

DE-AGRARIANISATION AND RURAL EMPLOYMENT NETWORK

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Centre for Development Research, Copenhagen

Busy Work or Real Business: Revaluating the Role of Non-Agricultural Activities In African Rural Development

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ASC Working Paper 46 / 2001

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Preface

The De-Agrarianisation and Rural Employment (DARE) Research Programme, funded by the Dutch Ministry of Foreign Affairs and coordinated by the Afrika-Studiecentrum (ASC), has endeavoured over the last five years to network with research institutes in Africa and the rest of the world. This working paper is the result of cooperation between the ASC and Dr Poul Ove Pedersen of the Centre for Development Research in Copenhagen. We wish to acknowledge the encouragement of Hans Slot of the Ministry of Foreign Affairs and the editorial skills of Ann Reeves for providing vital back-up for the work of the programme's research teams.

Despite Sub-Saharan Africa's agrarian image, the rural peasant population is diminishing in relative size and significance. From a multi-disciplinary perspective, the DARE programme has sought to dissect the process of change, drawing attention to the new labour patterns and unfolding rural-urban relations now taking place. The programme research theme consists of four sub-themes: economic dynamics, spatial mobility and settlement patterns, social identity adaptations and gender transformations.

The objectives of the DARE programme have been to:

- 1) compare and contrast the process of de-agrarianisation in various rural areas of Africa in terms of an economic activity reorientation, occupational adjustment, social identification, and spatial relocation of rural dwellers away from strictly peasant modes of livelihood,
- 2) examine how risks on rural household production and exchange influence the extent and nature of non-agricultural activities in rural economies,
- 3) explore the inter-relationship between agriculture and the service sector in African economies; and
- 4) publish and disseminate the research findings to policy makers and scholars in Africa and elsewhere.

The overall findings from the DARE programme are intended to provide insight into the processes of change which are moulding the livelihood prospects of African rural and urban dwellers of the next century. It is hoped that the knowledge gained may be useful for formulating more effective developmental policies to assist in short-circuiting Sub-Saharan Africa's current economic and political vulnerabilities.

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Busy Work or Real Business: Revaluing the Role of Non-Agricultural Activities in African Rural Development

Poul Ove Pedersen

The importance of rural non-agricultural activities has been growing during the past two decades (Bryceson and Jamal 1997; Pedersen 1997b), but their role in rural development is still unclear.

Current debate about agricultural and rural development centres on two competing paradigms, one focused on increased market orientation and the new global order, the other beamed at local development and environmental issues. However, neither encompasses the role of rural non-agricultural activities. This chapter reviews the two paradigms and their non-agricultural oversight. The two prevailing approaches to rural non-agricultural activities are the livelihood perspective, which emphasises the supplementary value of income generation for rural people who cannot survive on their agricultural incomes alone but is less concerned with their role in the rural production system, and the multiplier perspective which focuses on the economic linkages of non-agricultural activities with agricultural production and rural household consumption but largely ignores their dominant nature as trade and service functions. The chapter concludes with a discussion of the service perspective on rural non-agricultural activities.

Conceptualising African Rural Development

The Market Paradigm for Agricultural and Rural Development Under the New Global Order

In a contribution to International Food Policy Research Institute's *2020 Vision Initiative*, Bathrick (1998) describes a new paradigm for agricultural and rural development where the market, and primarily the export market, is considered to be of paramount consideration. Inspired by Mellor's (1966, 1976 and 1986) theory of agriculture-led growth and the many later empirical studies of agricultural multipliers (e.g. Delgado, Hopkins and Kelly 1998), agricultural and rural development is seen as essential for generating broad-based economic growth. Therefore 'agriculture requires a vision that transcends traditional sector approaches based on production'. 'Under market liberalization, agriculture needs to be systematically

linked to a broader range of ministries that includes economy, industry, commerce, trade, labour, environment and health.’ Bathrick continues: ‘A pervasive import-substitution legacy needs to be overcome to optimise responses to the new economic order.’ It ‘has left a very weak response capacity particularly for small and medium-sized producers to diversify...Considerable opportunities exist to spur growth through non-traditional and traditional agricultural exports and market-led/mixed farming operations that include some cereal production, agribusiness and post-harvest employment opportunities and market-driven rural development traditional programme.’ But for these opportunities to be realised, ‘new public and private roles are required to facilitate investment and equity needs’ and ‘to nurture the “new” agricultural systems the public and private sectors will need to develop institutional capacities and technologies. Developing country governments will have to reformulate attitudes, articulate national-level comparative advantages, and define and develop operational roles and political support for cooperation among producers, agribusiness, investment, NGO, university and international research communities.’ Bathrick (1998) also adds:

