

*Access to land and technology is a crucial criterion in assigning households to the Five Rural Worlds.  
Photo: FAO/M. Qingwen*

## Revamping the “Rural Worlds” model

The causes, processes and policy design of structural transformation in rural areas are multifarious and complex. Discussing them with a view to informing development co-operation on appropriate action requires conceptual models that are neither too complicated nor too simplistic. Here, the “Rural Worlds” approach of the Organisation for Economic Co-operation and Development (OECD) could be a starting point.

Development co-operation measures supporting structural transformation have to give special attention to growth processes, poor and marginalised groups of the population, maintaining environmental standards and effective planning and negotiating processes. Therefore, differentiated support programmes are needed for the various branches and groups of people addressed. However, these have to remain connected to the rural dynamics as a whole and the links between the elements. This calls for a conceptual model of rural areas that enables discussions among the many involved and affected individuals, institutions and sectors. The model should not be too simplifying. For

example, the term “smallholders” is often used for all family farmers in developing countries, completely ignoring the different potentials, needs, roles in structural transformation and support options of this huge group. On the other hand, public and political debate does not benefit from excessive complexity and abstractness. Wherever possible, the model should be globally applicable, even though it may have to be adapted to the respective individual regions. This article looks at how suitable the “Five Rural Worlds” model presented by the OECD in 2007 is in this context.

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### ■ Types of household and enterprise in the Five Rural Worlds model

The “Five Rural Worlds” model is target group-oriented and breaks down the rural population into five stylised types of enterprise and house-

hold. In a development co-operation debate, it has the advantage of specially considering poverty-relevant groups while also explicitly referring to the potential actors in economic growth. The model has not become particularly well established, perhaps also because the OECD does not hold any strong power of interpretation in rural development issues and because the model itself has been too little used and operationalised. However, it does also bear the disadvantage of not having offered enough instructions for broader debates on structural transformation. This is why it is extended here in a way that will also allow it to systematically clarify interaction between the larger groups of actors. Furthermore, to be used in the context of structural transformation, it is important to enter the contextual factors that the rural regions described above are embedded in and that crucially determine pressure to as well as options for change.

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The Rural Worlds in the OECD model comprise the following types of enterprise and household:

**Rural World 1: Large-scale commercial agricultural households and enterprises**

They are internationally fully competitive and do not produce for home consumption. In sub-Saharan Africa (SSA), only a relatively small amount of enterprises fall into this category, among them large firms run with relatively low-input (“smallholding”) technology as well as those operating with technology packages oriented on industrialised countries.

**Rural World 2: Traditional landholders and enterprises**

This category comprises many smaller rural households and agricultural firms. They usually only hold land informally. They pursue both subsistence agriculture and commercial agriculture for local markets and also grow certain crops (e.g. traditional colonial goods such as cotton, coffee or cocoa) for the international markets. However, most products (food crops) are not internationally marketable owing to inferior quality, the obligation to provide proof of origin and a lack of access to markets. These enterprises generally operate risk-aversely and input-extensively, and they have considerable difficulty obtaining formal credits. They are quite able to produce an income above the poverty line and are often also capable of growth. They can build reserves to make up for failed harvests.

**Rural World 3: Subsistence agricultural households and micro-enterprises**

These households probably represent the largest share of households in rural areas. Production is dedicated mainly to home consumption, although households still have to buy substantial amounts of food additionally. Some products yield a surplus to finance food and other purchases, although non-agricultural activities are a crucial component of income. These households are very highly vulnerable and correspondingly averted to risk and are hardly credit-worthy, so that

the technology they apply has to be capital-extensive. Even in some good years, but above all in the bad ones, they remain below the poverty line.

**Rural World 4: Landless rural households and micro-enterprises**

In SSA, landless households are still relatively rare. Sufficient land and collective land rights allow most households to pursue agricultural activities on at least a smaller scale. This is often different in densely populated Asia, where many rural households have nothing but informal micro-enterprises or provide agricultural labour to secure their livelihoods. Their living conditions are frequently even more precarious than those in Rural World 3, and in many years they are among the poor.

