systems, etc., can provide a major boost to local construction and related activities. Moreover, the development of public administration and services generates salary employment and income, which will partly be spent locally. Some public services, for example, in education, may also give rise to linkages with upstream non-farm activities. In all the countries studied, the scope for public investment and expansion of public administration and services is limited by tight budget constraints. Rural areas will generally be at a disadvantage *vis-à-vis* urban areas due to the common urban bias in the allocation of public expenditure (Lanjouw and Feder, 2001) and the tendency for public resources to be allocated taking population density and economic potential criteria into consideration. Poor areas often score low on both accounts.

Box 1: Uganda's rural infrastructure

In Uganda, road infrastructure has improved significantly over the past decade, but progress in power and water supply to rural areas has been marginal, and weaknesses in these services remain an important obstacle to an expansion of the RNFE, particularly in agro-processing and non-food manufacturing (Cannon and Smith, 2002; Marter, 2002). Interestingly, lack of access to power supply and to fixed telephone lines was not identified as a major constraint by field respondents, presumably because limitations in these spheres are considered normal. The lack of fixed lines in rural areas is largely behind the recent expansion of mobile phone use, but this is relatively expensive and essentially restricted to the wealthier entrepreneurs, namely in the trading sector. Within Uganda, economic infrastructure and public services are particularly under-developed in the northern region.

Rural town development

Rural towns play multiple economic roles, some of which strengthen local inter-sector linkages and contribute to the development of the RNFE. Given the concentration of economic activity and population, rural towns may serve as important market outlets for manufactured goods produced within surrounding villages and as employment centres for villagers who commute on a regular basis to sell services or their labour. Because these towns tend to attract people from surrounding areas or in transit, they generally host a range of services catering for their needs, including car repair workshops, petrol stations, retail shops, hotels, restaurants and bars. In addition, rural towns usually offer better conditions than villages for the development of agro-processing industries and other manufacturing activities due to the availability of administrative and support services, a concentration of consumers, and better access to transport and public utility infrastructure. They also tend to host enterprises dedicated to the manufacturing of agricultural inputs and the provision of essential support services to agricultural and non-farm activities located in the surrounding areas. Finally, rural towns can constitute important links between the rural hinterland and more distant markets, playing the role of intermediate marketing centres.

Business environment

Private sector investment levels and enterprise development in rural areas can be either facilitated or hindered by the business environment, depending on how the latter impacts upon investment risks, entry barriers (including start-up costs) to economic activity, and/or production and marketing costs. Important dimensions of the business environment include the macro-economic situation, the degree of policy consistency and stability, direct and indirect taxation regimes, investment and licensing regulations, levels of bureaucracy, labour laws, corruption levels, security situation, effectiveness of the judicial system, state of economic infrastructure, and availability and quality of enterprise support services. In some cases, public policy restricts rural non-farm activity by negatively affecting the business environment; examples include restrictions on artisanal fishing and shrimp capture, and regulations applying to the cooking and serving of food and drink. In the cases of Uganda and Tanzania, the danger of a predatory and capricious decentralized local government is highlighted as a current problem for rural business and a future menace.

Are there Distinctions in the Rural Non-Farm Economy Between Developing and Transition Economies?

Chapter 3

Here we summarize what has been learned from DFID research about the distinctions in the RNFE between developing and transition economies. There is little systematic knowledge about the RNFE in transition countries compared with developing countries. Several survey efforts have been recently completed but are not yet fully processed and analysed (Davis, 2003; Bezemer and Davis 2003a,b,c,d).

In most CEE and CIS economies, the RNFE under socialism was large. Agro-industrial complexes and manufacturing co-operatives were widely located in rural areas as a means of developing and industrializing the country. On transition in 1990, most of this rural industrial and manufacturing base largely collapsed because it was heavily dependent on state subsidies and the continuation of soft-budget constraints. The RNFE may now be reappearing in a small-scale and less capital-intensive form. Although, as compared with most developing countries, these countries have a favourable endowment of rural infrastructure and high education levels, this legacy from socialism is now eroding.

In those countries where large-scale wage labour farms are still the dominant form of production in agriculture (i.e. in most countries except Poland, former Yugoslavia, Albania, Latvia, Moldova, Armenia and Georgia), a relatively large share (relative to developing countries) of the RNFE is probably connected to farm organizations. This is where the human and social capital for the RNFE is, and policies should take this into consideration.

Throughout the region, there is not a general process of rural depopulation or re-population (with the possible exceptions of Albania and Romania). However, migration rates both within, but particularly outside, these countries have risen.

How will the RNFE in transition economies develop? First, it seems that the RNFE in most developing countries is driven by agricultural development, such as the Green Revolution. Given the current precarious situation of agriculture in the CEE and CIS, this is unlikely to be the way forward there in the short term, but agricultural development could drive growth in the future.

Second, in the Central European countries, urban and perhaps foreign demand for rurally provided services and products is a possible motor of growth for the RNFE. This potential is greatest for EU applicants. In other countries, urban purchasing power is probably not significant. Here transport and market transaction costs may create local advantages for the RNFE. However, this would be economic activity predicated on under-development and it is questionable whether it is desirable to support this over the long term as a major source of growth.

In comparison with most developing countries, transition economies have the following RNFE features:

- similar average rural non-farm income shares in CEE and the CIS households as compared with most developing countries (see Table 1); but lower if social payments are excluded (Bezemer and Davis, 2003a,b,c,d)

- rural credit markets in developing and transition countries are poorly developed
- the RNFE is primarily services and small-scale trade (e.g. shuttle trade)
- foreign direct investment and the role of multinationals outside Central Europe are limited
- remittances are probably less important in most transition countries (perhaps with the exception of Albania)
- governments are typically insensitive to RNFE development and the agricultural paradigm very much dominates.

As previously noted, the three stages of the RNFE as outlined in Start (2001), are (i) large in 'pre-developed' countries; (ii) decreasing as development, urbanization and agricultural specialization takes off; (iii) increasing again with urban congestion. In most of the CEE and CIS, the reverse has happened: from (stage 1) an (artificially) large RNFE and a relatively high level of (socialist) economic development to (stage 2) transition, which implied collapse of much of the (rural) economy and a cessation of urbanization – in some cases a reversal of it. This means high (though often hidden) rural unemployment, much subsistence agriculture and distress-push, rural non-farm diversification where possible; the current RNFE is mostly a poverty-refuge. This means that resumed general economic growth would lead to a decrease in the RNFE, contrary to the sub-Saharan African case. Supporting it may be a successful poverty reduction strategy, but is unlikely to lead to sustained rural economic growth.

What Do We Know About Policies and Interventions for Growth of the Rural Non-Farm Economy?

Chapter 4

Some Initial Questions

In many of the reviewed accounts, the RNFE appears as a subordinate and ancillary entity, waiting to take its cue from the drivers[4] in the rural economy, only a few of which, for example, tourism, fall within the RNFE itself[5]. If the RNFE is largely responsive rather than a driver, then we need policies to assist this response, in qualitative and quantitative terms. Still, there will be opportunities for parts of the RNFE in particular cases to constitute the economic base. This raises the question of how and when to identify these openings and provide support that allows them to be followed. In addressing this issue, we must study both the demand and the supply side of rural non-farm activities.

