



USAID | **ARMENIA**
FROM THE AMERICAN PEOPLE

Integrated Rural Development Lessons Learned

USAID/Armenia one year ago responded positively to a UNDP request that we participate financially in a COAF (Children of Armenia Fund) initiative to develop the town of Karakert, in Armavir marz. The approach that COAF proposed and implemented was a form of “integrated rural development” (IRD). This COAF-led, multi-donor program celebrated its first anniversary in the fall of 2005, and COAF is planning on expanding the program to a constellation of five villages that surround Karakert. In addition, the Ministries of Territorial Administration and Foreign Affairs have both shown an interest in expanding IRD initiatives.

In order to better understand IRD, an attractive development approach on the face of it, and one that was in vogue in the 1970s and 1980s, USAID/Armenia did a literature search, and summarized the contents in the following paper. The paper represents our initial findings, which do not negate the IRD approach but do point to the need to take a number of factors into account when planning an IRD initiative. We hope that this paper can serve as a starting point for a thoughtful discussion of a development approach that is apparently gaining currency in Armenia, a country whose rural areas are increasingly the target of poverty-reduction efforts.

Integrated Rural Development: Lessons Learned

Executive Summary

This paper summarizes findings from more than 17 studies on the successes and failures of the Integrated Rural Development (IRD) projects funded by various donor organizations over the last 30 years. Over this period, the original excitement development practitioners had that they could transform undeveloped rural settings into cohesive communities with profitable productive opportunities and where members enjoyed basic public and social services has settled into a realization that outside-initiated transformation does not come easily. Keen practitioners have learned that target communities—not their national, nor regional governments, nor even just their village headmen—must have true ownership over this process and they must have the capacity to sustain and manage new infrastructure and operational and maintenance systems (sometimes even these are ignored at the onset) that are established. Realizing that necessary community mobilization requires intensive work, that donor resources are limited, and that often the real causes of underdevelopment are systemic, e.g. based on governmental policies, more development experts focus on programs that target systemic reforms that put into place the proper institutions and incentives for development rather than work in IRD. Indeed, in the most recent experiences of USAID, IRD efforts that come after large systemic changes, e.g. Israeli withdrawal from Southern Lebanon or change of a repressive regime in Afghanistan have shown promise.

Background

Integrated Rural Development (IRD, sometimes referred to as area development) was popular among those working on international development assistance in 1970s. The number of and donor allocations to IRD projects increased rapidly in the mid 1970s and reached their peak in the beginning of the 1980s. However, follow-on project evaluations reported unsatisfactory performance of IRD efforts for the most part, and this resulted in a shift towards broader systemic poverty alleviation initiatives (such as the World Bank's Poverty Reduction Strategies). In the meantime, numerous studies and research conducted by international organizations and independent researchers revealed the main shortfalls of IRD projects in different parts of the world. Some have combined these lessons learned to rethink the IRD approach.

The papers are a selected subset of this work. They attempt to analyze the main causes of the poor performance of IRD projects and recommend a new way of initiating sustainable rural development. Almost every study views institutional and structural aspects of implementation as a main obstacle for successful IRD implementation. Therefore, the role of different stakeholders, including local communities, NGOs, businesses, local governing bodies, etc. should be re-examined. In the meantime, the studies generally agree that IRD is a quite complex

and multidimensional model, the success of which is dependant on interaction of multiple factors and performance of different entities, integration of which are a necessary prerequisite to effective implementation.

Integrated Rural Development is generally seen as a way to improve a community's "well-being" in social, economic, and environmental terms. In recent studies, it is seen as an alternative to agriculturally-based sources of income by diversifying rural income and reducing the price risk of agricultural production.

Lessons Learned

1. Institutional setting

Decentralization and community participation - In the past rural development had suffered from top-down approaches to development and had become "supply-driven" in many countries. That is, in some cases central governments and donors did not remain limited to the formulation and implementation of policies to facilitate the effective functioning of other actors. When central governments stay within their proper bounds, then local governments and communities can assume greater responsibilities and become the focal centers for local development—a process often referred to as decentralization. In addition, for effective IRD, local communities should organize themselves to managing their own development, while local governing bodies are expected to provide overall guidance. To achieve sustainability, the challenge has been to facilitate and institutionalize a process through which rural communities themselves would establish local organizations to satisfy their own local needs. The evidence clearly demonstrates that IRD work implemented under overwhelming governmental domination (or the ones lacking community "ownership") has not achieved the expected results as the public's commitment to project goals is a crucial determinant of outcome.

Sense of ownership – "Ownership" of project objectives is vital and the enabling environment should exist for local governmental institutions and community organizations to establish a collaborative partnership in undertaking the responsibility for developing a local "vision" and strategy, and for designing/planning, allocating resources, implementing and monitoring/evaluating of development activities that better cater to local needs. It is important that these different local players become the driving force towards development, develop a "sense of shared ownership", and jointly manage their development initiatives.