**Rural World 5: Chronically poor rural households**

This type of household comprises in particular those without land and with hardly any labour force, those in which people are chronically ill or disabled, orphan households as well as a considerable share of micro-farmers in unfavourable locations or locations where land is very limited.

The Five Rural Worlds approach has fewer disadvantages than other classification approaches such as those of **livelihoods** (too unspecific or, in practice, too detailed, does usually not allow for comparisons, of little relevance to policies), **smallholders** (too sectorial a focus on agricultural aspects, too unspecific), **producers/consumers** (too inaccurate regarding the position in agricultural and food markets), **classes** (hardly applicable, particularly in rural, pre-industrial areas), or **farming systems** (too focused on agricultural technology, either without any focus on poverty or addressing poverty by combining several variables ad hoc). It sufficiently differentiates according to the chief categories of groups of actors – level of income and sectorial source of income, potential, requirement for and type of support – while not being quite as crude, fatalistic or deterministic as the well-known classification by Andrew Dorward into “stepping-up”, “stepping-out” and “hanging-in” farm households.

■ **What support needs to address**

With the Five Rural Worlds approach, the need for development co-operation support can often already be sufficiently differentiated. Some examples are given to illustrate this:

**Food prices:** World 1 produces only for the market; it benefits from high prices. Worlds 4 and 5 are almost exclusively very poor consumers who have to rely on staple crops at low prices. World 3 mainly produces for its own needs, but also to create smaller surpluses and to supply special crops for the market. In total, it is a net consumer. World 2 produces for the market but also to meet its own needs; it is chiefly a net producer. Depending on the constellation of products and the times of the sales and purchases, high and low prices of various products affect these two worlds in very different and partly contradictory ways. The effect on poverty and food security has no clear direction.

**Agriculture and business technologies:** World 1 is largely in the formal sector, it can use modern modes of production and can also finance the business services it needs, whereas World 2 requires government support to gain access to and use modern technologies. Often, World 3 cannot even apply certain technologies, especially if they entail risks and offer no particularly high cost-use benefit. Only few agricultural activities are of immediate use to Worlds 4 and 5 (e.g. landless animal husbandry), but they are affected indirectly through the creation or loss of low-skilled jobs.

**Financial services:** World 1 has access to the formal banking system and hence to relatively favourable credits as well as all other financial services. World 2 hardly enjoys this (in poorer countries) and requires support e.g. in setting up co-operatives and gaining negotiability. Worlds 3 and 4 can hardly establish ties with financial co-operatives individually. They are typical candidates for group and micro-credits. Everyone can and should save, including the poor, but it is the

more wealthy actors who can sufficiently and regularly deposit money and drive the rural financial systems.

**Social security:** World 5 needs social security as a livelihood basis, while Worlds 3 and 4 only require temporary security for periods of crisis and Worlds 1 (and 2) can easily fall back on their reserves if necessary.