The Demand Side

Demand makes rural non-farm activity possible and greatly influences the returns obtained. As previously noted, demand arises locally for many of the products and services of the RNFE. This then makes the growth of the RNFE largely dependent on the incomes generated by those sectors that produce tradable goods and services. This is mainly sales of agricultural and other primary goods, and payments for labour services in the form of remittances. The RNFE is more active when and where the local farm economy is prosperous. These areas either tend to have good natural resources or are well connected to urban markets, or both.

Closeness to urban markets may create opportunities for rural non-farm activities. This applies particularly in peri-urban areas, where possibilities exist for earnings from commuting, and from leisure, amenity and residential services to those working and living in the cities. Closeness to cities is not always an advantage. Some rural non-farm manufactures, usually those produced within the household, are highly vulnerable to competition from factory-made substitutes sold in rural market centres and villages.

Some concerns have been raised about the nature of local rural demand for the outputs of the RNFE (see for example, Ellis and Baghiiwa, 20001; Haggblade *et al.*, 2002). In some cases, it is stated that the main spending on these is from the better-off and rich households. In other cases, these households may see local goods and services as inferior and spend most of their income on products brought in from cities.

One rural non-farm activity that has location advantages that can attract the demand of urban consumers and resist urban competition is tourism. However, in the studies reviewed, there were very few cases where tourism had been developed to any degree (see Box 2). Tourism tended to develop as an enclave, with urban firms organizing facilities using goods and services imported from the urban economy or even internationally. It may be that the supply of sufficiently attractive locations for international tourists and domestic demand for leisure is

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[4] An (economic) 'driver/motor' is an economic activity that creates growing demand for other economic activities, by two routes: (i) it raises incomes which then are the source of growing consumer demand for the products of the other activities; (ii) it creates derived demand on the input (upstream) side for inputs to it from other activities, and creates derived demand for processing and commerce downstream from it.

[5] However, it should also be noted that linkages may work from non-farm to farm sectors, even if the latter is the principal driver.

limited[6]. However, it should be noted that there are other examples, such as Bali and Cancun where the urbanization (de-ruralization) of these regions is largely a consequence of the success of the tourist industry (see Wiggins and Davis, 2003; Tambunan, 1995; Wiggins *et al.*, 1999).

The South African cases are all related to domestic tourism and intra-regional tourism is large and growing. A key lesson must be that of demand and markets particularly when the RNFE involves a supply chain to a distant market, where producers are not in daily contact with local consumers. Even at the local level, however, suppliers may not be aware of unmet demands that could be serviced locally and they must develop awareness of these possibilities. There are few reports of programmes and policies to guide interventions in this area (see Humphrey and Schmitz, 1996; Rosenfeld, 2002). Bringing producers and potential customers together in trade fairs and the like is one favoured option (see Wandschneider, 2003a,b).

Box 2: South African and Tanzanian rural tourism

South Africa since 1994

In a country where some longstanding occupations such as mining are stagnating and where levels of unemployment and poverty in the former homelands are unacceptably high, there has been a vigorous search for new sources of activity and jobs in rural areas. Tourism is one option. International arrivals have more than doubled since 1994. There have been a series of local initiatives to combine local government leadership with central government funds to stimulate private investment into tourist facilities. In the case of Still Bay, Western Cape, the results have been dramatic. In a former fishing village of just 4000 persons, some 700 new jobs have been created in tourism. But this may be exceptional, both in terms of the natural attractions of the coastline and the dynamism of the local community leadership. In other cases, experiences are less promising or incipient. On the Wild Coast of Eastern Cape, attempts to combine conservation, community development, decentralized local government and private investment have seen the last take precedence, as outside companies have entered to develop the potential of the area. Local leaders have sometimes joined in: local communities have largely been marginalized. In part this may be the case of powerful interests seizing assets and disregarding local interests. But in part it reflects the great difficulties that locals, lacking capital and education, have in participating in such developments. (Source: Scoones, 2002).

Tanzania

In the Serengeti-Ngorongoro region of northern Tanzania game reserve, there are few links between the foreign visitors and local businesses. The transport and lodges are enclaves that buy in their food and drink, and employ staff from other areas. Even the ‘Maasai’ dancers who perform at the lodges are neither local nor Maasai – they are outsiders who dress up as Maasai! For the locals, tourism does not feature as a livelihood. Instead men migrate to work as security guards: one job where the Maasai ‘brand’ is respected (Source: Ashley *et al.*, 2002; Homewood *et al.*, 2002).

[6] Tourism and leisure are surely important components of the rural economy in the long run. As the UK found out last year, rural tourism in the UK is worth much more than farming, but this was in a highly, urbanized affluent economy with millions of city dwellers willing to spend money on trips into the countryside. For most parts of the developing world, the market for tourism is largely made up of foreign, long-haul tourists. The domestic market is small, and in some cases made all the smaller by the local wealthy preferring to take their vacations in cities rather than rural areas.

Several of the reviewed case study interventions have explicitly forged linkages between project participants and other sub-sector players. This has assisted producers' integration into target markets, while at the same time enhancing their access to critical services and reducing their reliance on project agencies over the long term. In a context of high transaction costs and weak marketing networks, market linkage promotion facilitates information flows and communication between producers and input suppliers or buyers (Coote and Wandschneider, 2001). Similar reasoning applies to the promotion of linkages between project clients and public or private service providers in areas such as training and credit (see Box 3).

Supply Side: Infrastructure, Finance and Information

If remoteness is a serious cost that the RNFE bears, then investment in infrastructure that cuts the costs of distance, for example, roads, telecommunications, etc., must be a priority. However, roads can also expose local production to outside competition. Similarly, it is a severe handicap to local business if supplies of electricity and water are inadequate and unreliable. Given that resources are scarce, this raises the question of priorities, and whether when it comes to providing physical services, government should try and ensure that critical nodes – selected rural market centres – are serviced, rather than trying to provide all services everywhere, and stretching thin resources. Other supply side bottlenecks are readily observed at the household level, and have already been discussed. These include lack of technology, training, information and finance; finance and credit particularly are often mentioned as the most acute constraint on business development. For at least two decades, there have been many micro-finance initiatives promoted by governments, donors and NGOs to overcome these problems. There have been notable successes in this field, and probably enough models[7] to provide useful lessons. It is interesting that in the studies reviewed, in few cases had micro-finance programmes reached the subjects of the study. Replicating successful financial innovations clearly has a long way to go (see Box 4).

