



EUROPEAN POLICY TO SUPPORT RURAL DEVELOPMENT

Policy Orientation Paper

FEBRUARY 2000

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**THE EUROPEAN POLICY IN SUPPORT OF RURAL
DEVELOPMENT IN DEVELOPING COUNTRIES**
*Executive Summary*¹

THE BACKGROUND

***Rural development: a
longstanding priority
of EU aid...***

For four decades Europe's aid programme has given high priority to supporting agriculture and rural development. Indeed in the 1960s and 1970s, when European development aid took place, the population of the beneficiary countries was largely rural. After a short first phase of support for export crops, major investments were made with a view to raising the level of food self-sufficiency in the beneficiary countries or to slowing down rural-urban migration. During the late 1980s and early 1990s, due to a combination of disappointing experiences, low agricultural prices and the limited political influence of rural populations, the priority generally accorded to agriculture and rural development declined.

***....which remains at
the top of the agenda
in a renewed
commitment***

Since 1997, however, most of the large donors are again stressing the need to resume major efforts in support of rural development for the following reasons; a) agriculture remains the main economic activity of a large part of the populations of developing countries; b) most of the poor live in rural areas where the level of respect for human rights, particularly those of women, is lower than in urban areas; c) the instability of the natural and economic environments is a permanent threat to the livelihood of rural dwellers; d) more than in the cities, the poor are at risk of being unable to meet their vital needs; e) rural economic growth is especially sensitive to macroeconomic conditions, to market efficiency and to access to export markets; f) in most developing countries, rural economic growth is a critical precondition for overall economic growth; g) the political will to develop rural areas at the same pace as the rest of the country is often lacking; h) rural populations are mostly politically weak and are often the first victims of poor governance; i) sustainable management of natural resources is a critical issue for the rural poor, but may also have important consequences for the rest of the world.

***Supporting rural
development
remains difficult***

The geographical and cultural contexts of rural areas are extremely diverse and therefore specific approaches are needed. Rural populations live in extremely unstable environments. Rural policies therefore, have to be flexible and constantly fuelled with recent and accurate information. The rural sector is facing new challenges and increasing threats, such as AIDS, natural resource depletion and degradation, water scarcity and the breakdown of social organisations. Thus, reaching the rural poor requires more sharply focused and regularly updated policies. At the same time, new opportunities appear, with investment in research continuing to offer new technical possibilities, while new market opportunities are being opened up by national and regional integration, rapid urbanisation and globalisation. Rural policies have to be ready to build on these opportunities. Thinking on rural development is changing more and more rapidly. Thus field level actors, public finance managers at national and international levels, as well as researchers and policy advisors have to network intensively if they are to respond coherently to these evolutions.

¹ This report has been prepared with the assistance of Patrick Chaussepied and Luc Lefebvre (ADE), John Farrington and Gerry Gill (ODI)

THE GOALS

The scope of aid has changed...

During the past decade, there has been a fundamental shift in the goals of most donor agencies, partly in response to falling aid budgets and demands for the more effective use of development assistance resources. The EU's initial objective of focusing aid on investments for the development of productive capacity and infrastructure has also been broadened. The European development assistance programme now has four goals, which are presented in a number of documents. The most important of these are the Treaty of Maastricht, a number of EU commitments made within the framework of the UN and the DAC, and numerous resolutions of the Council of Ministers. Together they constitute the EC's mandate for development assistance. The four *goals* are as follows:

1. **Alleviating poverty** has become an increasingly central objective of both EU aid and the aid programmes of several Member States. Poverty is now better understood within the context of a complex pattern of asset deprivation. The dynamics of poverty are also better understood, and extreme vulnerability to external shocks is now seen as one of its major features.
2. **Supporting economic growth based on improved competitiveness in an open market** has come to be recognised as imperative. Economic competitiveness, rather than protection, is seen as the key to economic growth. In contrast to the perceptions of the 1960s and 1970s, market-based growth and poverty reduction are now perceived as complementary rather than conflicting objectives.
3. **Consolidating democracy, the rule of law and respect for human rights** is now a major part of the EC mandate. Indeed, these values have been accepted as universal by the UN, and are widely viewed as desirable goals in their own right. Furthermore, political freedoms, equal civil rights and equitable rights of access to productive resources, are now viewed as essential for ensuring dynamic economic growth and the economic and political empowerment of the poor.
4. **Promoting development based on sustainable management of natural resources** is justified by the fact that the poor, especially the rural poor, rely to a large extent on a sustainable supply of natural products. Further justification derives from the fact that some of the effects of natural resource degradation can have negative consequences at national, regional and even global levels.

THE PURPOSE

... so have the instruments

Improving rural livelihood: a clear purpose benefiting rural populations

Permanent and sustained support for broad-based development policies increasingly appears as the only way of achieving a significant and sustained progress toward these goals. This is reinforced by the finding that aid is only effective when it supports countries led by governments committed to carrying out market-oriented policies, open to the world economy and specifically addressing poverty. The **ownership** by partner nations of policies that support the above aims is a key to success, so that EU aid will in future apply selectively and will be more sharply focused on countries with which a constructive policy dialogue is possible. Especially in the least developed countries, positive rural development policies will be viewed as a *sine qua non* for more general economic development. **A sustainable improvement in the livelihood of the rural people would provide a major contribution to the development goals outlined above. EU aid to rural development will therefore focus its efforts on that purpose.**

EXPECTED RESULTS

Rural development policy: six levels of action

Previous aid-supported programmes and projects were more agricultural than rural and their aim was mainly to contribute to national challenges such as food self-sufficiency. The rural dweller was regarded primarily as a producer whose productivity had to be increased in order to contribute to national objectives. The «rural development» dimension was often limited to the provision of infrastructure and services. Putting the rural household at the centre of development policy requires much more dialogue with, and participation by rural people. However, all rural populations live in specific **political, institutional, economic and environmental** frameworks, and these have a critical influence on their livelihoods. Their own **human assets** such as health and education have to be strengthened on their own right, but are also a key to livelihood enhancement overall. Last but not least, several other **policies of the EU**, dealing with agriculture, trade, environment and immigration have an impact on the rural economies of developing countries and need to be brought into line with the purpose of aid to rural development.

The EU policy designed to improve rural livelihood in developing countries will therefore seek the following results:

1. more peaceful, equitable, open and democratic rural societies,
2. more effective and accountable rural institutions,
3. economic policies enabling rural growth,
4. enhanced individual assets of rural dwellers,
5. more sustainable natural resource management,
6. more coherence between EU agricultural, trade, environmental and immigration policies and the EU's purpose of improving rural livelihood.

ACTIVITIES

These require that action be taken at six corresponding levels in order to achieve a sustainable trend of improvement. These levels are as follows.

Peace, democracy, equal rights for all

1. The EU **political commitment** for promoting peace, empowering rural people and especially the poor, giving equal rights to all men and women, progressing toward democracy and opening the society to the rest of the world, has to be shared by the beneficiary governments and local authorities. Neither laws nor traditions should prevent any man or woman, whatever their ethnic origin, from accessing natural resources, from buying or selling products on the market. The EC will select, and focus its co-operation on, those countries that show clear signs of having espoused such policies or being in the process of doing so.

Effective, accountable, poverty oriented public and private institutions; competitive enterprises

2. This commitment must be translated into more **effective and accountable public institutions** at national and local levels. Public institutions will be encouraged and supported to adopt people-centred approaches through the use of participatory methods so as to ensure that development efforts are driven by the democratically expressed views of the rural population. Strong emphasis will be placed on ensuring that the views of the poorest and most disadvantaged segments of the rural population are elicited and then given full weight in the EU-supported development interventions. Europe regards civil society institutions as having a major role to play in rural development and will view them as important partners. Improving the effectiveness and accountability of NGOs will be an important aspect of the EU's support for institutional building efforts in rural areas, where these organisations will be helped to play a partnership and facilitating role in support of civil society.

Private enterprises will be expected to accept local and international competition as a means of both enhancing the country's competitiveness and correcting monopolistic situations (notably in agricultural inputs and products marketing). Private sector organisations such as organisations of traders and farmers will be supported;

Less taxation, more investments; enhanced labour productivity; more efficient markets; income diversification

3. **Economic policy** will be carefully reviewed when designing and negotiating aid policies with partner countries. The poorer a country, the more likely its economy will be dominated by agriculture, so that strong agricultural growth is a prerequisite for overall growth. Among the EU supported activities, the following will be given priority:

- * Dismantling price regulations and other market distortions that favour the urban consumer and producer at the expense of their rural counterparts;
- * Abolishing discriminatory taxes on agricultural exports;
- * Correcting currency over-valuation and similar distortions that make agricultural imports artificially cheap while artificially reducing the local currency proceeds of the foreign exchange earned by agricultural exports;
- * Improving labour productivity, notably through agricultural research, extension and training;
- * Adopting measures to facilitate the flow of remittances from out-migrating workers back to the rural areas, through safe and decentralised financial services;
- * Improving rural market efficiency for agricultural products and inputs, technical and financial services and labour mobility;
- * Supporting regional market integration;
- * Reducing direct state involvement in production and marketing while stimulating the private sector to take on this role within a regulatory framework that promotes open competition and discourages dishonest trading practices;
- * Investments in public infrastructure and services to narrow the gap in access to utilities and public goods between rural and urban areas;
- * Developing secondary cities in order to generate rural growth nodes and to provide rural areas with easier access to public services.

Better health and education are crucial for improved livelihoods and growth in rural areas

4. Specific actions aimed at **strengthening the individual assets of the poor** are needed to ensure that growth contributes to poverty reduction, one of the major aims of EU aid. Health and education improvements will be supported, since they both improve the quality of life and enhance labour productivity, thus simultaneously contributing to economic growth at the national level and improved wellbeing at the individual and household levels. The Union will support improved educational opportunities for women and girls. Adult education for women is an important empowerment tool and will be strongly supported, as will affirmative action to increase both the number and the proportion of girls enrolling in school and completing their education. Such achievements are highly desirable from an equity standpoint, but they also have important long-term implications for reducing human fertility rates and increasing female participation in the formal economy. The EU accepts that improving health in rural areas requires specific poverty- and equity-focused interventions, and that these are particularly effective in areas such as AIDS awareness and prevention, environmental health, family planning and obstetrics.

Sustainable NRM: improving institutions and techniques, and sharing the cost, since we share the responsibilities and the benefits of more sustainable behaviours

5. The European Union's development assistance programme will also collaborate with partner countries to promote more **sustainable natural resource management** practices. The Union recognises that this is needed for two reasons. First, the sustainability of the supply of natural resource-based goods is critical for the livelihoods of the rural poor, who are often highly dependent on

a limited set of these resources. Secondly, the manner in which the rural populations of developing countries use their natural resources may have global consequences in areas such as the loss of bio-diversity or global warming. Europe therefore distinguishes between: (a) aid which aims at enhancing rural livelihoods and, (b) other financial transfers which explicitly recognise a duty to compensate these populations for the costs they incur in helping mitigate negative global trends.

***Mainstreaming the
aim of global
poverty reduction as
part of the
European Project***

6. The EU is aware that some of its own **internal policies** have negative consequences for the rural development in developing countries and is therefore committed to improve the coherence of its policies so as to minimise these consequences. The Community has announced its wish to move away from price support towards more transparent and less trade-distorting agricultural policies, inter alia because it recognises that export subsidies could finance unfair competition against developing country farmers, both on the European market itself and on the wider world market. Aware that maintaining tariff and non-tariff barriers against imports from the developing countries is inconsistent with a policy of supporting export-led growth policies for these same countries, the Community will use the framework of existing and future WTO agreements to facilitate easier access to European markets for developing countries' agricultural and other rural products. The EU is aware that the use of environmental or social criteria has the danger of resulting in a new form of non-tariff protection against developing country exports, and is committed to avoid such unintended side-effects. The Union will, in co-operation with other OECD countries and within the framework of the CSD 2000, increase its efforts to reduce its contribution to negative environmental trends such as global warming and ozone layer depletion. Despite the difficulties, the Community accepts that permanent and temporary migrations have proved to be a reliable and powerful means of transferring incomes, skills and values (such as human rights) to the migrants' countries of origin, and of improving peace and mutual understanding. The EU recognises that poverty is not more acceptable outside its borders than inside, and will improve the coherence between aid and immigration policies with the aim of managing migration in such a way as to make it more profitable and more socially acceptable for the migrants, for the (mostly rural) societies from which they come, and for the societies which play host to them.

