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TOWARDS A TERRITORIAL APPROACH FOR RURAL DEVELOPMENT

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DISCUSSION PAPER SERIES NUMBER SEVENTEEN
APRIL 2008



RIMISP - LATIN AMERICAN CENTRE FOR RURAL DEVELOPMENT

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Paper prepared for the DFID-funded Research Programme, Institutions and Pro-Poor Growth (IPPG). The authors are grateful to DFID for the funding that made this research possible. The views expressed in this paper are entirely those of the author and in no way represent either the official policy of DFID or the policy of any other part of the UK Government.

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INTRODUCTION

The Latin American experience in rural development over the last forty years has been rather frustrating in terms of its impact on rural poverty. Until the mid-1970s, perceptions of the linkages between agriculture and development were dominated by what Johnston and Mellor defined as the role of agriculture in industrialization. This was part of what may be considered the dominant economic development paradigm of the period, where the role of agriculture was to provide inputs, labour, finance and markets for urban and industrial development, since industry was seen as the engine of growth. Among the most conservative thinkers, the correlation of this in the rural sector was 'community development' and the structuralist view of land reform as a mechanism to break down the barriers that prevented agricultural development from fulfilling the expectations held out for it.

In the 1960s, the 'Green Revolution' seemed destined to overcome the limitations of agriculture in its role as a support for industrialization and this so-called revolution, along with land redistribution, dominated rural strategy. In the 1970s, however, it became clear that – despite high growth in output – income distribution was not improving and poverty was not being reduced. In the rural sector, frustration with the effects of land reform on output and productivity gave rise to the 'Integrated Rural Development' proposals that dominated the region's rural strategies until the early 1980s (and until much more recently in some countries), but produced meagre results and were increasingly abandoned by the agencies that had promoted them.

With the debt crisis and the structural adjustment and stabilization policies adopted in various degrees by Latin American countries, the accentuation of poverty and the persistence of profound income distribution inequalities led to diverse types of compensatory measures becoming widespread, these so called 'social funds' targeting certain types of producer and rural inhabitants.

The outcome of this long series of experiments in rural development was far from encouraging, as between 20% and 86% of populations remained poor (Valdés and Wiens, 1996), with the incidence of rural poverty remaining unchanged for three decades (De Janvry and Sadoulet, 2002). At the country level, the latest available data shows over 60% of the rural population being affected by poverty in five out of twelve of the countries studied.

In the region's academic circles the analysis of the agrarian problems followed a parallel route that began in the sixties with the debate about the presence – or not – of feudal traits as an obstacle to industrialization and the persistence versus the proletarianization of the peasantry. The debate was followed by a vast number of empirical works on peasant economies (à la Chayanov), peasant movements and problems with the agrarian reforms. At the beginning of the nineties, criticism of this 'Chayanovian' bias began, highlighting the limits of an approach that did not consider the role of rural-urban linkages in the fate of rural populations and as a result, issues related to the formation, development and articulation of rural markets entered the debate, including considerations of space and markets and of space and political power. From this trend, the emergence of the issue of rural territorial development at the beginning of the twenty-first century was but a natural step and it is the purpose of this paper to address these developments.¹

The paper proceeds as follows: the first section develops the rationale for a territorial approach to rural development in Latin America, highlighting not only the reasons for the need of a renewed approach but also the emerging demand from different actors for such a renewal. The second section is an attempt to examine the potential contribution of the social sciences for the development of a solidly grounded formulation of a rural development strategy. Finally, the third section is a preliminary attempt to present a model for the analysis of rural territorial development processes that is based on the contributions discussed in the preceding section.

1. THE RATIONALE FOR A RENEWED APPROACH TO RURAL DEVELOPMENT

In recent decades, the rural social and political landscape has been experiencing profound change that has put into question most of the traditional rural development policies and have generated a demand by social movements, governments and development organizations for a new approach to the development of rural spaces.

1.1 The need for renewal

Changes in the context of rural development

Since the beginning of the eighties, the conditions for rural development have been experiencing profound structural changes that call for a redefinition of traditional approaches to the theory and practice of rural development.

1. This very schematic process was taken from over twenty-five years of biannual encounters of the Permanent Seminar of Agrarian Research (SEPIA) (1985–2007) that have been taking place without interruption in Peru since 1985, considering that it is representative of debates that were taking place in many countries of the region.

Internal and external market liberalization: To varying degrees, the region adopted the structural adjustment reforms that have come to be known as the 'Washington Consensus.' This made sectoral policies subordinate to macroeconomic balances, leading to the virtual disappearance of many of the sector-specific instruments of the past, such as subsidies, differential exchange rates, reduced or zero-duty treatment for imports, state enterprises with purchasing power, fixed commodity prices, etc.

These changes took place in the context of an economy 'capable of working as a unit in real time and at the planetary scale' (Castells, 1999: 259), where international trade and capital markets are linked worldwide and operate 24 hours a day, independent of distance and where new supranational actors such as organs of the WTO and transnational firms represent new ways of organizing production and new forms of co-ordination, etc. Of special importance for rural development is the concentration and transnationalization of the food industry, which accelerated significantly with structural adjustment measures designed to foster foreign direct investment. In the retail food industry, this led to the dominance of supermarkets in a good number of the region's countries; indeed, by the end of 2001, supermarkets represented a (population-weighted) average of 60% of the industry in the largest and highest-income countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico), while percentages in other countries ranged from 73% in El Salvador, 42% in Honduras and 35% in Guatemala, to between 15% and 20% in Nicaragua. The presence of supermarkets has not only changed consumption patterns, but has shaped the regulations and standards with which food products and producers must comply (based on Reardon and Berdegue, 2003).

This development represents a serious challenge for primary producers, since the acquisition practices of supermarkets and large processors (quality and safety standards, packing and canning, cost, volume, consistency and payment arrangements) are changing the rules of the game that, until recently, prevailed. Also, supermarkets offer opportunities as potential engines of primary production, since they broaden and deepen the consumer market and open up areas of more dynamic demand.²

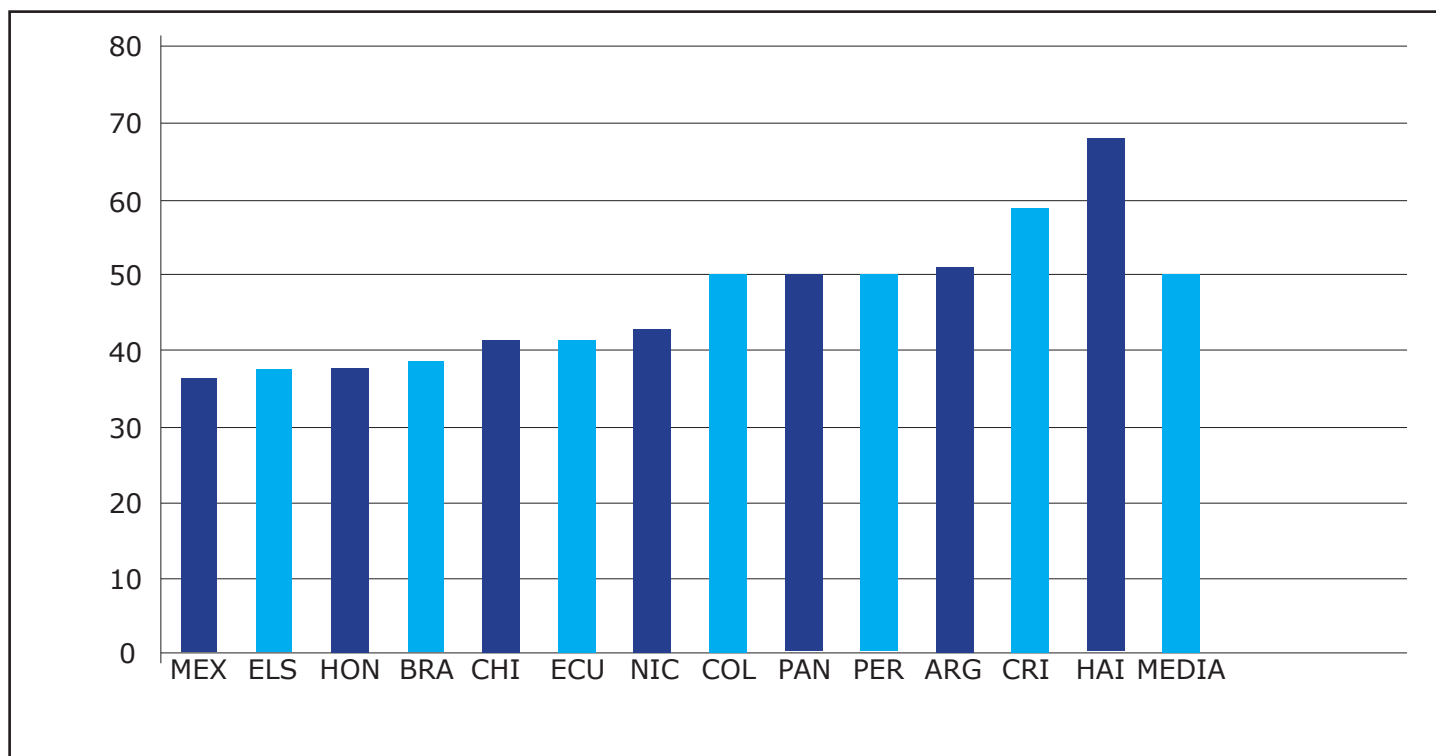
Asymmetric impact of changes to the rules of the game: In the rural sector, globalization, economic liberalization and the growing regulatory role of markets have basically been exploited by firms that have access to land and have major potential for producing exports – i.e., firms that enjoy access to credit, technology and information on domestic and international market conditions. As a result, benefits become concentrated in certain products and regions, and among medium-sized and large producers. Though the positive aspects of the export dynamic cannot be denied, it has had persistent excluding and polarizing effects on the process of the region's rural modernization, and there is a risk that these effects will be accentuated by the liberalization process, as producers are exposed to greater competition while public resources to protect the weakest producers diminish. Behind this asymmetry lies a heavy concentration of land and educational capital, combined with imperfect markets and high transaction costs. The functioning of rural markets urgently needs to be improved.

Concentration of land ownership and educational capital: two critical factors: Latin America has the highest index for concentration of land ownership in the world, and the lack of any real development within land markets contradicts the view that agrarian reform has run its course. Recent studies have shown that transactions in land markets are carried out within the same strata of producers, without affecting the unequal structure of land ownership (Vogelgezag, 1996).³ Unequal access to education represents one of the critical factors driving economic and social inequity; although the last twenty years have witnessed a strong growth in education – thanks to which younger generations now receive on average three years more schooling than their parents – there still persists a high concentration of educational capital, as the highest earning decile have over six years' more schooling than the poorest. Moreover, huge differences exist in the quality of education offered to the rural poor compared to the rest of the population (ECLAC, 2007).

Changes in employment dynamics: Changes in the structure of rural employment challenge the agricultural/rural identity. The number of people from rural households employed in non-agricultural work has increased by 2.5 million, while the number employed in agriculture has dropped by 933,000. There is a growing urbanization of the agricultural labour force, particularly widespread in Chile (annual growth rate of 0.92%), Cuba (0.87%), Uruguay (0.73%), Brazil (0.55%), Ecuador (0.38%) and Panama (0.35%). Furthermore, at the end of the 1990s, rural non-farm employment represented more than one third of rural households employment and provided around 40% of their incomes (Reardon Berdegue, 2001).

2. It is of note that while supermarkets account for roughly US\$24 billion in produce, compared with US\$10.5 billion of non-traditional exports in the twelve countries studied, this production for domestic markets has not received the attention or concern that exports have. Thus, if small- and medium-sized producers are to enter the dynamic markets that we speak of below, connecting with supermarkets is a very important part of their task.

3. See the study on land markets at <http://www.eclac.cl/ddpeuda/>



Graph 1: Rural non farm income as % of rural households incomes

In recent years, international migration has been another important factor in the spatial redistribution of the population, especially in Mesoamerica. The United States Current Population Survey estimated that there were 14.5 million Latin American and Caribbean immigrants in the U.S. in 2000, with the flows from the region having increased 57% between 1990 and 1997, and another 15% between 1997 and 2000.

The remittance phenomenon appears unstoppable: in the last three years, the volume of money sent to families by Latin American emigrants nearly doubled, from US\$23 billion in 2001 to nearly US\$38 billion in 2003.