Supply Side: Institutions, Transactions and Governance

Most case study interventions involve more than one entity. Local, regional and national governments and rural development agencies are in many instances the main funding and implementing organizations. Some programmes and projects are

Box 3: RIMISP, promoting market linkages

The International Network of Methodology for the Investigation of Systems of Production (RIMISP) and the San José workshop case study interventions illustrate a vast array of linkage development initiatives. Examples include organizing visits to markets and trade fairs, facilitating contacts between producers and other sub-sector players, providing project participants with information on clients and service providers, and vice versa. Organizing visits by potential clients or key market intermediaries and promoters to project areas, and arranging meetings between them and local producers or service providers, can be an effective promotion strategy, as in the case of initiatives to develop tourism and handicraft production for export markets (see RUTA *et al.*, 2002).

[7] Even if the Grameen Bank model has too often formed an overly restrictive template for initiatives in places well removed from Bangladesh.

Box 4: Bangladesh micro-credit schemes

Bangladesh has become a model for organizations across the developing world seeking to develop credit services for the poor. The remarkable expansion of micro-credit delivery systems over the past two decades has allowed many amongst the rural – and urban – poor to engage in non-farm income-earning activities. Despite these achievements, the fact that micro-loans have been used mostly in low-paid and often casual activities with very low entry and exit barriers, and that relatively few amongst the beneficiaries have managed to graduate to more remunerative self-employment, must be borne in mind. The development of micro-credit systems in Bangladesh has certainly played an important role in enabling the poor to develop diversified income portfolios and has enhanced their resilience to natural and social shocks. But while it has helped to reduce the extent of extreme deprivation, on its own it has failed to lift the majority of beneficiaries out of poverty. Furthermore, while much attention has been paid in Bangladesh to micro-credit services, the financial needs of other economic agents, namely small farmers and small-scale businesses, have been somewhat neglected (Basix, 2002).

funded or co-funded by bilateral and multilateral donor agencies. Cases exist in which other institutions also participate as implementation partners, for example, national training bodies, research and extension agencies, etc.

An interesting approach, applied in Brazil and Panama (Berdegue *et al.*, 2000; Lanjouw and Ferreira, 2000), is the use of existing or project-sponsored local associations and municipal councils as consultative fora. Forum composition can vary but normally comprises a wide range of local actors, both public and private. These fora can generate ideas, identify needs and constraints, co-ordinate community-level actions, and facilitate interaction with regional and national bodies. Community-level consultation may provide insights into local needs and priorities, improve the targeting of project clients, and enhance their interest and participation in projects.

Municipal and regional governments can prove particularly helpful partners, especially when they show strong commitment to the development of their geographical areas. Their strategic importance is further enhanced by the multi-sector nature of the RNFE, with no line ministry or government agency having the specific mandate to promote its development, which falls under the responsibility of too many institutions. This institutional vacuum and fragmentation, which not only reflects the relatively limited attention awarded to the RNFE in the past but is also a natural consequence of its huge diversity and the multi-sector and geographically disperse nature of the support required, provides in itself a strong rationale for developing flexible and wide-ranging institutional coalitions (Haggblade *et al.*, 2002).

Despite the potential advantages of broad private and public stakeholder alliances, it is important to acknowledge the difficulties of forming and managing such networks. The larger the number of agencies involved. the more time consuming and complex is the task of co-ordinating project execution. Consequently, a selective and strategic approach to institutional partnerships is essential, whereby networking efforts are explicitly linked to the importance of a particular stakeholder to project success.

Wandschneider and Davis (2002) have highlighted the importance of institutional coalitions for successful promotion of rural non-farm employment and income. Donor conditions for project funding usually include the development of partnerships between different public and private stakeholders; at both national and local level, and the requirement that pilot initiatives are developed to test the appropriateness of different partnership models. Some interesting models are currently being developed under DFID-funded rural livelihoods programmes (see Box 5).

Institutionalization process can be based within existing bodies, such as sub-sector or rural development agencies, or involve the creation of new ones. Whatever the format, new structures should essentially play a facilitatory and technical role and serve as information channels between different stakeholders and the relevant government agencies.

One possibility consists of creating small secretariats supported by consultative fora and structured around key sub-sectors and/or themes. Thematic bodies and fora are especially relevant where problems and opportunities cut across sub-sectors, as in the case of rural-based private sector development or agro-industrial export promotion. In some contexts, there may be a need for a regional, multi-sector focus. The role of technical secretariats would be to manage consultation processes in a participatory way, initiate studies and reviews, identify needs and opportunities, and instigate action as and where required. The latter may include projects and programmes to be implemented by government and/or non-government agencies, with or without public funding. This type of arrangement is in place in many countries and should be scrutinized for lesson learning and dissemination purposes.

There is much less in the reviewed accounts than might be imagined about the problems and possibilities in these areas. However, there are several accounts of the dangers of poor governance. For example, in Uganda, Tanzania and Malawi, commendable attempts to decentralize government were being implemented with little attention to detail. Consequently, local politicians were mounting tax systems that were narrow and weighted heavily on production and trade (see Ellis *et al.*, 2002). Others were realizing the rents that come from allocating permits to carry out one or other activity, for example, fishing.

A variant on this concerns property rights when the ownership and management of public resources are handed from central and regional governments to local government. The rhetoric stresses local empowerment: the reality may be that such resources become appropriated by local

Box 5: Innovative institutional rural non-farm coalitions in Moldova and Russia

In Moldova, local government employment centres are responsible for providing professional retraining services and start-up loan provision to target programme clients. Village councils also co-operate by charging affordable rents for premises under their control to programme participants who have been assisted to develop much-needed community services. In Russia, the regional and local administrations have contributed to programme funding and have established a rural development foundation, which currently runs a credit programme, a rural consultancy centre, a third party arbitration court, and an agricultural input and output marketing agency. Also in Russia, a pilot programme aims to institutionalize enterprise development initiatives in the tourism sector within Russian national parks. The success of the project is largely measured in terms of its capacity to influence national park management policy and strategy at federal level. Successes to date include the granting of protected area logo to certain parks, a crucial step towards mobilizing state resources, improving park management, and attracting increased tourist flows. Source: Wandschneider and Davis (2002) elites who often dominate local political fora. This was found to be problematical in Zimbabwe and South Africa, when wild lands were devolved (Ellis, 2001).

In other cases, national regulations on the environment had been formulated that tended to penalize activities carried out by the poor. In response, Okali and Sumberg (2000) have called for a 'livelihoods precautionary principle', the idea being that if in doubt about the effect of new regulations on livelihoods, err on the side of caution and hold back the regulation. Government should avoid making errors by implementing high-minded national policies without adequate consideration of local responses and impacts.

Integrating Supply and Demand: Value Chains

The discussion above highlights the importance of adopting a holistic approach to RNFE project design and implementation, which considers the whole supply chain and sub-sector environment. Once target markets have been identified, project agencies must define interventions down the supply chain to ensure that goods and services satisfy market requirements and are produced at a profit. Producers must adopt the 'right' production and marketing practices, have access to appropriate inputs at the right time and at a reasonable cost, and successfully develop links with markets and buyers. Good practice project interventions rarely focus on an isolated activity and a single set of producers since their success ultimately depends on the functioning of the whole supply chain, from input provision up to production and marketing. Critical bottlenecks along the whole product chain must be addressed, and this often implies assistance to players other than target project beneficiaries, including research and technical institutes involved in input technology development and dissemination.