***A balanced
policy requiring
strong
commitments
from both sides***

In order to carry out the above policy framework, the EU will focus its aid on countries which provide evidences of their political willingness to progress along the Maastricht lines. The policy *starts* therefore with political requirements that the partner countries have to meet (item 1 above). *Conversely*, the EU is committed to give a central priority to global poverty reduction and, therefore, is ready to adapt some of its major internal policies to mitigate the current contradictions between these policies and the EU development goals (item 6). Between *these two ends*, which require clear commitments from both sides, four areas of co-operation are identified: institutional reforms, economic policy, individual assets strengthening and sustainable natural resources management. These four fields are relevant to rural development. In each of them, specific actions financed by the EC are already being carried-out in various national contexts. This policy, detailed in the Policy Orientation Paper, provides the necessary framework for country specific rural development strategies and programmes. Indeed, the country is the most suitable level for prioritisation among the different dimensions of the above policy.

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ANNEX

Annex 1: Logframe

Bibliography: available on the website <http://europa.eu.int/comm/development/rurpol/>

ACRONYMS AND ABBREVIATIONS

ACP	Africa, Caribbean and Pacific
ADE	Aide à la Décision Economique
ALA	Asia and Latin America
AMS	Aggregate Measurement of Support (under GATT 1994)
CBO	Community-Based Organisation
CG/CGIAR	Consultative Group (on International Agricultural Research)
CLI	Capital Led Intensification
CSD	Commission on Sustainable Development
D&HR	Democracy and Human Rights
DAC	Development Aid Committee (OECD)
DC	Developing Countries
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FVG	Functionally Vulnerable Group
G&C	Growth and Competitiveness
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GR	Green Revolution
GRI	Gender-Related Development Index
GSP	Generalised System of Preferences
HDI	Human Development Index
HRD	Human Resource Development
HSD	Human and Social Development
I&ES	Institutional and Environmental Sustainability
ICOR	Incremental Capital Output Ratio
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
IPM	Integrated Pest Management
IRDP	Integrated Rural Development
LAC	Latin America and the Caribbean
LIFDC	Low-Income Food Deficit Countries
LISA	Low Input Sustainable Agriculture
LDC	Less Developed Country
LLDC	Least Developed Country
MED	Mediterranean
MSU	Michigan State University
NGO	Non Governmental Organisation
NR	Natural Resource
NRM	Natural Resources Management
ODI	Overseas Development Institute
OECD	Organisation for Economic and Co-operation Development
OVI	Objectively Verifiable Indicators
PR	Poverty Reduction
R&E	Research and Extension
SA	Structural Adjustment
SSA	Sub-Saharan Africa
ToR	Terms of reference
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNDP	United Nation Development Programme
WHO	World Health Organisation
WTO	World Trade Organisation

PREFACE

For the last forty years agriculture and rural development have been central to the European Commission's development co-operation efforts, and during this period a substantial volume of assistance has been devoted to helping Europe to work in partnership with developing countries to improve their agriculture, better manage their natural resources, enhance their food security situation and develop their rural areas. In the past ten years or so the international situation has been developing more rapidly than ever and the Commission recognises that its development co-operation efforts must also undergo profound changes so as to keep pace with these changes. One such development has been globalisation, a process which creates special opportunities, risks and challenges for developing countries. The European Commission recognises that active policies are needed to ensure that developing countries move closer to the mainstream of global economic development rather than risk further marginalisation. This in turn demands a deepening of policy and institutional reforms, a dismantling of structural barriers to export-led growth and the adoption of policies that ensure that growth is equitable and development environmentally sustainable. The development assistance climate within which the EC operates is also changing, with a growing concern for the impact of aid on poverty reduction, an increased public scrutiny of development spending and the likelihood that aid budgets are more likely to fall than increase. This necessitates more effective aid delivery through a reorientation away from the quantitative approach of delivering and administering aid, towards more qualitative efforts to assist the reform of institutions and policies as a means of making development assistance more effective. A related requirement, arising from the Maastricht Treaty, is greater coherence and harmonisation with the aid policies of the EC Member States as a means of co-ordinating efforts, avoiding duplication and increasing the efficiency of Europe's overall aid effort.

Broad policy guidelines for the reorientation process already exist, having been incorporated both in the various international conventions ratified by the Commission and in a series of internal EC policy documents. But these remain at the global level, providing little assistance to the quest for policy orientation. The Directorate-General «Development» of the European Commission, therefore decided to initiate a review of policy objectives and strategies leading to a new vision for the Commission's development co-operation efforts in agriculture and rural development. The EC, through a competitive tendering process, commissioned a consortium consisting of ADE, ODI and QWENTES to help it produce this new sector policy vision. The work began in January 1999.

Work in the first phase consisted of two tasks. The first was the production of a *Diagnostic Report*, analysing the current situation. First, the mission or mandate of the Commission to support rural development in developing countries was derived from an analysis of the EU's external commitments and internal policy declarations. This exercise was followed by a survey of the context in which the EC has to operate, including the main trends and development issues to be addressed in rural development, the outcome of recent research in relevant fields and the main features of the policy of the larger donors among member states and the other main international donors. The main lessons learned from the recent evaluations of the past performance of the Commission were then presented. The Report concluded with a translation of the above information into a proposed operational format which will become the basis for discussion and further stages of the process.

After its formal presentation to the Commission, the draft of the *Diagnostic Report* was the subject of a round of intensive discussions in which a wide range of actors, including EC staff, representatives of the Member States and a number of outside resource persons participated. The EC Mandate was the starting point of the exercise that resulted in the *Policy Orientation Paper*. Two workshops and a number of «brain storming» exercises were organised with EC staff, with the aim of listing the most important constraints on the progress of rural populations. These constraints were then grouped according to their relevance to one or more of the four Maastricht goals. The situation regarding each of these constraints differs in each country (e.g. education in Ethiopia is less developed than in Tunisia) and country-by-country analysis is therefore needed to assess the specific priorities of EC aid in terms of rural development.

The outcome of the first phase of the exercise is the present *Policy Orientation Paper*. However, the production of this paper does not mean that the entire exercise has been completed. Three levels of actions

are necessary to carry out and permanently adjust the above policy orientations. Phases II and III will make it possible to translate the policy orientations into more practical guidelines at central and at country levels.

1. **At central level**, much remains to be done to discuss and permanently adjust the proposed policy. The links with other development policies will have to be maintained and a contribution to an overall development policy will at some stage be necessary. The rural development policy includes several subsectoral policies such as the natural resources management policy (agriculture, livestock, fisheries...), education, health, infrastructure policies, and so on. Phase II of the exercise will allow for the production of more precise subsectoral guidelines, based on the outcome of the present policy orientation paper. This will require close co-operation between EC staff and the consultants. These guidelines will need to be adapted to the future reforms of the RELEX. Furthermore, discussions with other DGs and Member States in order to improve coherence and co-ordination will constitute an important aspect of the implementation of the proposed policies. This policy needs to be **monitored** and the information obtained in this way has to be analysed and translated into the adaptation of the policy and/or of the implementation guidelines. A core team consisting of EC staff and external advisors, which could be called «**Rural development advisory board**», will be in charge of handling these different aspects;
2. **The country level**: indeed, there is a growing consensus among the main donors that explicit country strategies are a critical step in the programming of aid. Aid to rural development has to fit into that framework. The constraints identified during the preparation of the policy orientation paper are common to many developing countries. However, they do not have the same weight in each of them. Country strategy papers have been prepared for several countries, especially in the ACP area. The new approach has to consider current activities. The first level of action of the third phase of this assignment will therefore be to start with a sample of 4 country strategy papers and related NIPs and to propose in each case, a specific chapter on rural development which will reflect the above policy and the specificity of these countries. This will be done in close co-operation with the Commission staff in Brussels and the Delegations, and discussed with the authorities. Based on that experience, **practical guidelines** to help the country teams to make the link between the policy orientations and the country strategies will be drafted;
3. The quality and the credibility of EC's rural development policy will also depend on the fact that it can be openly and permanently discussed with beneficiary countries, European citizen representatives, NGOs and others. In phase two of this assignment, the website will be used in order to initiate such discussions. Workshops, publications and other forms of communication will also be used to that end. Afterwards, the rural development advisory board will also be responsible for maintaining this communication network, in order to ensure the sustainability of an open and dynamic policy definition capacity in that sector.

1. WHY DO AGRICULTURE AND RURAL DEVELOPMENT MATTER?

The rural economies and societies of the developing world possess exceptional characteristics which distinguish them both from their counterparts in the developed world and from their own domestic urban sectors. Past neglect of these differences, allied in many cases to exploitation of the rural areas in favour of the towns and cities, has led to stagnation of the rural and agricultural sectors of many developing countries, which has constrained the entire process of social and economic development. The distinctions are such that they demand definite and distinctive policies for agricultural and rural development on the part of international aid donors as well as domestic governments.

The EU's commitments to development assistance imply that it will work with its developing country partners to promote:

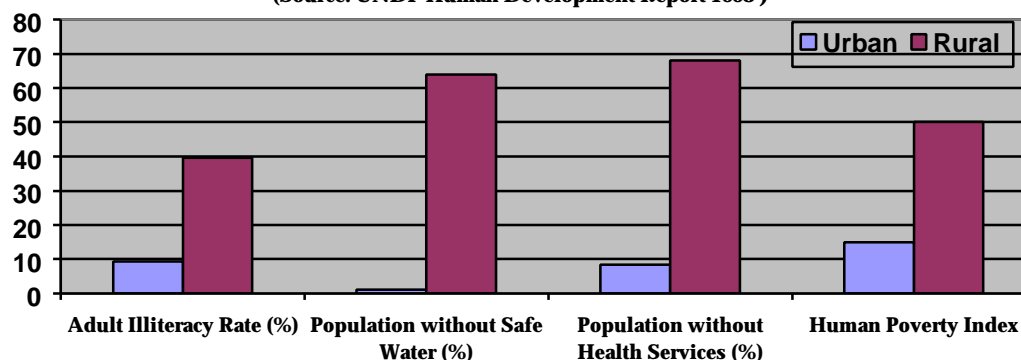
- poverty reduction and improved equity;
- faster economic growth and enhanced competitiveness,
- greater democracy (including improved respect for human rights and the rule of law) and;
- environmental and institutional sustainability².

Each of these four goals implies a need for definite and distinctive development assistance policies for agricultural and rural development, for reasons that are outlined below.

The situation with regard to both *poverty and equity* is worse in the rural areas, where low incomes and high vulnerability to shocks combine with poor education and health facilities, poor access to services, and political marginalisation. Of the world's population living in absolute poverty, an estimated 70% live in the rural areas of the developing world (CGIAR 1999). A recent World Bank review of 33 developing countries indicated that in almost all of them the proportion of the population living below the poverty line was significantly greater in the rural than in urban areas, typically by between 30 and 150%. Paradoxically the position on food security also tends to be worse in the rural areas. The lower a household's income, the higher the proportion spent on food, and the lower the proportion spent on education and health. Rural households in developing countries on average spend three quarters of their income on food, compared with two-thirds for urban households, and of their food expenditure just under half is spent on basic staples (foodgrains) compared with just a quarter for urban households (Sundrum 1990; UNDP 1998). The same rural-urban split is found in other poverty indicators: for example among rural men the average illiteracy rate (43%) is more than double the equivalent figure for urban men. (The figures for women are undoubtedly even worse.) Nearly 90% of the urban population have access to safe drinking water, compared to just 60% in rural areas (UNDP 1998). Figure I graphs a number of rural-urban poverty indicators for one middle-ranking developing country, Namibia. Having said all of this, it is essential not to treat the rural population

Figure I: Urban-Rural Disparity in Namibia, 1991-94

(Source: UNDP Human Development Report 1998)



² See *Diagnostic Report* Chapter 2 and Section 2 below. The Diagnostic Report as well as the overall methodology of the policy definition process are available on the following website: <http://europa.eu.int/comm/development/rurpol/>

as a homogeneous mass in this respect. Poverty is increasingly concentrated in low potential areas and among specific groups (the landless, women, the elderly, the war-affected, and communities affected by AIDS). Sub-Saharan Africa is particularly hard-hit. This demands a careful targeting of efforts to promote the reduction of poverty and the promotion of equity.