Foreign aid programs must transcend original premises to embrace opportunities for broader mutual growth....Given that the largest group of trading partners for the developed countries is the world’s poorer countries, the emerging rationale for international programs transcends traditional approaches targeted to assist the poor and instead addresses a broader series of poverty-related issues (for example, environment and local empowerment), while also contributing directly to the future economic growth of the developed economies. True global partnerships based on mutual economic interests are now possible.

The market-based paradigm attempts to place the developing countries’ agriculture in a broader national and global economy, and focuses on the links between the agricultural producer and marketing organisations, processing industries, extension and other services. However, by taking a national, rather than a rural area perspective, the major concern becomes the urban large-scale organisations and industries, not the rural non-agricultural activities. This is further exaggerated by the narrow focus on export trade. In this it resembles the IMF approach to structural adjustment (Seppälä 1997). Even in those developing countries that have the most export-oriented agriculture only a minor share of agricultural produce is exported. Especially in more peripheral rural areas, most of the produce is used for subsistence or sold at local rural markets. Sales to export and national urban markets for most small farmers is the last option because high transport and transaction costs make it the least

profitable. During most of the colonial and post-colonial period African governments' policies served to reduce local produce trade and processing to a minimum because they were seen as a threat to taxation and urban supplies. Only with the introduction of structural adjustment policies did these attempts to constrain local trade stop or collapse. This is probably an important reason for the growth in the number of non-agricultural activities since the 1980s. The market paradigm also has little to say about the farm itself, and Bathrick's formulation literally reduces 'environment and local empowerment' to a parenthesis.

The Environmental and Local Agricultural Development Paradigm

The second paradigm focuses directly on the farmer and agricultural production. It has both an agro-technical and a social dimension. The agro-technical dimension has developed as a reaction to the Green Revolution. While the farming systems designed during the Green Revolution were based on an increased use of fertilisers, pesticides, herbicides, irrigation, mechanisation and perhaps most importantly on new genetically improved varieties, Bie (1994) envisages that the farming systems under the new Green Revolution:

will be based on optimising yields under given environmental conditions, without large inputs of agrochemicals, mechanized implements and irrigation because a very large number of food producers in the poor world will not in the foreseeable future realistically have access to these inputs that have contributed greatly to the first 'Green Revolution'...Proponents of the new paradigm...hold views that are also reflected in many of the approaches to ecological agriculture but it is important to stress that whilst the later are solely based on ecological sustainability arguments, the former starts from an appreciation of the limited access - economically and physically - poor farmers have to external inputs in their farming system.

However, 'the technical elements in the new paradigm are largely ecological: plant breeding which seeks to increase tolerance to pests and diseases, improved techniques for use and conservation of soil and water resources, and integrated techniques for ecological control of pests and weeds' (FAO 1995; Friis-Hansen 1999).

The second dimension of the paradigm is a reaction to the top-down planning and implementation of agricultural policies and centralised extension services, and has been the norm in African countries. However, it has not functioned satisfactorily and resources are now exhausted. The new paradigm sees 'the process of technological development in agriculture as participatory, a partnership, based on a dialogue between farmers and researchers [where] natural science is combined with local experience-based knowledge' (Friis-Hansen 1999).

The technological solutions emerging from this dialogue aim at 'improving the existing local specific agricultural systems adapted to the local environment, rather than replacing them with modern science-based agricultural systems' (Friis-Hansen 1999). In contrast to conventional agricultural technologies that promote monoculture, the new paradigm accepts and promotes agricultural diversity of both crops and livestock because this 'is a key element in integrated pest management, soil conservation and use of plant genetic resources' (Friis-Hansen 1999). The paradigm is said to have a strong poverty focus because it is based on no or only low levels of inputs.

