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During the last decade, the World Bank has made a substantial adjustment in the scale and direction of its assistance for agriculture and rural activities. The Bank is at present the largest single source of external funds for investment in the rural sector, contributing some five percent of the annual investment by the public sector in the agriculture of its client countries. Since 1946, when its lending operations began, the Bank has lent nearly $8 billion for agriculture and rural development. In as much as each dollar invested by the Bank is generally matched by an equivalent investment from domestic resources, the Bank has in the past 30 years contributed to and participated in the financing of some $16 billion in project-oriented programs in agriculture and rural development. The contribution of the Bank has increased substantially in recent years, however, rising from an average of $120 million a year in the mid-1960s to more than $1.6 billion in the mid-1970s.

I. The Changing Approach to the Rural Sector

Through the years the Bank’s approach to the rural sector has changed, as have the nature and design of Bank-financed projects, reflecting the significant changes which have taken place in thinking about and attitudes toward agricultural and rural development in particular and economic development in general. In the early 1950s the Bank made few loans for agricultural development, because the development process was assumed to revolve around the transfer of real resources from rich nations to poor nations, with emphasis on closing the foreign-exchange gap; it was presumed that investment in the modern, capital-intensive sector was what would bring about rapid
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growth. Few investment opportunities were recognized in agriculture except in the export sector, and the capital requirements for agriculture were believed to be small in any event. Further, agriculture was given a low priority because a lack of demand was assumed to be the major constraint upon increased agricultural output; it was reasoned that increased investment in the nonagricultural sector would be required to generate higher nonagricultural incomes, which in turn would increase demand in the agricultural sector, thereby stimulating under-employed capacity to greater output.

Subsequently, agricultural growth was recognized as a necessary, though not sufficient, condition for economic development. At the same time, there was a growing awareness of shortage of capital in the rural sector. New technological advances made it clear that there was scope for high-yielding investments in agriculture. The Bank responded to these new views by increasing both the volume of its investments in agriculture and the share of its total investments that went into agriculture. Lending for agriculture rose from a total of $451 million during the period 1948-63 to $621 million during the period 1964-68, or from 8.5 percent to 12.3 percent of all lending. The emphasis, though, continued to be on closing the resource gap, with consequent stress on investments in capital-intensive projects; thus 75 percent of all investment was allocated to large-scale irrigation projects.

It soon became apparent that capital works, however well-engineered, did not in themselves lead to increased output. Agricultural development necessitated complementary changes at the farm level, and the promotion of agriculture required dealing with complex systems both within and outside the rural sector. The Bank therefore broadened its lending, shifting its direction toward the encouragement of technological change at the farm level. Its program now included the financing of research, extension services, training facilities, marketing, credit, rural transportation, and small-scale irrigation.

The emphasis was thus shifted from lending for "off-farm" infrastructure (such as irrigation projects) to rural credit as a mean by which farmers could obtain capital to finance "on-farm" investment. In most instances loans were channeled through specialized agricultural development banks or established commercial banks. Ideally, such projects fulfilled three related aims: they transferred resources, they led to increased production, and they contributed to the overall growth of the economy.

These loans also had their limitations. A sample of five loans made
during this period for livestock development indicates that the average loan per farmer was in excess of $25,000. The loans were accompanied, however, by insignificant employment effects, the average number of beneficiaries being only one or two families from each sub-loan. Concern with issues related to employment contributed to the next stage in the evolution of lending by the Bank in the rural sector, which was a shift in emphasis toward rural development. This shift was influenced greatly by the work of social scientists, — who pointed out that while economic growth had taken place in most countries, large social groups, particularly in rural areas, were not sharing in the benefits of that growth. Rural poverty appeared not to be diminishing but rather to be increasing. Demographers, sociologists and labor economists made it clear that the developing countries of today could not in the short or medium term repeat the pattern of development that most of the developed world had followed — namely, that of increasing the intensity of capital investment in agriculture, thereby contributing to the displacement of labor. Capital was too short and alternative employment opportunities were too limited for the developing countries to follow such a pattern.

Analyses of the distribution of capital expenditures for social services and facilities indicated that — in all countries — the rural areas were far less well endowed than urban areas, according to the usual indicators of social welfare. Rural areas had fewer schools, hospitals, teachers, and doctors per capita than did urban areas. Despite migration, furthermore, rapid increases in population, combined with low levels of both on-farm and off-farm investment in rural areas, were bringing about greater underemployment, and substantial numbers of unemployed, landless laborers were emerging, especially in Asia.