Turning to *growth and competitiveness*, in the least developed countries (LLDCs) agriculture typically contributes 40% of gross domestic product and around one-third of exports, while employing about 70% of the labour force (UN 1995). There are two very important reasons why this means that the agricultural sector is an essential motor of growth in such countries. First, because of the sector's proportionately large size, only agriculture can give a rapid boost to the overall economic growth rate. But agriculture's potential contribution goes far beyond simple arithmetic. The sector is a poor country's principle source of food (and this is becoming increasingly important as the pace of urbanisation accelerates) and industrial raw materials, export earnings, savings and investment, as well constituting the largest market for the domestic non-agricultural sectors. Data from a study of 42 developing countries indicate that each dollar increase in agricultural production generates on average \$2.30 in overall growth (CGIAR 1999). An increasingly globalised world opens out new and exciting prospects for agricultural exports from the developing world, but it also holds a growing threat in that economies failing to improve their agricultural efficiency may well be marginalised thus adding further impetus to the vicious circle of rural stagnation and neglect. The second reason for agriculture's potential relates, paradoxically, to its current low levels of land and labour productivity - particularly in LLDCs, where the sector is characterised by subsistence-orientation, and scant use of productivity-enhancing inputs and practices. Production and transaction costs are high and quality often does not meet international standards. Yet when productivity is low it is relatively easy to achieve rapid percentage growth using known technologies and techniques. This applies not only to inputs such as fertiliser, irrigation water and improved seed, but also to less tangible areas such as policy change, institutional reform and the correction of market failure. Despite this huge potential, agricultural growth rates in the LLDCs have been declining since the 1970s and are now considerably below population growth rates, so that per capita production is falling and commercial and concessional agricultural imports have been rising (UN 1995). The potential for improvement is demonstrated by a number of developing countries (DCs) which have transformed their agricultural sectors in the past 25 years, causing the threat of famine to recede, forcing food prices to fall, and achieving both increased food consumption at home and, in many cases, increased penetration of international markets. The histories of these countries demonstrate that, just as socio-economic conditions vary from country to country, so too does the optimum policy package for agricultural and rural development.

The promotion of *democracy, human rights and the rule of law* is especially challenging (and the rewards of meeting this challenge correspondingly great) in the rural areas, because rural society is generally more traditional than its urban counterpart, and the traditional organisation of socio-economic relations is vertical, based as it is on considerations of gender, ethnicity, caste, feudalism and wealth. It is therefore more urgent to promote democratisation in a rural setting, where otherwise clients are unlikely to oppose their traditional patrons in elections. Because rural society is heavily tradition-based, and because rural women find it more difficult than their urban counterparts to enter the modern sector, the position of women in relation to men is also less favourable. This situation is exacerbated by a number of interacting factors. Especially important is the poor educational provision in rural areas which is reflected in the lower literacy rates reported earlier. Yet education is especially crucial if traditional power relations and their negative implications for democracy, human rights and the rule of law are to be challenged³. Urban bias manifests itself strongly in the concentration of political power in the larger cities, especially the capital. Communities physically close to government have unwarranted power to influence the formulation and implementation of public policy, so that these have traditionally been framed to suit the needs of the urban consumer more than the rural producer, and those of the urban producer more than the rural consumer. The physical remoteness of the power base from rural societies has also facilitated the emergence of top-down models of agricultural research and extension, whereby the urban politician and bureaucrat pass decisions and finances downwards to the rurally-based bureaucrat, and accountability flows in the opposite direction with little or no input from the rural client the system is supposed to serve.

³ There are, nevertheless, positive aspects of rural society which need to be preserved during the process of change, particularly some social relationships that form safety nets and reduce vulnerability to income shocks.

Promoting Agricultural and Rural Development in the Developing World: An Overview

1. Agricultural and rural development are central to the EU's objectives of contributing to poverty reduction, growth, good governance, and sustainability in developing countries. Up to 70% of people in developing countries live in rural areas, and the various manifestations of poverty are found disproportionately in rural areas: low income, vulnerability to shocks, poor education and health, poor access to services, political marginalisation, and exposure to the degradation of natural resources. Furthermore, agriculture, with its high contribution to GDP, exports and employment, it is an essential motor of growth in most developing countries. *Thus, the sector deserves high priority.*

2. The rural sector plays many roles, however, which are not always compatible. It provides food and underpins food security. It provides jobs of many kinds and underpins livelihoods. It offers a market for industrial products and underpins industrialisation. It provides raw materials and underpins manufacturing. It earns foreign exchange and underpins investment. And it generates savings which underpin growth. Not all these can always be achieved simultaneously. *Thus, there are choices to be made about priorities.*

3. Rural choices are country specific. In a rapidly industrialising country with a healthy balance of payments, the priority may be to supply cheap food and raw materials. In a poor country with a large number of rural landless, the priority may be to generate the diversity of services and enterprises needed to create and sustain rural livelihoods. In a poor country with many small farms and few landless, the priority may be to stimulate the small farm sector. *Thus, the choices cannot be determined in advance.*

4. The rural sector is changing rapidly. The picture varies from place to place, but, in general, poverty is increasingly concentrated in low potential areas, among the landless and resource-poor, among women, among the elderly, among the war-affected, in communities affected by AIDS, and in sub-Saharan Africa. *Thus, much better targeting is required to reach the poor.*

5. Urbanisation is also rapid. Urban populations will exceed rural populations by 2015 in the developing world as a whole, and this will happen more quickly in some regions. *Thus new, market-based instruments will be required to ensure that farmers have an incentive to supply the cities with food and raw materials.*

6. The rural sector faces many new challenges. Population continues to increase. Water is becoming increasingly scarce. Climatic uncertainties are increasing. Conflict is spreading in some areas. Free trade is increasing competition. *Thus, a speedy response is essential, and great flexibility is required.*

7. At the same time, there are new opportunities. Continuing investment in research will offer new technical possibilities. Policies are generally more favourable to agriculture, and to rural enterprise more generally. Of course, opportunities also carry risks. *Thus, rural policy needs to be ready to assess the costs and benefits and exploit new opportunities.*

8. And there is much new thinking on rural development. There have been advances in thinking about rural livelihoods, especially the importance of social capital. Public-private partnerships have been studied, along with new approaches to regulation. Innovative methods for service delivery have been established, for example in the field of micro-credit. And new sector-wide approaches have been developed, focusing particularly on public expenditure management.

The challenges of *environmental sustainability* are by no means limited to rural areas, but they are of a different kind from those of the urban sector, and they are more pervasive. Urban environmental degradation affects variables like air and water quality, and thus health and the quality of life. But only in the worst cases (such as absenteeism from work brought about by the high smog levels of Mexico City) do they actually undermine the productive base on which the economy depends. In rural areas the soils, water, forest, pastures, species, fisheries and other natural resources which form the basis of the economy are themselves under threat of degradation and depletion – in extreme cases even extinction. A second distinction is that, whereas for industrial pollution the causes, processes and remedies are pretty much the same everywhere, and therefore fairly well understood, degradation of the rural resource base is much more complex, mutually-reinforcing and location-specific. Moreover the linkages between populations and the environment are much closer in rural than in urban areas. Adding further complexity to the picture, the urban bias of policy makers and their lack of accountability to, or interaction with, those who depend on the rural natural

resource base has led to serious policy mistakes being made. Often quick-fix technical or legalistic solutions have been adopted to deal with complex situations whose roots are as much socio-economic as technological. Examples include reforestation by forest departments without reference to traditional usufructuary and even ownership rights, and the exclusion of people and their livestock from areas designated as national parks. Problems such as these largely mirror top-down and non-democratic ways of thinking, and the effects of these are nowhere more clearly seen than in the disregard of indigenous *institutions* that exist in rural areas to conserve and manage the environment. Rural communities have traditionally organised themselves to perform a wide range of natural resource based functions, ranging from forest management to the protection of game stocks and pastures. But official development efforts have too often bypassed them, with results that did not enhance either the environment or the institutional base that had underpinned its sustainable management. With modern institutions too there has been a history of neglect or mismanagement, whether they were the institutions of local government whose impotence prevented development processes moving closer to the people, or private sector institutions which failed to develop, not least because of unfair competition from subsidised, urban-controlled and urban-oriented public corporations.

2. THE MANDATE OF THE EUROPEAN COMMISSION

Defining the EC Mission in development co-operation in the field of agriculture and rural development requires reference to texts that constitute the **framework** within which the Commission has to operate. By definition, these texts have to be **external** to the Commission and **binding** on it. Two sets of texts meet these requirements:

- **The International Commitments** signed by the EU and/or its Member States, within the framework of the UN or the DAC for instance, or international agreements such as the Lomé Convention or the outcomes of the Euro Mediterranean conferences;
- European Union Treaties, Council Resolutions and Regulations; these are referred to as **Internal Commitments**⁴.

Few of these texts refer specifically to rural development. They deal with issues as diverse as commodity trade, the environment, human rights etc. This has raised two levels of difficulties: (a) how to structure these texts; and, (b) how to take from this overall set of commitments the relevant framework from which the mission of the Commission for supporting agriculture and rural development in the developing countries can be inferred. The first step is therefore to identify the overall mandate with which all the other commitments have to be consistent.

- Article 130u of the Treaty of Maastricht, dealing with development co-operation⁵, is the main source from which the European Commission must draw its Mission Statement.

Maastricht Treaty

Article 130u

Community policy in the sphere of development co-operation, which shall be complementary to the policies pursued by the Member States, shall foster:

*the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
the smooth and gradual integration of the developing countries into the world economy;
the campaign against poverty in the developing countries.*

2. Community policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms

3. The Community and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent organisations.

Four goals for EU support to development have been identified in Article 130u of the Treaty:

- Reducing Poverty;**
- Supporting **growth** by enhancing **competitiveness** in the rural sector;
- Promoting **democracy and human rights;**
- Improving **environmental and institutional sustainability.**

4 The list of international agreements and policy decisions made inside the EU which are part of the Legal Framework on which the Mission is based is given in the bibliography.

5 Art. 177 of the Treaty of Amsterdam.

2.1 POVERTY ALLEVIATION

During the last decade, the overall trend has been towards admitting that poverty reduction deserves specific actions and adopting a more explicit ‘people centred’ approach as exemplified by the **Copenhagen Declaration on Social Development**. The **Declaration of the Council on Development Policy in the Run-Up to 2000** and, even more, the **Council Resolution of 2 December 1993 on the fight against poverty**, represent significant steps in the process of according poverty reduction a more central position in EU aid policy. The **HSD Resolution**⁶ strengthens these lines and insists on the need to address the social development issue at the level of macro policy dialogue. It also calls for significant investment in social services and an improvement in donor co-ordination in these areas. The OECD/DAC **Strategy for the 21st Century** has fixed ambitious targets for international aid, which include halving the proportion of people facing extreme poverty by 2015⁷. Poverty alleviation – including mitigation of the effects of temporary destitution – is also clearly the main concern of the **1996 Council Regulation on Food Aid and Food Security Policy**.

Regional agreements follow this trend, but with a significant delay. For the **ACP** countries, the **Lomé IV bis** Convention, although signed in 1995, did not reflect much of this significant development. The **Green Paper** on the future of the EU-ACP relationship has been a major step in the evolution of the EC approach towards aid to the ACP, but it remained an internal document. It led in December 1997 to the *Communication* to the Council of December 1997⁸, but no Resolution from the Council has followed this communication. The outcome of the ongoing negotiation of the «post-Lomé» agreement is not yet known

In the **Mediterranean and ALA areas**, addressing poverty is also becoming increasingly important in aid policy. Council Regulation 443/92 regarding EU co-operation with the developing countries of Asia and Latin America explicitly stresses that: *‘Financial and technical assistance shall be targeted primarily on the poorest sections of the population and the poorest countries in the two regions*. However, although priorities are given, no specific analysis or strategy appears in existing official documents.

Poverty reduction has become an increasingly central issues for EC aid as for many other donors. This aim is more and more clearly articulated in EU resolutions, as it is in UN and DAC-led declarations, but it is not shared to the same extent by the ACP and other beneficiary countries themselves.

2.2 ENHANCING GROWTH AND COMPETITIVENESS

Several EU documents refer to the objective of enhancing growth and overall economic development. In some of them, such as the successive Lomé Conventions, a clear trend emerges away from a priority to the development of self-reliant economies, toward a clear preference for growth based on the improvement of competitiveness in the global market. In dealing with trade, for example, the trend is away from preferential access to the European market for ACP products, towards an overall reduction of trade barriers. The ongoing **Lomé IV bis** Convention, although showing this clear evolution from previous Lomé conventions, is still ambiguous in some of its articles⁹. The ‘**Green Paper** on the future of the EU/ACP relationship’ and the subsequent **Communication from the Commission to the Council** make the link between economic openness and economic growth much clearer than before. The importance of ‘enabling’ macro and sector policies as critical conditions for enhancing economic growth is explicitly stated and, therefore, the need for more selectivity between the beneficiaries of EU aid is asserted. This trend is also reflected in the regional agreements dealing with the MED and ALA.