The second dimension of the new paradigm resembles what Seppälä (1996 and 1998) calls 'negotiated development' where rural development is seen as the outcome of a series of encounters and negotiations between different social groups and state institutions. However, where Seppälä's paradigm of negotiated development focuses on rural non-agricultural activities, the second agricultural paradigm concentrates almost entirely on the farm, and has nothing to say about the straddling into non-agricultural activities, which forms a part of the strategies of most rural households, and little about agricultural input and output marketing or financing. This gives the impression that agricultural systems are producing only for subsistence. Friis-Hansen writes that:

widespread diffusion of such technologies are not likely to take place within the existing institutions and structures responsible for production and marketing of agricultural inputs and marketing and processing of agricultural products. New forms of inputs and output market structures will be required to facilitate the successful adoption of technologies developed under the new paradigm among the poor section of the rural societies.

But this new marketing structure does not seem to be a part of the new paradigm. However, large-scale, centralised organisations, be they parastatal or private, are unlikely to do the job efficiently. Existing marketing organisations were established to collect a limited range of crops produced in large amounts and concentrate them at a few points in the large towns or export harbours (and distribute inputs the other way). There will still be a role, albeit a smaller one, for these organisations under the new paradigm, but there will be an increasing demand for smaller enterprises able and willing to distribute a much larger variety of products in much smaller quantities within rural areas, and between the rural areas and small and large towns. It is these functions that are already to a large extent carried out by rural non-agricultural activities but without due recognition in the development literature.

Perspectives on Rural Non-Agricultural Activities

The reason for this lack of recognition of the role of non-agricultural activities in the new agricultural paradigms is not that non-agricultural activities are invisible - in fact their growing number is now well documented. It is rather that in a large part of the literature they are assumed not to have any economic function, or even to have a doubtful role. In the next section I present two of the prevailing theoretical approaches regarding non-agricultural activities and their role in the economy, namely the livelihood and multiplier perspectives.

The Livelihoods Perspective

The livelihood perspective focuses on the survival strategies of rural households, and especially on poor rural households who do not have sufficient land to feed themselves, who supplement their agricultural earnings with income from other sources, such as non-agricultural activities or wage labour. Donor and NGO strategies for poverty alleviation are to a large extent based on the livelihood perspective (Ellis 1999 and 2000).

Most of the rural non-agricultural activities are home based i.e. located at the rural farmsteads. But especially the larger and more permanent (i.e. less seasonal) activities are increasingly located in the rural centres and small towns that have developed rapidly in most African countries, especially since 1980 (Pedersen 1997a and 1997b). Here access both to the rural market and urban supplies are better, though competition from enterprises with an urban base and branches of urban private and public activities is also stronger.

The large GEMINI surveys of micro and small enterprises, which were carried out in a number of African countries during the first half of the 1990s, show that two-thirds or more of the enterprises are rural, and that their number is growing, though their market share has been falling. On the other hand, a survey carried out in Zimbabwe in 1998 (McPherson 1998) indicates that the number of rural enterprises now is stagnating in Zimbabwe and that all the growth is taking place in the urban areas and small towns.

Non-agricultural activities are often closely linked to either agricultural activities or urban wage labour, or both in the sense that capital invested in non-agricultural activities is based on savings from agriculture or wage labour. Investment in farms, on the other hand, is often based on earnings from non-agricultural activities or wages. One of the reasons for this pattern of cross-investment is that agricultural incomes in African rural areas tend to be unstable due to seasonal and climatic swings, and it is therefore useful to combine agriculture with activities which are either more stable or have different fluctuations. Another reason is that in African rural areas access to banks is often poor and the available banks are not geared to

serve people with limited savings. Thus the most attractive way to invest savings and post-harvest incomes is often in a small enterprise. By combining agricultural production and trade it is possible to increase one's income by recirculating the same capital several times a year (Møller 1998). Therefore most households try to straddle the rural and the urban economy.