An IDB study in nineteen of the region's countries shows that in most of the recipient countries, remittances amount to significantly more than foreign direct investment, development aid from foreign countries and interest on the foreign debt; according to the IDB, the region will receive US\$ 450 billion in remittances over the next decade.

Table 1: Estimated remittances received in 2001

Country	Remittances (US\$millions)	As % of GDP	As % of Exports
Mexico	9,273	1.7	6.5
Brasil	2,600	0.4	4.0
El Salvador	1,920	17	60
Republica Dominicana	1,807	10	27
Ecuador	1,400	9	20
Jamaica	959	15	30
Cuba	930	5	40
Peru	905	1.7	10.6
Haiti	810	24.5	150
Colombia	670	0.8	2.4
Nicaragua	610	22	80
Guatemala	584	3.1	16
Honduras	460	7.5	17
Bolivia	103	1.3	6.7

OROZCO, M. (2002) Remittances to Latin America and the Caribbean: Money, Markets and Costs. BID/FOMIN <http://www.iadb.org/mif/v2/spanish/files/2>

Decentralization: throughout the region there has been a broadening and intensification of both democracy and movements towards decentralization. The election of local authorities by popular vote and increasing responsibility at municipal government level is becoming increasingly more frequent, representing another conditioning factor when deciding rural policies. The implementation or intensification

of decentralization processes would appear to chiefly obey the need for new regulatory mechanisms to deal with the modern demands of society:

'Under these conditions, resort to consensus, delegation and negotiation presents certain advantages for implementation and at the same time broadens the circle of responsibilities, representing substantial relief for a government facing the ever increasing demands placed on political administration.' (Von Haldenwang, 1997: 18).

Without denying that such processes represent a first step towards overcoming the limitations of centralization to effectively deal with the issue of rural poverty and the way in which it manifests at local level, government, or more specifically governance, failures are clearly apparent: (i) the absence or insufficiency of mechanisms that would allow local demands to be integrated within the framework of national goals and strategies; (ii) the lack of resources (financial, human and material) necessary for such delegation of responsibilities; (iii) the lack of mechanisms to generate municipal resources for the implementation of co-financed programmes; (iv) the presence of overlapping functions between local and central government; (v) the reproduction at local level of the compartmentalized nature of public functions at central government level; (vi) the persistence of a paternalistic approach towards the most vulnerable sectors; and above all, (vii) the capture by local elites of the resources for local development.

Social movements and collective action: The effects of macro and sectoral changes, and the persistence of poverty, have given rise to a range of movements and actions among different types of rural inhabitants and workers.⁴ Demands for distribution of land, though still active, have been giving way 'in a second stage, to a ... change of emphasis in rural struggles towards problems related to economic performance and programmes of intervention... that received great support as a direct consequence of the characteristics of the peasant protest movements in the previous phase' (Gordillo). Today, strategies for collective action in the rural sector generally aim at one or more of three main types of objectives: improving material living conditions; changing power relationships within groups, communities and rural organizations; and furthering democracy and promoting citizenship. The decisive role of the indigenous movement in the recent election of Evo Morales as President of Bolivia must be noted as evidence of the scope of these social movements.

Recent research on social movements and territorial development in Latin America (Abramovay et al., 2007) concluded that although social movements show a strong capacity to have a bearing on some relevant aspects of the institutional framework (particularly on citizen ethnic and cultural rights), these changes have not had an impact on the processes of economic development and on the opportunities for improvement of the rural poor. The authors found that four interrelated characteristics of these movements are among the reasons for this apparent paradox: a strong identity that limited their ability to establish alliances with other groups, that is strong 'binding' relations but weak 'bridging' relations (Woolcock 1998) with groups that lead the territorial development; as a consequence, instead of flexible and open networks of social co-operation for the territories' development, the authors found closed links of the type that Bordieu calls 'fields' where the idea of conquest conspires with the need for co-operation. A third element has to do with a resistance to innovation in production patterns due to the low capacity to confront risk and the potential of social differentiation that threatens cohesion of peasant communities. The fourth element is the perception of markets vs. solidarity that is a rationality based on values rather than on calculus, money and capital; as stated by one of the leaders: 'the communitarian conception has nothing to do with the individualistic proposal of the neo-liberal discourse.' (Abramovay et al., 2007)

Limitations of traditional approaches

There is no doubt that the traditional approaches to rural development are becoming increasingly unable to respond to the huge changes that have taken place in rural society:⁵

- They are centred on agricultural activities, despite the importance of non-farm rural employment and other income generating strategies of the rural poor.
- They do not take account of the potential effects that the strengthening of rural urban linkages could have both on transforming agricultural production patterns, as well as on the living and working conditions of the population, particularly the poor.
- They use project resources to compensate for market failures only to see them reappear once such interventions have concluded.
- Actions are narrowly focused on the poor, not considering that alliances with non-poor agents (i.e. contract farming) can be more efficient routes out of poverty (Schejtman, 1994; Dirven, 1998).
- They do not take into consideration macroeconomic restrictions in the amount of resources employed limiting the scaling up of their initiatives.
- The design does not take into account the heterogeneity of the rural areas since centrally designed programmes have the 'one size fits all' syndrome.

4 For a typology of these shifts, see Schejtman (1997).

5 A more detailed analysis of these limitations can be found in the work of Chiriboga (2002) who makes an analysis of the lessons learnt from rural development policies over a number of years in the region.

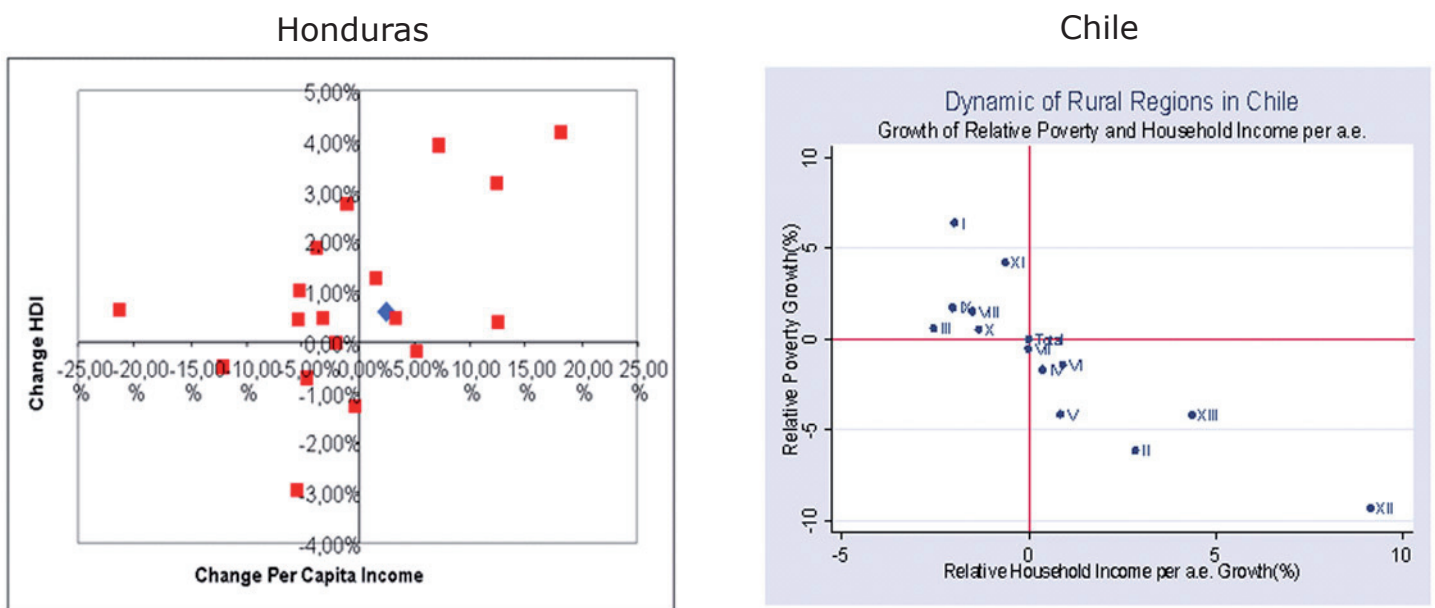
- Confusion between social and economic objectives that limit the development of entrepreneurial capabilities.

Spatial determinants of Poverty, and inequality

Economic and social inequalities are deeply rooted features of Latin American societies. This is related – both as a cause and an effect – to huge disparities in power and influence among different sectors of our societies. In most countries, the richest ten percent of Latin American individuals earn almost half of the region's income, while the poorest twenty percent receive between two and four percent, and the ratio between the earnings of the richest and the poorest deciles are 63 times in Guatemala, 58 in Colombia, 54 in Brazil, 45 in Mexico and 41 times in Chile (de Ferranti et al., 2003).

One of the most recent and comprehensive analyses on inequality has concluded that inter-regional, within-country inequalities explain a substantial proportion of the overall problem in developing countries (World Bank, 2006; Elbers et al, 2003). Most obviously, there is the difference between rich and poor rural regions of Latin American countries: Southern and North Eastern Brazil, the Peruvian and Ecuadorian Coasts and Sierras, the Bolivian lowlands and the highlands, or the Costa Rican Central valley and the Southern region. Many policies and policy instruments (fiscal incentives, targeted public investments, etc.) have been designed to deal with this type of spatial inequality, although with disappointing results.

Graph 2



Source: Honduras UNDP. Índice de Desarrollo Humano según Municipio, 2004. For Chile Rimisp estimates 2006

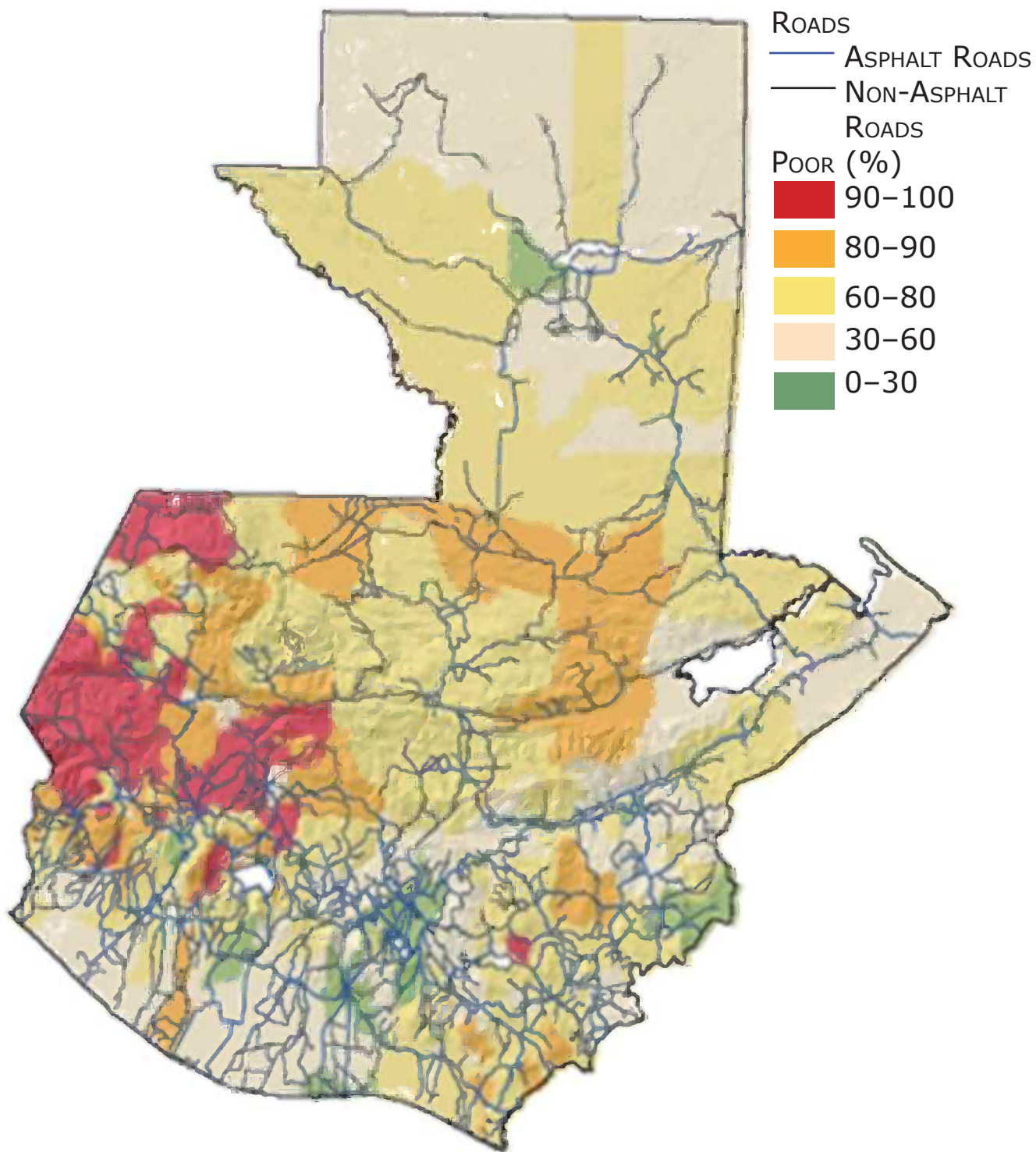
Less apparent, there are also significant differences in the dynamics of inequality within territories. In Brazil (1995–2001), rural income distribution⁶ in the state of Ceara worsened by 2 two percentage points, while in the state of Tocantins it improved by five points. In the same period, in Ñeembucú, Paraguay, rural income distribution worsened by four percentage points, but improved by the same amount in the Western region. In another dimension, there are contrasts in the quality of local governments between those with participatory forms of government and others where the power of local elites and caciques remain as strong as ever; some regions are characterized by highly innovative social networks, while others stagnate.