Fortunately, at the time these studies were undertaken, there was a growing literature by agricultural economists on the theory of small-farm production and its relation to national development. The analyses of these economists showed that small farms were both labor-intensive and productive. All this led to a call for a new approach to agricultural and rural development. The new approach would have to be focused on the traditional sector and on ways of providing the credit and the technical and material inputs which would make rural labor more productive. New high-yielding varieties of such staples as rice and wheat seemed to provide a technological basis for this change. Since they could be used by the small farmer both for his subsistence and for the generation of cash income. The traditional small-farm sector would have to become the producer of an agricul-
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The Bank thus adopted a new approach to one aspect of the problem of rural poverty to guide its lending in the rural sector. The emphasis was shifted from efforts aimed at promoting simple growth to an attempt to improve the output of the small farmer, principally by increasing those investments that would benefit lower-income groups in the rural areas. This effort has become the main focus of the present approach of the Bank to rural development, although loans are still made for larger, more capital-intensive agricultural undertakings when they can be justified on the basis of other criteria of development.

The Bank’s present approach to rural development has a sound economic basis: recognition of the fact that the mechanism implied by the traditional labor-surplus, two-sector model is incapable of solving the problems of the rural sector in the short-to-medium term. The problems of poverty in rural areas cannot, of course, be solved in the rural areas alone; a dynamic, expanding nonagricultural sector is essential for providing employment opportunities for an increasing population. So long as the small farmers and low-income groups in the rural areas are unproductive, however, they can contribute little toward solving problems of malnutrition or inadequate food production, in either rural areas or the towns — and according to our estimates there are more than 100 million holders of less than five hectares of land and close to a billion rural inhabitants with average per capita incomes of less than $100. This is why increasing the on-farm productivity of small-holders remains a central — though not the exclusive — element in the Bank’s lending program in the rural sector.

II. The Concept of Integrated Rural Development

Most of those who live in rural areas are still to varying degrees dependent on agriculture for their livelihood. Consequently, any approach to development in the rural areas has to be concerned largely with agriculture. Rural development, on the other hand, means more than just agricultural development; exactly what it does mean, though, has been the subject of much debate and little agreement — a fact that can be illustrated by recent experience within the United Nations.

A recent unpublished study commissioned by the UN indicated
that five of the ten principal agencies of the United Nations concerned with various aspects of economic and social development had no practical definition of rural development. Only two of these ten agencies had any means of monitoring the percentage of their activities that might be classified as "rural development" or of assessing the results of those activities. It was clear that the term "rural development" has different meanings in different UN institutions; the study indicated that the term tends to evoke involuntary responses that vary widely from institution to institution and even among individuals within the same institution. This finding applies with even greater force when the adjective "integrated" is appended to rural development. The word "integration" seems to be subject to interpretations that range from broad philosophical or sociological concepts to microeconomic issues of linkages within projects.

The World Bank has devoted a great deal of thought to the concept and meaning of rural development, as is reflected in the policy paper on rural development prepared in 1974. In the course of the preparation of that paper, and in subsequent discussions, it was agreed that any approach to rural development must be addressed to the most urgent problem in the rural areas, the problem of rural poverty. It was therefore agreed that concentrated attention to projects which directly and in very large measure aid the rural poor must be a common element of all approaches to rural development. In its policy paper the Bank defined the rural poor — the target group to be aided — as those placed by their annual incomes in the lowest income groups defined on the basis of a mixture of absolute and relative poverty criteria, according to the special circumstances of each country. How one defines and approaches the rural poor varies greatly from institution to institution, but in the present-day vocabulary of international institutions the term "rural development" now implies, among other things, a focus on poverty. Thus we have an interesting phenomenon in that the definition of a functional subject centers around an income criterion.

The Bank's rural development policy paper included another sociological concept which has gained broad acceptance, namely that the rural poor represent a reservoir of untapped talent which has been left out of the mainstream of development. In order for this social group to contribute to the development process, they have to be more productive than they have been in the past; increased productivity and higher incomes for the target group are implicit in the rural development program. By the same token, rural development
also implies giving the target group the opportunity to enjoy the benefits of development: improved education, health, and nutrition, among other things.

