Economics of the Village

An Overview

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Economics of the Village

Introduction

- At the Grassroots
  - Every village is different
  - But every village has a set of common elements
  - And every village has resources
  - And people
  - And problems
  - And possibilities
Economics of the Village
Why do villages become poor?

- We know remote rural villages are poor. But why?
  - Education ... few people literate
  - Health ... endemic disease and little health intervention
  - Most of agriculture is subsistence?
  - Tiny scale of production enterprise?
  - Trade dominated by “middle men” and “loan sharks”
  - Natural resources usually ripped off for little value
  - The list goes on ... ...
Economics of the Village

Does poverty have to be the norm?

- Do villages have any intrinsic value?
  - What are the resources in the village?
    - People – Employed? Available to do work? Trainable? Willing?
    - Working capital – Stocks? Vehicles? Machinery and equipment?
    - Governance – Local community governance? National governance?
    - Money and money equivalents?
Economics of the Village
What is it that stops progress?

- What are the constraints?
  - People?
  - Organization?
  - Governance?
  - Business organization?
  - Critical shortages?
  - Financial services?

- How does this look graphically?
Economics of the Village
Stable situation in a subsistence village

- **Stable**
  - Production just balances consumption
  - No surplus
  - No savings
  - Very fragile situation

- **Subsistence**

Community Centric Sustainable Development
Community without development activity

<table>
<thead>
<tr>
<th>STATE 1</th>
<th>ACTIVITIES</th>
<th>STATE 2</th>
</tr>
</thead>
</table>

- **VALUE 1**
  The value of the community based on what it has at the start of the period:

- **VALUE 2**
  The value of the community based on what it has at the end of the period:

In this case the value stays the same. Subsistence community making no progress.
Economics of the Village
Value adding in a good year ...

- Value adding
  - Surplus is produced
  - Village better off at end of year than beginning

- Continuing improvement possible
Economics of the Village
Downward spiral ... Value destruction

- Downward spiral
  - Deficit
  - Shortage
  - Village has lost wealth during the year

- Value destruction

Community Centric Sustainable Development
State 1 plus Activities equals State 2

STATE 1

ACTIVITIES

STATE 2

In this case the value decreases because of deficit production

VALUE 1
The value of the community at the start of the period:
People
Natural Resources
Infrastructure
Organizations
Business infrastructure
Governance
LESS
Constraints

Routine activities either increase or decrease the value of the community.
If there is surplus production the community gets wealthier, otherwise the community becomes poorer.
Deterioration of the natural resources should also be taken into consideration

VALUE 2
The value of the community at the end of the period:
People
Natural Resources
e tc.
Economics of the Village Development ... Value adding activities

- Development
- Value adding
  - Positive impact
  - Costs less than values created

Community Centric Sustainable Development
Community with development activity

<table>
<thead>
<tr>
<th>STATE 1</th>
<th>ACTIVITIES / IMPACT</th>
<th>STATE 2</th>
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<tbody>
<tr>
<td>And now making good progress with help of CCSD activities</td>
<td></td>
<td></td>
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<tr>
<td>Development activities produce development IMPACT that gives the community enduring value</td>
<td></td>
<td></td>
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<tr>
<td>Routine activities maintain the status quo for the community. The community is getting neither worse nor better</td>
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<tr>
<td>Incremental value added by development activities</td>
<td></td>
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<tr>
<td>The value as it would have been without the additional development activities</td>
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Economics of the Village
Factors for sustainable success

• Value adding in the village is the key to sustainable success.
  – Some villages cannot be successful
    • The basic elements are just not there, or
    • Value flows are impossibly corrupted
  – But most can be successful
    • What constraints need to be removed?
    • What value is being created? Where? How?
    • Where is the value going? Who has it? How come?
For more information, to give feedback or to learn how to help, contact:

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