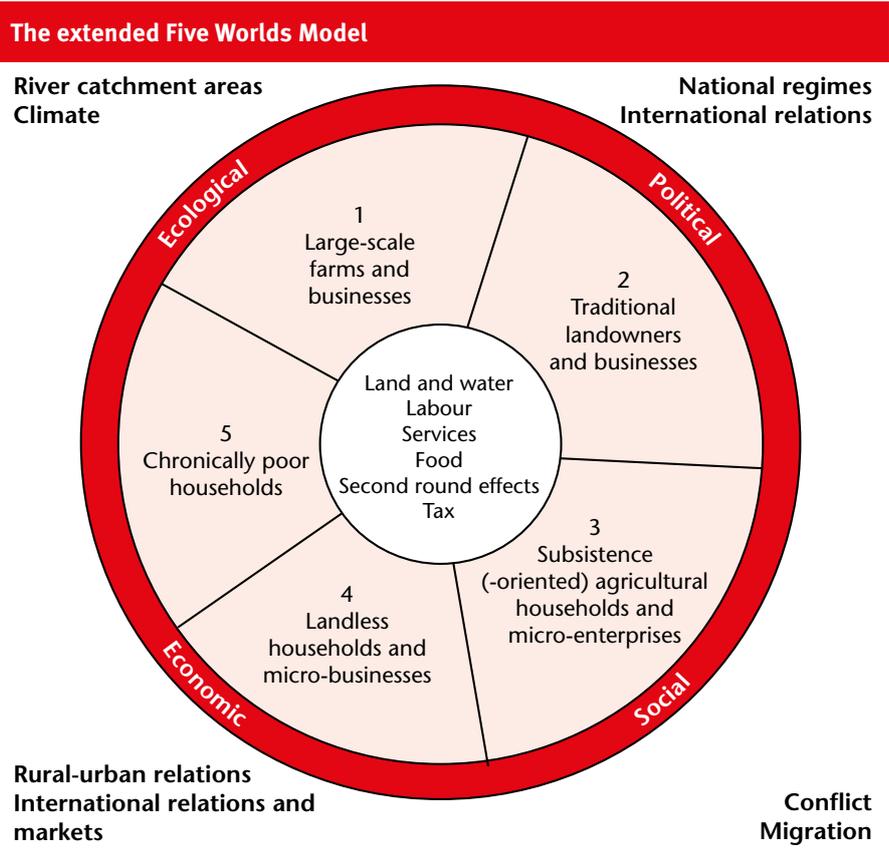
**Political participation:** World 1 forms a large share of the rural elite and can formulate and assert its interests. Given its sheer size and financial independence, which is also reflected by its educational standards, World 2 can keep pace here. But Worlds 3, 4 and above all 5 are quickly left behind and need training programmes, support and perhaps also permanent institutions to exercise and secure their political participation.

Many development co-operation tools can be run through in a similar manner for the individual Worlds, and very often, they result in important differentiations that often receive too little attention in debates on development co-operation. However, further details are required regarding individual sectors and technical implementation.

### ■ Considering further stratification and World interactions

Some improvements could perhaps be made regarding the classification of the Worlds in the case of very special sub-groups with strongly differing resources and needs, such as pastoralists. Separating agricultural and non-agricultural businesses in Worlds 1 and 2 could also make sense since these usually produce more strictly according to sectors than the other Worlds. This would result in six or seven categories of households enabling interventions and structural transformation debates with a sufficient degree of differentiation.

We would propose that cross-connections between the Worlds be systematically incorporated in the model. These are the dimensions in which



interaction systematically develops between the Worlds. This is very often the case in rural areas – sometimes, activities take place in the same markets, institutions are shared, and there is competition for resources. A systematic screening of these cross-links could perhaps reveal antagonisms and synergies and help initiate political and planning responses. Here are some examples:

**Land and water:** Even without external interventions, land ownership and use are subject to dynamic change processes through factors like population growth or technology-induced modifications of the production processes in any of the five Worlds. Foreign investment in land very often results in antagonistic relationships since land can hardly be multiplied (cultivated or arable land can be, so that a closer look is required here). Although similar antagonistic relations have been observed with water, there may be significantly more cases of improving the availability of existing, unused water to all enterprises through major investments in water retention and irrigation by World 1 (in SSA, less

than ten per cent of irrigable area is in fact irrigated).

**Jobs:** Rural Worlds 1 and 2 are the main employers for Worlds 3 to 5, with World 1 tending to offer formal and World 2 above all informal jobs. Mutual employment relations exist within World 3, together with a wide range of forms of collective work. In an increasingly populated and differentiated rural space, jobs, and not subsistence production, are key to long-term poverty alleviation and food security.