The notion of "integrated" rural development adds a further dimension to the focus on poverty. In a broad sociological sense the process of rural development must integrate the rural poor into the social, political, and economic life of a country. Our concern here, however, is rather with the project-oriented concept of integration. A mix of components in rural development projects is usually justified on the grounds that a mix of investments in any given project produces a synergistic effect — the old idea that the whole is greater than the sum of its parts. Perhaps this can best be illustrated in technical terms within agriculture. The use of improved seed, fertilizer, and controlled water supply have an established relationship to plant production. It is easily demonstrated that the simultaneous use of these three inputs can produce an output greater than, let us say, the sum of the outputs that would result from using each input separately, or from using two of the inputs but not the third. In general, agricultural projects financed by the Bank have a holistic cast; increasingly they include research, extension, and provision of credit and other inputs to farmers, each component reinforcing another.

Rural development projects extend beyond agriculture, for they include such nonagricultural components as potable water supplies, shelter, rural electricity, health and educational services, and roads. A rural development project can involve only a single sector — transport, education, or agriculture, for example — or they can be multisectoral, but in either case the key features are explicit and direct orientation toward the target group. Any holistic effects of a multisectoral approach to investment would presumably arise from the interaction between investments in human capital and those having the purpose of raising rural incomes, primarily by means of increased agricultural production.

A project-related difficulty is that comprehensive, or multi-sectoral, rural development projects are more difficult to design and to administer than single-sector projects. Our experience also indicates that they are more difficult to implement. Most government departments are organized along functional lines, such as agriculture, forestry, fisheries, health, public works, education, and small-scale industry. Few governments have operational responsibilities for multisectoral rural development. Consequently, projects that deal
with rural development tend to require some horizontal integration of administrative effort, thus necessitating a break with traditional patterns, in many instances, and generating conflict between line departments that provide sectoral services and those that are interested in promoting intersectoral coordination at the project level.

Clearly there are conceptual qualitative, and administrative problems which tend to conflict with the idea that an integrated multisectoral project leads to a more efficient use of resources by virtue of a holistic effect. These problems should not be allowed to obscure the value of a comprehensive approach to development of the rural areas. Such an approach, though, would presumably be in the form of a national or regional plan or program with a mix of soundly oriented investments not based exclusively on criteria related to any presumed short-run effect on production. There should be no need to rely on the presumed gains from integration of components for justification of an investment the purpose of which is to raise the level of living in a backward or poor area. These investments should be justified on other grounds, such as the meeting of acceptable minimum needs or the removal of a particular obstacle to increased production, and should be based on an integrated approach. Undoubtedly, a multifaceted or multisectoral approach has the merit of quickening the pace of change, which is the essence of rural development, but the gains from integration do not by themselves seem to justify such an approach.

To summarize the Bank's approach to rural development, it is a process intended to raise the output and incomes of the rural poor. It extends beyond agriculture, and it has the purpose of bringing the benefits of development to the rural areas, with emphasis, once more, on aiding the low-income groups or those who have been passed by in the growth process. While the Bank supports multisectoral projects, some uncertainty remains about justifying such an approach solely on the grounds that a mix of components will lead to better results because of the effects of integration on the use of resources. In our view, a well-designed rural development project should reach large numbers of low-income producers; should be able to raise the incomes of this group; and should be replicable, especially with regard to the costs involved. It should be comprehensive in scope where it is clear that the nonagricultural components are consistent with national, regional, and sectoral guidelines.
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III. The Macrosocial Environment and the Focus on Small Scale Producers

The World Bank, like many other international agencies, is a relative newcomer to the field of rural development. As latecomers we have been able to learn from the experience of others. Perhaps the most important lesson that we have learned is the importance of including productivity and opportunities for raising incomes in projects as a mean of ensuring their viability and gaining popular support for them. We have also learned from our own experience in some projects. While it is too soon to assess their full impact, we believe that we have gained from them some insights into problems of rural development, especially problems of raising the incomes of small-scale producers, which are the focus of the following discussion.

Our experience so far indicates that projects seldom bring the desired results if the environment is not conducive to success. The environment is conditioned by a host of social, economic, physical and cultural factors. I would like to emphasize two of these factors; the first is related to the low-income farm sector, and the second influences the entire agricultural process.