More generally, a sub-sector approach should permeate the entire project cycle (Haggblade and Gamser, 1991; Haggblade *et al.,* 2002). This approach accounts for market trends, linkages between participants and their position within product chains, constraints and opportunities, the policy environment, and the entire range of supportive institutions. It can inform the choice of activities to promote based on their growth prospects and potential contribution to local development and poverty reduction. It can, moreover, help project agencies to target specific sub-sector players and decide how they can best position themselves *vis-à-vis* other actors. It can also constitute a good starting point for identifying technological bottlenecks, critical policy reform and support infrastructure needs, and appropriate institutional coalition building and business linkage development strategies. Systemic interventions in these areas can potentially benefit large numbers of sub-sector players facing similar constraints and opportunities. In short, the sub-sector approach can assist in the identification of economic drivers and has the potential to inform pro-poor agendas, while offering a road map for comparing alternative RNFE project interventions and for designing and implementing the chosen options in a holistic and cost-effective manner.

New thinking emphasizes the integration of demand, supply, policy and governance issues into a single analysis that has practical application and can involve a range of stakeholders. This is expressed in ideas about supply or value chains, and in promoting industrial clusters.

There are two elements here. One stresses the value of integrated analysis that cuts across issues of demand, supply and policy; focuses on interactions and transactions; and seeks to improve competitiveness through negotiation on possible improvements and co-ordination. Included in such consultation would be representatives from the major stakeholders in the chain including firms, government, consumer groups and civil society organizations[8].

The other stresses the potential for forming and fostering clusters of similar and associated businesses to create external economies, to co-ordinate and co-operate, while stimulating competition between firms that will deliver productivity and competitivity (see Humphrey and Schmitz, 1996; Rosenfeld, 2002). The attractions of clusters are twofold: clusters can be made up of small enterprises – being small does not prevent firms from competing even on the world market; clusters can arise in regions that have not previously had industrial advantages[9]. These are precisely the conditions that face rural areas in the developing world when beginning to industrialize.

Just how widely applicable these ideas are, is a matter for debate. The examples given of successful clusters in the developing world are in places that are already urbanized with much physical infrastructure in place, for example, the leather and shoes complex of the Vale do Sinos, RGS, Brazil. Moreover, observers point out that policies to support clusters only works once the cluster has come into being, and admit that they have no clear theory of how clusters emerge. Finally, these approaches may only be of full use where there are enterprises producing for distant markets, but this may apply to only a fraction of rural non-farm enterprises.

Developing Rural Producer Organizations

Many good practice RNFE interventions target rural producer organizations. Projects may work with existing organizations or support the formation of new ones. These organizations may be formal or informal, vary in size, be community-based or have broader geographical scope. They may have been established at the primary producer level or consist of higher-tier federations of sector, sub-sector or activity-based organizations.

A gradual (step-by-step) and participatory approach to group enterprise development, which supports genuine grass roots initiatives, seems preferable. Training and market linkage development seem critical components of effective support packages.

Shared ownership of assets and joint production activities often prove problematic, placing a significant burden on management capabilities and enhancing the scope for free-riding and intra-group conflicts. These potential problems are less acute in service provision in areas such as joint input procurement and product sales. Moreover, groups with close ties to large, successful firms may have greater chances of succeeding due to their advantageous position in terms of access to inputs, markets and/or support services.

Linking to Poverty Reduction Strategy Papers and National Policy-making

To date, the processes of formulating Policy Reduction Strategy Papers (PRSPs) have paid little attention to the level of detail that would demand an analysis of the RNFE. That does not mean there are no consequences of the PRSPs and associated strategies on the RNFE. On the contrary, the cases reviewed already report the following links.

- For Tanzania, Ellis and Mdoe (2002) argue that the country's PRSP identifies problems in

[8] This proposal is outlined in Haggblade *et al.* (2002). In practical policy, it is a major recent proposal in Mexico, where the Agricultural Secretariat has announced that for each major agricultural and food sub-sector, there should be a forum created at national, state and municipal levels to bring together actors in the chain for consultations and negotiations.

[9] For example, in Europe, successful clustering has been observed in regions such as north-east and central Italy, south-west Germany, mid-Jutland in Denmark, and in Ireland – all regions that 50 years ago or even more recently, were industrial backwaters. They were also predominantly rural regions with less urbanization and manufacturing than other parts of their countries.

the public provision of roads, education and health –- which programme funding can do much to remedy – and in markets, credit access and cost of inputs, where it is less easy to see effective public action correcting failings. But the PRSP, barely considers the local institutional environment. In common with the strategy for Uganda, the assumption is that decentralization will allow local solutions to be devised effectively to cope with local issues.

- This is convenient for senior policy-makers who prefer to focus on macro-level issues of economy and governance. However, the (unwelcome) findings of studies in both Tanzania and Uganda is that there is an uncomfortably high chance that decentralization, as currently implemented, will bring few of the expected benefits. Worse, it can re-create an environment of rent-seeking at the local level that both donors and governments have made concerted efforts to combat at the national level.
- In the Tanzanian example, the PRSP is criticized for emphasizing improving farm productivity to the exclusion of other issues affecting the rural economy.
- From Southern Africa come reports that attempts to transfer ownership and management of common natural resources to local-level bodies is not producing either efficiency or equity, and indeed, may be adding further layers of ambiguity and confusion to property rights. The problem diagnosed is one of taking simple, uniform models of decentralization and applying them to diverse contexts.
- In common with many other studies, these reports include several cases where the retreat of the state or privatization of state assets has created as many or more problems than it has solved. Typically, the withdrawal of a state service in providing credit, technical assistance, input supply or marketing has led to a vacuum into which private actors have been unwilling to step.

Hence, we are presented with a problem. Formulating PRSPs may already be such a complex exercise that one can hardly expect or demand that the RNFE be given detailed and thorough treatment. Even more so, when the RNFE is so diverse that the very concept would be as likely to introduce confusion as useful clarity to public debates on development strategy. However, we can already see that failure to consider some aspects of the RNFE can produce both strategies that are lacking, and policies that may have serious shortcomings. Furthermore, it is not the case that decentralization will allow RNFE issues to be dealt with at an appropriate level of subsidiarity. On the contrary, it is at the local level that the issues may be dealt with unsympathetically[10].

A livelihoods approach to analysing rural poverty may help policy-makers appreciate the importance of the non-farm elements of the rural economy. But it is far from clear that the livelihoods framework helps shed light on key RNFE issues with the possible exception of the importance of access to financial services. However, the framework has no spatial dimension. Transactions may be included, but they do not have the prominence that is needed to appreciate rural business development.

If one were to try and ensure that RNFE issues are not ignored when national strategies, plans and policies are formulated, then the following two questions could be added to the list of considerations.