One of the consequences of these investment patterns is that although poor households are often able to increase their earnings through non-agricultural activities such as artisan work and small-scale market trade, it is the wealthy rural households who can invest in the most capital intensive and highest-earning activities such as the grain trade. They earn most from non-agricultural activities and although the non-agricultural activities tend to reduce the absolute level of poverty in rural areas, they also increase income differences (Møller 1998).

A livelihood perspective focuses on money flows in the form of incomes and investments but has little to say about the functional linkages between agriculture, rural non-agricultural activities and the urban formal sector. In fact a sectoral breakdown is seldom part of the study. Livelihood studies emphasise the redistributive function of non-agricultural activities and not their contribution to economic development. This represents a contradiction because the precondition for them playing a redistributive role is that they are able to produce goods and services which people are willing to purchase.

The Multiplier or Agricultural Growth Linkage Perspective

Functional linkages are highlighted in the multiplier or agricultural growth linkage perspective that focuses on agriculture's ability to generate growth in other sectors of the economy (Mellor 1966, 1976 and 1986). In its original formulation, the theory of agricultural linkages adopted a national perspective on developing economies. Based on experiences during import substitution, it postulates that agricultural produce is tradable, i.e. tradable on an unlimited world market and therefore primarily supply-constrained, while services (by definition) and manufacturing (because it is not competitive) are non-tradables, i.e. tradable only in a limited home market and therefore demand-constrained. Growth in agricultural export production is postulated to generate a growth in industry and services, the extent of which depends on the size of the multiplier. This multiplier consists of a production multiplier due to increased demand for agricultural inputs and the processing of agricultural produce, and a consumption multiplier due to increased demand for consumer goods. In general, the consumption multiplier is believed to be much higher than the production multiplier. Based on detailed empirical studies in the early 1980s of the consumption patterns of rural households in different Asian countries, the multiplier was estimated at 1.80, implying that one dollar of

extra agricultural income would generate around 0.80 dollars extra income in industry and services. Unfortunately studies in the late 1980s indicated that the multiplier was smaller in Africa (around 1.50), and that a strategy of agriculture-led growth would be less justifiable there (Delgado, Hopkins and Kelly 1998).

However, although the idea of an agricultural growth multiplier is reasonable, the agricultural linkage studies that attempt to estimate the multiplier are based on a number of highly debatable assumptions about uniform prices, the absence of competition from imports, and ambiguous distinctions regarding the tradability of different commodities, which are decisive for the size of the computed multiplier (Hart 1998).

When Delgado, Hopkins and Kelly (1998) tried to relax some of the assumptions and assumed that only maize was tradable, with small grains as non-tradable (contrary to the original studies where all grains were considered tradable), the African multiplier increases and becomes larger than those found in Asia, thus making an agriculture-led development strategy more plausible for Africa.

In terms of understanding rural growth, it is a major impediment that most multiplier studies take a national perspective designating many commodities as non-tradable at the national level whereas they are certainly tradable at the rural or local level. The multiplier for a rural region is inevitably smaller than for the whole country. This is accentuated because the multiplier model only accounts for the demand side and assumes that the supply of non-tradable goods and services expands automatically as the demand increases. Thus the role of savings and investments, and technological change are not explicitly considered. In the real world, increased demand in the rural areas often does not lead to increased supply, but rather to imports from the urban areas or foreign countries.

A second problem with the multiplier studies (and also Hart's critique) in relation to the rural areas is their narrow focus on production and the down-playing of the role of trade and services, which tend to be seen as secondary, derived, unproductive or low-productivity activities of no consequence for development. Trade and services are generally treated as non-tradables (which in the case of export trade is hardly reasonable). Their role is seldom discussed, although they make up a major and growing share of rural non-agricultural activities. For instance, in Zimbabwe manufacturing among small enterprises (both rural and urban) dropped from 72 per cent in 1991 to 42 per cent in 1998, while the share of trade increased from 21 per cent to 45 per cent (McPherson 1998).