Patterns of spatial differentiation are evident in the links between poverty and roads, under-nourishment and political polarization, as illustrated by the cases of Guatemala, Ecuador and México respectively (see graph 3). In Guatemala, the spatial density of roads has an inverse relationship to the concentration of poverty and in Ecuador the incidence of undernourished people shows a clear concentration in the Andean areas. In México, electoral polarization shows an evident spatial pattern (see graph: left hand side – red dots are municipalities with high poverty incidence; right hand side – in blue are the states that were carried in the presidential election by the PAN candidate [Mr F. Calderón], and in yellow those won by the PRD candidate [Mr A. López Obrador]). The same type of relations can be observed in the last Presidential elections in Peru, Ecuador and Nicaragua and in the Constitutional Assembly elections in Bolivia. In the absence of effective policies to reduce territorial disparities, Latin American countries risk further political polarization (Gasparini et al., 2006).

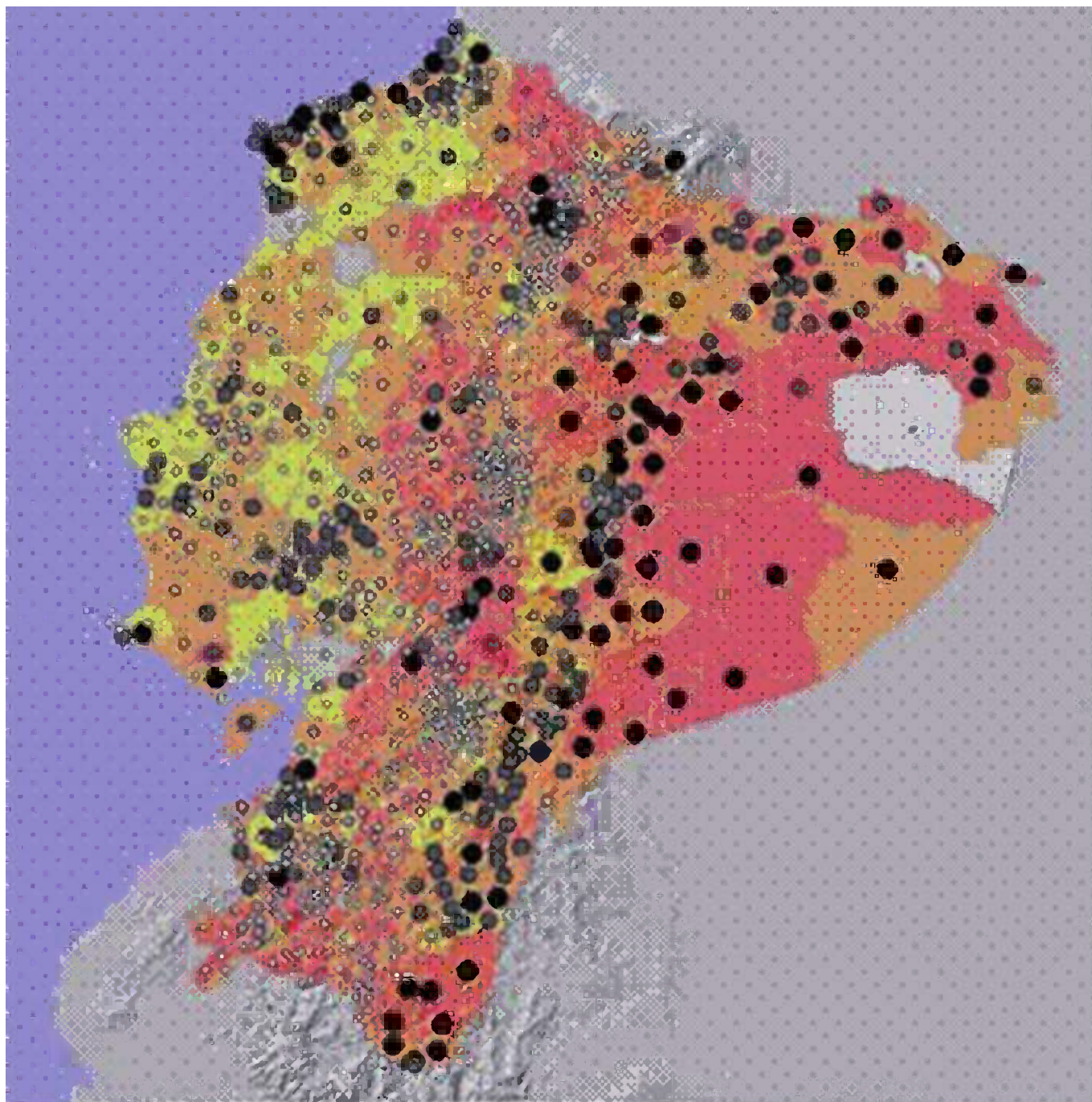
6 Gini Coefficient of per capita income of rural households.

Graph 3: Patterns of spatial differentiation: roads, under-nutrition and political polarization

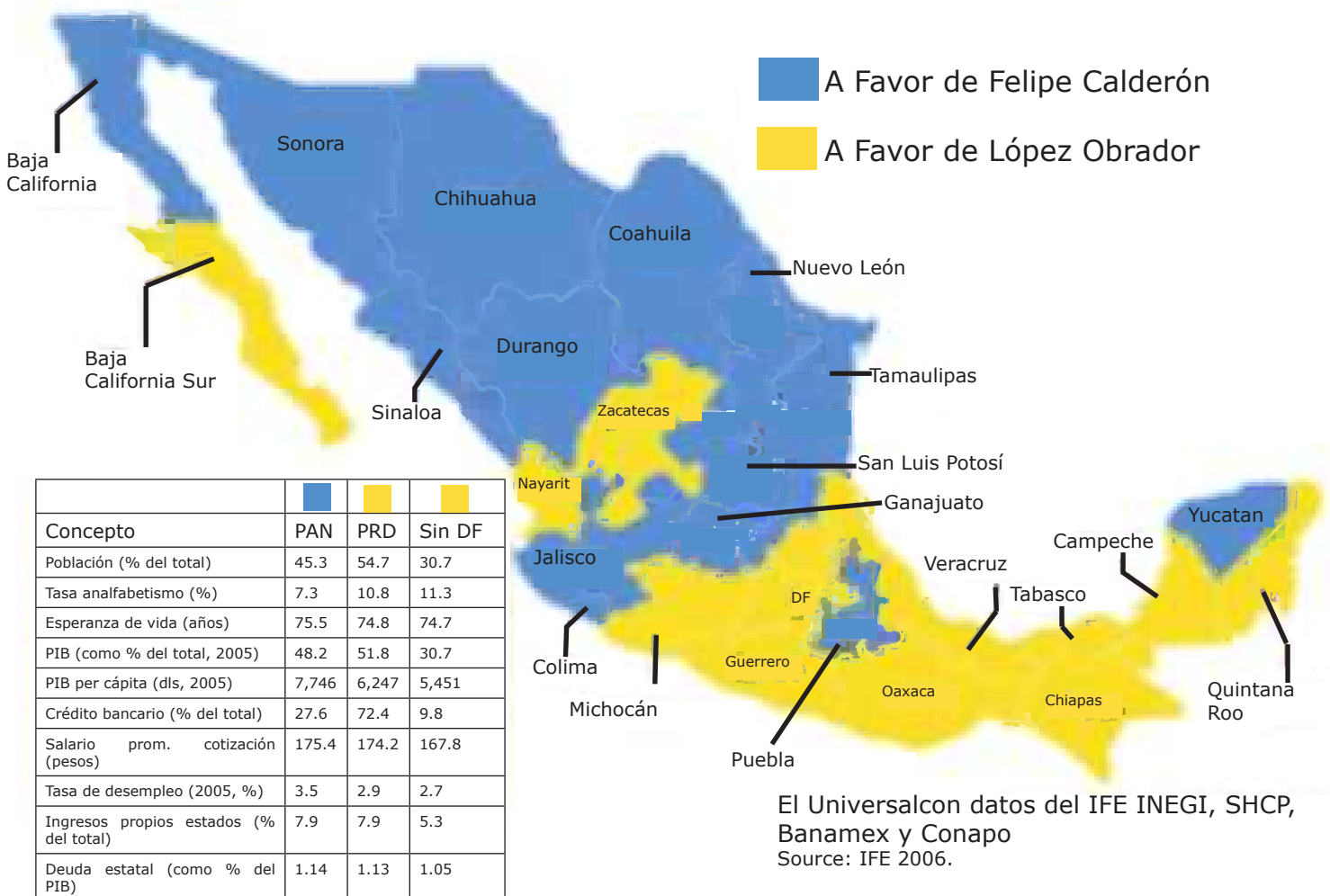
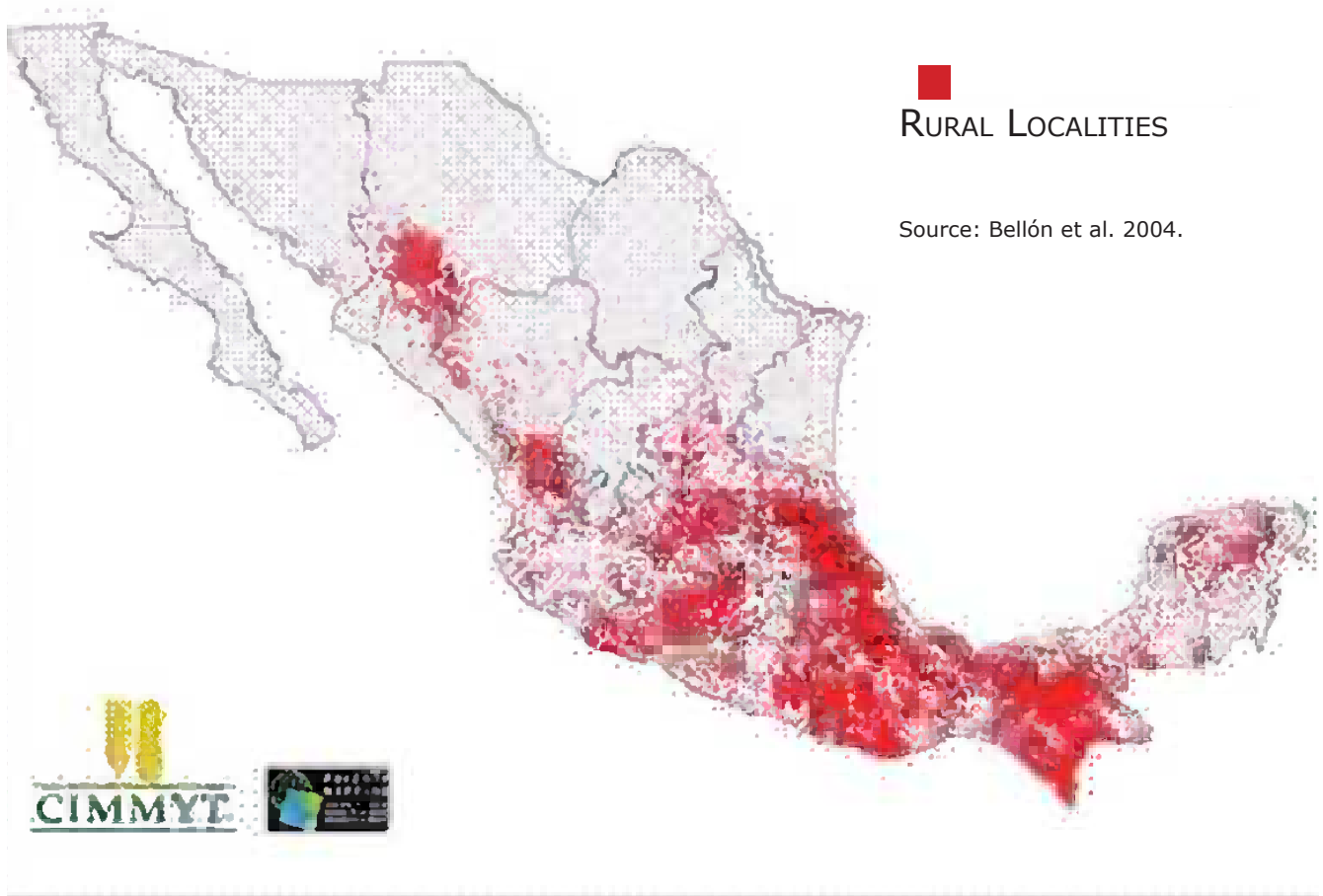
Guatemala: Roads



Ecuador: Undernutrition



Mexico: Political polarization



These examples tell us that the overall national-level dynamics of economic growth and social inclusion do not account fully for the dynamics of development at the level of specific territories. Disparities in Latin America are evident not only among individuals, households and social groups – e.g., ethnic groups, gender – but also at the level of regions, and in the case of our particular interest, rural territories.