- The economy of the RNFE. What is the economic base of the RNFE? (Major question: is the base typically agriculture, fisheries or forestry?) How can this base be stimulated? How then do linkages apply to ancillary activities? In addition, to what extent can public action enable and facilitate both

[10] Is there a correlation between centralized governments and success with the RNFE? 'Yes', perhaps – look at China and Taiwan and compare with India. But then again, what of Korea? And if centralized governments were good at rural industrialization, then Latin America would have much rural industry: instead that region is marked by pronounced urban and industrial concentration.

the base and the linkages (provision of hard infrastructure, creating institutions, setting parameters in the macro-economy and for governance, investment in education, training, health, etc.)?

- Social aspects of the RNFE. To what extent does the RNFE allow the poor and those disadvantaged by gender or other characteristics, access to jobs and incomes? How can the RNFE be stimulated to improve equity and growth?

Summary

Based on our review of 55 DFID projects, the RNFE cannot be said to definitively act as a driver for the rural economy, independently of agriculture or other primary activities. However, certain non-farm activities are not only reactive to rising production and income in primary sectors but can also facilitate or even initiate growth in these primary activities. Linkages work both ways, from agriculture to non-agricultural sectors, and vice versa. Although the rewards to participation in the RNFE are often unequally distributed, and tend to skew income distributions even further from equality, it is also important to make a clear distinction between inequality and poverty. The RNFE may in many contexts contribute to reduced poverty while at the same time generating increased inequality.

There are two main narratives reported. In one, the RNFE alleviates destitution since it becomes a refuge for the poor – and to the wider rural community when crops fail – but does not necessarily eradicate poverty. In the other, clear correlations between the extent of the RNFE and reduced poverty are reported. These correlations may also arise from other causes as, for example, when it is success in farming that has reduced poverty, and this stimulates the local RNFE, with further second-round reductions of poverty.

For some households with resources, rural non-farm activities are a way out of poverty and indeed into modest prosperity. For the majority of rural inhabitants, however, the RNFE provides a low-level livelihood, a safety net, and perhaps not even one that lifts them above the poverty line. It does reduce the depth of their poverty, even if it may not offer a route to any degree of material comfort. However, some non-farm activities (input supply and crop processing) may enable households to obtain higher returns from agriculture, and in this sense they may have a positive impact on poverty.

Hence we come back to the vision presented earlier: the RNFE prevents destitution, but can we really expect it to alleviate mass poverty in the absence of other drivers, based on primary activity, in the rural economy? Are there cases where the RNFE, independently of farm incomes and remittances, has significantly reduced rural poverty? It is difficult to find a single case among the 55 studies reviewed. Outside peri-urban zones and some small areas that are favoured for tourism, the prospects seem limited.

The majority of the cases reviewed in our study support the argument that much rural non-farm activity distributes income as unequally as primary activities. The poor, the discriminated, females, remote areas – all seem more often to be at disadvantage in accessing rural non-farm opportunities compared with those who already hold important advantages. Indeed, Reardon *et al.* (1998) have highlighted the paradoxes of the RNFE: that it works best for people and areas that need the boost least, and usually does much less for those who lack resources and education, and for remote areas. Those few studies that look explicitly at income distribution see self-employment businesses in the RNFE as widening income differences; but also that waged jobs tend to close the gap. This suggests that the key point in reducing inequality and disadvantage is creating jobs in the RNFE, rather than businesses in themselves.

Similarly, there are few mentions in our review of the impacts of the RNFE on the physical environment. What little is reported sometimes argues that rural non-farm income can be invested on-farm to allow more intensive use of the land, including practices such as terracing and tree planting that conserve resources. On the other hand, there is the observation in Swaziland, that remittance incomes have allowed villagers to invest in stock that graze on communal pastures already under heavy pressure (Wiggins, 2003).

What Could Donors Do To Promote the Growth of the Rural Non-Farm Economy?

Chapter 5

What Do We Think Works?

The multifarious economic activities with differing pro-poor growth potential and implications for policy intervention make it important to focus on key issues and activities (e.g. tourism, construction, transport services, etc.) which have growth potential. At the same time, the importance of linkages and multiplier effects in the rural economy implies that governments and multi-lateral agencies need to move away from traditional sectorally compartmentalized thinking of rural areas towards more 'joined-up' models of multi-sectoral, mutually symbiotic growth. Our review of DFID projects and research suggests that rural economic drivers generally lie within primary sectors, in particular agriculture. Furthermore, we maintain that supply-chain and sub-sector approaches should inform many rural development policies and interventions aimed at promoting RNFE growth. The issue is not so much whether we intervene in the primary sector or rural non-farm sectors, but rather to acknowledge that potential engines of growth (e.g. agriculture) are intimately linked to other upstream and downstream activities, which are non-farm. The two should develop in tandem since linkages operate both ways: while raising productivity and incomes in agriculture fosters growth elsewhere, improvements in agricultural service provision (e.g. input supply and marketing) and processing may play a critical role in stimulating agricultural production.

What Can Donors Contribute?

Policies and interventions aimed at developing agriculture need to address bottlenecks outside the sector. The policy entry point may lie in the RNFE or even urban areas. For example, port and air cargo services may need to be improved if horticultural exports are to develop. The enabling environment for private sector activity may need significant improvement if agribusiness firms are to invest in processing activities within rural areas. In short, RNFE policies and interventions may be required to release the potential associated with 'dormant' drivers of rural growth.

Donors and some developing country governments could take the RNFE sector much more seriously in terms of project, programme and investment plans (although a continued focus on agriculture is necessary). Donors need to work more closely together; work across disciplines; look at non-traditional areas/sectors, for example, infrastructure and regulatory frameworks; work with government agencies; and work through existing institutions.

Donors can also assist governments in creating an enabling environment for rural development through technical assistance and support with the legal framework for enterprise, the regulatory environment for service delivery and provision, contract enforcement, rural non-farm pro-poor growth strategies as part of PRSPs, etc., and a functioning financial system.

Donors can facilitate policy integration and harmonization through public-private cooperation and the development of shared donor and government platforms on best practice and evaluation of rural development initiatives and poverty reduction strategies. The RNFE in developing and transitional economies is fundamentally private. Donors can assist the development of the private sector and facilitate its involvement in RNFE investments, planning strategies and job creation to promote growth.

What Generic Strategies Could Be Used?

Key strategies include: assisting government in the identification of the key constraints to rural non-farm development with different types of market failures: labour, credit, commodity, infrastructure and skills-mismatch. For example, DFID-India disaggregates to identify potential growth engines in specific areas; and disaggregates gains to identify those sectors that provide a combination of growth and employment opportunities. In certain cases, the use of donor subsidies to promote growth in, for example, less favoured areas may be viable where these take the form of 'green field' investments aimed at attracting further private sector or foreign direct investment (e.g. joint ventures, infrastructure projects, etc.) through demonstration effects.

