



# Economics of the Village

## An Overview December 2006

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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 ... ..



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## 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?
    - Land – Agriculture? Development? Preservation? Wildlife refuges?
    - Natural resources – Timber? Minerals? Energy? Water?
    - Infrastructure – Roads? Water? Electricity? Telecoms?
    - Working capital – Stocks? Vehicles? Machinery and equipment?
    - Organizations – NGOs? Religious/FBOs? Business enterprise? MFIs?
    - Governance – Local community governance? National governance?
    - Money and money equivalents?



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## What is it that stops progress?

- What are the constraints?
  - People?
  - Organization?
  - Governance?
  - Business organization?
  - Critical shortages?
  - Financial services?
- How does this look graphically?



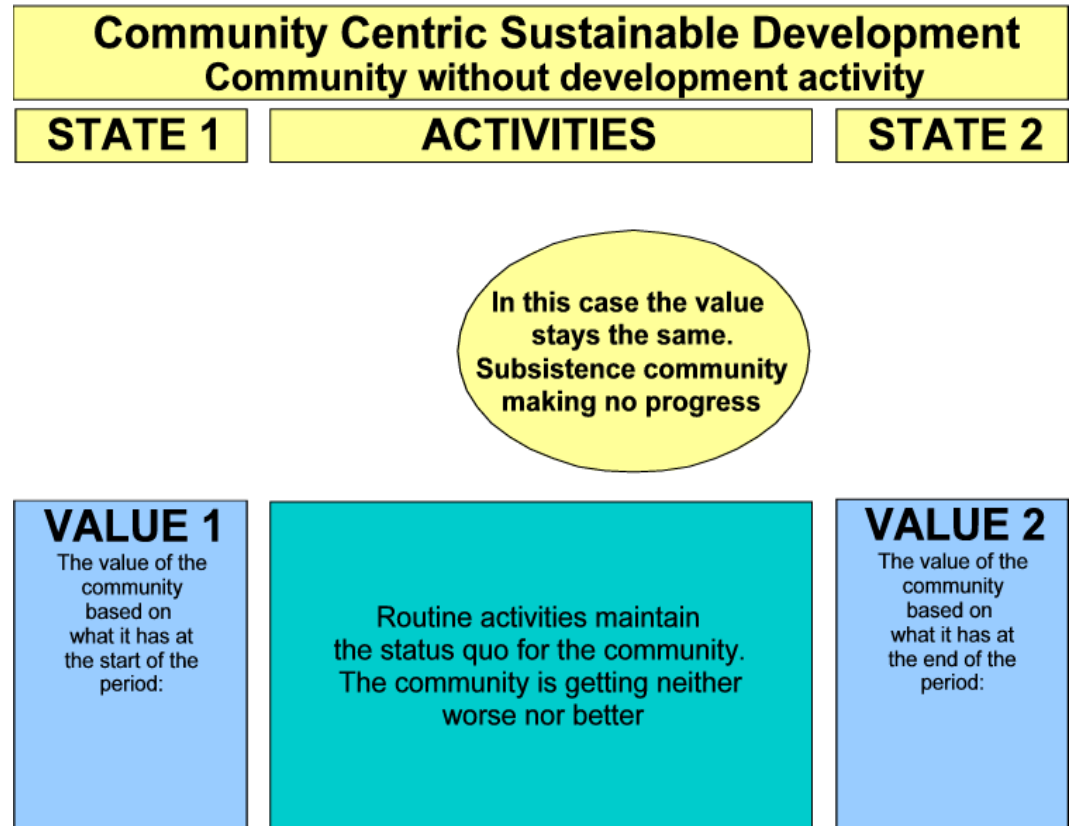
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## Stable situation in a subsistence village