6 Resolution on Human and Social Development adopted on 22/11/1996

7 Shaping the 21st Century: the contribution of Development Cooperation OECD/DAC 1996.

8 Communication de la Commission au Conseil et au Parlement Européen: Orientations en vue de la négociation de nouveaux accords de coopération avec les pays ACP; December 1997

9 See Diagnostic, Annex 1.

As a signatory of the **1994 GATT Agreement**, the EU is committed to supporting the objective of progressive multilateral liberalisation of trade based on the non-discrimination principle. This commitment has far-reaching implications for EC agricultural policy as well as for EC trade relations with developing countries. The non-discriminating principle puts at stake the preferences granted by the EU to some of its trade partners – notably the ACP countries. However, the GATT agreement allows industrialised countries to provide developing countries with greater opportunities and more favourable terms of access to their markets (especially for agricultural products).

In contrast with what happened in the 1960s and 1970s, market-based growth and poverty reduction are now mostly presented in the EU texts as complementary, rather than conflicting, objectives.

Therefore, a much closer link is made between development and (global & local) competitiveness. Far less value is given to market protection and direct public intervention in the market. This view is not always shared by dominant groups in developing countries, hence the need to be more selective and to channel aid to countries in which market oriented policies are carried out.

A clear warning is nevertheless sounded that, given the current very uneven distribution of assets and the frequent market failures, part of the population will not, in the short run, be able to draw its livelihood from competitive economic activities and will therefore need specific support from aid actors and governments. Hence the growing focus on poverty.

2.3 DEMOCRACY AND HUMAN RIGHTS

Perhaps more than most donors, the EU strongly supports the defence of human rights and democracy. Council declarations, conventions between the EU and third countries, as well as EC regulations, present human rights as defined in the UN Vienna Declaration of the World Conference on Human Rights.¹⁰ The EU in its co-operation with third countries emphasises (a) democracy, the rule of law and respect for human rights, and (b) economic development, poverty reduction, food security, and access to medical care. These are viewed as interdependent and mutually reinforcing sets of aims. The enhancement of true participation of a country's whole population in political and economic life at local and central levels, through developing civil society and enhancing good governance, is presented as an EU priority in several important documents.

Promoting democracy and human rights is an important part of the EC mandate. Indeed, these values have been accepted as universal by the UN and, therefore, are to be defended everywhere¹¹. Favouring broad participation in all areas of public life, including aid management, is seen as an important contribution to the promotion of democracy. Political freedom, equal civil rights and equitable rights of access to productive resources are essential for ensuring dynamic economic growth, much-needed improvement of public governance, and enhancement of the economic and political power of the poor.

2.4 ENVIRONMENTAL SUSTAINABILITY

Article VI of the Amsterdam Treaty requires that environmental considerations be incorporated into the European Union's policies and activities, particularly with a view to promoting sustainable development.

The Council Resolution of February 1993 in relation to the environment states that environmental concerns have to be taken fully into account from the outset in the development of other policies. A Council Resolution of 28 May 1996 highlights the need for environmental assessment to be undertaken in respect of all policies, programmes and projects.

10 Vienna Declaration and Programme of action, World Conference on Human Rights, Vienna, 14-25 June 1993, Note by the Secretariat, 12 July 1993. www.unhchr.ch/html/menu5/d/vienna.html

11 Interesting arguments supporting that view are given by Amartya Sen in: Human Rights and Asian Values; Carnegie Council on Ethics and International Affairs 1997

- The **United Nations Commission on Sustainable Development (CSD)** was established following the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992 (the Earth Summit). The CSD is mandated to ensure that the main donors assume a role in working with national governments in the following activities:
- a) implementation of integrated and sustainable agriculture development and food security strategies;
 - b) encouragement of a more open and non-discriminatory trading system (avoidance of unjustifiable trade barriers) which, together with other policies, will facilitate the further integration of agricultural and environmental policies so as to make them mutually supportive;
 - c) establishment and strengthening of networks to increase understanding of the interaction between agriculture and the state of the environment and identify ecologically sound technologies.

To co-ordinate renewed efforts towards the implementation of environmental policies following Rio¹², the EU established the European Consultative Forum on the Environment and Sustainable Development. The Forum produced a report on agricultural sustainability in June 1998. It emphasised five key areas of policy focus for agriculture, namely (a) globalisation and trade liberalisation, (b) preservation of diversity and promotion of local implementation, (c) integration of external costs (i.e. environmental and social externalities); (d) promotion of a more consistent and integrated overview of all stages involved (this follows a wider EU policy trend); and (e) emphasis on knowledge development.

As indicated in the Amsterdam Treaty, environmental protection and sustainable management of natural resources are important components of the EC's mandate.

The EU has committed itself to considering environmental concerns in its aid programmes and is playing an important role in the CSD.

12 See Diagnostic, Annex 5

3. RURAL POPULATIONS: ISSUES, TRENDS AND FINDINGS

The Rural Development Policy of the EC aims at applying the four dimensions of the EC aid policy agreed in Maastricht to the rural populations of the developing countries. This section examines recent trends and findings of research on issues central to the four objectives of the EU's development co-operation, with a special focus on rural populations.

3.1 POVERTY AND EQUITY

3.1.1 The nature and extent of poverty

Although very considerable progress has been made in recent decades, the challenge of eradicating even the consumption aspect of poverty remains enormous, with a quarter of the world's population living in absolute poverty and 800 million regularly going hungry (UNDP 1998). Three-quarters of the 1.3 billion poor live in Asia and the Pacific, with a further 17% living in sub-Saharan Africa. Within each region, trends with respect to poverty are diverging sharply. Although the economic crisis in Southeast and East Asia has reversed recent gains, the share of the East Asian and Pacific population falling below the \$1/day poverty line has been in long-term decline. South Asia has experienced a similarly positive trend. Yet in sub-Saharan Africa and Latin America, the trends are rising. In the LAC and SSA regions both the total number of people living in absolute poverty, and the share of the population living in poverty, have increased.

The nature of poverty varies across countries, although differences are often apparent even when aggregated at the regional level. Understanding these differences requires an assessment of some of the broader dimensions of poverty, going beyond levels of income and consumption. The *basic needs* approach was the first to break conventional boundaries, but it gave way in turn to the *capital assets* and *sustainable livelihoods* views of the poverty issue. These new lenses have focussed with growing clarity on other aspects of poverty, such as people's health and nutritional status, their literacy, education, access to productive assets, and even their sense of 'voice' vis-à-vis other members of the household or community: terms in which the poor themselves often tend to view their own condition. One additional dimension of what is sometimes called 'human poverty' (UNDP 1998) concerns the proportion of population not expected to survive until the age of 40. The share ranges from 8% for East Asia/Pacific and Latin America, to 15% for South Asia, spiralling to 23% for sub-Saharan Africa. Huge differences in human capital, including education, exist across regions. While the school enrolment ratio of 6- to 23-year-olds in South Asia rose from 37% in 1980 to 53% in 1994,

Poverty and Equity

*Traditional ways of measuring poverty present an incomplete picture because they assess the problem in income or consumption terms only. Dissatisfaction with this led to the concept of **basic needs**, which added such needs as health and education. A comparatively new approach stresses the vulnerability of the poor springing from their lack of capital assets - human, natural, financial, social and physical. These are the basic building blocks from which individuals and households can build **sustainable livelihoods**.*

In terms of sheer numbers, most people in absolute poverty live in Asia, but the situation in that continent (and in Latin America) has been improving for decades, while that in sub-Saharan Africa has sharply declined. Trends in national-level food security have mirrored this situation. However such aggregates often mask great variation in the nature of poverty between - even within - countries. From the policy standpoint, a useful construct is that of functionally vulnerable groups (FVGs), i.e. those whose livelihoods are sensitive to small changes in external factors. In Africa the largest FVG is smallholder farmers, while in Asia and Latin America it is the rural landless. Within FVGs some are more vulnerable, less food-secure, than others, particularly women and girls, who suffer intra- and inter-household inequalities in all parts of the world. Ethnic minorities and «outsiders» are often also very vulnerable. All of this implies that an assessment of the broader, livelihood, dimensions of poverty need to be understood before effective pro-poor policies can be formulated.

for sub-Saharan Africa (and for this region alone) the ratio stagnated at 39%. The comparable 1994 figure for Latin America is 70%, while for East Asia it stands at 79%.

There is no single basket of policies that can serve as a panacea for ‘the poor’. Data such as the ones given above have their place, but without disaggregating the poor by their activity, gender, age or other characteristics such as disability, it is difficult to formulate policy prescriptions for reducing the incidence and severity of poverty. The poor, like everyone else, engage in differentiated economic activities and have particular sets of assets and skills. Policy prescriptions, and natural resource research for that matter, must clearly take differences in activities, assets and skills into account if they are to contribute to effective poverty reduction. A useful construct from a policy perspective is that of *Functionally Vulnerable Groups*, defined as those groups which are ‘economically insecure and thus particularly sensitive to the slightest change in external factors’. In terms of the regional incidence, the most striking differences are between Asia and sub-Saharan Africa (Jazairy *et al*, 1992). In the case of SSA the largest functionally vulnerable group, by far, are smallholder farmers, who account for 73% of the total, with the landless accounting for only 11%. In Asia, however, smallholders represent some 49% of the functionally poor, and the landless 26% (rising to 31% in Latin America and the Caribbean).

3.1.2 Poor people’s access to capital assets

Poor people lack the capital assets needed to assure their livelihoods and make them sustainable. These assets are of five types. *Natural assets* refers to natural resources such as land, forests, water and pastures from which people can derive all or part of their livelihoods. *Physical assets* refers to both (a) privately-owned producer goods such as farm animals, tools, machinery, buildings and equipment that can be used to increase labour and land productivity and (b) the public goods that make up the economic infrastructure of a country (e.g. roads, market places, electricity supply) and its social infrastructure (e.g. clinics, schools, hospitals). *Financial assets* refers to people's access to cash, both in the form of income and in the form of cash savings and stocks of liquid assets that can be converted into cash in times of need. *Human assets* refers to both the health and nutritional levels necessary for sustained labour input and the educational standards and skill levels that make this labour productive. *Social assets* are the social relationships which people can draw upon in order to expand their livelihood horizons. They include kinship and friendship ties, patron-client and other feudalistic relations, membership of formal groups, various types of reciprocal arrangements and relations built up through trust, for example those between buyers and sellers.

In rural areas the most important natural asset is usually land, and landlessness is increasing, fuelling rural-urban migration and a host of related problems (Maxwell 1998). Poor people are often locked into patron-client relationships (e.g. sharecropping) which prevent their accessing resources on remunerative terms. Female-headed households, often the poorest of the poor, have least secure access to land: daughters often do not inherit land and land often reverts to the husband’s family on his death (Koopman 1997). Population pressures are leading to subdivision and fragmentation and therefore reduction in the ability and incentive to invest in land improvement. Where poor people have land, it is of the poorest type (e.g. remoteness from the market, sloping topography, low fertility, lack of irrigation potential) and the poor are often hardest-hit by negative trends (e.g. erosion, desertification, fertility depletion). Inequality in land ownership is least problematic in SSA and most so in Latin America, where 2% of landowners can hold 33% of land (Binswanger and Deininger 1997). Rural poverty also strongly manifests itself in the lack of the physical assets such as adequate housing, clothing and other personal and household assets. It also manifests itself in the lack of those physical assets that either complement land ownership (e.g. draught animals, ploughs and other farm equipment) or substitute for it (e.g. domestic animals that can be stall-fed, tools and machinery of other trades). Lack of access to land and physical assets deprives poor people of a means of saving, a form of insurance, and a means of securing loans, thus increasing their vulnerability to shocks and setbacks. Lack of access to irrigation water can be a major problem for poorer farmers, given that technological and institutional means can be used to divert supplies to richer and more influential neighbours. Lack of access to education prevents poor people from enhancing their skills and earning capacity. Lack of safe drinking water is a growing problem – particularly for poor rural women, who must collect it – because of increasing competition for supply and growing water pollution in many areas. In terms of financial assets, dualistic credit structures condemn the poor to rely on often high-interest non-institutional sources. Access to agricultural technology is equally problematic because of the investment it requires and the preferential access of the rich when supplies are restricted. Many crop varieties were in the past designed implicitly to suit only better-off farmers (e.g. the green revolution). Although the CG centres are now generally doing a better job of developing technologies for poor farmers in disadvantaged areas, the difficulties and costs of developing technologies for marginal and risk-prone areas, where the rural poor tend to live, are daunting. **The more positive type of social asset contributes to both equity and economic**

development in a number of ways. In the first place, it improves the efficiency of economic relations by reducing transaction costs. Secondly, it improves efficiency in the management of community resources. Thirdly, as was mentioned earlier, it can both substitute for collateral and reduce the cost of lending to poor people. Finally social networks facilitate the transmission of knowledge and thus open out new livelihood opportunities.

