



Rural Non-Farm Economy

The Natural Resources Institute has undertaken work on the rural non-farm economy in India (Madhya Pradesh and Orissa), Uganda, Armenia, Georgia and Romania. As part of a DFID and World Bank collaborative programme on rural development NRI has worked with a range of stakeholders involved in policy-making processes and rural non-farm development programmes (especially government and donors) aimed at creating an environment that is conducive to diversification and enabling rural households to access non-farm employment, micro-enterprise and income opportunities (with uptake through national programmes, PRSs, donor activities). Website: www.nri.org/rnfe

Related publications

DASGUPTA, N., KLEIH, U., MARTER, A., WANDSCHNEIDER, T. (2004) *Policy Initiatives for Strengthening Rural Economic Development in India: Case Studies from Madhya Pradesh and Orissa*. Chatham: Natural Resources Institute. ISBN: 0 85954 558-X.

DAVIS, J.R., BEZEMER, D.J., JANOWSKI, M. and WANDSCHNEIDER, T. (2004) *The Rural Non-Farm Economy and poverty alleviation in Armenia, Georgia and Romania: A Synthesis of Findings*. Chatham: Natural Resources Institute. ISBN: 0 85954 559-8.

DAVIS, J.R. (2004) *The Rural Non-Farm Economy, Livelihoods and their Diversification: Issues and Options*. Chatham: Natural Resources Institute. ISBN: 0 85954 563-6.

DAVIS, J.R. and BEZEMER, D.J. (2004) *The Rural Non-Farm Economy in Developing Countries and Transition Economies Key Emerging and Conceptual Issues*. Chatham: Natural Resources Institute. ISBN:0 85954 557 1.

Indicators for Rural Development Strategy for Upper Egypt

Our research in Egypt focuses primarily on the interventions required for sustainable pro-poor growth and rural people's participation in decision-making processes, and local level planning and resource allocation. The Rural Development Strategy will determine interventions that would support broad-based rural growth, thus improving the living standards of rural people and alleviate constraints or promote opportunities for local economic development in Egypt. NRI has worked closely with the World Bank and the Government of Egypt in the preparation of the new Rural Development Strategy, which complements the poverty reduction strategy of the Government of Egypt.

Innovative Financial Mechanisms for Improving the Livelihoods of Rural Afghans Currently Economically Dependent on Opium Poppy

This project is being led by NRI in co-operation with the Aga Khan Foundation in Afghanistan. The project is part of DFID's Research in Alternative Livelihoods Fund (RALF), a component of its assistance programme to Afghanistan. The purpose of RALF is to develop and promote alternative livelihood options for rural Afghans dependent on poppy production and contribute to the overall goal of sustainable elimination of opium poppy production. The objective of this research project is to develop practical alternatives to the opium-related credit system by investigating and developing financial mechanisms that enable rural Afghans dependent on opium poppy production and sharecropping to adopt alternative livelihood generating activities.

Publications

DAVIS, J. (2004) *Using the Rural Economic and Enterprise Development (REED) framework for analysis and joint action: implications for spatial development*. Working Paper 1. Chatham: Natural Resources Institute.

DAVIS, J. (2006) *Evaluating and Disseminating Experiences in Local Economic Development: Observations on Integrated Development Programmes of the Free State, Republic of South Africa*. Working Paper 4. Chatham: Natural Resources Institute.

DAVIS, J. and RYLANCE, C. (2005) *Addressing poverty through local economic and enterprise development: A review of conceptual approaches and practice*. Working Paper 3. Chatham: Natural Resources Institute.

QUAN, J. (2006) *Land access and territorial approaches to livelihoods development: emerging findings from Brazil and South Africa*. Paper given at the conference on Land, Poverty, Social Justice and Development, Institute of Social Studies, The Hague, Netherlands in 12–14 January 2006. Working Paper 6. Chatham: Natural Resources Institute.

QUAN, J. (2006) *Challenges in the transformation of land unequal local economies: from land reform to territorial development in Brazil and South Africa*. Conference paper: At the frontier of land issues: social embeddedness of rights and public policy. 17–19 May 2006, in Montpellier, France. Working Paper 7. Chatham: Natural Resources Institute.

Links and Resources

DFID/WB/GTZ/IFAD Joint Initiative:

www.donorplatform.org/index.php?option=com_content&task=view&id=37&Itemid=70

The Enterprise, Trade and Finance Group together with the Livelihoods and Institutions Group at the Natural Resources Institute apply practical solutions to rural and economic development through research, consultancy and training activities. Our teams have substantial experience in agricultural and development economics, marketing and market research, commodity and international trade, financial service development, and social and institutional development. Core areas of expertise include:

- Microfinance, Enterprise Development and Poverty Reduction
- Ethical Trade and Corporate Social Responsibility
- Warehouse Receipts
- Improving the Performance of Agricultural Domestic Markets
- International Market Access and Trade
- Community Participation in Policy Formulation
- Social Impact Assessment
- Institutional Analysis and Capacity Building
- Land Reform and Access
- Local Economic Development

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Addressing Poverty Through Local Economic and Territorial Development

Why is Local Economic and Territorial Development important?