However, donors should primarily intervene from the demand side, not the supply side (however, some supply side interventions also require action, for example, training). Most services and products from the RNFE are non-tradable, that is, they are dependent on local consumption. In addition, low per capita income reduces demand even if there is demand, so supply-side interventions may be inappropriate if demand is stagnant. Alternatively, donors could help make non-farm products tradable in their own right (through assistance with marketing, business services, training, labelling, product development and investment). For example, if we consider eco-tourism, the main demand is local and the key constraint is low income; thus agriculture remains important. The engine is taking growth from the main exports from a region, for example, forestry, mining and manufacturing. Donors need to examine supply chains and look for bottlenecks to be loosened (and opportunities to be stimulated), never mind the sector in which they may arise, or whether that point is geographically rural or urban. There is a history of blind spots in agricultural development, when enormous effort has gone into gearing up on-field production, with little attention to post-harvest issues (a deficiency that the DFID rural natural resources programme has tried to address directly).

Tools for RNFE analysis exist, however, donors should try not to do everything. We have shown that using research to link and evaluate action is practical and useful. Also investing in local level public goods (perhaps in some cases with the state as facilitator) and perhaps safety net provision (short term) would be useful. Donors also need to look more widely than self-employment in the RNFE, but also at businesses (SMEs) that employ 20–30 people as part of a waged job creation strategy.

How To Intervene in Resource-poor, Low-potential Areas?

The economic potential of a particular rural area largely depends on its natural resource base and location and its impact on market access. Low-potential areas tend to score low on both accounts, in that they lack the economic resource base and suffer from remoteness. The economic and social infrastructure is generally poor and human capital levels are low. Because of the lack of economic opportunities, these areas normally export labour to other more prosperous regions within the country or abroad. It is important to note, however, that not all under-developed regions have low economic potential. Some may possess resources and dormant engines of growth, which have not been developed because of infrastructural constraints, bad governance or conflict.

Whilst RNFE interventions in low-potential areas may be desirable from a poverty reduction perspective, project agencies must be well aware of the difficult challenges ahead. Given the paucity of growth engines, infrastructural development in these regions may generate few employment and income opportunities while exposing them to increased competition from the outside, a scenario that would exacerbate economic distress and intensify migration outflows. In these adverse environments, the higher intervention costs, the need for a longer intervention time-frame, the difficulties of generating significant impact, and the potential sustainability problems must also be borne in mind. Still, even resource-poor regions may offer scope for cost-effective, demand-driven interventions. Livestock, forestry, fisheries or handicraft activities can often be targeted. Cultural specificities and natural beauty may in some cases present opportunities for developing tourism.

Despite the fact that some case study programmes and projects have intervened in poor communities and areas, knowledge on how to promote the RNFE in remote and low-potential areas is still insufficient. What sort of interventions should be developed for resource-poor and remote areas which lack clear growth opportunities? What sort of balance should be reached between support to higher and lower potential regions? Resources are scarce and difficult allocation choices must be made.

How To Develop Private Service Activities?

Services are weakly represented in the RNFE interventions studied, which emphasize manufacturing activities, especially food processing. Within the case studies that involve service activities, tourism clearly predominates. Biases in the sector composition of RIMISP case studies are partly a consequence of the fact that many RNFE project interventions in Latin America reflect local communities' interest in adding value to their agricultural production. These imbalances may also result from insufficient knowledge by programme and project designers of recent empirical work showing that in Latin America, services account for a much larger proportion of RNFE incomes than manufacturing (Reardon *et al.,* 2001).

The fact that services are important to the livelihoods of many poor rural households cannot be neglected, nor can the fact that some of them play a supportive role in the development of key sub-sectors[11]. While it is true that in the past RNFE interventions have shown a tendency to overlook such activities, this feature may be somewhat overstated. Some examples of micro-credit and micro-enterprise development initiatives in Latin America with clear impacts on rural service activities could have been assessed. An evaluation of these experiences could then translate into lesson learning and the development of guidelines for rural service activity promotion. Dissemination of this work could prove important in addressing current sector imbalances within RNFE initiatives.

What Role for Wage Employment Promotion?

Nearly all the interventions studied emphasize self-employment. This contrasts with recent empirical evidence, which shows that in rural Latin America and South Asia, non-farm wage employment is equally, if not more, significant (Mandal and Asaduzzaman, 2002; Reardon *et al.*, 2001). The excessive focus on self-employment may perhaps result from perceptions of its less exploitative nature and its strategic importance for poverty reduction. Although true in some contexts, these perceptions are debatable. Integration of the poor into the labour market can prove a much valid complement, and sometimes superior alternative, to strategies centred on self-employment promotion in the informal or formal sectors.
A greater balance between promotion of self-

[11] This is the case, for example, of repair, trading and transport activities.

employment and support to SME development has implications for the spatial focus of programme and project interventions. The latter require using rural town centres as an entry point to a greater extent, since SMEs tend to be located in centres where they can benefit from improved access to services, economic infrastructure, markets and labour.

Although there may be some scope for project support to large enterprises, this option is limited since external bottlenecks to firm growth tend to dominate. Because of their costly and public good nature, external constraints are largely beyond the intervention capacity of individual projects, and must be addressed through selective sub-sector interventions by local and central governments and project networks. Key bottlenecks may include, for example, inadequate power and water supply, poorly developed telecommunications, weak transport infrastructure, etc.

How To Ensure Sustainability?

Most sustainability analyses are conducted before, during or immediately after project interventions, often as part of project design, monitoring and evaluation. The analysis undertaken is generally forward-looking and somewhat speculative rather than based on objective indicators. Comparative analyses of different case study experiences are rare. Sometimes, those involved in the analysis lack the incentives to undertake an objective and critical assessment or disseminate findings to a wide audience. For all these reasons, and despite many decades of rural development interventions, not enough is known about sustainability. Dissemination of lessons learned has also been erratic and far from effective in changing perceptions and practices.

Future research should address current knowledge gaps and stress dissemination among relevant agencies and organizations. Focused case studies, conducted by independent analysts some time after projects or programmes have phased out, could prove useful. Examples of similar strategies that have succeeded or failed in different parts of the world would be particularly illustrative.

How Do We Prioritize Policies and Interventions?

As the RNFE in both developing and transition economies covers a lot of ground, the above may be a little general. Few if any expected points are omitted, but a policy-maker might wish for more guides to prioritizing the many good things that might be done. How do we go about prioritizing? We need to be able to classify sets of policies by criteria such as phase of development, or geographical characteristic of the RNFE, for example, remote areas, middle countryside, peri-urban areas, etc. The following is expressed as phases, although the three phases could be re-labelled as remote, middle and peri-urban areas requiring only a few adjustments (see Table 3). This is hardly surprising if for many rural areas there has been, is and will be a sequence of moving from remote to peri-urban (but this should not be over-stated: there will be places that do not necessarily make these transitions). Table 4 provides a summarized best practice guide to RNFE interventions. It highlights key principles, strategies, activities and rationale for donor or government intervention. The key principles include:

- prioritize activities targeting attractive markets
- support producers to meet market requirements
- improve market access
- whenever relevant and feasible, promote the development of common interest producer associations and co-operatives
- develop flexible and innovative institutional coalitions
- adopt a sub-sector approach
- develop sustainability strategies from the beginning.