Uniform sets of economic, sector and social policies evidently lead to very different outcomes in different rural regions. One major challenge is to be able to design national strategies that are grounded on differentiated policies to accommodate the multi-dimensional heterogeneity of rural societies in Latin America. These results support the calls to pay greater attention to territorial approaches to rural development policies (Sepúlveda et al., 1998; Abramovay, 1999; da Veiga, 2000; Echeverría, 2003; Echeverri and Ribero, 2002; Schejtman and Berdegué, 2004; de Janvry and Sadoulet, 2004; de Ferranti et al., 2005). Such policies will have to deal with the fact that while there is a highly significant correlation between income growth and poverty reduction at the regional level, there is also an adverse correlation between poverty reduction and the concentration of income

This emphasis on differentiation and differential policies is in conflict with the prevailing approaches of economic and social policy in the region. Since the structural reforms of the 1980's, economic policies tend to be region-neutral and sector-neutral and it is quite apparent that different regions react in diverse manners to the same set of macro and sector policies.⁷ Decentralization does play an important role in creating political space for more differentiated approaches, but so far it has hardly affected the major macro and sector policies. By the same token, social policies in Latin America since the late 1980's have followed the 'social compensation-social fund' model, and in the past few years these have been complemented with conditioned monetary transfer approaches, as exemplified by Oportunidades in Mexico, Bolsa Escola in Brazil, or Red de Protección Social in Nicaragua. These social policy approaches focus on deprived individuals and households and, from the examples of Honduras, Chile, and Mexico, it can be seen that their effectiveness varies by region.

1.2 The demand for a territorial approach to rural development

There is a growing interest in Latin America and the Caribbean in territorial approaches to rural development. In the past few years, the governments of Argentina, Brazil, Chile, Guatemala, Mexico, and Peru, have defined strategies and policies, approved legislation and/or established public agencies, charged with promoting territorial development. In these and other countries, provincial and municipal governments have often taken the lead in adopting this approach, as they acquire new responsibilities for economic and social development, and environmental management, spurred by decentralization policies. For example, late last year, Mexico's National Conference of State Governments (CONAGO) approved a major policy statement to be submitted to the incoming federal government, which stated that it was 'of fundamental importance' to adopt a new approach for the development of the Mexican countryside (pp. 5), and proposed that 'a rural development strategy needs to be carried out around a shared vision of rural territories.' (CONAGO, 2006:11) Governments at these different levels are now demanding policy and technical advice and support, indeed from some of the partners in this programme, to move from the vision of territorial development to its implementation.

International agencies are also paying greater attention to territorial development as a new option in dealing with issues such as those illustrated above. The Inter-American Development Bank⁸ has defined a new rural development policy and strategy squarely based on a territorial approach. The IDB's task managers now demand to know how these new normative statements of their organization can be operationalized, and some are taking the lead in putting them into practice. IFAD in Peru and other Andean countries, is carrying out important and innovative projects for the development of rural territories (Corridors, in the IFAD terminology), and in Argentina it teamed with the IDB to help the Ministry of Agriculture (SAGPYA) obtain technical assistance for the design of a new national rural development strategy and institutional design, following a territorial approach (Barsky and Schejtman, forthcoming). The World Bank's Vice-President for Latin America and the Caribbean in a recent landmark publication, described 'the promise of the territorial approach' (de Ferranti et al., 2005) to deal with intractable problems of socially inclusive and environmentally sustainable growth. In the World Development Report 2008, the World Bank explicitly stated that agriculture for development strategies in Latin America and the Caribbean should be framed in the context of territorial approaches. The OECD has already conducted national territorial and rural policy reviews in Mexico,⁹ and is about to launch similar analyses in other non-member Latin American countries. FAO and the Inter-American Institute for Cooperation in Agriculture (IICA) have also been promoting a territorial approach in their rural development activities in the region.

It is not only governments and multilaterals who show a growing interest in a territorial approach to rural development. Social organizations are developing their own proposals for territorial development, and some are creating new organizational structures charged with strategy, policy and mobilization at

7 In fact, they are anything but neutral in their effects, so it may be more appropriate to call them 'blind' rather than neutral.

8 With the support of IDRC and of RIMISP.

9 These are the primary tools used by the OECD for policy-dialogue, capacity building and sharing of best practice.

this level. Perhaps at the forefront of this trend are the organizations of indigenous peoples, for whom the notion of territory is often an essential element of their political platforms. One example is the Confederación de Nacionalidades Indígenas del Ecuador (CONAIE) that has added a 'Territory Leadership' to their Government Council; another case in point is that of one of Latin America's most important farmers and rural workers organizations, the Brazilian Confederação Nacional dos Trabalhadores na Agricultura (CONTAG) in its main policy document for their 9th Congress declared 'territorialidade já é uma estratégia adotada pelo Movimento Sindical dos Trabalhadores e Trabalhadoras Rurais...'¹⁰ (pp.13) and claims the need to obtain support to develop methods and tools to implement this strategy (pp. 127), as well as to establish a network of trainers that can promote this approach amongst the Brazilian rural trade unions. (CONTAG, 2006: 128)

2. ELEMENTS FOR A THEORETICALLY GROUNDED RTD STRATEGY

The main objective of a rural development strategy is to give rise to a dynamic process of sustainable growth with social inclusion, 'that is to a process where the incomes of the poor would grow faster than those of the non-poor' (Leftwich & Sen, 2007). As indicated earlier, what we find in each country is significant differences in the dynamics of growth in different regions and therefore one of our aims is to look for theories or interpretations on the determinants of these differences on the one hand and for attempts to deal with the inclusion/exclusion of those patterns of growth on the other. The conceptual sources for the analysis of the differential dynamics of rural territories are schematically presented in the following diagram (graph 4) in which the two interrelated processes of territorial growth and pro-poor institutional development are highlighted: productive transformation for territorial growth and institutional change toward a pro-poor institutional architecture

2.1 Productive transformation for territorial growth

For the analysis of the of determinants of territorial (or spatial or regional) growth there are formal theories and interpretative essays of relevant cases that provide complementary insights to the formulation of the conditions of change in the production patterns of the rural territories; as is the case with the theories of agglomeration, of flexible or diffuse industrialization, cluster development, culture economics and case studies on new industrial districts.

Marshall (1954),¹¹ in *Principles of Economics* coined the term industrial districts referring to the clustering of companies in a determined space that led to certain 'localised external economies.' Krugman (1995) underlined the centripetal forces of economies of scale, transport costs and external economies (à la Marshall), that are expressed by the existence of a skills reserve, and of specialized services and institutes that generate linkages by way of markets (à la Hirshman, 1961) and information and knowledge flows. As centripetal forces, he mentioned stationary factors (manual labour, land rents) and the appearance of diseconomies of scale. In this circular process of endogenous accumulation there is no indication, except chance, to how such a process is initiated and we presume that the first order agro-ecological factor is autonomous.

Porter (1991) introduced two concepts that are relevant for our purposes: that of clusters and that of the 'systemic nature of competitiveness'. Beginning with the Marshallian explanation of agglomerations, he introduces the concept of 'competitive sector groupings' that make up the frequently quoted 'diamond model' whose components are linked via vertical (buyer/supplier), horizontal (clients / technologies) or common channels relations, underlining the systemic nature of the relationship between the constituent sectors, that he would call clusters in later studies, as 'geographic concentrations of interconnected companies and institutions in a particular field' (Porter, 1998: 78, quoted by Schmitz and Navdi, 1999).

The interest regarding clusters is in the inherent potential of value chain components present in the same territorial area, or rather, when both the 'backward' linkages with suppliers of materials and services, and 'forward' linkages with product users are all incorporated,¹² for these can lead to opportunities of 'collective efficiency via external economies, low transaction costs, and joint actions' (Altenburg and Meyer-Stamer, 1999).¹³ These authors identified three general types of cluster for Latin America: (i) survival clusters, defined as being 'made up of micro and small enterprises, that produce low-quality consumer goods for local markets in areas in which entrance barriers are very low. These types of cluster units generally show many of the characteristics of the informal sector, with production and wage levels

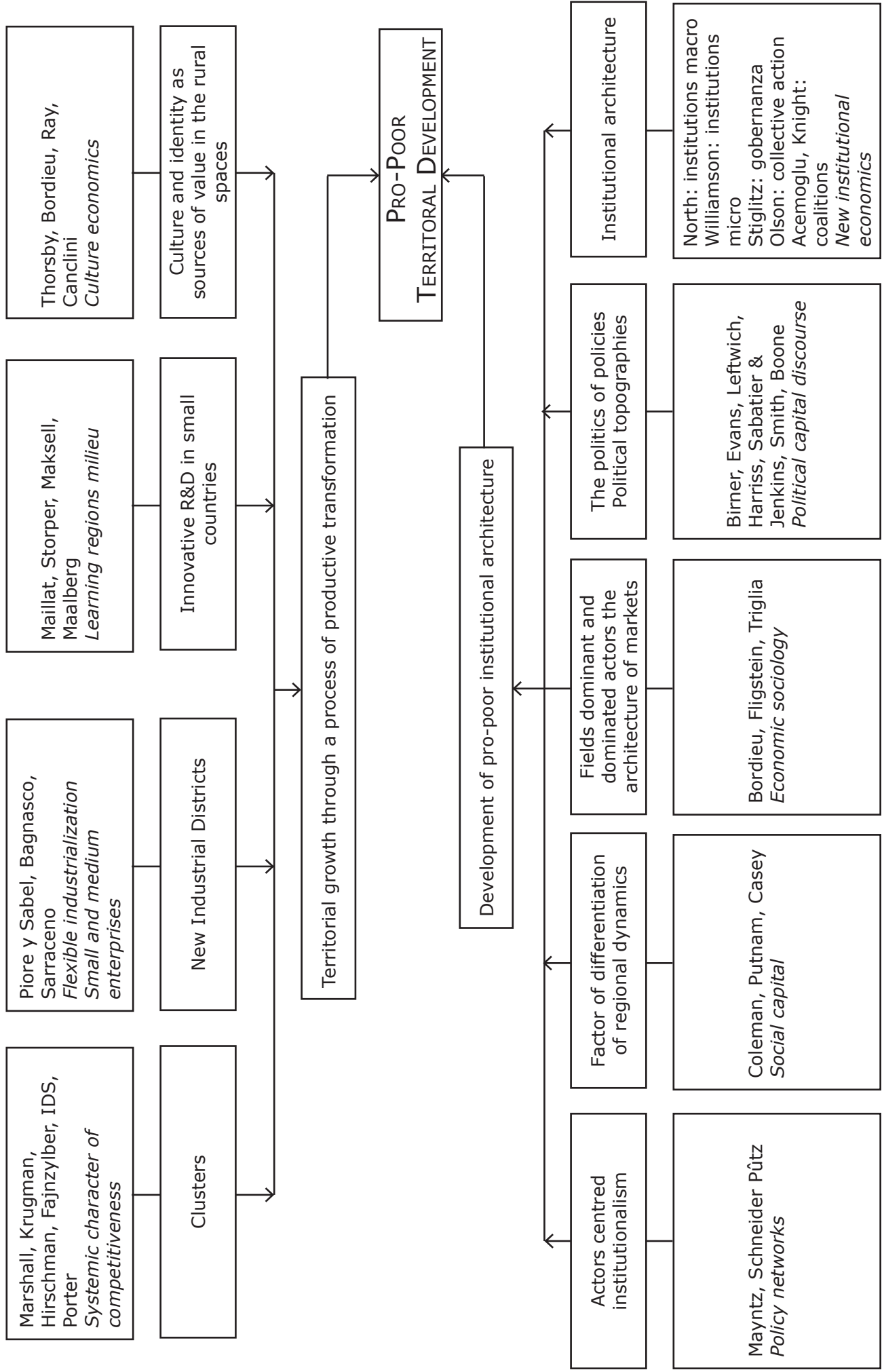
10 Territoriality is already a strategy adopted by rural workers' trade union movement.