The first and most significant factor influencing the general environment for rural development is political (and hence national) commitment to a policy of making the rural sectors more productive and, especially, of involving small farmers in development. One indication of the degree of such commitment is the amount of the budgetary allocations for rural development - though it is difficult to isolate these allocations when looking at budget documents. It appears, though, that most governments fall into one of three categories: those that are committed to assisting low-income groups in the rural areas; those that are receptive to the idea of doing something but are not in a position to mount a program; and those that deny that there is any need of special assistance for the low-income groups. An analysis of budget allocations in the principal developing countries suggests that perhaps half the governments are increasing their investments in rural development.

Another element of commitment that affects the environment of a project is the attitude of the local bureaucracy. This is a vital factor in most rural development projects, since they usually involve local action through community participation. Most programs and projects involve decentralized decision-making and administrative functions. Consequently, a great deal of agricultural and operational responsi-
bility tends to devolve upon bureaucrats at the field level. There is ample experience to indicate how significant the attitudes of local officials are in influencing the course of rural development projects. Such officials usually have responsibility for initiating activities, for organizing and mobilizing local resources, and for helping in the management of operations. One mark of the commitment of governments to rural development is, of course, the extent to which they assign capable officials to work on rural development and give them adequate support in the form of attractive terms of service — something that only a few governments, notably those of Mexico, Korea, and India, do. Thailand, to give another example, gives special allowances to field-level personnel of its Institute for Rubber Replanting.

Our experience indicates clearly that economic incentives determined by the terms of trade for agriculture and related price and fiscal policies constitute another factor in the outcome of all agricultural projects including rural development projects. The best-organized projects have encountered difficulties when the structure of costs and prices has not provided adequate incentive to producers, both large and small, to increase their output. This is true in both centrally planned and free-market economies. There is some evidence that an increasing number of governments, especially in Asia, are adopting price policies that are more favorable to all agriculture (and rural development). Nonetheless, there are still many governments, both in Latin America and Africa, where the prevailing price policies are creating a poor environment for agriculture and rural development of any kind.

IV. The Project Approach in Rural Development

Much of the effort in rural development projects of the Bank has been directed towards increasing the output and incomes of low-income producers, often by means of the introduction and expansion of technological change at the farm level. The assumption underlying this effort is that three basic conditions must be met if changes are to be brought about: producers must know how to increase their output, they must have access to the means of increasing their output, and they must have the incentive to make the effort and accept the risk associated with increasing their output. Agriculture is atomistic in the sense that there are many producers, each with little influence over the prices they receive (though improved marketing techniques can often raise prices at the farm gate). Consequently, most projects tend
to be focused on cost-effective ways and means of delivering to farmers the goods and services that they need. These include the inputs that investment in infrastructure, such as water and transport, will provide.

Most programs and projects designed to help farmers depend to a large extent on support services provided by institutions away from the farm—-institutions that provide information, credit, technical inputs, and marketing and transport services, for example. In many countries—indeed in most countries—these institutions are organized in such a way that they serve large-scale producers primarily. Frequently this is a politically determined matter of policy; also the larger farmers and the suppliers of agricultural inputs often have common interests. Sometimes an institutional bias toward larger producers exists simply because management finds it to be easier, safer, less costly, and less troublesome to have a clientele of larger producers. Be that as it may, the poorer producers with small holdings are seldom the primary beneficiaries of programs designed to aid farmers in becoming more productive. Thus the heart of any program aimed at helping small farmers to be more productive must be the creation of institutions that will undertake those tasks which are of assistance to small producers.

The Bank expects to increase substantially the volume of funds committed to projects designed to strengthen critical rural support services, thereby breaking the constraints on production and, in many circumstances, permitting more effective use of physical infrastructure which is already in place. The attention given by the Bank to command area development in already irrigated areas is part of this effort. Gains in production from such programs could be substantial. In India possibly as many as 15 to 20 million hectares of irrigated lands are producing at only half their potential of perhaps two tons per hectare. In large parts of the rainfed grain-producing areas of West Africa, an increase in output of less than one percent a year, attainable with known technology but requiring stronger support services to farmers than they now receive, would permit increased self-sufficiency in a wide range of crops which can be produced locally.

Programs and projects intended to help low-income producers must be designed and implemented with that end in view. A first sociological operational requirement for any such program is that there be a clear understanding and identification of the target group. It is relatively easy to establish an objective measure of a poverty datum line; those measures that have been used range from refined estimates based on the critical level of consumption and minimum nutritional require-
ments of a family to crude estimates, such as half the average family income. Once a poverty datum has been determined, it can be translated into some appropriate yardstick – the size of a holding under various conditions, for instance which can generate a size-of-holding criterion for the minimum income level of the target group. Other criteria which might be used are: a measure of a farmer’s assets or the number of laborers employed. Whatever criterion is used will provide the upper limit of income of the target group and permit a complete enumeration of the group in the project area.