3.1.3 Food Security

This is a crucial part of the human capital of the poor. A major review has concluded that there are four core concepts implicit in the notion of 'secure access to enough food at all times' (Maxwell and Frankenberger 1992). These are **sufficiency of food; adequate access to it; security** (involving some balance between vulnerability, risk and insurance) and time, where insecurity can be chronic, transitory or cyclical. These concepts are important at both national and household levels. Another approach (ADE-IRAM 1995)¹³ defines three different attitudes of households and countries, regarding food security: **accumulation, reversible coping attitude and breakdown**. The different behaviours can be differentiated in the field. Aid policies and instruments have to be adapted to each of the three cases. There is also a global dimension, particularly for low-income food deficit countries (LIFDCs). On the market side, the global picture does not look quite as gloomy now as it did in mid-decade. The **long-term trend projections are that food prices will decline**, although at a slower rates than in the past. IFPRI projects that for the period until 2010 prices for cereals, roots and tubers will be stable, except for rice whose price is likely to increase in the 10-20% range (IFPRI 1998). Table 3.1 provides some important indicators and trends for food security at the regional level.

Table 3.1 - Food Security in Major Regions of the Developing World: Indicators and Trends

Region	Food Consumption as % of total Household Consumption	Per Capita Daily Calorie Supply	Index of Per Capita Food Production 1993 (1979-81=100)	Food Imports as % of Merchandise Imports 1980-1994		Food Aid in Cereals (kg/cap 1994-95)	% Underweight Children < 5 years 1990-96
Latin America/Caribbean	34	2,756	104	13	9	2.3	11
South Asia	51	2,367	120	12	9	1.3	50
Southeast Asia /Pacific	44	2,541	128	10	4	0.4	36
Sub-Saharan Africa	45	2,096	97	11	10	5.1	31

Source: Calculated from UNDP 1997 World Development Report

These figures indicate that **most regions have improved their position since the 1980s**, with rising per capita food production and a falling relative importance of food in the total import bill. **Sub-Saharan Africa has performed relatively poorly on the latter measure and absolutely poorly on the former**. This, taken together with its low figure of food intake (as measured by daily calorie supply), its relatively heavy dependence on food aid, its high – and projected to remain high – population growth rate, and its low and falling per capita GDP, indicates an extremely worrisome food security picture for that part of the developing world. The household level food security situation has been the subject of much debate in the 1990s, and there is an emerging consensus that the four aspects of food security mentioned earlier need to be linked to a wider set of issues when determining and implementing policy. These are (i) intra-household differences in food security strategies and underlying risks; (ii) the influence of factors such as health on

13 Guide de programmation des interventions d'appui à la sécurité alimentaire; ADE/IRAM Sept. 1995

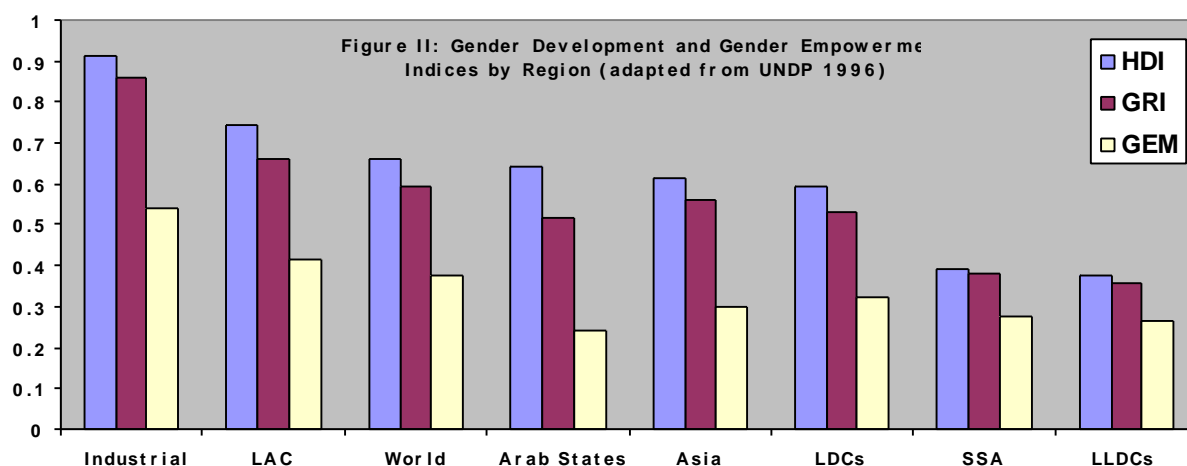
nutrition (iii) the need to understand livelihood strategies and how food and livelihood strategies interact, (iv) poor people's own perceptions about food security and its linkage to traditional, cultural and religious beliefs, (v) the situation of the balance of payments which governs the exchange rates and the import capacity, (vi) the critical role of market efficiency, since poorly integrated markets lead to high price instability at farm gate as well as at consumer's level.

3.1.4 Future trends in poverty

Predicting future rates of poverty reduction and thus the number of people remaining in poverty is difficult to estimate, and very few studies have sought to make hard, quantitative analyses. Several recent studies, however, have tried to estimate the likelihood of countries or regions achieving the International Development Targets set out in the DAC's *Shaping the 21st Century* report. Clearly, whether or not absolute poverty is halved or other poverty targets are met depends on the international economic environment, on socio-economic trends within each country, and on the extent to which those countries implement pro-poor reforms. A recent study by Hanmer *et al* (1998) also considers likely future trends in poverty in terms of these targets, on a region-by-region basis. It concludes that the level of human development indicators will improve considerably in all regions, but that achieving a reduction of 50% in poverty incidence will be difficult in several regions. Four different growth scenarios are considered, reflecting different assumptions about growth rates with developing and industrialised countries. Under all four growth scenarios, East Asia and the Pacific regions are likely to halve the proportion of poor. Prospects are also good for South Asia, but for the other regions, particularly SSA, the outlook is far less promising. The same analysis shows that the prospects for achieving the International Development Targets of universal primary education, a reduction by two-thirds in the infant mortality rate, and the elimination of gender disparities in primary and secondary education, are good for all regions apart from sub-Saharan Africa. **Although the prospects for reducing the incidence of poverty are good, the absolute number of poor will nonetheless increase in many regions, even under scenarios that assume high growth rates.** The predicted absolute number of poor people will remain particularly high in both sub-Saharan Africa and South Asia. But while the *World Development Report* shows that the position in South Asia has been improving, that in SSA has been deteriorating steadily. The growth rate of per capita GDP in SSA fell from 1.2% in 1965-80 to *minus* 1.4% in 1980-93. (In South Asia the figures were +1.3 and +2.2% respectively.) By 1995 per capita GDP in SSA was almost 20% below that of the subcontinent.

3.1.5 Gender Equity

The first comprehensive attempt to measure gender disparities was published in the 1995 Human Development Report. In addition to the Human Development Index (HDI), a composite index which measures life expectancy, literacy and real GDP, this report published figures on two new indices, a Gender-Related Development Index (GRI) and a Gender Empowerment Measure (GEM). The GRI 'measures the same basic capabilities as the HDI does, but takes note of inequality in achievement between women and men'. The GEM 'examines whether women and men are able to actively participate in economic and political life and take part in decision-making'. All three indices are measured on a scale of 0 to 1 (the higher the better) and are shown by region in Figure II. The fact that the relative ranking of the three indices varies by region is itself an important indicator. For example the Arab World has the fourth-highest HDI, but the lowest-ranking GEM.



Women, particularly rural women in developing countries, are seriously disadvantaged with respect to a wide range of measures, such as the incidence of poverty, wage rates for the same work, participation in waged employment, access to formal credit, unemployment, hours of work, ownership of productive assets, participation in decision-making and so forth. There is even evidence that in some areas, the position of women has actually deteriorated. In many areas women's workloads are growing in response to male migration, while agricultural commercialisation is sometimes associated with a worsening of women's position (Koopman 1997, Standing 1985). The outcome of male migration in this regard seems to be area-specific, however, for in some areas male migration has actually led to female empowerment, in the sense that the wife becomes *de facto* household head and primary decision-maker.

Some of the trends have been positive (UNDP 1995):

- In adult literacy and enrolment the male-female gap halved between 1970 and 1990;
- Between 1970 and 1990 overall female school enrolment in developing countries increased by 1.7% a year, compared with 1.2% for males;
- Fertility rates have fallen by a third and maternal mortality rates by half in twenty years;
- In 1990 more than half the married couples in the developing world practised contraception, in contrast to less than a quarter in 1980.

Some of the more positive and important trends have been changes in the way people view gender relations and growing acceptance that gender mainstreaming is not only a matter of democracy and social justice, but also an integral part of achieving sustainable development. Research since the early 1970s has created widespread acceptance of the fact that, both within and between families, poverty generally affects women and girls more seriously than men and boys and females are less likely than males to enjoy the fruits of development interventions (e.g. Boserup 1970, Bruntland 1987, Braidotti 1997). This can constrain the entire development effort, as is testified by econometric analysis, indicating that gender inequality in education and employment reduced the per capita economic growth rate in sub-Saharan Africa by at least 0.8 percentage points a year between 1960 and 1992, and was an important element in Africa's poor economic performance over the period (World Bank 1998).

3.2 GROWTH AND COMPETITIVENESS

3.2.1 International market developments

The volume of world output grew by just over 3% a year over the past 20 years, but export volumes increased at 4.4% p.a. in the 1980s and 5.7% in the 1990s. Acceleration of world trade in the 1990s benefited developing countries in particular, and their export growth rates were significantly higher than those of advanced economies. This reflects increasing openness among advanced as well as developing economies. The change was common to all regions, but was especially striking in Africa and the Middle East, areas whose performance in the 1980s had been especially poor. The volume of world exports of manufactures

more than tripled over the past two decades, in contrast to growth of 70% and 25% for agricultural and mining products respectively. **However, developing countries dependent on non-fuel primary exports suffered a deterioration of their terms of trade**, whereas developing country exporters of manufactures enjoyed a stabilisation of theirs in the 1990s. High price volatility is another major headache for commodity exporters, causing economic destabilisation.

The volume of capital flows from advanced to developing countries, which had stagnated or even contracted in the 1980s, expanded rapidly in the first half of the 1990s. This was accompanied by a change in the composition of this flow towards direct private investment and portfolio flows to private sector borrowers. However, the capacity of the various developing regions to attract these funds has proved very unequal, with Asia and Latin America attracting more than three-quarters of the total while SSA attracted little increase. Expansion in portfolio investments, which has been larger than that of foreign direct investment, carries the risk of sudden reversals in capital inflows following a change in investors' assessments, as was seen recently in the Asian financial crisis.

While allowing for a higher level of investments than the volume of domestic savings would have permitted, FDI do not add to the external debt. Furthermore they generally bring in technical, organisational and managerial know-how which contributes to accelerated productivity gains. By its nature, as well as because of its limited volume, **public aid cannot pretend to be the main external contributor to the development process** and, in particular, to the strengthening of the private sector in developing countries.

The relevant figures are very clear: **from 1990 to 1998: total foreign direct investments and portfolio investments in developing countries amounted to US dollars 744 billion compared with 127 billion for credits from official borrowers and 41 billion for grants**¹⁴.

The 1994 GATT is the first agreement to cover agriculture, and it commits industrialised countries to reducing their subsidies on agricultural exports, improving import market access, and making cuts in domestic producer subsidies, notably those which are price-distorting. Further steps on the way to liberalisation of agricultural trade should be taken within the framework of a new round of negotiations due to start in next year. The 1980s and 1990s have also been marked by the development of regional trade agreements, and there are now 18 of them between developing

Growth and Competitiveness

It is now increasingly accepted that economic growth is a necessary, although not a sufficient, condition for a sustained attack on poverty, particularly in the least-developed countries (LLDCs). The contribution of the agricultural sector to overall economic growth is normally proportionate to the weight of this sector in GDP, and this is almost always high in the LLDCs. This means that high and sustained rates of economic growth (i.e. in the 7 to 8% range) cannot be achieved without significant gains of productivity and output growth in the agricultural sector. For growth to benefit the poor it must be broadly based, creating expanded livelihood opportunities for them. This actually boosts growth, because the poor have high income elasticity for food and other agricultural products, so that new livelihood opportunities for them rapidly translate into expanding markets for agriculture.