If trade and services are as inconsequential to rural development (or development in general) as the growth linkage theory seems to assume, why are they growing? To understand

this we must consider the role of services in the economy and look at new theories that have emerged over the last twenty years in developed countries.

The Role and Development of Services in the Economy

Economists have always had difficulties understanding the role of trade and services in the economy (Pedersen 2000). Both Adam Smith and Karl Marx saw services as unproductive. In correspondence with this viewpoint the development literature has often seen middlemen and bureaucrats as parasites. Economists of the Keynesian school and regional planners who invented the development multiplier and economic base models during the 1930s (for a review see Isard 1960) saw the role of services as passive or dependent. Economic growth was assumed to depend on an economic base or motor, which had to be a manufacturing industry or some other sector producing a physical output, which could be exported or sold out of the region. The service sector was assumed only to grow in response to the growth of such an economic base. This is very much the viewpoint behind the agriculture growth linkage theory, and the distinction between tradables and non-tradables corresponds closely to the basic/non-basic distinction in economic theory.

During the 1960s when the service industries in the developed countries started to grow rapidly, Baumol (1967) described the service sector as a 'cost disease'. Empirical studies of the productivity of services indicated that it grew much more slowly than the productivity of manufacturing industries. Rapid expansion of low productive services would therefore reduce the productivity of the economy as a whole and gradually bring development to a halt.

However, Baumol's prognosis did not come true. Despite a growing service sector, the economy continued to grow, and during the 1970s and 1980s in developing countries services began to be seen in a new light. This was partly because the productivity of some services increased rapidly under the impact of new technology, and partly because it was realised that even if services themselves had a low productivity level, they could spur growth in productivity of the sectors they served and in the economy as a whole (Illeris 1996).

Finally increasing international trade in services has opened up the possibility that service sectors may themselves become economic agents of growth. At the national level, tourism is the most notable example and at the regional/sub-national level, state financed services or transfer payments (e.g. pensions) may be a basis for regional development. The rapid growth of many African capital cities is probably to a large extent based on services financed by government transfers of aid money.

Service-sector growth only partly results from real growth in the economy. It is also an outcome of specialisation in activities that were earlier performed by manufacturing industries or households, which became externalised and restructured into specialised, private or public service enterprises. This is similar to the process in which manufacturing enterprises outsource production functions. Such a specialisation process takes place within service sectors as well, causing a proliferation of many specialised services. The increasing specialisation within both the manufacturing and service sectors requires increasing organisation, coordination, financing and the control of flows of goods and information, which many service activities are concerned with.

Service users have the option either to perform services themselves, to buy them from specialised service producers, or to do both. Thus most manufacturers are also traders although they may prefer to use a specialised trading agent or sell all or a part of their production to wholesalers specialised in accessing the market.

Although our knowledge about this process of service development is mainly based on research into the growth of services in the modern service economy, our claim is that a similar process is taking place in African rural areas, and that the same framework can be used to understand the function of rural traders and other service providers.

The Function of Trade and Services in Rural Development

The growth of trade and services in African rural areas is partly a result of increased commercialisation and monetisation leading to higher money flows and demand for more specialised urban goods. But it also results from the increasing pressures from the industrialised world on rural production and consumption caused by globalisation (Pedersen 1999b). This is illustrated by the development of rural centres in Zimbabwe (Pedersen 1997a and 1999a). In the first phase of this process, artisan producers and general traders establish themselves in the rural areas. Although artisan producers have traditionally been classified as manufacturers, in reality they sell their produce directly to the final consumer and often spend more time selling their produce than producing it. The GEMINI studies show that more than 95 per cent of all the small enterprises both in rural and urban areas sell their goods and services to the final consumer. In a later phase increasingly specialised traders, transporters and other services locate themselves in small rural centres. However, the farm household may still have an option to sell its produce directly to the consumer and buy goods and farm inputs in urban areas if it sees this as advantageous. Consequently, development often results in the creation of a series of parallel marketing channels.