In some situations structural change may be a necessary precondition for rural development. The most important kind of structural change in the rural sector is the redistribution of land. It may be necessary to change the land-based power structure in a society before much can be done about political commitment to rural development and the scope for local participation in it. From a more limited perspective, there are also situations in which the redistribution of land can bring idle land into production by making it available to underemployed rural laborers. While our experience indicates that substantial rural development projects can be undertaken to the benefit of large numbers in the target group even in situations in which the distribution of land is skewed, the Bank encourages and supports the efforts of borrowers to improve tenurial arrangements.

Experience confirms the fact that tenurial arrangements in the project area have an important bearing on the success of projects. The reason is that all projects alter the distribution of gains from the land, unless there are adequate safeguards built into the project the weakest landholders are invariably at a disadvantage. A project which is in an area of smallholders who own and operate their own land or who have secure rights to land tends to benefit the producers. In areas of absentee ownership, however, in which the land is operated by sharecroppers or by tenants who do not have security, the benefits from increased investments and higher output are not necessarily realized by the producer. Experience has shown that when projects have provided profitable opportunities, tenants without secure leases have been evicted and replaced by day labor or machines. Some projects in Ethiopia provide examples of this phenomenon. Also, the introduction of new technologies under standard crop-sharing arrangements which are based on profit-sharing or fixed proportional crop shares has often – though not always – led to a disproportionate increase in returns to the landowners.

If there is support for the objectives of rural development, how-
ever, it is possible to design projects that will benefit smallholders (substantially if not exclusively) without the necessity of substantial structural change. This is especially true in situations in which land is being newly developed and resettled. Examples of such projects include:

**Irrigation projects.** In recent years, increasing attention has been given to designing irrigation projects in such a way that large numbers of smallholders can benefit. Many governments now specify limits on the amount of land that can be held by a producer who stands to benefit from the irrigation system. The public costs of these projects tend to be higher because of the necessity of providing a more elaborate and extensive distribution system for carrying the water to a large number of small farms.

**Smallholders schemes.** The Bank has participated in the design and implementation of projects for the production by smallholders of crops which were formerly grown almost exclusively under the plantation systems; these include rubber, tea, sugar, and oil palm. The focal point of many of these projects is the processing plant, which requires a guaranteed supply of raw materials for full utilization of its capacity and realization of economies of scale. Many had come to believe that only large plantations could ensure a steady flow of raw materials to these plants, but it has been demonstrated through experience in many projects – including the Kenya Tea Development Authority and the Malaysian Federal Land Development Authority – that smallholders can produce quality products that were formerly considered the province of centrally managed estates.

**Land settlement projects.** The Bank has financed a fairly large number of settlement projects, principally in Malaysia and South America. Settlers from low-income groups have benefited from these projects, many of which provide all the infrastructure, such as housing, roads, and social facilities that the settlers need. The cost per beneficiary family varies from US $850 to US $28,000 (in 1975 dollars); the cost per hectare is 56 times greater in the most expensive project than in the least expensive.

As a general rule, though, these projects do not reach large numbers of rural people. Functional projects and area developments are the most widely used among projects of the general type with the cost ranging from $1,000 to $33,000 per family, averaging around $1,300. A functional project is one which provides an input or technical package to the target group. A program to provide credit either in kind or in cash to producers is an example of a functional project. In
this instance, the target group is usually defined by size of holdings or fixed assets and income (often expressed in multiples of the minimum wage). In the case of area development projects, the target group as such is not specified. Instead, these projects are for the purpose of developing large areas, which are chosen because per capita incomes are below average and the rating by social indicators is low. The underlying assumption of the area approach, which is typified by the introduction of infrastructure and rural services, is that most of the benefits (though not all) will go to the target group. In the main, most people who live in areas in which average incomes are low and which are generally deprived of social infrastructure tend to be poor themselves.

One of the most ambitious national programs that is directed toward rural poverty areas and supported by the Bank is the $1.2 billion effort now underway in Mexico. The program of the Government is to channel additional investments into microregions by improving the administrative operations of its existing planning and execution system through the establishment of coordinating machinery in the Ministry of the Presidency.