The main findings and lessons from experience are now very clear. The agricultural sector must become increasingly based on comparative advantage, specialisation and exchange of surplus production through the market mechanism. This means that price distortions must be corrected, competition encouraged and market failure reduced. Policies that discriminate in favour of urban areas need to be reformed. This needs a sound macro-economic framework, reform of the taxation system and the legal structure to encourage domestic and foreign investment, and the adoption by the state of an enabling rather than a controlling role. The state must gradually withdraw from direct production and marketing, leaving room for the private sector to grow. State intervention is still needed, in order to provide public goods, create a policy and regulatory framework that promotes competition and corrects market failure, and ensure that livelihood gains are broadly based. The state must invest in economic infrastructure to increase land productivity and reduce transaction costs, and in social infrastructure that increases labour productivity and makes production increasingly knowledge-based.

Globalisation and liberalisation of world agricultural trade open up prospects of export-led growth for developing country agriculture, but if countries cannot meet the challenges they are likely to become

14 IMF: World Economic Outlook, Statistical Appendix, May 1999

countries. Multilateral trade liberalisation and regional trading agreements are in principle mutually exclusive, and economists underline the risk of trade diversion. However, such agreements can lead to further mutual concessions including agreement on the free movement of factors and common or harmonised competition policy, as happened historically with the EU. By derogation to its other provisions, the GATT 1994 allows for the establishment of custom unions or free trade areas considered as a complementary, practical route to universal free trade, but on condition that such agreements comply with a number of provisions.

Trade is now widely regarded as a more effective way of enhancing economic growth in developing countries than the import-substitution policies of the 1960s and 1970s. The Asian financial crisis demonstrates that success itself may generate its own problems, but this should not be allowed to undermine the evidence of 30 years of export-led growth. **The export performance of developing countries depends at least as much on the structure of their exports as on conditions of access to foreign markets.** This is borne out by the experience of ACP countries, which, despite preferential access to EU markets, have not succeeded in significantly increasing their exports to Europe. In fact, for those products for which they were given privileged access, export growth figures were far inferior to those of other developing countries operating within the less favourable framework of the General Preferences System. Clearly a liberalisation of trade, while creating favourable conditions for faster trade growth, will not alone succeed in achieving this result if it is not accompanied by macro-economic and sectoral policies supporting the development of export-oriented industries.

3.2.2 The national economic and institutional environment

Price distortions reduce the overall volume of investment through the diversion of income to the benefit of rent-seeking economic actors. They hamper economic development by the imposition on economic actors of heavy transaction costs. They lead to the allocation of investments among sectors which does not reflect their actual and potential contribution to economic growth. In particular, they very frequently restrict the development of agriculture and rural sectors as a consequence of the attempts of governments to provide cheap food to the urban population at the expense of agricultural producers. As far as they create obstacles to the circulation of agricultural products and inputs from region to region, they aggravate the risks faced by rural populations because of unstable climatic conditions. Finally, **rents generated by price distortions are in many cases paid by the poorest.**

A major breakthrough in the approach to development policies has been the growing recognition that the establishment of a sound macro-economic framework is a pre-condition for the achievement of sustainable growth. This recognition gave rise to programmes of structural adjustment (SA) that were first initiated by the IMF over a decade ago to tackle the problems of countries facing balance-of-payments crises. But a large deficit in external accounts is often simply a reflection of a whole set of macroeconomic imbalances, which require wide-ranging macroeconomic reform. The SA process was therefore widened to embrace these aspects of reform. It demands a reduction in budgetary deficits and the financing of the remaining deficit through non-inflationary means. Public expenditures are redirected from administration, defence and subsidies towards improved income distribution, health care, education and infrastructure. Taxation systems are reformed so as to enlarge the tax base, reduce tax evasion and cut marginal tax rates. Governments are expected to withdraw from direct interventions in the market mechanism and instead promote competition and provide a regulatory framework within which market forces can operate. Liberalisation of financial markets is meant to ensure that interest rates reflect the scarcity of funds. Exchange rates are unified at a level which maintains export competitiveness while quantitative trade restrictions are substituted with tariffs, whose level is progressively reduced. Restrictions on foreign investment are abolished. Control by the Central Bank on monetary developments and on the activity of commercial banks is redirected towards preventing a surge of inflation and the build-up of bad debts in the banks' portfolios.

It is now accepted that while changes in macroeconomic policy can be undertaken relatively quickly, the reform of State institutions, which is also needed in many countries, is a lengthier and more difficult process (Wallis 1999). Moreover many of the private sector institutions that, under the Structural Adjustment process, are supposed to take over the economic role previously (and ineffectively) fulfilled by the State, often simply do not exist (Carney 1998). There are no ready-made answers to the questions posed by this realisation, not least because the situation differs so greatly between regions and between countries. In sub-

Sahara Africa, priority must often be given to rebuilding state effectiveness through an overhaul of public institutions, through reasserting the rule of law and by exercising credible checks on the abuse of state power. Moreover, many African countries are burdened with extremely heavy external debt whose service payments threaten to push into an indefinite future the moment when citizens might start to reap the benefits of structural adjustment. At the other end of the spectrum state institutions in East Asia, which have a more positive track record, have seen their flexibility challenged by a dramatic reversal of the economic situation in the region and must quickly adapt to these new challenges.

3.2.3 Demand prospects for agriculture

International trade is very important, but it represents only one of three potential sources of demand for agricultural production from developing countries, the other two being domestic and regional. Domestic demand is the most important for most LLDCs. **In poor countries, the income elasticity of demand for food is high**, so that as incomes rise, demand for agricultural produce grows rapidly. The more widely distributed the income effects of growth, the greater will be the aggregate increase in demand and the more even its spread across a number of agricultural products (and hence regions within the country). Demand growth can be expected for basic cereals (from the poorest groups) through preferred foodgrains and fruits and vegetables to livestock produce (at the upper end of the income scale). There will also be growth in demand for agricultural raw materials, such as grains for milling and brewing and a range of industrial crops.

As was shown earlier, the growth of regional trade associations in the developing world has been a feature of the past few decades. These widen the prospects of increased agricultural trade on the basis of comparative advantage within the region, and hence open up prospects of specialisation and scale economies. These can be developed within a regional setting without the threat of competition from highly efficient producers in the more agriculturally advanced countries.

Total demand for agricultural produce in developed countries is not expected to increase significantly, so that any imports from Third World countries will have to displace either domestic production or imports from other countries. The former will remain problematic as long as OECD countries continue to protect their own farmers with tariff and non-tariff barriers such as biased interpretation of the provision for sanitary and phytosanitary measures, as allowed for under the WTO agreement. The problems of breaking into established markets, while far from impossible to overcome, should not be underestimated.

3.2.4 Changing public-private roles

It is now generally recognised that during more than a decade of structural adjustment and liberalisation, reforms of agricultural and agrarian policies have generally lagged far behind more general macroeconomic reform (Maxwell 1998). Sometimes the explanation for such poor performance is that there is no real commitment to change, but even where such a commitment exists, a major underlying problem is the lack of rural and agricultural policy analysis capacity – particularly in the least developed countries. This deficiency lies behind many of the contradictions that exist between the high level policy goals and the policy instruments that are meant to put them into effect.

A history of state economic control in developing countries has left a legacy of a very underdeveloped private sector, particularly in the rural areas, and private agriculture marketing remains dominated by grossly undercapitalised small traders. Government fears of letting the private sector loose in agriculture have proved something of a self-fulfilling prophecy. Where government control is pervasive and rule changes unpredictable, traders will tend to look for quick gains rather than try to build up a reputation for honesty and long-term reliability. It takes time and effort to dispel the mistrust that such a situation reflects. It is not surprising, therefore, that tales of substandard and adulterated inputs and dishonest weights and measures abound. Even when larger, and presumably more reliable, firms enter the agricultural market, they often do so as monopolies or cartels and offer little improvement on public sector input supply corporations and marketing boards. Nevertheless some progress has been made in developing private sector agricultural marketing, and some important lessons have been learned in the process, although a great deal needs to be done.

A recent review outlines the major areas of both recent advance and continuing concern (Carney 1998). In input supply and produce marketing, uncertainties surrounding future policies have caused reluctance to invest on the part of the private sector. There are already disincentives to enter these markets, such as highly seasonal demand and supply, product perishability and a seriously underdeveloped transportation and marketing infrastructure. Correcting the latter is an obvious continuing role for the State, but there are other roles, such as quality monitoring, weights and measures regulation, contract enforcement measures, and price information systems. There is also a need for the State to provide an integrated programme of support for would-be traders (such as training, start-up capital and storage facilities), minimalist and non-burdensome regulations and recognition of, and consultation with, traders' organisations. In agricultural research and extension most commentators accept that there is a continuing need for the public sector involvement, but there is also widespread dissatisfaction about inefficiency, lack of client orientation and irrelevance. For this reason, increasing attention is now being focussed on alternative structures and new partnerships. In credit markets there is an emerging consensus that **interest rates should be determined by market forces**, that decisions should be decentralised, while externally sponsored schemes should build on existing informal methods of assessing debt-bearing capacity, with a broad financial infrastructure, including mobilisation of local capital, within which credit and savings schemes should be placed. Studies in an increasing number of countries demonstrate that **the saving potential and propensity of smallholders and the poor are far from negligible and that loans granted to them may yield high returns to the overall benefit of growth and equity.**

3.2.5 Changing rural-urban relationships

Around 60% of people in the developing world now live in towns and cities, compared with just over 20% forty years ago. Even in the least developed countries urban populations have been growing rapidly, from under 10% of the total in 1960 to more than 25% today. In many countries the rate of urbanisation has far outstripped that of economic growth, and urban facilities have been stretched to breaking point and beyond. A very rapid rate of urbanisation makes it difficult for rural producers and traders to adjust their production and marketing patterns to suit market requirements, so that imports tend to take over this market. More importantly, pro-urban policies have often exacerbated the negative aspects of the relationship. These include agricultural policies designed to ensure cheap food for urban areas, discriminatory taxation, better urban services, over-valued exchange rates that have biased the terms of trade against agriculture, and food aid that has brought subsidised and disruptive competition for domestic farmers. The disparity in public spending has had a negative multiplier effect, because the failure of the public sector to invest in rural areas acts as a powerful disincentive to private investment, including investment by farmers in their own holdings. In many countries, rural-urban migration has left the rural areas starved of able-bodied men and increased the workloads of rural women. This has been aggravated in recent years by the spread of AIDS, which is wreaking havoc on the supply of labour to agriculture, particularly in some parts of Africa.

Whatever may be said about the social costs of developments such as structural adjustment, trade liberalisation, there is a positive side for agriculture, particularly in sub-Saharan Africa. A sharp reduction in price distortions, more realistic exchange rates, a tapering off in food aid, a reduction in the dumping of subsidy-generated food surpluses, and the ending of other market and policy distortions could just possibly give African farmers the stimulus they need to increase productivity and therefore avert the predicted food crisis.

3.2.6 Expanding Livelihood Opportunities

One of the most difficult problems facing the poor is lack of choice, particularly in building up their livelihood strategies. Ideally, growth will bring prosperity to the farming community and full-time remunerative employment for non-farm residents of all rural areas, but this will not happen in the short term, and it is in any case not the only way that livelihood opportunities can be expanded. The majority of the rural poor already have multiple sources of income, including petty trade, primary production, remittances and casual employment. A recent review concluded that the importance of the topic from a policy perspective may well be increasing, because there is a generally held view that the livelihood diversification phenomenon has been increasing over time and may even be accelerating (Ellis 1998).

For paid employment to increasingly characterise rural economies in a competitive world, labour productivity will have to rise significantly. **Contrary to a widespread belief, increasing average labour productivity does not adversely impact on employment.** Because the income of economic actors is directly related to the productivity of their labour, domestic demand increases parallel to labour productivity, thus creating opportunities for new jobs and for a diversification of economic activities. Furthermore, enhanced productivity improves competitiveness, thus making it possible to increase the market share in both domestic and export markets. This further increases employment opportunities.