Increased responsibility is now being placed on municipal and local governments to develop effective strategies aimed at revitalizing local and regional economies. New approaches to rural development and to the reduction of rural poverty are also being considered. These include a focus on strengthening market linkages, support to networks of organizations working with the poor, and ensuring better planning to support economic and productive activity through collaboration between all levels of government and other stakeholders.

The concept of local economic development (LED) is based on promoting approaches that respond to local needs and conditions. The importance of local ownership of the development process is central to LED approaches, which views development within the context of governance and civil society at all levels. The LED approaches are also applicable spatially, whether in urban, peri-urban, rural or combined settings.

Further, rural territorial development, pioneered in Latin America and in southern Europe, stresses the importance of civil society participation in building productive and market-based opportunities for the poor across urban and rural space, according to the social, economic and environmental characteristics of specific areas and regions, and the particular opportunities that these present. Recent approaches to both LED and rural territorial development specifically promote cross-sectoral collaboration between adjacent local government authorities, and the building of new participatory fora for development planning and implementation.

Local economic development, rural enterprise development and rural territorial development approaches and initiatives are now programme features of the Natural Resources Institute.



Local Economic Development

The Natural Resources Institute is a key partner in a multi-donor initiative launched in 2002, aimed at addressing the challenges of poverty reduction in rural areas. At a conference hosted by GTZ in Berlin in 2002, the success factors drawn from operational experience within a wide range of international and national programmes focusing on rural economic and enterprise development were reviewed. Building on the lessons learned from this operational experience, a framework – the Rural Economic and Enterprise Development (REED) framework was developed. The Natural Resources Institute is now working with partners in Bangladesh and South Africa to develop further the framework and explore its full potential as a tool for joint analysis, planning, evaluation and shared learning among key stakeholders (including government, donors, private sector, public sector and civil society) concerned with local economic development (LED) and wider rural development.

The framework is defined by ten cornerstones. These build upon clusters of successful elements of intervention approaches applicable to rural economic and enterprise development. The cornerstones can be broadly classified into four categories:

- Policies and institutions
- Infrastructure, services and markets
- Entrepreneurial competence
- Stakeholder involvement and linkages

The cornerstones (shown in Figure 1) represent the core functions that must be in place for successful self-sustaining LED and/or rural economic and enterprise development processes. For each of the ten cornerstones, the core elements, key strategies and ways of implementation have been identified based on the collection of available information and experience-based knowledge. The format is open-ended, allowing the addition of new strategic elements and case study material.

The REED framework can be applied at different levels, i.e., local, national and regional, because it is area-based. The importance of the spatial dimension, for example, the role played by extensive and established local economy clusters, the rural/urban linkages and the socio-economic processes which underpin pro-poor rural economic and enterprise development interventions and policies is also emphasized.

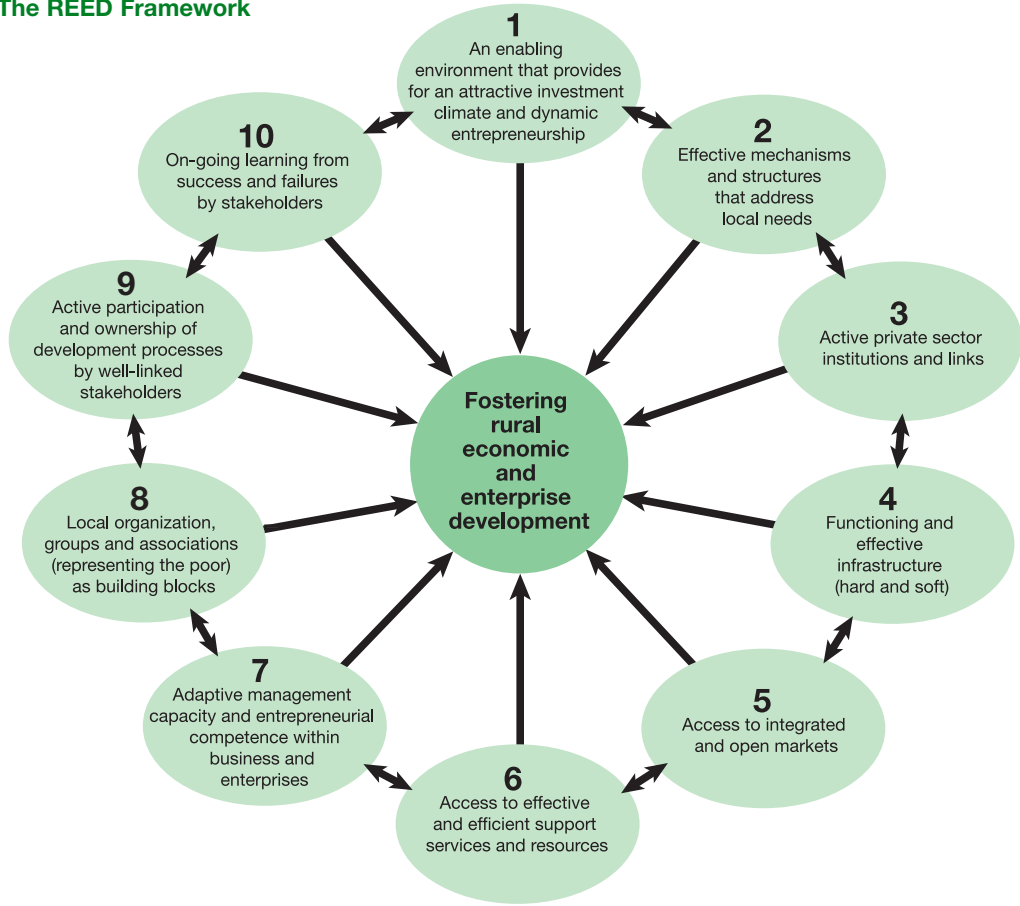
The REED approach was developed for use by policy makers, national and local governments, development agencies, field level practitioners, the private sector and NGO participants, including also those primarily dealing with agriculture-related activities, LED, rural poverty reduction and private sector development. It is further expected that the use of the framework for REED will increase the efficiency and transparency of rural economic development and help to improve co-operation between private sector enterprises and organizations, public sector institutions and donors.