V. Some Lessons of Experience

The experience of the Bank with the range of projects in which we have participated has led us to several conclusions. The first is that it is possible to design projects that will assist large numbers of rural poor to expand production and increase their incomes: there are significant qualifications however:

Farmers and producers of all kinds use new technology only when it is profitable for them to do so. The new high-yielding varieties of rice, maize, and wheat give high returns when they are used with fertilizer and water; many small producers have therefore adopted this technology with gratifying results. We have become very much aware, however, that no such technology is available in many ecological zones of the world, especially in the rainfed areas which contain most of the world's farmers and where less common cereals and root crops are important. Furthermore, technologies developed for a specific location require adaption before they can be employed elsewhere, even when environmental differences may not appear significant. Many Bank-supported projects involve “stabilizing” agriculture by persuading producers to change from shifting cultivation to sedentary agriculture. Much of this is being done under conditions
in which considerable risk is involved because of the limitation of the available technology. It is thus important that there is no diminution of efforts to develop high-yielding technologies for commodities grown in the rainfed areas. Appropriate technologies for dealing with problems such as soil depletion also need to be developed. Many of the poor farmers of the world live in areas in which the resource base has been eroded by deforestation and overexploitation. There is little in the existing array of technologies that can deal with this problem effectively. It is extremely difficult to develop and sustain low-cost delivery systems for agricultural support services. Some progress is being made, however, in the organization of extension services, for example. One approach which we consider to be promising and which is now embodied in some ISB-assisted projects, involves close links between research and extension, careful selection of high-yielding agricultural practices, concentration of efforts in favorable situated agricultural areas, precise work programming of field staff, and regular meetings with selected contact farmers.

Much more thought and effort is needed in order to find cost-effective ways of delivering goods and services to large numbers of low-income producers. Low-cost, effective credit programs are urgently needed. Lending to large-scale producers is in general less costly than lending to small-scale producers; the unit cost of the loans may be the same but the return is much higher on a large loan than on a smaller one. It is estimated that the administrative costs of loans to large producers are often in the neighborhood of 3 or 4 percent of outstanding loans; administrative costs of loans that pass from the government through such groups as cooperatives to small producers tend to range from 10 to 20 percent. These costs do not include any charge for the use of capital, so an interest rate for small farmers that would cover both capital and administrative costs could be as high as 30 percent.

Despite all efforts, including the shifting of the administrative burden at the local level to cooperatives, there seems little prospect that costs can be reduced to levels comparable to those of handling loans to larger farmers. Thus, governments (and bankers) interested in helping small farmers through credit schemes will have to reconcile themselves to subsidizing the administrative costs of these schemes if they continue to lend through systems designed to help largescale producers.

Many innovations have been made in the effort to reduce administrative costs by taking account of the fact that the major clients will be smallscale producers. Some banks have eased their requirements
for small borrowers, basing creditworthiness on reputation rather
than requiring collateral with the associated costs of recording titles.
Other lending institutions are providing credit to villages as units;
the villages then take responsibility collectively for the repayment of
loans. Our experience is that costs can be reduced when there are
specially tailored procedures to facilitate lending to small producers.

Another issue is that of local participation. In practice villagers are
rarely consulted. Commitments to rural development are initiated at
central levels. Budgets are centrally determined. Decisions are made
by central planners. Obtaining full participation, not only by villagers
but also by local and state bodies, often means reversing trends toward
centralization. There are some signs that these trends are being
reversed in a growing number of countries. In our view local participa-
tion is essential if a project is to have the support of the community
and if the benefits of the project are to be realized by those for whom
they are intended. Local participation in decisionmaking is often the
principal safeguard against leakage of funds; in the final analysis,
though, once funds have been committed, control over their use
frequently depends on the nature of the local power structure. This
in turn brings me back to the importance of involving the local
bureaucracy in all matters relating to rural development.

A further point is that rural development projects have the purpose
of providing opportunities for the target group to become productive.
Most projects are designed with the assumption that the numbers of
those who will avail themselves of opportunities to raise their in-
comes will increase steadily. This has not always been the case. The
difference in response to the opportunities that have been provided
is one of the more interesting and puzzling aspects of the implementa-
tion of rural development projects. In some situation the opportunities
are seized by 20 percent of the producers in the first year and by 10
percent more in each of the next four or five years. In other situations,
the pattern to be observed is the familiar one of a slow beginning
followed by a rapid acceleration of adoption of new technology. In
still other situations there is a slow but steady increase, with roughly
the same number of additional producers taking up the new technolo-

gy each year.