3.3 DEMOCRACY AND HUMAN RIGHTS

The EU subscribes strongly to the promotion of democratic values, but the relationship between democratisation and development should be viewed in a wide plane. The capacity of people to determine the course of development (whether economic, political or social) is clearly important, as is the extent to which minorities can assert their rights and the capacity of democratic systems to demand accountability and so reduce the scope for corruption. For these reasons, most donors and international organisations have encouraged the strengthening of democratic systems and their effective decentralisation through improvements in local government.

Goldman (1998) notes that many governments have indeed pursued decentralisation, partly in an effort to reinforce or regain their political legitimacy. He concludes that decentralisation has **considerable promise** in reversing the neglect of local institutional development, improving development initiatives and making them more flexible and sustainable, enhancing government responsiveness, increasing information flows between governments and citizens, promoting greater participation, enhancing transparency and accountability, achieving political renewal and integrating society with the state, reinforcing and invigorating democracy at the national level, promoting early warning of potential disasters and carrying out small-scale regulatory functions. Another review backs these findings, but also points out that decentralisation has shown **least promise** in areas such as broadening a too-narrow focus on agricultural yields, making development programs more flexible so that they suit local conditions, changing adverse policy environments for agriculture, reinforcing central government commitment to rural development, giving greater attention to socio-cultural factors, assisting women and members of ethnic or religious minorities, scaling up from successful pilot projects, tackling the problem of complexity and co-ordination, promoting co-operation between non-governmental organisations and government, reducing the overall degree of corruption, giving greater attention to the wider context of macroeconomic policy and alleviating the type of poverty which mainly arises from disparities between (as opposed to within) regions or localities. Governments in countries whose international boundaries were originally drawn to suit the convenience of colonial powers rather

Democracy and Human Rights

There are some areas of dispute as to precise definitions of democracy. Governments in some developing countries reject certain aspects found in the West, such as the multi-party system. However there is also fairly broad agreement as to certain common elements of democratic systems, such as regular, free and fair elections in which voters have a genuine choice of candidates, the accountability of elected leaders, freedom of expression, the duty of the state to preserve public order and protect the basic rights of **all** citizens, the independence of the judiciary, and the rule of law.

Most people would view democracy and a respect for human rights as desirable ends in themselves, but many elements of the democratic process also contribute to economic development. Accountability reduces the scope for corruption, thus reducing the cost of doing business and encouraging investment. Decentralisation may not suit all circumstances, but when it brings government closer to the people it enhances democracy; it fosters development to the extent that it increases government responsiveness, promotes participation and transparency, and makes development initiatives more relevant to local needs; and since most local government units in poor countries are rural (especially in LLDCs), decentralisation *per se* increases the emphasis given to developing rural areas. Some developing countries are evolving new and more responsive means of delivering services such as agricultural extension, replacing «top down» linear models with «hub» systems that give clients a greater degree of control over resources, so that delivery becomes both more democratic and more problem-oriented. The role of NGOs is still evolving, but some are moving from implementation to facilitation of the agenda of e.g. membership organisations (such as user groups) in modes that combine the experience and influence of the NGOs with the democratic legitimacy of the a community based organisation, thus improving the latter's effectiveness in placing demands on development agencies.

than historical relationships between neighbouring ethnic groups, also tend to confront another disadvantage. In such countries considerable post-independence effort has often been put into welding together a sense of national identity and national unity. Leaders of such countries tend to view decentralisation as a countervailing trend, one that will deepen rather than bridge, historical divisions between sub-national units, and lead to fragmentation. Conversely, it is argued that addressing local concerns through local empowerment actually increases the cohesiveness of the state (Manor 1998 op. cit.).

Many ask themselves whether broad changes in civil society have enhanced the responsiveness and accountability to people's needs of those agencies (government, private commercial or private non-profit) responsible for local resource-use planning or service delivery. Reflecting on the experience of much of the industrialised world in the past decade, they see some developing countries (especially in Latin America, but also to some extent in South-east and South Asia) questioning the continued legitimacy of service provision systems in which a governance agency (e.g. the Ministry of Agriculture) provides a mandate and resources for a single service-delivery agency (e.g. a Department within the Ministry), and in which accountability only flows upwards. They question in particular the dominant ethic of negligible accountability to rural people and the widespread delivery of services on a 'take it or leave it' basis. **For these reasons, many see the desirability of replacing linear approaches to service delivery with 'hub' models.** In the latter there is a clear separation of functions between governance and delivery agencies, an emphasis on creating multiple public or private delivery agencies so that consumers have a degree of choice, a transfer of at least some resources to the hands of consumers so that they can exercise this choice, and careful monitoring so that feedback is obtained on consumer preferences, and the ability of service deliverers to meet them.

In extreme cases (such as the provision of agricultural extension services in Chile), practically all government funding is provided directly to farmers. Chilean farmers are given vouchers that they can use to purchase services from a range of possible providers. However, in many cases, service delivery agencies require some continuing support from government - at least transitionally - if they are to survive. For several aspects of rural development (sustainable agriculture, water supply and wildlife management), Goldman (1998) suggests that certain conditions (such as fiscal issues and the presence or absence of economies of scale) help to determine whether decentralisation will be effective or not.

The extent to which rural organisations influence decisions that affect people's lives is clearly an important indicator of the health of democracy. In turn, this depends on two factors: the openness of political institutions to people's voices, and the capacity of people themselves to articulate their requirements. There is wide variation in the baseline conditions across countries and regions against which changes in these factors can be assessed. Some have relatively short traditions of democratic government, but even where such traditions are longer, there are frequently problems of elite domination, and of a limited capacity among rural organisations to assess and articulate people's needs.

In many countries the NGOs have taken on the role of helping to strengthen resource-users' associations, often setting up projects aiming to meet perceived needs, delivering services, and interceding between users and government. However, increased democratisation – especially the strengthening of local government – has thrown into sharp relief some of the inconsistencies of the NGOs' positions. For example they claim to act on behalf of local people, yet most do not have elected office-bearers and lack formal mechanisms of accountability to rural people. The traditional roles occupied by NGOs are therefore increasingly being challenged as governments become more avowedly democratic. **It is at the local level that people have the best opportunity to influence plans and the provision of services directly affecting their lives** (for example, in health, education and natural resource management). These are spheres in which NGOs have traditionally been active, but membership groups (e.g. of resource users) have greater legitimacy than NGOs in pressing claims, not least because they are mandated by, and accountable to, local people. This change in attitude is occurring at a time when a crisis in international funding for NGOs has undermined their financial basis. Thus many NGOs are reconsidering where their legitimacy lies. Many see their future in reforming themselves into the societies of their countries and seeking funds from governments and donors via membership organisations or via local government in order to strengthen people's capacity both to make demands on the state and to deal with the private commercial sector. It is widely recognised that the time has come in many situations for NGOs to change their role from doing things to facilitating actions by «Community Based Organisations».

3.4 PROMOTING ENVIRONMENTAL AND INSTITUTIONAL SUSTAINABILITY

3.4.1 Environmentally Sustainable Agriculture

Rural populations rely to a greater extent than other communities on a finite stock of natural resources. The rural poor are especially vulnerable to variations in the supply of food, energy and raw materials, provided locally by nature. This is especially true where poorly integrated markets prevent the poor from absorbing risks through spatial and temporal arbitrages at a reasonable cost. EC activities aimed at enhancing the sustainability of natural resource management must take into account that the relationship between rural populations and natural resources, is featured by interdependent parameters:

- **Productivity**, measuring the efficiency with which a given amount of labour and inputs is converted into products by a unit of natural resources. Soil fertility is among the most common measures of productivity. Two trade-offs have to be taken into account: a) attempts to increase productivity often raises the instability of the supply; b) productivity increases may prove unsustainable;
- **Variability** (cyclical and unpredictable). The variability of the supply of goods by the local natural resource base is a critical factor to be taken into account. More diversified environments are able to supply a more reliable flow of food than more specialised ones, provided the rural populations have the necessary skills and experience to benefit from this diversity. Degraded environments are less diversified and therefore less reliable. Only well-organised societies, having traditions of risk sharing, accumulation (livestock), mobility and/or efficient marketing practices, can cope with poorly diversified environments;

Environmental sustainability: the productivity of a given ecosystem can be obtained for a limited period of time through «mining» production techniques which reduce its complexity and therefore its resilience to external stresses such as climate variations or anthropic pressure. This leads toward less reliable and decreasing productivity. Sustainable natural resource management aims at enhancing or at least maintaining the level of complexity of the ecosystem in order to improve its productivity durably and reliably;

- The **distribution of the effects** of a given pattern of natural resource management has to be taken into account when deciding who has to bear the cost of more sustainable management. Indeed, two levels of conflicting interests have to be addressed: a) The temporal trade-off between immediate income and long-term sustainability cannot always be

Environmental and Institutional Sustainability

There is as yet no universally-accepted definition of environmental sustainability. A very strong definition would identify a need to conserve all natural resources, whether of direct and immediate economic benefit to humanity or not, so as to bequeath to future generations an environment that is at least no more depleted or degraded than that the one we inherited. From the viewpoint of poverty reduction and the promotion of economic growth and competitiveness, the most basic requirement is that the level of income derived from a given stock of natural resources should not be such that its income-generating potential is depleted over time. This would require either that limits be placed on the intensity of resource use so that they may regenerate naturally, or that resources be ploughed back into maintaining productive capacity. Thus the soils of agricultural lands may be kept sustainable either by zero tillage techniques or by investment in active soil conservation measures such as terracing. One weakness of this definition, even from an economic standpoint, is that it fails to take externalities into account. In some cases it is possible to exploit a resource sustainably in one location, but only at the expense of external (e.g. downstream) effects that are environmentally destructive. A stronger definition would require that the resource in its entirety be used sustainably, and this in turn would require interventions at a local, national, regional and global levels.

Trade-offs are at the core of the environmental sustainability controversy. An important example is the green revolution in Asia and Latin America. This caused environmental degradation, but its production gains saved fragile lands from being brought into cultivation and bought vital time to get population growth levels down. There are as yet no clear answers as to where to strike the right balance between feeding present and projected world population at improved nutritional levels and protecting the environment from significant damage. The issue is especially problematic in areas of infertile soils, low and uncertain rainfall, and low productivity, where the poorest rural people tend to live.

The institutional aspects of natural resource use must be addressed and strengthened rather than ignored and weakened. Institutional changes needed in many countries range from land reform to giving women and minorities assured access to specific natural resources, so as to create usufruct or ownership rights that encourage more sustainable use. Many indigenous institutions that historically promoted sustainable resource management have been weakened by the interventions of outsiders, well-meaning or otherwise. Too often policy makers have opted for «quick fix» technical solutions (e.g. planting trees to counter deforestation) without addressing the social and institutional issues that underlie traditional natural resource use patterns. Genuine partnership approaches appear to offer the best way out of this situation.

avoided. The poor lead risky lives, they have a low level of information and analytical capacity, and therefore, a future they cannot predict. Thus they often have very short horizons (very high discount rates) and should not be asked to invest much in the long term¹⁵. b) The spatial distribution: global concerns such as biodiversity are mainly addressed through local solutions. Protecting biodiversity can have local costs (converting large areas into nature reserves) which cannot be compensated by sufficient local benefits.

An MSU¹⁶ research team recently defined sustainable agricultural intensification by using two criteria: a) an environmental criterion: the technology used protects or enhances the farmer's resource base and thus maintains or improves land productivity; and, b) an economic criterion: the technology meets the farmer's production goals and is economically profitable.

Very much on the same lines, a recent DG1B¹⁷ information paper stated that **in order to contribute to sustainable development, «any development effort had to be: socially acceptable, environmentally sound, and economically and financially viable».**

The necessity of combining these different criteria narrows the scope of feasible policies, but leads to approaches that are consistent with the one recommended above as guidelines for the economic dimension of the policy. Indeed, the MSU study concludes that **only «capital led intensification» (CLI) strategies are sustainable.** Unlike «Low Input Sustainable Agriculture» (LISA) patterns, **CLI approaches help raise labour productivity and therefore, income.** This is also consistent with the recent views expressed by IFPRI, advocating policies supporting a rapid evolution toward market-driven agriculture¹⁸.

- Modern agricultural techniques have indeed helped increase food production through the adoption of high-yielding varieties, fertilisers, irrigation and pesticides, a technological package popularly known as the green revolution (GR). Since the 1960s Asia has achieved the largest proportional increase in per capita food production, 40% compared to 7% world wide (Pretty 1995). Africa by comparison experienced a 20% decline in per capita production between 1964 and 1992 (FAO/WHO 1992). However, the **GR has given rise to environmental concerns about the level of inputs required and the effects these are likely to have** on surrounding ecosystems. The environmental sustainability of increases in the use of agro-chemicals can only be assessed within a local context, but it is well established that wildlife ecosystems, drinking water supplies, food and fodder supplies are in danger of varying degrees of contamination. Agricultural potential itself is adversely affected by practices such as excessive and unbalanced fertiliser use, overexploitation of ground- and surface water, monocropping and excessive and inappropriate pesticide use.

