rural development
rural agricultural policy
&
the value chain

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rural development

- Rural development policy addresses the welfare of rural households and communities.
Agricultural economics vs rural economics

- Agricultural economics has been principally concerned with the economics of agriculture as a sector.
- The elementary unit of analysis is the farm.
- The major fields of analysis are:
  - farm production
  - the marketing of agricultural commodities
  - the demand for food,
  - the performance of product and factor markets,
  - the linkages between agriculture and other sectors of the economy and the rest of the world
  - sustainability in resource use, and
  - agricultural and food policy.
rural economics & rural policy

- Rural economics and the design of rural policies to achieve rural development constitute a broader subject than agricultural economics.
- with a spatial as opposed to a sectoral definition.
- The elementary unit of analysis is the household, with the farm as a typical subset of economic activity.
The fields of application of rural economics

- resource allocation by households and their choices of income strategies,
- the emergence and performance of agrarian institutions
- income levels achieved by specific categories of rural inhabitants
- poverty and inequality,
- income and food security,
- the satisfaction of basic needs (in particular access to public goods and services such as health and education)
• intergenerational equity
• and the broad characterization of the quality of life for rural households
• (which includes features such as individual freedoms, the range of available opportunities and "capabilities" [Sen (1985)], community relations
• and congeniality, the rule of law and respect of human rights, political rights, etc
evolution of rural economic policy

- WWII-1980s: two contradicting approaches:
  1. modernization – free market
  2. radical dependency – role for the state
development economics!

1960-1970: 1\textsuperscript{st} development decade: success!
1970-1980: 2\textsuperscript{nd} development decade: failure

proposals to reconcile growth & equity
• 1980s: restoring the role of the market
  • neo-liberal policies
  • washington consensus
1990s new perspectives in rd

- market
  - globalization

- state
  - decentralization of governance
  - participatory democracy
  - property rights and access to land
  - environmental externalities

- civil institutions
four sets of institutions ard

- sector: private & public
- communities & civil society organizations
Decentralized Sectors

Local Government

Integrated Approach TO Local Development

Direct Community Support

Civil Society and Private Sector
the role of agriculture

- The WDR divides developing countries into:
  - urbanizing countries, mostly in Latin America (but also including South Africa), with 255 million people;
  - transforming countries, mainly in East Asia and MENA, with about 2.2 billion rural people,
  - agricultural countries, mostly in SSA, with 417 million rural people.
• In the agricultural countries, the sector accounts for 32% of GDP growth and two thirds of employment.

• Growth in agriculture can drive economywide growth and mass poverty reduction, as it has in East and Southeast Asia and, to a lesser extent, in South Asia.
• In transforming countries, agriculture contributes 7% of growth, but 79% of all poor are still rural.
• The role of agriculture in these countries is to reduce poverty and confront rising rural/urban income disparities.
• In urbanizing countries, rural areas still have 39% of all the poor.
• Even though the share of the sector in GDP is small, it has been the fastest-growing sector in this country group for over a decade
• Brazil and Chile as the shining examples.
• The sector therefore provides major investment opportunities for commercial enterprises
• and a large number of smallholders. It is needed to reduce remaining rural
• poverty.
• Christiansen et al. (2006) find that in low-income countries, including in Africa, the "participation effect" from agricultural growth on the poverty head count on average is 2.3 times larger than the participation effect from nonagriculture. Relative to the service sector, the impact is even larger at a factor of 2.5 on average and 4.25 in sub-Saharan Africa.
• These differences do not primarily follow from the large share of agriculture in these economies
• but rather from the much larger elasticity of overall poverty to agricultural GDP than to nonagricultural GDP.

• impacts are dependent on the use of the right technology (e.g., focused on nontradable food versus tradable export crops; land versus labor saving) and its targeting (small versus large farmers).
Value chains and RD: short chains

- 1. Face-to-face
- 2. Spatial proximity
- 3. Spatially extended
1. *Face-to-face*

purchases a product direct from the producer/processor on a face-to-face basis. Authenticity and trust are mediated through personal interaction. The Internet also now presents opportunities for a variant of face-to-face contact through on-line trading and web pages
2. *Spatial proximity*

products are produced and retailed in the specific region (or place) of production, and consumers are made aware of the ‘local’ nature of the product at the point of retail
3. *Spatially extended*

where value and meaning laden information about the place of production and those producing the food is translated to consumers who are outside of the region of production itself and who may have no personal experience of that region.
the four i’s

• improving the investment climate;
• a big push toward closing the infrastructure gap with other regions of the world;
• a greater focus on innovation as the primary motor for productivity growth and enhanced competitiveness; and
• institutional and human capacity
What makes the poor miserable:
• lack of health care
• lack of tolerably good schools
• lack of basic facilities important for human well-being
• lack of elementary freedoms

• policy recommendation:
  the state to invest in social infrastructures
market first

- J. Bhagwati & A. Panagariya “Why growth matters”
- Growth is necessary to create wealth to invest in infrastructure
the cart and the wagon
african renaissance monument, dakar
tabitha karanja, keroche breweries
compare & contrast

- 50 meters tall on 100 m hill
- higher than statue of liberty
- cost: 21 m euros
- ticket 7 euros

- 15000 bottles/hour
- 5% market share
- broke a multinational monopoly
niche strategy

• According to United Nations statistics then, 56% of Kenyans lived below the one dollar a day poverty mark
• which simply means a huge population was not targeted by the existing multinational
• This fact would then reveal why the illicit brew industry thrived much as people
• went for the cheap although dangerous brews
• not only because of lack of funds
• but also lack of choice.