Implementation mechanisms, capacity and skills – Many IRD projects have set up their own project management units (PMUs) to bypass weak agencies. This negatively affects project sustainability as PMUs phase out at a certain point and local institutions and communities are usually left with little improved or no capacity to follow up on operational issues. On the contrary, local institutions and community organizations often lack financial, human, and physical resources that hinder their effective participation in IRD projects. In addition, there is a need for

institutional mechanisms to coordinate the decisions taken by a large number of individuals at the community level, between communities, and between communities and other stakeholders such as the government (at different levels) and the private sector.

2. Project Design and Implementation

Different studies point out that many problems in project implementation stem from deficient project design. One of the assessments describes the design-related problem as “poor diagnosis of problems and a pervasive optimism over possible solutions.” The challenge has always been to design a strategy or program which, though it incorporates necessary levels of information, is flexible enough to allow for adjustments during the implementation cycle. Another important factor that usually is broadly talked about at the design stage, but not always put into practice, is giving proper consideration to social, economic, and cultural peculiarities of the chosen locality. Usually, detailed location-tailored research is necessary to guide project design and implementation.

3. Network creation

In such a complex environment, agencies tend to give priority to their own programs at the expense of contributions to the programs of others. Insufficient analysis of social capital and institutional setting has led to poor interaction between the involved actors and thus affected project outcomes. Very often extensive administrative structures are established to implement the projects with little consideration given to the creation of a positive human network in a community and trust among the population, that in turn would lead to collective action for integrated and sustainable rural development.

4. Sustainability

The factors impeding program sustainability include:

- Heavy reliance on technical assistance with little training for the local staff to effectively take over the implementation;
- High level of investments, which significantly exceed norms, result in resource unavailability (e.g. no way to find replacement parts or afford maintenance) when project disbursements end;
- Establishment of project-specific institutions that do not get absorbed into regular institutional settings;
- Relatively short duration of programs, which results in the inability to produce results during the project implementation cycle; and

- Low level of community involvement and lack of sense of ownership.

Pooling Resources for IRD

Often promoters of IRD work to coordinate and pool donor resources targeted at a geographic area focusing assistance on a set of interrelated and potentially complementary targets within a rural community. This geographic approach to development planning is shared to some extent by larger-scale regional models such as the DFID Regional Development Programs for Tavush and Gegharkunik in Armenia.

But as an approach to channeling and organizing diverse development resources, IRD should also be viewed in the context of a spectrum of models, some of which are not necessarily based on geographic integration, and may not share some of the challenges faced by IRD. In particular, recent papers and articles dealing with how diaspora investments, remittances, and private donations can be integrated with development policy offer a broader perspective on the topic. Some aspects of these approaches, such the use of web based brokering between global private donations and in-country implementers, or the use of financial instruments to streamline diaspora contributions, have broader applications for development coordination, whether based on IRD or other models.

Conclusions

1. Though IRD programs have been extensively evaluated by different donor organizations and a number of corrective actions have been recommended by these studies, successful implementation of IRD projects is still dependent on multiple factors which do not always exist in a developing country.
2. Many practitioners of IRD have shifted their emphasis away from intensive agriculture towards more sustainable rural economies focusing on non-agricultural sources of income. This brings new challenges to even developed countries, such as the UK, presenting them with a need for better coordination and a change the mandates of existing (e.g. rural farming) institutions.
3. IRD projects are rather cost, effort, and time intensive, all of these factors being necessary prerequisites for effective implementation. Given this complexity, the question remains whether IRD is the right alternative to which limited country resources should be directed.
4. In most of the cases, the evaluations of program results have been conducted by the funding organization, which introduces a certain bias to admit poor performance. For example, the World Bank-implemented IRD projects were positively evaluated in the beginning of 1980s while the later studies

pointed out all the above problems. Therefore, there is a level of skepticism about the success stories that have served to revitalize the IRD approach lately.

5. It is important to view IRD projects in the context of a spectrum of mechanisms for coordinating development resources. Some approaches to pooling the resources of international donor agencies with individual and institutional contributions aggregate funds at the level of programs or initiatives without necessarily adopting a geographic integration model.
6. In any event, should implementing IRD become a priority, a proper consideration should be given to conducting a detailed locality-specific feasibility study of all the necessary factors, including public commitment, effective institutional setting, government leadership, etc., in order to establish an effective and efficient implementation network.

Alternatives to IRD

The studies examined here, as well as other recent literature on aid effectiveness identify at least three the key factors for effective implementation of assistance programs: (i) existence of right incentives, (ii) sound institutions and policies, and (iii) knowledge (smart finance). For example, the studies claim that foreign direct investments encourage economic growth and relieve poverty at a higher pace as both the investing firm and the workers and suppliers have a stronger incentive to transfer/gain knowledge and technologies and carefully monitoring results, since their individual profit depends on the fortune of these investments. On the contrary, aid and government agencies tend to be less careful in ensuring financial investments are profitable and do not necessarily monitor their work as carefully. Alongside with creation of right incentives, development assistance efforts must come with sound policies and emphasize institution building and knowledge transfer. When examining these trends, it is more beneficial to direct limited donor resources to the establishment of sound policies and institutions, and knowledge sharing. Alternatively, when choosing project-type assistance the preference may be given to uni-dimensional, easy to monitor and, if necessary, adjustable projects that would lend themselves to consistent monitoring.