Table 3: Phase and context of RNFE development: prioritizing interventions

Phase and context	The agricultural and food chain	RNFE	Policy implications
1. Isolated rural economy, little development	• Production to cover local subsistence Processing takes place within village • Only surpluses produced are for products that are high enough in value to bear high transport costs	• Highly diverse, since needs to produce for most of the village • Main products: construction materials, utensils, tools, furniture, clothing • Services: repairs, construction, transport, trading • Education, health and healing, religious, entertainment • Migration may be important source of funds	• Investments in basic physical infrastructure, especially roads • Education and primary health care, including vaccination campaigns • Drinking water and sanitation
2. Rural economy becomes more closely connected with urban economy	• Production rises, with an increasing fraction of farm output destined for the market. More specialization • Some processing may now shift to cities • Inputs, e.g. fertilizer, chemicals, tools and machinery, bought in from urban industry • Some food products brought in from other regions	• Imports from urban industry replace some local (artisan) manufacturing, e.g. textiles, plastic goods and ironmongery • Increased local purchasing power stimulates some parts of the RNFE, above all retailing, construction, transport and entertainment • Increasing government spending on formal education, health services, physical infrastructure and utilities	• Supply side policies: technology extension • Remedying market failures, above all in financial markets. • Possible input supply and marketing • Formal institutions: property rights, weights and measures • Expanded and improved physical infrastructure including telecommunications and electrification and social investments
3. Rural economy well integrated into national economy	• As above, only more so • Farming may find itself facing higher land costs in competition with housing and industry in peri-urban zones. Access to water may be contested in such areas: pollution may become a charge on farming	• RNFE becomes larger, driven by increased local and government spending, but becomes more specialized as goods and services are brought into the village or else villagers travel to urban centres to seek goods and services • RNFE thus focuses on non-tradables, e.g. retailing, transport, education, health and construction • Emergence of new opportunities in leisure and tourism • In peri-urban areas, provision of urban services in housing • In some cases, decentralized manufacturing sets up in rural areas seeking lower labour and land costs • Operates on sub-contract to urban firms • Government spending may become a significant fraction of rural incomes, if policy is to provide comparable services in rural areas to those in urban areas	• Maintenance of physical infrastructure and supply of social investments • Facilitating private investment, information flows – generally trying to reduce transaction costs • Land use planning and regulation in peri-urban zones

Table 4: Best practices: a guide to interventions

Key principles	Strategy	Activities	Rationale	Comments
1. Prioritize activities targeting attractive markets	Identify remunerative markets	• Formal and informal market appraisals	Capitalize on activities with good growth prospects to achieve impact and contribute to local economic development	Most higher potential activities will cater for non-local markets
2. Support producers to meet market requirements	Improve production, marketing and managerial skills Promote access to credit Ensure access to intermediate inputs and technology	• Provide on-the-job and formal training/link producers to training providers • Promote exposure visits • Develop business advisory services/link producers to business advisory service providers • Deliver credit/link producers to credit suppliers • Develop saving and loan groups and credit co-operatives • Support input production/ link producers to input suppliers • Promote effective sub-contracting systems	Produce what the market wants at competitive prices	
3. Improve market access	Develop market linkages Stimulate demand Improve transport infrastructure Develop producer organizations	• Organize exposure visits to markets and trade fairs • Organize visits to production sites by buyers • Facilitate contacts between producers and buyers • Provide information on buyers	Enable producers to access remunerative markets through a reduction in transaction costs, development of customer loyalty, and/or an increase in scale	Linkage promotion is most effective when producers have some minimal scale Infrastructure development is often beyond the scope of RNFE projects, and normally requires government action

Table 4: ***cont.***

		• Advise producers on product labelling and certification and advertising and selling strategies • Engage in dialogue with relevant public stakeholders to develop critical public infrastructure and market promotion efforts • Assist producer group formation and development, etc.		
4. Whenever relevant and feasible, promote development of common interest producer associations and co-operatives		• Provide training and advice on group leadership and management, marketing strategies, etc. • Provide business advisory services • Promote market linkages, etc.	Reduce service delivery costs, foster scale economies, and improve bargaining position and lobbying capacity of small-scale producers	The success of past experiences in group formation and development has been mixed
5. Develop flexible and innovative institution coalitions	Sensitize and mobilize a wide range of relevant players and supportive institutions Support capacity building within relevant public and private organizations	• Form multi-stakeholder local consultative fora • Develop dialogue with local, regional and national governments, etc.	Attract funding for projects and programmes, build on the strengths of different institutions and service providers, attract government investment in critical public goods, promote key policy reforms, ensure continuity of service provision after project lifetime, etc.	Need for a selective and strategic approach to institutional partnerships to reduce the complexity of co-ordinating project execution and stakeholder dialogue
6. Adopt a sub-sector approach		• Market appraisal • Supply chain analysis • Institutional analysis • Identification of leveraged interventions	Intervene taking into account the whole supply chain and the sub-sector environment (market players, support institutions, policies, constraints, opportunities, etc.)	

Table 4: ***cont.***

Key principles	Strategy	Activities	Rationale	Comments
7. Develop sustainability strategies from the start	Support financially viable economic activities Strengthen capacity of project participants Promote effective linkages to service providers and buyers Lobby for supportive public investment and policies Develop appropriate time-frame for implementation Use subsidies strategically, emphasizing innovation and services with public good component		Ensure that critical support services and promoted economic activities continue beyond project lifetime	Lack of sustainability is often the weakest element of RNFE project interventions

Summary

Chapter 6

This publication summarizes the findings from more than 55 studies of rural economies and the rural non-farm economy (RNFE), most of them financed by DFID. It relates these to the existing understanding of the RNFE in the literature and tries to draw out policy implications.

In brief it reports that:

- The RNFE is an important part of the rural economy in almost every case, providing between 40% and 60% of incomes and jobs in rural areas.
- Much of rural non-farm activity arises in trading and the processing of agricultural and other primary products; rural manufacturing tends to comprise only a small part of the RNFE.
- Much of the RNFE provides goods and services for the local, rural economy. Little of it is tradable and earns incomes outside the immediate rural context. In large part, then, its growth is dependent on that of other rural activities, above all, agriculture.
- The RNFE is divided into activities that are small-scale, use little capital, and which are low productivity and offer low returns, often little better than farm labouring; and activities that operate at larger scale, with more capital investment, generating better returns to labour than can be had in most kinds of farming.
- Since the former category is accessible to the rural poor, the RNFE is essential in mitigating poverty and preventing destitution, but it is less clear that it can eradicate poverty. Moreover, since it is the better-off who can generally access the well-rewarded rural non-farm activities, the RNFE may exacerbate inequalities. Much depends on the ability of rural non-farm enterprises to create jobs and so distribute the benefits across rural societies. At the same time, if some rural non-farm activities provide support to growth sectors (e.g. in the case of agriculture, input supply, equipment manufacturing and distribution, transport, repairs, etc.), then it may indirectly play an important role in poverty alleviation by enabling poverty reduction elsewhere (in this case in agriculture).