- **Stable**

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

- **Subsistence**





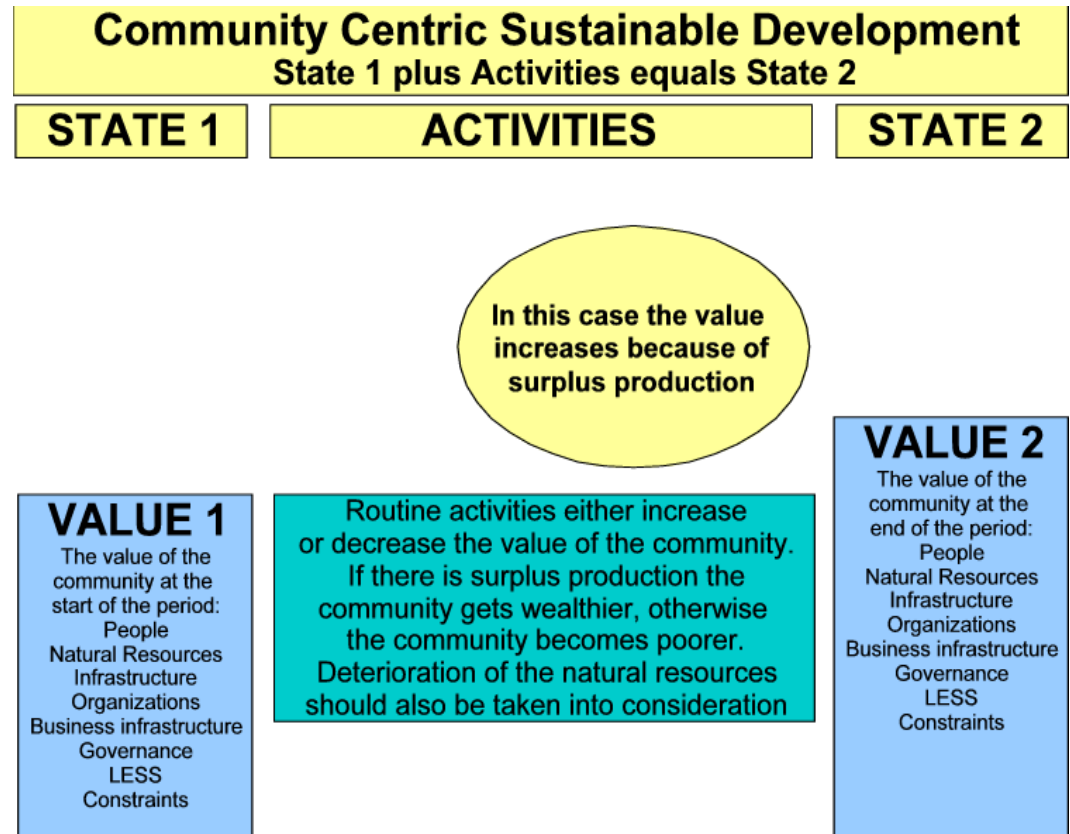
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## Value adding in a good year ...

- **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

<b>STATE 1</b>	<b>ACTIVITIES</b>	<b>STATE 2</b>
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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  
 etc.

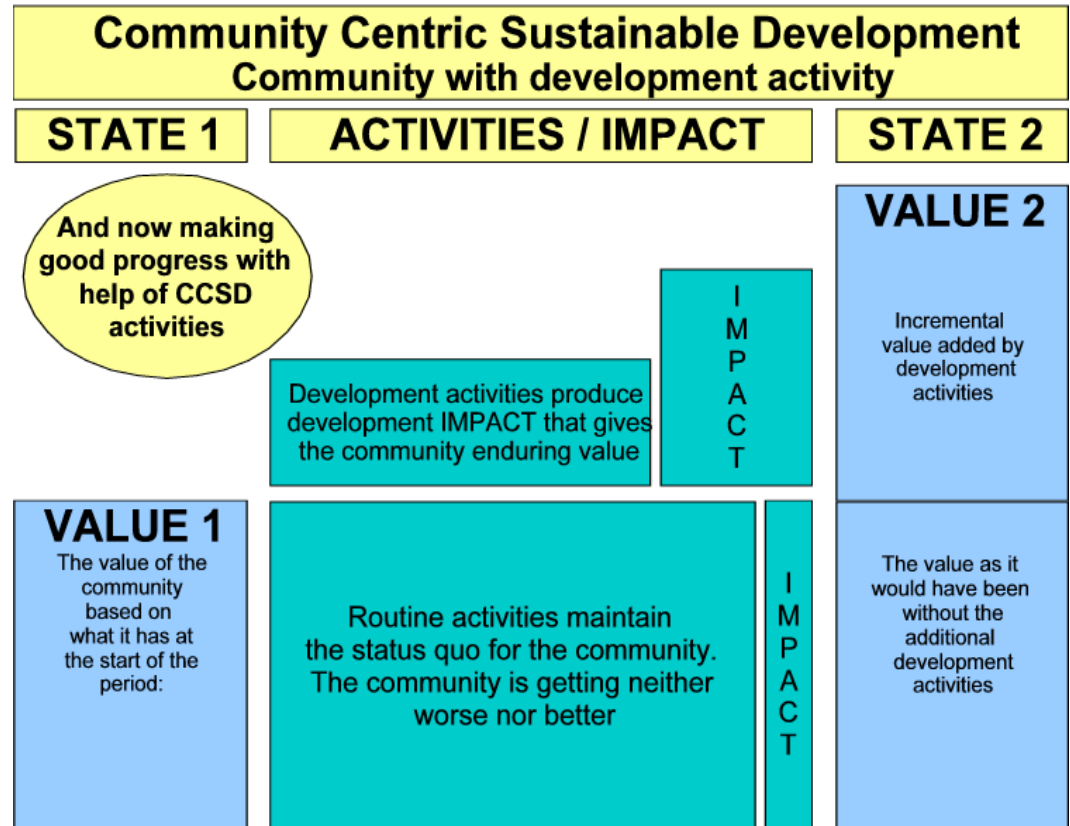




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## Development ... Value adding activities

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





# 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?



# Economics of the Village

## Questions ... Feedback ... How to Help

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For more information, to give feedback or to learn how to help, contact:

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