Rural economies are constrained by the large amounts of capital required to finance agricultural production, as evidenced in the strong seasonality of rural financial markets and high prices in the period before harvest. Dispersed production and poor infrastructure make transportation another major problem; and seasonality and poor access together result in wide price variations. The rural trader typically performs three different but interlinked functions in an attempt to overcome (and profit from) these constraints:

- Provision of market information and organisation of the link between producer and consumer, buyer and seller. Prices vary widely in rural Africa depending on time, place and who is trading. Exploitation of such price differences is a major source of traders' profits, but it is also by linking surplus and deficit areas for specific commodities that the trader serves his societal purpose. Access to information about price differences is therefore of major concern to the trader. In the rural areas this information may not be easily available. Its access is often based on hierarchical national or international networks to other businessmen and civil servants.
- Capital provision for financing transactions. In rural areas capital is scarce. Very few have access to banks and other formal-sector loans. During the 1990s an increasing number of small rural enterprises have been able to secure loans from NGO and donor-financed credit schemes, but in most countries still fewer than two per cent of small enterprises have been able to obtain loans. Most small enterprises operate on their own savings. Such saving-based investments in small enterprises play an important, though seldom recognised, role in the national economy of African countries. In Kenya, Daniels, Mead and Musinga (1995) show that the median start-up investment in small enterprises was about 1,500 Ksh, which after two years of operation increased to 5,000 Ksh (measured in 1994 Ksh). As in 1994 there were between 700,000 and 1 million small enterprises in Kenya which corresponds to 3-5 billion Ksh or about the same magnitude as the total outstanding agricultural credit, which in 1994 was 3.35 billion Ksh. (The total outstanding from commercial banks to private enterprises at the same time was 87.3 billion Ksh and to households 3.14 billion Ksh).
- Provision of transport and storage. Transport is a scarce resource in rural Africa and access to it is partly a function of access to capital. However, transport in both rural and urban areas tends to be operated by less capital-intensive methods such

as scotch carts, bicycles and head carriage, and can often be substituted by other means of capital in the form of local processing and storage (Howe 1997). Thus in Zimbabwe a large share of the maize, which before structural adjustment was transported to mills in the large towns and later back into rural food-deficit areas, today is milled and consumed in the rural areas. Private households with buses and private cars transport another share to town.

Not all traders provide all the above-listed services. Some may be performed by a trader's suppliers, or obtained from other service firms or sub-contractors. Traders' activities may also involve other service functions besides the above, such as the packing or repacking of goods, consultancies to producers or users, or protection and insurance of the goods sold. Traders may also be directly involved in the production or processing of their merchandise.

The configuration of services performed by traders depends to a large extent on local resources and their access to market information, capital and transport capacity. Indeed their differential access to these assets determines their competitive advantage *vis-à-vis* others (Pedersen 1999a and 1997a; Seppälä 1998). It is common to observe market segmentation between competing marketing channels offering different distribution services. Neoclassical economics would tend to see such market segmentation as a sign of market failure. However, in rural areas it leads to improved utilisation of scarce capital, transport and labour resources from diverse sources, which would often not be available to large enterprises. Also, it is not necessarily a hindrance to competition because enterprises attempt to shift the borders of the market segment rather than compete directly on price.

Small-scale traders selling local produce at the market or roadside require the least information and resources because their customers come to the trader, pay cash and carry the goods away themselves. In addition, the capital required is often small because the turnover is rapid. On the other hand, small traders may need capital because they are trying to establish a competitive edge over formal retailers by offering credit.

Long-distance trade in grain or urban goods requires better access to market information and also larger capital and transport resources to be profitable. Due to lack of trust, long-distance traders generally travel with their goods which clearly increases costs and reduces the amount traded (if that has not already been limited by lack of working capital). To reduce costs and increase the circulation of their limited capital, long-distance traders generally attempt to trade both ways i.e. bring local goods to the foreign market and foreign goods to the local market. In Southern Africa many rural shops are run by migrant labourers who earn cash

to stock their shop and have an opportunity to bring trading goods back to rural areas when they return from work.