Policy Implications

- The RNFE cannot be expected, in most cases, to drive the rural economy. There may, however, be niche markets to exploit; such opportunities would benefit from targeted interventions, such as reduction of import duties, corporate taxes and administrative and bureaucratic requirements; improvement in communications and in transport infrastructure; and provision of credit, extension and advice services. None of this is entirely novel to development practitioners; policy for the RNFE may be more a matter of attending to some well-known areas rather than advocating novel approaches. A clear need is to identify models of successful intervention in these areas (e.g. in rural manufacturing, tourism and non-agricultural primary activities).
- Basic elements of an RNFE policy include having the physical infrastructure in place and universal education. There is much to be done to resolve the credit and finance bottleneck. Fortunately, the lessons of micro-finance are

being learned and may provide useful lessons and application for the RNFE. Providing business support services in training, technical assistance and information is indicated, but it is not clear where the models lie.

- If there are novel departures, then the advocates of supply-chain analysis, and the potential for clustering of rural business, have ideas that merit attention. But their ideas may apply first and foremost to rural manufacturing, tourism and non-agricultural primary activities that may, in most cases, apply to a minor part of the RNFE.
- In drawing up PRSPs, policy-makers have given little or no explicit attention to the RNFE. Nevertheless, strategies that see only farming in the countryside can miss RNFE opportunities and issues, and policies that stress decentralization (e.g. predatory and capricious local governments) may actually produce threats to the micro businesses that make up a large and important part of the RNFE.
- Generally speaking, rural areas are poorly serviced with the physical infrastructure required to access national market centres or export points. Planning departments need to ensure that the rural-urban split of resources dedicated to infrastructure provision is fair, and this may necessitate lobbying by local government and other relevant agencies.
- Information on market opportunities should be made more readily available. This should include not only an initial study to identify viable markets for rural producers, but a regular flow of information that provides reliable market intelligence. It could be used not only to give producers an idea of price trends, but also, for example, opportunities for product customization.
- It is well recognized that poorly functioning financial systems in rural areas are an impediment to growth, but the development of credit co-operatives and micro-credit organizations should be complemented with training on how to develop business plans and approach financial institutions. Issues relating to the effective targeting of credit and appropriate terms of repayment require further research, although the notable successes in the field are numerous enough to provide some useful guidance.
- An important component of good practice projects, training can be delivered through a variety of media. Training should be delivered not only to ‘core’ project clients but also to other key players in the product chain, although how to do this over wide areas, while catering for a variety of stakeholders is at present unclear.

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Appendix

A Guide to the Cases Reviewed

Region or country	National data	Survey at district or village levels
Africa		
Eastern and Southern Africa	*Mead 1994 on Botswana, Kenya, Malawi, Swaziland and Zimbabwe*	
Botswana		*Panin et al. 1993 on Kgatleng D.*
Ethiopia		Carswell 2002 on Wolayta.
Ghana	*Canagarajah et al. 2001*	Okali and Sumberg 1999 on tomatoes in Pamdu, etc; Jones *et al.* 1999.
Kenya	*Daniels 1999, Livingstone 1991*	Gichuki *et al.* 2001; Nelson 2000 on Makueni; *Evans and Ngau 1991*; *Lewis and Thorbecke 1992 on Kutus*; Hunt 1995 on Mbeere.
Malawi	Sen and Chinkunda 2002	*Tellegen 1998 on Machinji and Salima*; Orr and Orr 2002 on southern Malawi; Ellis *et al.* 2002 on Dedz. and Zomba D.
Niger		Drylands research 2001 on Maradi.
Senegal		Faye *et al.* 2001; Faye and Fall 2001 on Diourbel.
South Africa		Soussan *et al*. 2002 on Bushbuckridge D, KwaZulu-Natal; Scoones 2002 on Wild Coast, Eastern Cape; *Slater 2002 on Qwaqwa, Free State; Bins and Nel 2002 on Eastern Cape and KwaZulu-Natal.*
Swaziland	*Leliveld 1997*	*Simelane 1995 on Southern Swai.*
Tanzania		Ellis and Mdoe 2002; Lyimo-Macha and Mdoe 2002; Ashley *et al.* 2002 on Morogoro D.; Homewood *et al.* 2002 on Ngorongoro.
Uganda	Balihuta and Sen 2001 *Canagarajah et al. 2001* *Deninger and Okidi 2001*	Frank and Bahiigwa 2001; McDonagh and Bahiigwa 2001; Dolan 2002 on Mbale, Kamuli and Mubende D.; Smith *et al.* 2001; Zwick, in Rakai and Kumi.
Zimbabwe		*Berkvens 1997 on Mutoko; Piesse et al. 1999 on Chiweshe and Gokwe.*

Region or country	National data	Survey at district or village levels
Asia		
Bangladesh	*Mandal 2002,* Toufique 2001	Greeley 1999; Toufique and Greeley 1999 on Chandina and Madhupur.
China		*Cook 1999 on Shandong; Murphy 1999 on S. Jiangsi. Wang 1997 on the Shenyang-Dalian corridor.*
India	Dev 2002, Salagrama 2000	Basix 2002 on Andhra Pradesh; *Unni 1996 on Gujarat; Simmons and Supri 1997 on Punjab*; Dasgupta *et al.* 2002 on Madhya Pradesh; Wandschneider *et al.*, Bolangir, 2002, 2003; Marter, Madhya Pradesh 2001, 2002; Kleih 2003.
Indonesia		*Leinbach and Smith`1994 on south Sumatra; Tambunan 1995 on Ciomas, Western Java.*
Nepal		Adhikari 2002 on Pokhara region; Blaikie *et al.* 1998, 2002 on West-Central Nepal.
Pakistan	*Adams 1994*	
Philippines		*Leones and Feldman 1998 on Eastern Visayas, Leyte.*
Sri Lanka		*Balasuriya et al. 1998.*
Latin America and Caribbean		
Brazil		*Roberts 1995 on Carajás, Pará.*
Mexico		Wiggins *et al*. 1999 on central Mexico.
Region-wide		RIMISP, 2000, 2001. RUTA, 2002; Wandschneider, 2002.
Transition Economies		
Armenia	Davis *et.al.* 2001, 2002, 2003	Davis *et al.* 2001, 2002; Bezemer and Davis, 2002 Armenia.
Georgia	Davis *et al.* 2001, 2002, 2003	Davis *et al.* 2001, 2002 Kakheti, Guria.
Romania	Davis *et al.* 2001, 2002, 2003	Davis and Gaburici, 2001; Janowski and Bleahu, 2001 in Brasov and Dolj.
Russia		ADAS Intl., 2001 Case studies.
Ukraine		ADAS Intl., 2001 Case studies.
Uzbekistan		Kandiyoti 1999.
Region-wide		Wandschnieder and Davis, 2002; Davis and Pearce 2001; Davis and Bezemer, 2003.

Cases in italics refer to studies **not** funded by DFID.

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