11 Spanish translation of the 1920 English translation.

12 In their original form, supply chains correspond, according to Hirschman (1957), 'to the forces that launch investments that are placed into movement through input-product relationships when production installations that provide inputs to the production line or use its products are inadequate or non-existent; the backward linkages lead to new infrastructure investments of input suppliers, and forward linkages lead to new investments in product user installations.' In a later revision (1984), the author added fiscal linkages (state-interventions to cover missing installations) and defined backward linkages as production linkages and the forward type as consumer linkages.

13 Under the title of clusters, Latin American literature includes a broad and heterogeneous range of enterprise concentrations in determined business sectors; in some cases with very few local linkages in the sense indicated above, and thus reduced to the simple presence of many firms belonging to the same trade sector.

Graph 4: Conceptual sources for the analysis of territorial dynamics



much lower than medium and large firms'; (ii) clusters formed by medium and large enterprises mass producing goods for the internal consumer market, which prospered during the import substitution phase and that, as a result of this opening, were faced by the need to introduce changes of varying importance in order to continue in the market, and which by way of contracts and outsourcing of certain tasks, created a conglomerate that frequently provided an identity to a certain territory; and (iii) clusters of transnational corporations present in areas incorporating more complex technology, which often fail to establish significant linkages with small and medium enterprises. According to Dirven (2001) the majority of these cases involved 'truncated' clusters due to the absence of more sophisticated production and input components.¹⁴

Piore and Sabel (1984) analyzing successful developments in areas of concentration of small and medium enterprises (in Italy, Germany Japan and the United States) coined the concept of 'flexible specialization' referring to the existence of flexibility both in the use of a labour force as well as in adaptation by companies to changes in demand conditions.

Bagnasco (1977) in the same line as Piore & Sabel's work, and also in a highly influential essay, identified competitive development experiences based on clusters of small and medium enterprises in Italy (Marche, Emilia-Romagna, Friuli-Venezia-Giulia) in stark contrast with the mass producing industries of Turin and Milan, highlighting the fact that that in many cases these new industrial districts benefited from the labour costs and flexibility provided by the incorporation of small, part-time agricultural producers.¹⁵ Small farmers:

'play an important role both in the initial as well as intermediate and later stages of local development, by offering subsidised production and housing, which reduces overall emigration from the area, especially in those places where the persons become homeowners; the existence of human resources for endogenous business initiatives, adapted to local conditions; adding value to low cost resources in terms of products; and contextual understanding that may help identify more extensive opportunities in global market niches' (Saraceno, 1998).

Bagnasco (1998) underlined how intermediate urban centres were the driving force behind this process, thanks to the interaction established with the agricultural hinterland, characterized by a social structure made up of autonomous small-farmer families (smallholders, tenant farmers, sharecroppers), who often lived on some isolated, country farm. These types of families provided companies with a flexible labour force, as with the support of their relatives they were able to compensate for the low wages and periods of unemployment during the initial development stages of the industrialisation process, as they had access to housing and basic consumer needs and could return to work in agricultural production supplying the market.¹⁶

Maillat (1995) introduced the concept of the innovative milieu meaning an environment with an innovating capacity, that allows collective learning through the links established by the supplier/user chain, and the informal exchange of knowledge via the so-called 'coffee-shop effect' (Camagni, 2000),¹⁷ which takes place when the interaction between economic agents, developed in the light of multilateral transactions, generate positive externalities, leading to a learning process of more efficient ways to jointly manage resources. This type of knowledge is local specific or tacit and could be described as 'impregnating' the territory, as it presumes a spatial and even cultural proximity along with shared rules.¹⁸ It can be differentiated, as such, from codified or generic knowledge which can be acquired, at some costs, by other agents in other locations, which is to say ubiquitous knowledge (Maksell et al, 1999). This then is a specific form of social capital pertinent to a given territory.

The type of local knowledge development that has proved to be viable in countries with small, open economies, is one which can sustain mid-level technological improvements that do not require not 'major science,' but rather a national innovation system based on effective link-ups between practical know-how and modern techniques, for production, the organization of production and marketing. These linkages

14 A multiplicity of studies on clusters have been produced over the last ten years in Latin America, some aimed at examining the general conditions that have led to the formation of clusters (Ramos, 1998; Cassiolato & Lastres, 1999) and other based on case studies. There is a huge variety of the latter, centred on areas such as dairy-industry clusters (Dirven, 2001), including studies carried out in Chile, Colombia, Uruguay, Argentina and Mexico; or on ecotourism resorts (ECLAC), which together with general policy considerations includes cases in Chile, Mexico, Brazil and Costa Rica; there are also others that deal with agro-industry clusters – specifically apple production in Brazil, wine in Chile, cooking oil in Argentina and palm oil and hearts in Ecuador. Added to these are other studies such as Schmitz (1999) on the shoe manufacturing cluster in the Sinos Valley in Brazil; Meyer-Stamer (1998) on the ceramic tile cluster in Santa Catarina, also Brazil; Visser (1999) on the clothing industry cluster in La Victoria, Lima; and Rabbellotti (1998) on another shoe manufacturing cluster in Guadalajara, Mexico.

15 It is these experiences that have generated most interest in Latin America because of the strategic role created by the presence of small agricultural producers in such districts.

16 Strictly speaking, there is a margin of family labour which is 'non-transferable', in the sense that it can only create value within the framework of the family unit and thus has no opportunity cost (Schejtman, 1980).

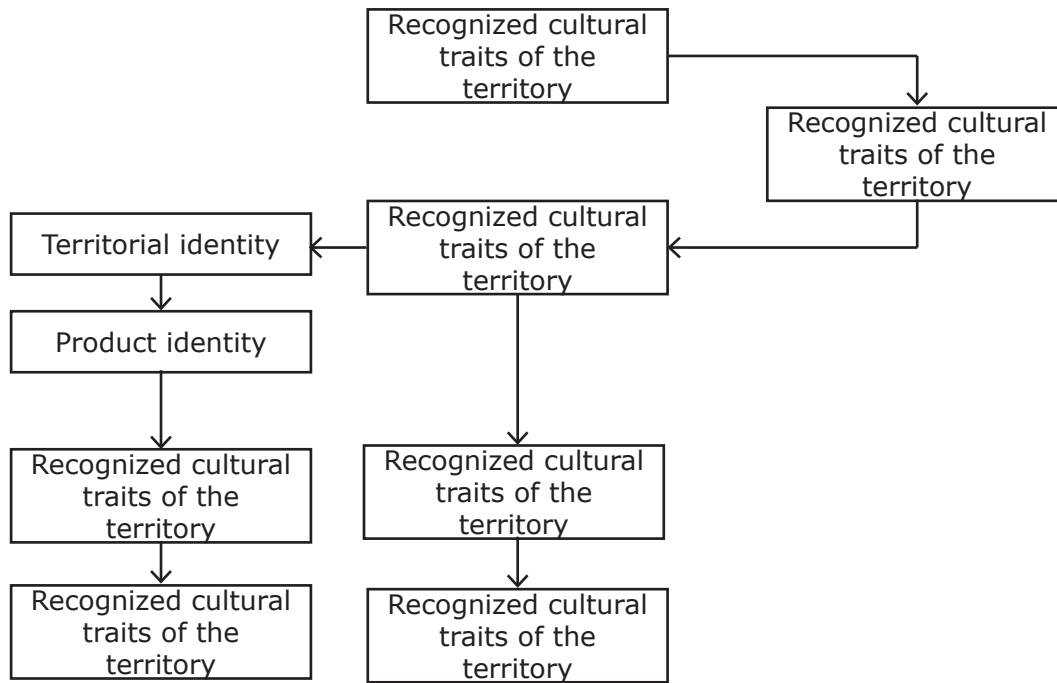
17 This refers to the informal exchange of knowledge that takes place between technicians in informal daily life settings, such as village or company coffee shop.

18 Porter (1991, pp. 212) referred to the following as the type of relations that fomented knowledge or exchange: 'personal relationships established when a student or while doing military service; membership of the scientific community or trade association; community links due to geographical proximity; trade associations that make up clusters; behavioural traits such as a belief in the continuity of long-term relationships.'

generate place-specific and non-codified knowledge about the design of products and help to ensure that complex production processes work in an efficient and non-bureaucratic manner (Storper and Salais, 1997).¹⁹

Ray (1998) adopts the concept of the 'culture economy' as a possible approach for rural development consisting of the (re)valuation of the economic potential of a particular area based on elements of its cultural identity. These are initiatives in which a particular locality's cultural features become a key element in improving rural living standards. Those attributes – or markers – include traditional foods, regional languages, crafts, folklore, visual and performance arts, literary references, historic or prehistoric sites, landscape and associated flora and fauna, and so forth.

Graph 5: Rural territorial development routes based on cultural identity



Source: Modified version of Ray (1998).

In this framework, the economy of culture could take either one of two routes to become a force for territorial development. In route 1 the territory 'encapsulates' its culture within products; this occurs, for example, in the cases of appellation d 'origine contrôlée which turns geographical origin into product identity. The involvement of external regulatory bodies (government, trade agreements) makes the product part of the territory's 'intellectual property'. In route 2, the markers that exist or are to be discovered constitute the basic elements for building a territorial identity which, once consolidated, makes it possible to promote the territory itself vis-à-vis the outside world (as in tourism) and/or particular products that carry such identity. Thorsby (2001) would indicate that these products are characterized by involving some sort of creativity in their production, they involve the communication of some symbolic meaning and 'their output embodies at least some sort of intellectual property.' (Op cit., pp. 4)²⁰

The debate around New Industrial Districts (NID) led to a growing interest in research and advocacy in Latin America for local economic development (LED). Most of the work on LED over the last decade has had a strong urban-industrial focus, looking particularly at the potential role of municipalities as a political and administrative instance for strengthening the competitiveness of small and medium enterprises. This development reached its highest point at the Latin American institute for economic and social policies (ILPES) with the work of Boisier (1997, 2001), Albuquerque (1997) and Silva (1994), and the research results presented at the international seminar on 'Local and regional development in Latin America: towards the building of innovative and competitive territories' held in Quito in 2002.²¹

19 The level, high or low, of technology is measured by the percentage of the production value that the respective industry devotes to research and development (R&D). Mid-level technology industries are thus those that devote between 1% and 2% to R&D, whereas low-tech industries devote less than 1%. Notably, low-tech industries include textiles and clothing, timber and furniture and the foods, beverages and tobacco group, all of which are feasible products in many rural areas of Latin America. Mid-level technology industries include stone, clay and glass products and metal manufacturers, to name just a few (Maksell et al., 1999).