It is often claimed that production requires more capital than trade, but in Sub-Saharan African rural areas this is generally not true. In Kenya, 43 per cent of the small traders had a start-up capital of more than 1,000 Ksh, while only 27.5 per cent of the small manufacturers had a starting capital of more than 1,000 Ksh (Daniels, Mead and Musinga 1995). The reason is that small-scale artisan production often requires only investments in hand tools because the customer usually brings the materials or pays for them in advance. On the other hand, trade requires a considerable operating capital to buy stock in order to be as profitable as artisan production.

Although rural household savings and investments in rural non-agricultural activities play an important role in financing the rural economy, most individual rural businessmen and women are highly undercapitalised. Clustering of traders is therefore important because the individual small rural traders seldom have enough capital to secure regular supplies. In a survey of a small rural centre in Zimbabwe, Pedersen (1997a) showed that although there were 13 general dealers in the centre, who in principle sold the same range of goods, in practice traders would individually not have been able to maintain trading stocks sufficiently to guarantee regular supplies to the centre. Individuals were frequently out of stocks either because they had run out of capital, because their car had broken down, or because goods were not available from the wholesaler.

It was observed that the entry of a particular trader with more capital seemed to change this. He was able to stock his shop much better than his competitors, and for a time it looked as if he would take over an increasing share of the local market. However, due to a traffic accident he was unable to work for several months and also lost part of his capital (his file of debtors got burnt) causing his trading operations to shrink. He therefore turned his premises into a bar where the capital requirement is smaller because the turnover of the capital is more rapid. So the situation in the centre went back to its normal state before his arrival. One can of course argue that traffic accidents are not normal and therefore cannot be generalised to explain rural development. However, the reality is that risks, such as traffic accidents, bad harvests, illness, theft and fire are frequent occurrences in rural Africa, and pose a major impediment to economic development.

From a livelihood perspective it is claimed that one of the reasons why small-scale traders and artisans often earn very little is that too many compete for the same limited market. The argument stands in contrast to the literature on the clustering of small enterprises that

indicates that small traders cluster in market places to gain market access. The more traders there are, the more costumers will visit the market. as there will be increased market information and competition.

The over-crowding argument is problematic because it leads to suggestions for reduced competition and higher prices, presumably on behalf of the small traders, rather than for reduced prices, which, even for the small trader who is also a consumer, appears to be a better option. On the contrary, it is through a trader's ability to provide scarce capital and transport and reduce transaction costs that the trader contributes to the agricultural/rural productivity.

However, it is also by controlling scarce market information, capital and transport capacity that the trader is able to exploit rent-seeking opportunities, if he is allowed to develop a monopoly position. It is a major unsolved issue as to where the limit between profitable trade and destructive rent-seeking lies.

Upgrading Rural Non-Agricultural Service Activities Within a New Rural and Agricultural Development Paradigm

During both colonial and post-colonial periods rural-urban linkages in Africa tended to develop into a dual structure consisting of:

- top-down, often monopolistic linkages organised by parastatals or state-dependent large-scale private enterprises which provided or collected highly standardised services and goods, with little regard for local conditions and demands, and which often were unable to deliver.
- bottom-up informal linkages or traditional marketing systems based on household relations or micro enterprises which tried to complement or fill the holes in the top-down linkages. This bottom-up system was much more responsive to diversified local demands, but highly under-capitalised and often transgressed rules and regulations set up by the top-down system. Therefore they were often unable to deliver either.

In most African countries historically, the top-down system tended to dominate agricultural marketing, although the role of the bottom-up system was generally more important for uncontrolled crops. However, even where bottom-up systems have been able to operate, there are large differences in their ability to retain their place in competition with the often politically supported top-down system as evidenced by Leplaideur's (1992) study of rice

and vegetable marketing in six French-speaking countries in Africa. The balance between the top-down and bottom-up systems to a large extent depends on government policies. Trade liberalisation has generally favoured the development of bottom-up systems. For instance, in Zimbabwe, the large-scale grain mills lost about half of their production to small-scale commercial and especially service mills due to the market liberalisation of the grain trade. Grain millers lost their monopoly to supply the grain-deficit areas with industrially milled mealy meal. A new type of small-scale commercial mill requiring less working capital took the lead (Jayne and Rubey 1993; Pedersen 1997a).