The rate of take-up and the associated issue of risk and uncertainty
in decisionmaking are interesting in themselves. Clearly the element
of risk in varying situations in rural development projects needs to be
analyzed sociologically and economically and understood better than
it is now. The rate of take-up, moreover, has a bearing on the rate of
increase in output and incomes. This in turn influences the rate of
return on a project. Thus, in many respects this aspect of rural
development is the crucial one. It is also the aspect about which the
least seems to be known.

Finally we must consider the fiscal impact of projects. Few govern-
ments embarking on large-scale rural development programs are
aware of the long-term budgetary effects of their programs. In many
cases, major portions of the initial investment are from external
sources. But detailed forecasts for financing and administering the
operation and maintenance of such investments are rarely made, and
no resources are allocated for maintenance. Thus canal systems silt
up, rural roads wash out, water pumps break down, health clinics are
not staffed, extension vehicles break down, and deliveries of fertilizer
are not sustained. Our experience is that if fiscal and administrative
problems are to be overcome, rural development programs must from
the outset be designed to maximize the local financing and maintenance
of rural development investments. By way of illustration, in several
countries local committees for the collection of fees for the operation
and maintenance of the water supply, hire a local villager and pay him
to maintain the pumps and reticulation system. When he needs to he
can call upon the staff of the central water-supply agency for technical
help, but the principle of local operation and maintenance is none-
theless established.

In conclusion, I would like to review three major themes of this
paper and to mention some areas in which we think that additional
research and attention to policy is needed.

The Bank’s lending for agriculture has shifted in emphasis and is
now focused on lending for small farmers. This is part of the Bank’s
policy for promoting rural development where rural development is
defined as having an antipoverty focus.

It is necessary that there is a suitably encouraging environment
before there can be successful rural development. Such an environ-
ment requires that both political and economic conditions be favor-
able. Given a suitable environment it is possible to design and imple-
ment projects which will fulfill the objectives of raising the output
and incomes of low-income producers. These projects include
irrigation schemes, programs for smallholders, settlement schemes,
and functional and area projects with the more general provision of
rural credit and infrastructure.

The Bank’s experience indicates we need to examine very critically
the notion that a multi-sectoral project generates gains to the rural
community above those which would arise from an integrated approach of single sector projects. We need to find practicable methods to measure what happens to rural welfare when we alter the relative sizes of individual project components; we also need to examine the proposition that local participation during the project identification stage both reduces project preparation costs and results in a better project mix.

The experience of the Bank so far indicates that there is still a need for the development of suitable yield-increasing technology for agriculture in many parts of the world and that there are few opportunities for lowering the costs of delivery systems when these costs are built upon systems intended to help large producers. We need to study alternative systems and to learn which are the most cost effective among the array of systems now being tested in many different projects. We also need to know much more about the principles and patterns of behavior of small-scale producers and what influences the rate at which they accept innovations.

Rural development is a slow process and we need to learn from our experience. To do this we need to develop mechanisms for monitoring and evaluation which can provide guidance for effective implementation of projects and can help all of us learn more about what constitutes a viable rural development project. We are finding that the whole subject of designing suitable project monitoring systems is a challenge to us and to the academic community at large.

**Summary**

A deliberate shift in the World Bank’s policy over the past six years has resulted in a widening and deepening of lending for agriculture and, in particular, for rural development programs, defined as programs with an antipoverty focus, targeted toward benefiting small farmers. The new lending strategy elicited new types of projects and is confronted with new economic, sociological, institutional and technological problems. Additional research is needed to examine the conceptual framework and the operational experience of rural development projects and for designing monitoring and evaluation systems for such programs.

**Résumé**

The Role of Agriculture in Rural Development Projects

sa politique, a accru de façon sensible ses prêts au monde agricole notamment dans le cadre de programmes de développement rural orientés vers les petits agriculteurs dans le but de réduire leur pauvreté. Si cette nouvelle stratégie a fait naître de nouveaux types de projets, on se trouve confronté maintenant à de nouveaux problèmes d’ordre économique, sociologique, institutionnel et technologique. En conséquence, le besoin d’un programme de recherche complémentaire se fait sentir pour examiner la conception même de ces programmes de développement rural, l’expérience qui s’en dégage et pour concevoir des systèmes de suivi opérationnel et d’évaluation adaptés à ce genre de programmes.

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