20 For a series of rural development case studies based on their cultural identity in Latin America, see http://www.rimisp.org/proyectos/index_proy.php?if_proyecto=188

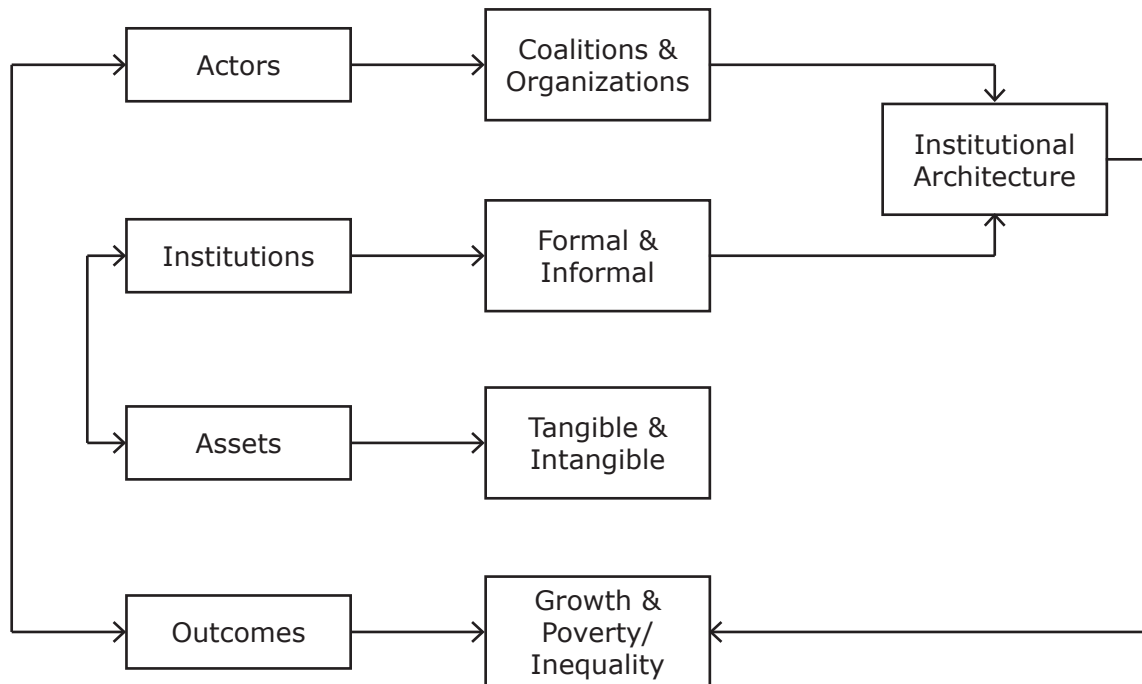
21 See particularly the documents presented by Carlos López, Leandro Sepúlveda, Luis Lira and Sergio Boisier. This body of work clearly shows the influence of the studies on new industrial districts and especially on the Italian experience. <http://www.eclac.cl/cgiin/getprod.asp?xml=/ilpes/noticias/8/9758/P9758.xml&xsl=/ilpes/tpl/p1f.xslbase=/ilpes/tpl/top-bottom.xsl>

2.2 The institutional architecture

The references presented so far constitute the basic elements for analyzing the determinants of rural territorial growth but they, by themselves, say nothing about the direction of such growth in terms of the distribution of its benefits and on the living conditions of the rural poor. It is the governance structure – that is the complex mechanisms through which citizens and groups articulate their interests, mediate their differences and exercise their rights and obligations – that will be a determinant factor for guiding the process of territorial growth in a pro-poor direction

As in the case of the determinants of growth, for the analysis of the determinants of territorial governance there are various theoretical approximations that provide complementary insights for analyzing the governance structures of the rural territories. Most of these approaches can be integrated in a framework centered on the development, persistence or change of the institutional architecture of the territories under consideration.

Graph 6: A framework for the analysis of territorial governance



North offers a point of departure for the analysis of territorial governance with the central idea that: 'The continuous interaction between institutions and organizations in the economic setting of scarcity and hence competition is the key to institutional change'. And he defines institutions as 'the constraints that human beings impose on human interaction' and organizations as '... groups of individuals bound together by some common objectives' (2005: 59). Furthermore, the relative stability of the institutional architectures is explained by the fact that the links between institutions and organizations are characterized by path dependence, not only in the simple sense that 'choices in the present are constrained by the heritage of institutions accumulated from the past' but in the more relevant sense that those accumulated institutions gave '... rise to organizations whose survival depends on the perpetuation of those institutions and which hence will devote resources to preventing any alteration that threatens their survival.' (ibid: 51)

Bordieu's theory of fields (1977) and Fligstein's application to the architecture of markets (2001) offer a further development of North's five propositions about institutional change.²² Considering the territory as a field, it can be analysed as a rural space 'where dominant actors produce meanings that allow them to reproduce their advantages'. These meanings correspond to what some authors define as 'discursive power' understood as the power to legitimize their dominant positions and to 'influence policies and the political process as such, through the shaping of norms and ideas. A hierarchical structure with incumbents and challengers is stabilized as long as the prevailing 'conceptions of control'²³ or what North calls a 'shared belief system' is not seriously challenged. A hierarchical structure with incumbents and challengers is stabilized as long as the prevailing 'conceptions of control' (or what North calls a 'shared belief system') are not seriously challenged. The dominant discourse maintains such a condition until its

²² In synthesis: (i) competition is key to institutional change; (ii) competition forces actors to invest to survive; (iii) institutions guide perceptions on where best to invest; (iv) perceptions come from mental constructs; and (v) economic conditions make institutional change incremental and path dependent.

²³ Conceptions of control are social-organizational vehicles '...that refer to cognitive understandings that structure perceptions of how a particular market (in our case territory) works.' (Fligstein, 2001, pp. 35)

claims are not only in clear contradiction with 'reality', but that a challenging discourse has been raised by 'political entrepreneurs' (North op cit pg 106) that are able to gain the required political power.²⁴

For a power discourse to have an impact in the policy arena, the actors have to be able to mobilize resources 'for the realization of outcomes that advance the authors perceived interests',²⁵ this can be material resources for lobbying, for mobilizations and strikes, for bribes, for press and public opinion or for mobilizing social capital into political capital as illustrated by Birner (2003).²⁶ Coalitions of different actors including government agencies, business associations, NGOs, academics, the press and influential individuals that share a belief system²⁷ on policy matters, constitute informal organizations aimed at influencing policy design and implementation.

Birner and Resnick (2005) based on Sabatier and Jenkins-Smith (1999) suggest the Advocacy Coalitions Framework (ACF) for the analysis of the policy making and processes where policy beliefs,²⁸ and resources to further these beliefs, are expressed as political capital to influence the policy outcomes. There are competing advocacy coalitions within each policy domain, and in general one of these coalitions will be dominant and wield greater power over the policy process than other coalitions. The policy subsystem is the arena where state and private actors interact expressing the increasing resource interdependence between them in public policy making.

The frame conditions of the territory (called parameters by S and J-S) are considered relatively stable and its local capacities are the result of the interaction between 'institutional assets',²⁹ infrastructure, natural resources and the know-how and competences of the population. The driving forces can be internal (changes of political authorities, local infrastructure, fractional conflicts) or external (changes in macro policies, disasters, relevant investments by extraterritorial agents).³⁰ Furthermore, once the actors and their beliefs are identified the framework can be instrumental to reveal the informal institutions that sustain the dominating position of a given coalition through the way formal policies are in fact implemented.

Policy networks, as developed by, among others,³¹ Mayntz (1994), Sharpf (1991) in the Max Plank Institute and Pütz, is a more rationalist approach than the ACF for the analysis of public policy formation. Policy emerges as an outcome of functional interdependencies of public and private actors in areas where the hierarchical control or the open market mechanisms are not very reliable: 'a policy network includes all actors involved in the formulation and implementation of a policy in a policy sector. They are characterized by predominantly informal interactions between public and private actors with distinctive, but interdependent interests, who strive to solve problems of collective action on a central, non-hierarchical level' (Börzel, 1997:5, italics as in the original).

In both approaches the resulting policies are either an expression of some reasonable degree of consensus between the coalitions within the network or of an imposition by more powerful actors. According to Thelen, 'institutions are the object of on-going political contestation, and changes in the political coalitions on which institutions rest are what drive changes in the form institutions take and the functions they perform in politics and society' (2003, pp. 41), but she is critical of those power-distributional perspectives 'that view institutions as straightforward reflections of the interests of the powerful' (both quotations in Harriss, 2006). Therefore, it is possible to find different 'political topographies' in a single country (Boone, 2003) that give place to different territorial dynamics.

Within these analytical frameworks, when the policy and institutional changes give place to pro-poor territorial dynamics, (that is growth with reduced poverty and more equity), we can speak of a developmental coalition;³² where the poor are represented with some weight in one of the advocacy coalitions or in the policy network that characterize those territories.

When there is conflict and no consensus is possible – given (in North's words) the economic setting of scarcity and competition – the institutional outcome will be the result of mediation by the state between

24 A case in point is the way the Washington Consensus was assumed as the discourse by large sectors of the business community in Latin America including the transfer to the private sectors of many functions that were normally considered government responsibility. When in some countries the actual claims began to fail and the potential ones were not convincing to large segments of the population, an anti-neoliberal discourse by social movements and NGOs began to gain momentum and in some countries displaced the former dominant actors from government.

25 Hicks and Misra (1996, pp. 671, quoted in Birner and Wittmer, 2003).

26 Birner comments on the different meanings of social capital as formulated by Bordieu (1992), Coleman (1988) and Putnam (1993) and his uses of the concept is closer to those of Bordieu and Coleman.

27 We use belief systems, discourse and ideology as or less synonyms.

28 Sabatier and Jenkins-Smith (1999) distinguished three types of beliefs: core beliefs, policy beliefs and secondary beliefs. Core beliefs relate to fundamental values, such as the relevance an actor attaches to equity as compared with other goals. Like religious beliefs, these core beliefs rarely change. Policy beliefs refer to the policy solutions that actors consider appropriate to reach their objectives.' (Birner and Resnick, 2005, pp. 304)

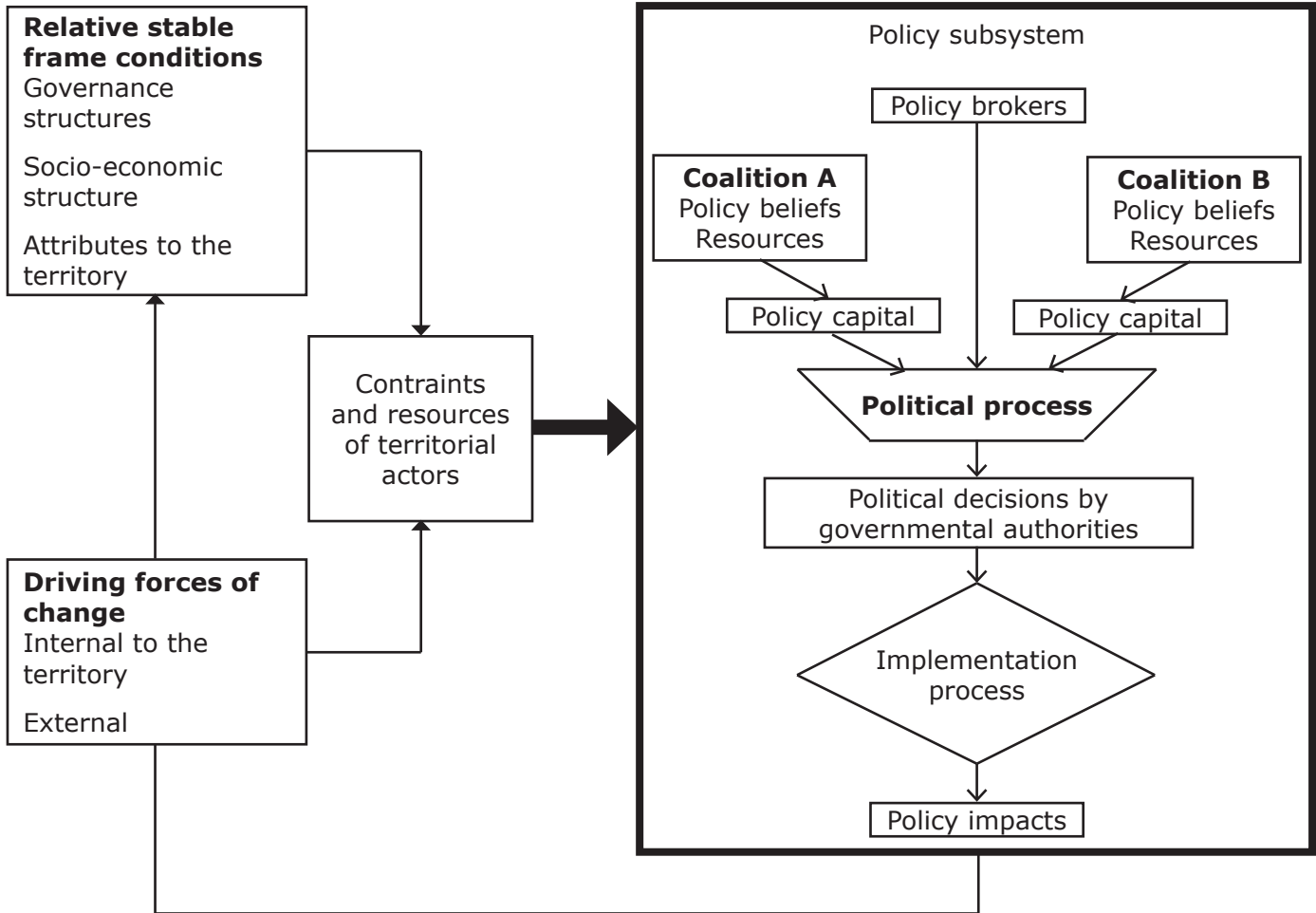
29 Institutional assets are the totality of habits, practices, routines, customs, conventions, rules and regulations that are associated with access to products, services and production resources. They are created by a complex interaction of elements, both historical (such as beliefs and values) and recent (such as industrial standards and regulations).