The major mistake of post-colonial rural development policy was that the bottom-up system was not allowed to develop so that the two systems could compete, interact and complement each other effectively. The two new agricultural paradigms, it appears to me, repeat the same mistake. The market paradigm focuses on the top-down system alone, while the environmental and local development paradigm is not interested in either system.

A new paradigm for rural development should focus on the co-existence of the top-down and bottom-up rural-urban linkages, as both are needed. Export crops and the provision of standardised food products for urban areas require a top-down marketing system that can impose product standardisation and quality gradation on agricultural production. But a top-down organisation is unlikely to manage extension services that offer serious dialogue with small-scale farmers on the efficient use of their agricultural resources, supply a diversified set of farm implements adapted to local conditions, handle the distribution of produce to a dispersed rural market or diversify production *per se* which the environmental paradigm emphasises.. Therefore the question is what policies can serve to upgrade and capitalise small rural non-agricultural activities to complement and compete with large organisations. Small enterprise size and restricted growth need not constrain enterprises serving specialised market niches, but an upgrading of qualifications and increases in capitalisation are important regardless of growth.

Müller (2001) shows how local blacksmiths in north-western Tanzania have survived two decades of official harassment and competition from the Chinese-built hoe factory by producing a diversified set of hoes adapted to local conditions. Furthermore, there are now examples of agricultural extension officers retrenched from state extension services, who are now being hired directly by groups of farmers as their consultants and to argue their case with the state extension services in Tanzania. In this way, real dialogue between farmers and the centralised extension services can be guaranteed.

Liedholm and Mead (1999) point to an undoubtedly important element in product upgrading. While more than 95 per cent of all the small enterprises they observed sell to individual consumers only, those few who sell to or buy inputs from other traders tend to grow much more rapidly than others. This points to the importance of establishing wholesale functions which market more efficiently and which can channel market information on demand and product quality back to rural producers. A study of small-town businesses in Zimbabwe reached the same conclusion (Pedersen 1997a). However, this is likely to require increased product standardisation and quality gradation than is typical in African rural production today. It will also require trading systems with lower transaction and transportation costs, so that the difference between farm selling prices and consumer prices is reduced.

There are many examples of traders channelling market information and product innovations back to producers in Asia (Weijland 1994). Fewer examples surface in the African literature. However, Mihanjo (2001) shows how pottery traders in Tanzania have channelled proposals for new pottery designs from Dar es Salaam back to local potters in south-western Tanzania; and in on-going PhD research at the Institute for Development Studies at the University of Nairobi, Njeru documents how Kenyan fruit traders channel information on improved production techniques back to farmers.

Conclusion

In current discussions about African rural production two paradigms dominate, namely:

- the market paradigm focused on the development of export crops and their linkages to large-scale marketing and processing enterprises; and
- the environmental and local development paradigm beamed narrowly on agricultural production and the activities on the farm, primarily small-scale farms.

Both perspectives are problematic. The market paradigm tends to ignore production for subsistence and for local and national markets. The environmental and local development paradigm largely overlooks post-harvest trade and processing activities that are typically responsible for more than half of the total value added of the final consumer price of marketed crops.

The development of agricultural productivity and diversification will not be possible without an efficient system of farm inputs and consumption-good supply, and post-harvest activities that facilitate markets for farmers' produce. The many examples of defunct

processing industries in Africa, which collapsed because the expected flow of produce failed to materialise, testify that the opposite is also true. Post-harvest activities cannot develop without linkages to agricultural producers, which guarantee them a ready supply of agricultural raw materials. Large-scale trading organisations and processing industries clearly should play an important role in organising large flows of agricultural produce for both the export market and the consumer market in large towns. However, they are unlikely to be able to handle efficiently small flows of diversified production within rural areas and between rural areas and small towns. They are also unlikely to be able to utilise local resources in the form of local information, savings and intermediate modes of transport that play a critical role in most rural areas. Any paradigm for rural development in the 21st century must recognise the importance of rural non-agricultural activities. Far from being unproductive busy work or exploitative trading practices, they provide vital links between services of market supply and demand, spurring efficient use of diverse rural resources.

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