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Rural Economic and Enterprise Development

Figure 1 The REED Framework



The framework includes some explicit hypotheses about how successful interventions foster economic development, these are:

- Shaping favourable conditions for rural entrepreneurs to increase their incomes and improve their livelihoods will help reduce poverty levels.
- Developing and supplying supportive infrastructure and services will allow the private sector and rural communities access to inputs and markets for their output, whilst reducing transaction costs related to production and distribution.
- Creating adaptive management capacity and entrepreneurial competence among rural firms will enable pro-poor economic development as firms are better placed to respond to and utilise the opportunities and challenges of the wider market.
- Improving the different types of existing and potential horizontal and vertical links between stakeholders as useful building blocks for a range of institutional and operational options for rural enterprises.
- Developing instruments to assess opportunities in regional and global market places for the benefit of rural enterprises will reduce poverty and enhance growth.

Such economic development and enterprise promotion strategies can be linked to the poverty reduction efforts of the international donor community and national governments. REED has a broad scope and focus, and is intended to guide and evaluate the 'pro-poor' rural development interventions that are components of national processes. NRI's work will help to develop further the conceptual framework, and in piloting the approach will provide lesson learning and implementation experience to the benefit our partner countries specifically, but also more widely to developing country governments, donors, NGOs and other stakeholders.

Rural Territorial Development

The Natural Resources Institute is reviewing Rural Territorial Development approaches and examining specifically the opportunities they present to resolve issues of land access and the contestation of land resources in Brazil and South Africa through a DFID-funded policy research project entitled Land Access and Participatory Territorial Development.

The work examines how sectoral policies for land access and agrarian development can be integrated into a dynamic and holistic approach to sustainable development with a territorial focus. It is undertaking comparative and analytical policy studies, drawing on existing work and data, and supporting participatory, empirical case studies undertaken by local partners in two districts in South Africa and three in north-eastern Brazil. The research focuses on land access and agrarian development, and poverty and livelihood impacts in the context of wider development policy and planning. The project will assess the implications for public policy in local and national government and for donors in both South Africa and Brazil, identifying and disseminating the policy and practical lessons for the countries concerned, and the wider southern African and Latin American regions, and considering the global relevance.

Based on our review of approaches from literature and practical experience, key features of Rural Territorial Development include:

- Fostering a direct linkage between the productive, institutional transformation of poor areas and regions, and new institutional frameworks which permit more decentralized, participatory planning, and better co-ordination.
- Extending social capital and market networks by developing strong government, civil society and private sector collaboration, and partnership across and between rural territories.
- Emphasis on building social capital and bottom-up participation, in shaping public policies which is genuinely responsive to the specific needs and opportunities of different areas.
- Livelihoods approach, addressing the complex nature of livelihoods and their interactions with markets, policies and institutions, and offers practical opportunities to operationalize the development of sustainable livelihoods (at meso scale) through institutional innovation and networking.
- Opportunities for mobilizing practical responses to globalization in analysing the impacts that globalization has on rural areas. The opportunities offered can be developed according to the region and comparative advantage. In particular, territorial approaches offer a way forward for poorer, more isolated areas by focusing efforts on stakeholder collaboration to develop their resource potential and market linkages, and to also help break cycles of isolation, poverty and outward migration.