30 For Sabatier and Jenkins-Smith the external events were: change in socio-economic conditions; changes in public opinion; changes in systemic governing coalition; and policy decisions and impacts from other sub-systems.

31 For an exhaustive description and classification of the many variants see Börzel (1997).

32 Name suggested by Leftwich in line with his idea of developmental states.

Graph 7: Advocacy coalitions and the policy process

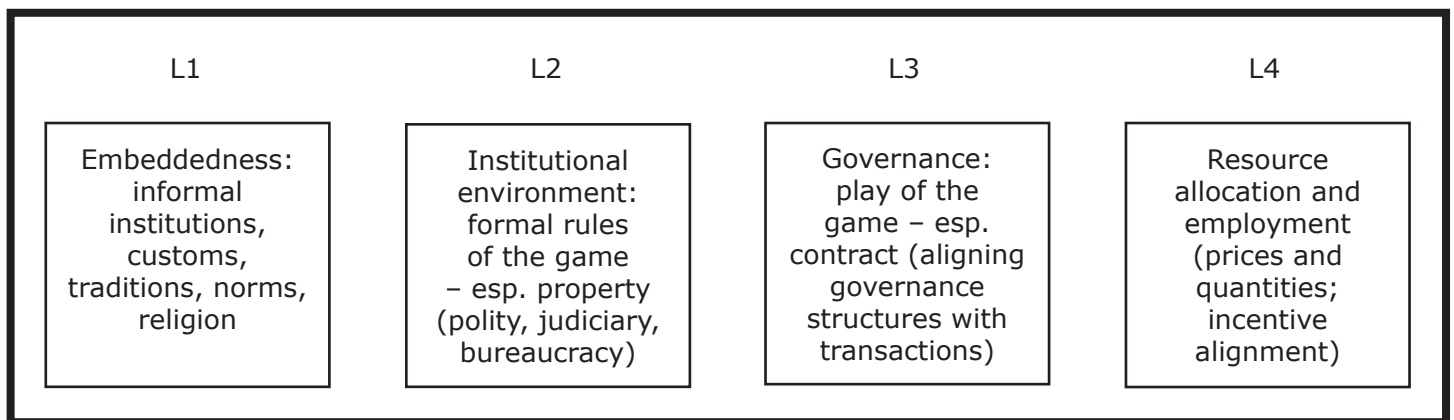


Source: Adapted from Birner and Resnick (2003, pp.305)

distributive coalitions (Acemoglu, Johnson and Robinson, 2004) that tends to produce a sort of zero sum process in the patterns of growth.³³

The governance structure defines the framework within which transactions between agents in the economic, political and cultural spheres take place. The links through time between the shared belief systems and actual transactions in the economic sphere can be presented in schematic terms following Williamson (2000).

Graph 8: Links between shared beliefs governance and economic transactions



Adapted from Williamson (2000, pp.597)

33 As illustrated by the paradoxical case of Bolivia that 'has witnessed zero growth of per capita incomes over the second half of the twentieth century while other Latin American countries have seen their incomes roughly double over this period. The answer would seem to point to politics and distributional coalitions, given the persistence of a developmental pattern based on natural resource extraction throughout three different institutional models - liberal 1900-1952, nationalized 1952-1985, and mixed 1985-2005. In each case, the dominant distributional coalition changed property rights allowing rent-seeking and political capture of key economic institutions (Wiggins et al., 2006).

Elements of Level 1 (L1) that we can assimilate to the core of shared beliefs (although not immutable tend to be very stable) and L2 and L3, except for the alignment with transactions, can be analysed with the governance frameworks considered before but for transactions or micro institutions (i.e. contracts) we must rely on Williamson's work on transaction costs in order to be able to consider the immediate determinants of the structure of incentives that the agents face to rely on the spot-market or in some kind of integration.

Assuming bounded rationality in an uncertain world, and opportunism on the part of agents, two type of costs have to be considered: production costs and transaction costs, the latter only being zero when full information is available to all participants in a perfect competitive market. But 'market failures' arise which implies that they are incurred in transactions different to those in the spot-market to reduce their incidence. The type of arrangement depends on two conditions: the degree of uncertainty and the degree of specificity of the assets that enter in the transaction with the implications synthesized in the table below.

		Asset specificity		
		Low for both parties	High for both parties	High for one party; low for one party
Uncertainty	High	Contract/vertical integration	Vertical integration	Vertical integration
	Low	Spot contract	Long-term contract	Vertical integration

Adapted from Williamson (1991)

The frequency of the transactions can redefine some of these arrangements in as far as greater confidence between the parties reduces uncertainty.

This consideration becomes relevant when analyzing specific institutional arrangements of concrete clusters, of the potential of contract agriculture or the conditions for a territorial development based on the cultural identity of a territory.

3. A CONCEPT OF RURAL TERRITORIAL DEVELOPMENT (RTD)

Taking into consideration the radical changes in the context of rural development, the convergence in how to approach these changes by countries and international organizations, and from the contributions made by the social sciences and applied research in the 1990s, it is possible to derive some of the basic attributes of an approach that would represent a significant change in rural development and poverty reduction strategies in Latin America

The first attribute that is implicitly or explicitly present in the different approaches is the adoption of a territorial dimension indicating that any proposal needs to go beyond agriculture. The second is the acknowledgment of the socially heterogeneous nature of the territories, implying the need to engage all stakeholders in the rural setting, instead of focusing the initiatives only on poor rural families. The third is the inclusion of farm and non-farm employment as sources of income in all schemes. The fourth is the emphasis on the linkages between the agricultural, industrial and services sectors, considering, as well, that agro-industry and agri-commerce can act as potential engines of agricultural development itself. The fifth, that arises from the previous three, is the consideration of urban-rural links in defining the scope of action instead of confining efforts to the agricultural sphere; with the sixth attribute based on the contributions of the social sciences made in the 1990s, is the increasing importance attributed to rural institutions as a critical component of any new approach to rural development.

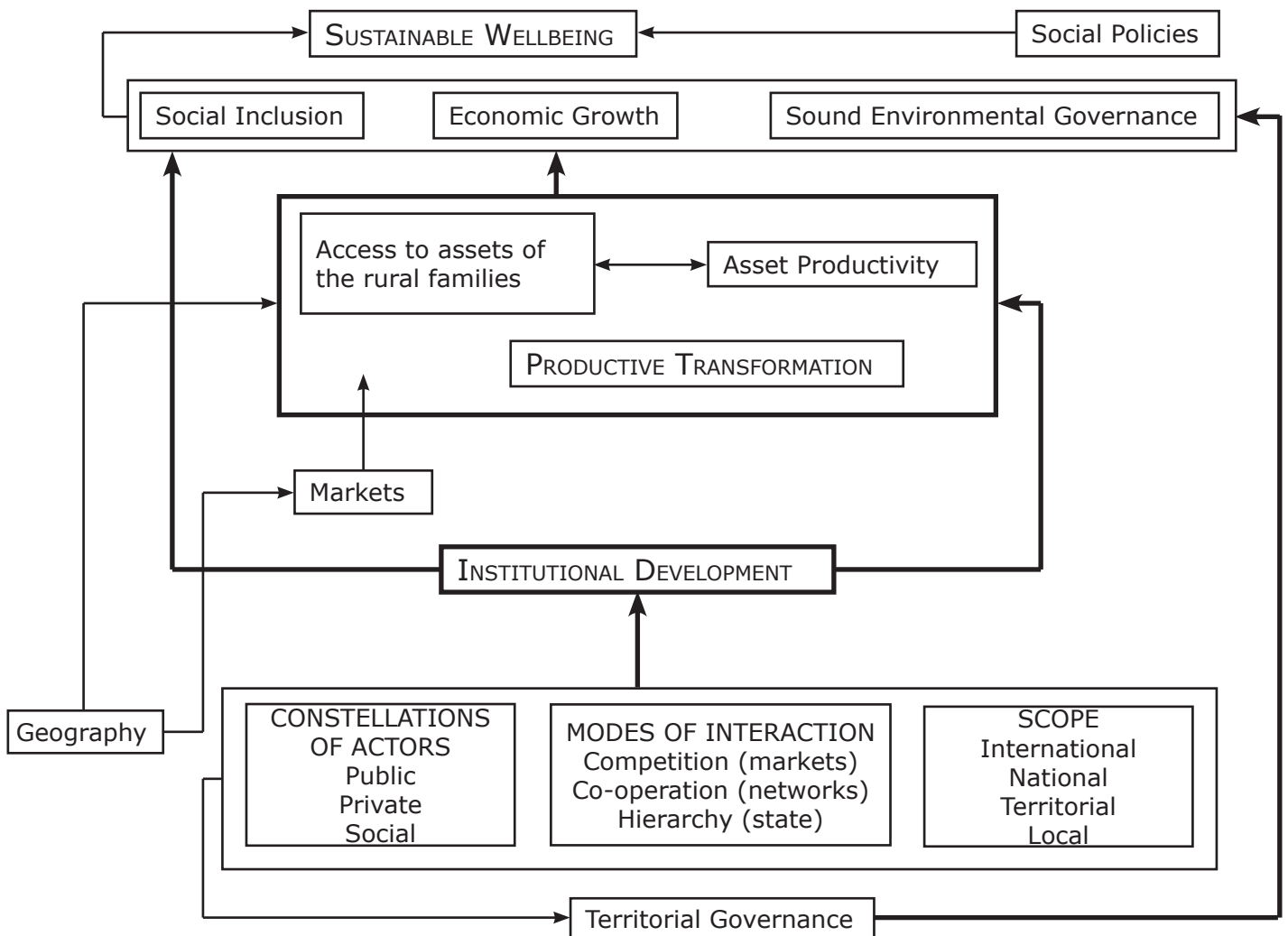
We define RTD as a process of closely integrated productive transformation and institutional change of rural territories whose aim is the reduction of poverty and inequality (Schejtman and Berdegué, 2004). From this definition, it follows that RTD rests on the simultaneous evolution of its two pillars: productive transformation and institutional change (see graph 9).

Productive transformation is a process of change in the prevailing production patterns in order to articulate the area's economy with more dynamic markets in a competitive and sustainable way which means the introduction of innovations in products, processes and management.

Institutional development as the process of configuring an institutional architecture has the objective of promoting the concerted action of local agents, both among themselves and with relevant external agents; and of changing the formal and informal rules that perpetuate the exclusion of the poor from the processes and benefits of productive transformation. Institutional architecture (IA) is understood to be the regulatory structure that is formed by organizations and institutions: by organizations we understand ministries, institutes, firms, NGOs, co-operatives, and, in general, groups of individuals organized (formally or informally) for a common purpose; by institutions, we understand the systems of formal and informal rules that structure and limit the behaviour of the members of society and the mechanisms

established to enforce them. Formal rules consist of those established by legislation and regulations, while informal rules are those that arise from custom, convention and self-imposed patterns of behaviour. 'Continuous interaction between institutions and organizations in the economic setting of scarcity and hence competition is the key to institutional change.' (North, 1998: 23).

Graph 9: Determinants of rural territorial development



Source: Rimisp on the basis of Rodrik (2003) and Pütz (2006).

For the institutional architecture to facilitate co-operation for competition, markets and government must generate incentives that can help to build the capacities of rural households and communities (especially poor ones), that is, to increase the quality and quantity of their assets – physical, human, natural, financial and social – in order to improve their living standards within a competitive environment. Insofar as this requires the temporary or permanent transfer of ownership rights over goods and services among different actors, the 'contracts' or formal and informal rules that govern such transfers are instrumental in meeting the desired objective.