**Local food and agricultural markets:** Since many rural regions are only incompletely integrated in national agricultural markets, the interactions of individual Worlds through food markets can be of considerable importance. World 1 produces major agricultural surpluses, although it tends to rarely supply goods to the other rural Worlds, and concentrates mainly on national and international formal markets since they are more lucrative, while and because they demand higher quality and process standards. World 2 has structural agricultural sur-

pluses, often comprising food of inferior quality for the local (and lower segments of national) markets. However, if it is strongly integrated in the formal agricultural markets, e.g. as a contract grower for World 1, local food may well become more expensive, with a negative impact on Worlds 3 to 5. On the other hand, investments in Worlds 1 and 2 resulting in spill-over effects in World 3 (e.g. technology, input or credit spread through contract farming) can strongly stimulate food production there.

**Second round effects:** This term refers to effects impacting on actors indirectly and over longer terms, beyond the direct effects on income and employment in the target group, e.g. through stimulating local markets or the local economy in general. Although difficult to measure, such long-term effects are often the crucial factors in rural structural transformation. Extensive agriculture tends to have fewer direct feedbacks into other upstream and downstream sectors, whereas these are usually stronger in modern agriculture. Conversely, since poor households tend to seek local goods and services, their growth has greater local impacts than that of rich households that consume more imported goods, save or invest externally.

All these examples demonstrate the importance of analysing interaction between Rural Worlds, which may however yield complex constellations. For example, in their early stages, major investments in World 1 can lead to a scarcity of land and income losses, and later on in the investment phase to job opportunities, better water supply, technological spill-overs to the contract farmers in the case of linked contract farming, long-term second round effects as well as greater dependence and, in the case of bankruptcy, the economic collapse of entire districts.

Certain combinations of Worlds may be essential in some contexts. For example, market-based insurances with poor smallholders are hardly viable on their own, although things change once more affluent house-

holds in Worlds 1 and 2 (and the urban middle classes) are incorporated. In the case of privately financed irrigation perimeters, major enterprises with sufficient financial clout have to provide input and often also take over water management. Favourable money transfers require mobile transfer systems that cannot develop without the commercial activities of Worlds 1 to 3 but for which there may be cross-subsidy options via public investments in social transfer programmes.

Finally, the external drivers of rural structural transformation referred to above should be explicitly considered in a conceptual model. This keeps them visible, so that they cannot be neglected or ignored to the advantage of idealised or illusory abstractions. The model as a whole is represented in the Figure on the left.

### ■ Integrating relations with the outside world

And what about migration? As already indicated, people migrate if there is too great a discrepancy between ambitions and local opportunities, if there are options elsewhere, if migration is allowed and if there are possibilities to abandon fixed capital. Structural transformation in rural regions need not lead to migration but will often do so if there are very big incentives outside the rural region and prospects in that region are poor. Experience in SSA has shown that mi-

gration takes place across all groups, within only a fraction of the really poor being able to migrate internationally. Education often reinforces migrating from rural regions, possibly also because currently, livelihood options there are often still particularly poor since agriculture has so far seen hardly any radical changes and the smaller urban centres are neglected. In order to gain a better understanding of these relations and be in a better position to steer them, the Five Worlds model has to be extended by the relationships with the outer world, and the ambitions held by youth have to be examined in particular. Ultimately, the most effective means to stem migration appears to be strong economic growth in rural regions, accompanied by social, cultural and technological impulses.

All in all, it should have become apparent that this seemingly simple conceptual model of Five Rural Worlds together with systematic links via channels of effects is already suitable, if not to quantitatively assess, then at least to identify and discuss many relationships in rural regions and the overall effects of interventions, particularly for poverty and food security. Also, necessary and important complementary measures can be identified. The model affords an overall view of the rural region and its transformation, and, while not being a substitute for more accurate sectorial analyses, it can facilitate structured policy dialogue.



*Worlds 3 and 4 are typical candidates for group and micro-credits.*  
Photo: S. Noorani/  
The World Bank