ANNEX 1

List of studies and publications reviewed

1. Philip Kostov, John Lingard. Integrated rural development – do we need a new approach?

This research discusses policy shift from agriculture projects towards integrated rural development approach with emphasis on a need for a fundamental change in policy objectives and frameworks towards a more holistic approach to rural realities and application of new tools of analysis.

2. Edward W. Bresnayan, Jr., Maria Alejandra Bouquet, and Francesca Russo. MBOPs and the case of NE Brazil: The Rural Poverty Reduction Program. The World Bank.

This paper traces the origins of and the accumulated experience with community-driven development (CDD) in Northeast Brazil as an example of membership-based organizations for the poor (MBOPs).

3. Asian Productivity Organization (APO). Role of Local Communities and Institutions in Integrated Rural development. 2004

This document highlights the resources of a seminar, which was organized by the APO to undertake a comparative study by way of examining the nature, role, and functions of local communities and various local institutions in their member countries in terms of sustainable integrated rural development (IRD) and their future directions.

4. The Countryside Agency. Integrated Rural Development. Research notes, July 2003.

This research examines operational structure and working practices of partner organizations involved in the Integrated Development of Rural Areas. It developed a “proofing tool” to help assess the readiness of organizations to take part in IRD.

5. A.I.D.’s Experience with Integrated Rural Development Projects. A.I.D. Program Evaluation Report No. 19 by Krishna Kumar. July 1987.

This report analyzes USAID experience with IRD projects and, based on a series of impact evaluations, presents both some of the principal reasons for the limited accomplishments and some of the benefits that resulted from these projects.

6. Luis Coirolo, Tulio Barbosa. Rural Development and Poverty Alleviation in Northeast Brazil. The World Bank, October 2002.

This article highlights lessons learned from the World Bank's Rural Development and Poverty Alleviation initiative in Northeast Brazil.

7. Canadian International Development Agency. Promoting Sustainable Rural Development Through Agriculture: Overview. February 2003.

This document emphasizes the importance of agriculture to rural development and announces CIDA's intention to take a path toward revitalizing their support for the agricultural sector.

8. Agriculture & Natural Resources Department. Towards Sustainable Production Systems and Rural Poverty Reduction. June 1997.

The article discusses Demand-Driven Rural Investment Funds (DDIFs) and social funds and their successful application in several countries of South America.

9. Department for International Development. Synthesis of Integrated Rural Development Projects. July 2004.

This study presents a synthesis of conclusions from reviews of evaluations of six IRD projects, which were jointly financed by ODA and the World Bank.

10. Department for International Development. Rural Development in Africa: A Synthesis of Project Experience. July 2004.

This study presents a synthesis of conclusions from reviews of evaluations of rural development projects in Sub-Saharan Africa during the 1970s, which were financed by International Fund for Agricultural Development (IFAD), ODA and the World Bank.

11. Factors in Successful Rural Development: Examples from Northeast Brazil. The World Bank, March 1992.

This article analyzes the implementation of 23 World Bank-financed rural development projects in Northeast Brazil. It traces the influences on public sector performance in rural development and offers lesson on the implementation arrangements that perform best under different circumstances.

12. Dr. Frithjof Kuhnen. The Concept of Integrated Rural Development.

This paper attempts to re-assess the development approach and by using the experience of the past to introduce the renewed concept of Integrated Rural Development and problems of its operationalization.

13. Area Development Projects: Lessons and Practices. Operations Evaluation Department, The World Bank, September 1993.

This paper presents the concept of area development and articulates key lessons learned from the implementation of such projects by the World Bank.

14. Kathleen Newland. Beyond Remittances: The Role of Diaspora in Poverty Reduction in their Countries of Origin. Migration Policy Institute, July 2004.

This paper analyzes the impact of established Diaspora on the reduction of poverty, and identifies ways in which policy interventions, especially from donors of official development assistance, might strengthen that impact. The paper places special emphasis on aspects other than remittances.

15. Jorgen Carling. Migrant Remittances and Development Cooperation. International Peace Research Institute, January 2005.

This paper argues that the effects of remittances on development are complex and often contradictory. It covers some strategies for increasing the benefits of remittances, and examines their policy implications.

16. Devesh Kapur. Remittances, the New Development Mantra? G-24 Discussion Series, April 2004.

This paper examines the causes and implications of remittance flows. It examines the key trends in remittance flows, and suggests a role for international organizations to intermediate these flows in order to enhance them and maximize their benefits.

17. Dan Runde. GlobalGiving Web site Makes it Easy to Donate Aid (*URL: <http://www.globalgiving.com/aboutus/press/frontlines.html>*). USAID Frontlines, January 2004.

This article introduces GlobalGiving, a new mechanism for channeling international contributions to development projects, and is effectively an “online forum that acts as an e-Bay for international aid”. The article places particular emphasis on the collaboration between GlobalGiving and USAID.