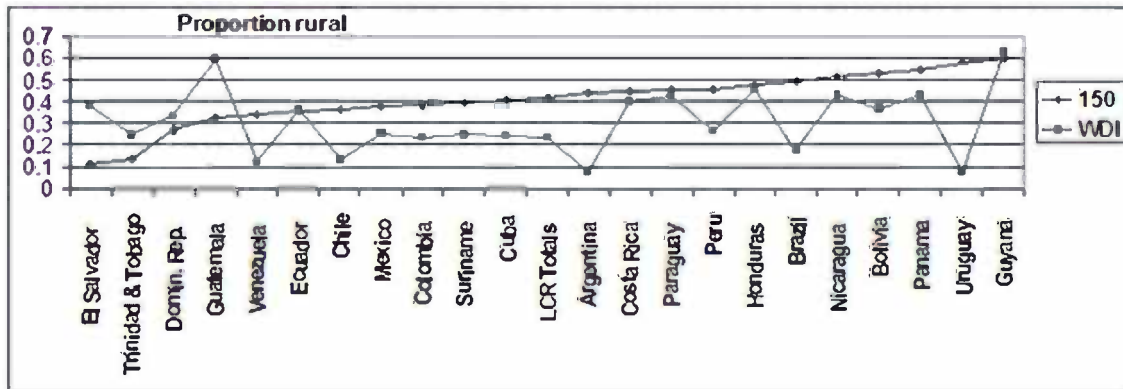
It is through institutional development that a geographic space becomes a 'territory' understood as a rural space with an identity and a concerted development project it is, therefore, a social construct. The territory's identity and boundaries are often basically predetermined in a specific development process – for example, when it targets a community or set of communities with a cultural or ethnic identity that distinguishes them from the rest of the population. In other cases, a geographical feature such as a microclimate or accessibility to a closed valley can be determinant in defining the agents' perception of the territory. Sometimes it is impossible to avoid sub-national political and administrative divisions, owing to the legal or even constitutional faculties of the respective governments.

In other cases, territories emerge as a potential entity that a development project can help to materialize. This can happen when the productive structure of an area is changed by the establishment of an agribusiness, when the linkages and exchanges of particular population groups are redefined by the building of a major road, or when a social demand identifies a community within a particular area. We are talking here about territories that are 'produced' or 'built' insofar as it is an exogenous event that makes it possible for the actors in the development process to construct a 'territorial identity'.

A rural territory is constituted by small and medium sized urban nucleus and its agricultural hinterland.

If the term 'urban' is defined on the basis of a certain threshold of population density,³⁴ it emerges that the degree of urbanization has been clearly overestimated in many of the region's countries.³⁵ For Brazil, Da Veiga (2001) reclassified rural nuclei using population density criteria, taking 80 or more inhabitants/km² to denote 'urban' and classifying rural nuclei by whether their population is declining, constant or increasing. His findings indicate that one third of its population is rural and that a significant number of small urban nuclei have shown a growth capacity that matches or exceeds that of the medium-sized and large cities. A similar trend emerged in work done in Bolivia (Paniagua, 1994) and Chile (Cruz, 1998), suggesting that there are some small urban nuclei that have the potential to inject dynamism into their hinterland. Briefly, then, as regards the RTD proposal when the objective is poverty reduction, the concept of 'rural' must necessarily include the urban nuclei with which poor areas have or could develop functional productive and social linkages.³⁶

Graph 10: Proportion of rural population according to OECD criteria and census data



Source: de Ferranti et al. 2005, Beyond the city, World Bank

3.1 Types of territories and dynamic patterns

In the literature on territorial or local development many typologies have been proposed; though they are a necessarily heuristic simplification of a continuum.³⁷ In this case, we propose to consider the two pillars of the definition of rural territorial development: productive transformation (vertical axis) that generates growth; and institutional change (horizontal axis) that generates inclusion as the basis to define four general types of RTD.

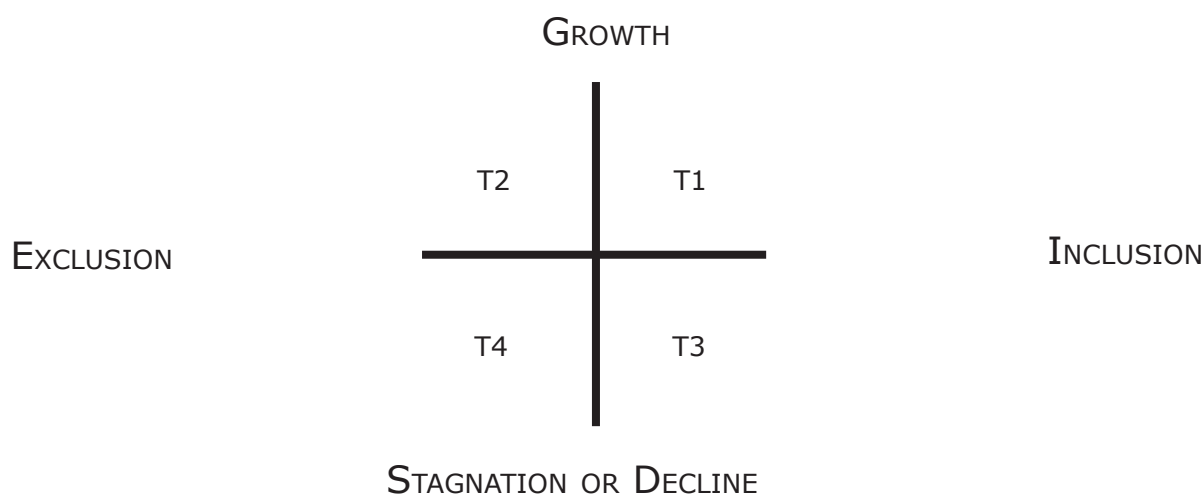
34 This means abandoning the custom of referring to municipal capitals as urban simply because of their administrative status, even when they have neither a level of infrastructure nor a population size to justify expectations that they may play a role in regenerating their environment.

35 This may be inferred, by comparison, from a study conducted by Von Meyer and Muheim (1997) for the Territorial Development Service of the Organization for Economic Co-operation and Development (OECD). This work established that, on average in the countries considered, 40% of the population was 'predominantly urban' and 28% 'predominantly rural'. Even in the United States, where less than 4% of the population is employed in agriculture, the respective figures were 36% and 30%.

36 This criterion may be illustrated with an example from the Puno-Cusco Corridor Development Project in Peru, whose users of technical and financial services include firms located both in the agricultural area and in towns and cities, on the understanding that the more urban firms play a role in 'driving' their rural counterparts.

37 Veiga (2001), for instance, proposes one based on the relative dynamism combined with the prevailing agrarian structure and mentions six types. The LEADER programme of the European Union proposes one based in eight criteria including identity, density and type of enterprises and suggests six categories.

Graph 11: Typology of territories based on trends in growth and inclusion



Source: Schejtman & Berdegú (2004)

- **Type 1 territories:** those that have moved ahead in the transformation of the production structure and have achieved a level of institutional development that enables a reasonable degree of concerted action and social inclusiveness.

The economy of a type 1 territory has become competitively articulated with dynamic markets. Exposure to demand from external markets, with the associated public and private norms and standards, and to competition from other regions and countries, acts as a constant stimulus for technological innovation. The existence of urban nuclei and efficient linkages between these and the rural hinterland provide the territory's productive units with timely, low-cost access to inputs and services and relatively sophisticated labour, technical and managerial capacities, public services, information and so forth, which would not be available without this urban-rural linkage.

Local agents maintain efficient and effective relations with each other and with other agents outside the territory, since it has developed rules, legal frameworks, standards, codes of conduct and conventions (institutions) that stimulate and reward such relationships. Thanks to the relations among agents, these territories have a clear-cut, well-defined identity that is socially inclusive and socially built. It is also a function of those relations that the competing entity is territory or, more accurately, the competitiveness of individual firms is the outcome of the social and economic relations that form the essence of the territory.

- **Type 2 territories:** those in which significant economic growth has taken place, but has had only a weak impact on local development and, in particular, on the opportunities available for poorer sectors.

In common with type 1 territories, type 2 have strong economic sectors that are competitively linked with dynamic markets. However, unlike type 1, these areas are institutionally fragmented and typically exhibit social conflict, with the bulk of the population excluded, especially the poorest sectors. Firms are domiciled in the territory, but do not generate a positive impact on its development.

- **Type 3 territories:** those which have a notably robust institutional structure, often expressed in a strong cultural identity, but lack endogenous economic alternatives that can sustain ongoing processes of rural poverty eradication.³⁸ Huge tracts of rural Latin America have solidly established institutions, often built up over centuries, which structure much of the local inhabitants' daily lives. They have community authorities and government, rules governing the use of natural resources, conventions and provisions that frame people's behaviour, and ancestral legal traditions that are, in some cases, acknowledged in national legislation and are able to channel and resolve local conflicts. There is, undoubtedly, a distinctive culture. They can coexist in 'hierarchical societies of great inequality that can nevertheless be apparently very stable – although history tends to show that such areas rarely go for more than a century without major convulsions. Think, for example of the southern Andes, where we have always seen rebellion at once every 100 years, ever since the time of the Inca.³⁹

All this plays a key role in facilitating the population's survival in a context of depressed economies based on agriculture for own consumption, agricultural wages, non-agricultural refuge employment and, increasingly, emigration and migrant remittances.

- **Type 4 territories:** these are territories caught up in a process of outright societal breakdown.

Like type 3 territories, they have depressed and stagnant economies, but, unlike type 3 territories, they suffer from strong social fractures and weak or non-existent institutions, which ultimately makes it impossible to structure day-to-day local life in a positive manner.

38 In the sense meant by Ostrom (1996) who refers to organizations capable of generating and enforcing legitimate rules.

39 I owe this clarifying note to Steve Wiggins.

3.2 Types of possible dynamic transitions

Two general types of rural territorial dynamics can be characterized within this typological framework: those within the type in which either growth or inclusion change in a degree without implying change of type, and those cases in which either growth or inclusion or both experiment more significant changes, as illustrated in the following cases.

$T2 \longrightarrow T1$ Can typify a process in which a dominant coalition of large producers is challenged by a developmental coalition that includes other large producers in alliance with the organizations of workers and small producers. Another case could be the result of some sort of vertical integration between the owners of a new large investment in the territory with high asset specificity that requires inputs from organized small producers that are the predominant form of tenure in those areas where the inputs need to be produced. Some examples of contract agriculture in fruits and vegetables are examples of this case.

$T2 \longrightarrow T3$ Can be the outcome of a distributional conflict between two coalitions in which the challenger is composed of workers, peasants NGOs etc that led to the disinvestment of the large enterprises and in the limit the exit from the territory

$T3 \longrightarrow T1$ In general this transit requires some kind of developmental coalition with a strong presence of small producers and where innovations in products, processes or organization have increased access to extra-territorial dynamic markets

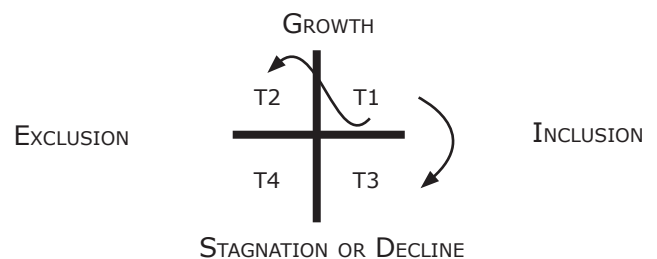
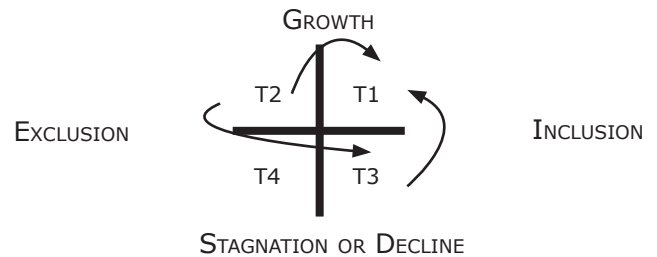
$T1 \longrightarrow T2$ Can be the result of a process of concentration in a territory formerly characterized by a more or less uni-modal production structure

$T1 \longrightarrow T3$ Can be the outcome of a process of inability of the production patterns of the territory to adapt to the changing conditions of extra-territorial markets losing competitiveness. Alternatively it can also be the result of a negative game derived from a distributional conflict between two or more coalitions of more or less similar strength.

These are only speculative examples of the diverse situations that can be found depending on what one defined as political topographies.

4. CONCLUSION

These, we think, are analytical tools whose usefulness will have to be proved in the empirical exploration of concrete historical developments of rural territories. If a series of relevant analytical narratives can be elaborated and the 'mechanisms' of rural development can be outlined, we can expect to have the basis for solidly grounded policy advice.



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