These problems have become endemic in many parts of Asia and Latin America that were at the forefront of the GR, and where, in some cases, yields have actually been declining, possibly reflecting an underlying long-term decline in total factor productivity (Fujisaka *et al* 1994). Overall there are worrying signs of trouble on the genetic front concerning staple cereal crops and the prospects for raising their production potential on the land currently under cultivation (Havener 1994). **Because of such factors, modern agriculture is regarded by some as being inherently unsustainable. On the other hand the GR in Asia and Latin America bought vital time in which population growth rates could be and were brought down to more sustainable levels.** Moreover, it is estimated that without the massive productivity increases the GR brought to relatively favoured environments, at least 60% more land would have been needed to feed

15 There are several examples suggesting that poor societies have been able to set up sustainable natural resource management techniques. These groups are often societies which have been able to protect traditional social practices and NRM techniques. For them, the future is predictable, it looks like the past. However the cases in which techniques and social structures prove unable to cope with issues such as demographic pressure, external cultural influence, war, etc., are increasingly frequent, and leave households highly vulnerable. The future becomes unpredictable and short-term survival becomes the priority. (see 3.4.2 below)

16 Sustainable versus unsustainable agricultural intensification in Africa: focus on policy reforms and market conditions; Thomas Reardon, (Michigan State University), Christopher Barret (Cornell University), Valerie Kelly (MSU) and Kimseyinga Savadogo, Université de Ouagadougou; March 1999.

17 Progress in integrating sustainable development into EC development and economic co-operation with particular reference to the environment; DG1B Brussels, 13 April 1999

18 Fostering Global Well Being, a new paradigm to revitalise agricultural and rural development ; David Bathrick; IFPRI; September 1998

the same number of people at the same nutritional levels (ODI 1994). The only available land in most places was fragile, and could only have been brought into cultivation with devastating environmental effects. Given that Africa today faces the same rapid population growth, low agricultural productivity and declining per capita food production that Asia and Latin America faced twenty to thirty years ago, some argue that the technologies that stimulated rapid growth food production elsewhere should now be promoted in Africa and thus gain a similar breathing space. However, it is not clear if this could work, given SSA's erratic and unreliable rainfall, its more degraded and often less fertile soils, its low irrigation potential and its poorly developed infrastructure (Spencer 1994).

Techniques meeting both the environmental and the economic conditions of sustainability are therefore difficult to design and to extend. Sustainable agriculture techniques are being advocated to improve long-term sustainability of production methods by linking cropping patterns to the local environment. Environmental sustainability in agriculture and natural resource management (NRM) would incorporate conservation methods into activities for food production, forestry, and rural livelihoods. Proponents point to the success of Integrated Pest Management (IPM) as a way of addressing the problem of making agriculture both more sustainable and more productive. IPM combines natural methods of pest control (such as physical removal and fostering natural predators) with minimal and targeted pesticide use. However, it remains to be seen whether similar successes can be scored by addressing other sustainability problems while simultaneously providing for the expected doubling of global food requirements within the next 30 years.

Agricultural research and extension (R&E) have tended historically to focus on technologies that are appropriate to uniform agroecological conditions and that can be implemented in a commercial farming context. This has in the past proved cost-effective, in that the technologies that emerged were of widespread applicability, the GR being a classic case. If such technologies are not environmentally sustainable it is largely because the remit of the R&E system did not include this aspect. Nor has it been part of their remit to develop and extend technologies that benefit the poorest section of the rural community who farm in diverse ecological conditions, rely on rainfed crops, have access to only incomplete physical and social infrastructure, and live in risk-prone environments (Farrington and Thiele, 1998). However, if the easy gains on the favoured lands have by now been achieved, logically that mainly leaves these less favoured areas to produce the huge increase in food production that will be required for many decades. This is already a considerable challenge to both the CG network and the R&E systems of developing countries. If, in addition, we demand that, in exploiting this potential, it will be essential to avoid the mistakes of the GR and to ensure that productivity gains are not won at the cost of despoiling the environment, then the task becomes daunting indeed.

This will not be an inexpensive challenge, but there is an emerging consensus that the cost can be alleviated and the likelihood of success improved by exploiting the talents of those who live in and farm the less favoured areas. **The diversity of agroecological conditions in such areas has over time led to the evolution of local farming systems and complementary knowledge systems that cannot be easily replicated through R&E** (Chambers, Pacey and Thrupp, 1989). Contrary to earlier belief, these systems are often environmentally sustainable, and scientists need to learn from them in order to find sustainable ways of increasing productivity. Work with participatory methods in recent years has led to a general acceptance that **partnership approaches hold out the best hope of learning** from local people and incorporating their needs, perspectives and wisdom into the development process.

Whatever may be done in terms of farmer and community participation, some major problems remain on the interface between science and the environment. One of the most notable trends of recent decades has been the growth of environmentalist activism and its apparently growing hostility to agricultural science. It is a trend that is likely to add to the challenge of trying to increase agricultural productivity in the less favoured areas. It is vital from a policy perspective to decide fairly soon whether it is cost-effective to try to create technologies for less advantaged areas if these are later going to be attacked, almost as a matter of principle, as environmentally harmful and if the technologies in question are going to be withdrawn as a result. The outcome of this policy debate will have a powerful influence on the direction of research for increasing world food production.

3.4.2 *Environmental Sustainability and Institutional Sustainability*

The development of local institutions is increasingly recognised as essential for the sustainability of agriculture and NRM. Endeavours to reverse resource degradation and improve methods of conservation require popular participation if they are to be implemented effectively through co-ordinating institutions. There are many indigenous institutions concerned with resource management, in areas such as community forestry, irrigation management, hunting and gathering, and pasture management. But the resources that underpin such institutions are in some places coming under excessive pressure, while in others the institutions themselves are being bypassed by official development efforts. In either case the result is often that the indigenous institution becomes dysfunctional and the resource base suffers correspondingly.

Institutional sustainability can be generated through a combination of state, NGO and local level activity. NGOs have been increasingly involved in providing support for rural community projects by assisting local institutional development, but their effectiveness is sometimes blunted by the type of consideration that was mentioned earlier (Section 3.3). Whatever questions have been raised about the involvement of NGOs, the State has experienced an even greater degree of difficulty in increasing the level of local institutional input into rural development. A recent review summarises key aspects of change that need to be addressed at government level and elaborates how future policies may incorporate the goals identified for changes to the role of the state. The above-mentioned Diagnostic provides some of the results (Table 3.16).

3.4.3 *Public policy and sustainability*

A major difficulty with promoting environmental sustainability lies in the fact **that this issue tends to be considered at the global level, whilst the success of policies affecting agriculture and NRM depend to a large extent on implementation at a local level** (Hazell and Lutz 1998). However, it is difficult to assess the environmental costs and benefits of agricultural practices and resource management at the local level. The externalities are identified more easily at a national or international level, especially for environmental degradation. It is therefore sometimes argued that to ensure sustainability in agriculture and resource management at a local level, policies need to include incentives or **compensation** which account for the impact of externalities. In theory, prices and subsidies can be used by governments to discourage unsustainable resource use, but in practice this is a complex method. With improved environmental valuation techniques it may become easier to improve sustainability through adjustments to the prices of resources such as timber for fuelwood (where degradation is partly due to a market undervaluation of the environmental costs of production). An alternative approach is to use interventions other than those of the market. **Non-price interventions** include public infrastructure investments that can reduce population pressure in environmentally fragile areas. Investments in rural roads, schools and health centres especially in resource-poor areas can help improve the opportunities for the rural population both in farm and non-farm activities.

The conditions of access to, and use of, natural resources are a major determinant of how sustainably they will be used. Secure land tenure, for example, encourages farmers to take a long-term view and provides an incentive to farm sustainably. Customary rights of access to land may discriminate against women and other disadvantaged members of society, but so too can land reform measures and measures which grant proprietary rights to resources which were previously communal, especially if these rights are given exclusively to men. Such measures will obviously reduce gender equity by depriving women of customary access to resources. They can also damage the environment because **gender division of labour has made women in many areas *de facto* custodians of natural resources, such as forests**, and in many areas they have evolved complex and ecologically sound rules for managing these resources. Even interventions that recognise gender-specificity in resource conservation at the conceptual phase, often fail in the implementation phase to give women a meaningful role. Women have rarely been able to capture decision-making powers or responsibilities for high level tasks, and, across a whole range of subsectors such as forestry, soil conservation, water, rangeland management and IPM, have often been treated as a source of cheap labour (Joekes *et al* 1996).

4. AID TO RURAL DEVELOPMENT: THE EU'S VISION

FROM CONSTRAINTS TO PRIORITIES

The setting up of a «vision» is a common step in many strategy definition processes of public and private institutions. Usually, the procedure starts with a **diagnostic** summarising the current situation and the most critical trends¹⁹. Then, the management, often in co-operation with the staff, formulates the situation they want to reach, called the «**vision**», and defines the way to drive their institution toward that situation (**approach**).

Rural development in developing countries is the result of a large number of interdependent processes, most of which are far beyond donor control. Therefore, the distance between the current and the ideal situation (vision) seems too great and the development process too uncertain, to allow this vision to be used as a credible reference for the strategy. Moreover: a) it may prove almost impossible to reach a common understanding of what the ideal situation should be in a remote and uncertain future and, b) monitoring the extent to which a given strategy is effective for shortening the distance between the current and the ideal situation may be very difficult. In fact, improving living conditions in rural areas implies the reversal of certain trends and the acceleration of others. **Therefore, the EU's «vision» of rural development will be expressed here in terms of improvement of critical trends rather than as an expected ideal situation.** The identification of the critical trends the EU has to support requires that the main constraints hampering progress towards the four goals of the Maastricht Treaty as presented in the above analysis (Title 2) should be determined. The worldwide point of view taken in this exercise allows identifying a large number of constraints, but prevents us from ranking them very accurately. Only country level analysis will allow us to rank the constraints and therefore to prioritise actions.

4.1 Six groups of constraints

In order to facilitate the translation of a large list of constraints into a consistent set of priorities that can provide a policy framework, these constraints have been grouped in 6 categories:

4.1.1 Ethical and political issues

- War and physical insecurity. Obviously a major and growing cause of poverty, a direct threat to people and assets, directly in conflict with the aims of poverty reduction, growth and the promotion of democratic principles and human rights. Rural populations are especially victims of insecurity, since the worse violence is often observed in rural areas and insecurity raises the transaction costs dramatically, isolating the farmers from the rest of the economy;
- Gender inequity often deeper in rural areas than in the cities;
- Inequitable rights to access natural resources and other productive assets. Women, ethnic minorities, foreigners, etc. may not be allowed to own land or access rangeland or water, they may not be allowed to borrow money, to run an enterprise, etc;
- Lack of political power on the part of the poor (especially rural poor);
- Cultural resistance against individual accumulation at village level;
- Poor accountability of politicians.

4.1.2 Inappropriate institutional settings

- Institutional framework that inhibits private investment;
- Privatisation without enough concern for open competition, thus hampering the development of a competitive network of enterprises;
- Institutional obstacles hampering market efficiency (financial, products, inputs and labour markets);
- Inequitable access to resources: (in some areas, even if the right to access productive assets is formally the same for all, the initial distribution is so uneven that it is a major cause of poverty and an obstacle to growth);

¹⁹ See the Diagnostic, available on the website: <http://europa.eu.int/comm/development/rurpol/>

- Institutional settings do not allow for free expression of formal political rights (elections, free press, etc.);
- Poor standards of administrative accountability and governance;
- Over-centralised administration and public decision-making process. Decentralised administrations are technically, politically and financially weak;
- Tensions between local and national interests;
- Public and private sector roles are unclear. Competition is not open. No reliable delivery of public goods.

4.1.3 Lack of enabling economic environment

- Overvalued exchange rates;
- Unsustainable external debt;
- Inadequate level of domestic savings;
- Market protection;
- Uncontrolled budget deficit;
- Price distortions (often biased against small rural households);
- Inefficient and inequitable tax collection; taxation of the rural sector; taxation of exports;
- Lack and poor quality of public infrastructure and services (especially in rural areas);
- Inefficient markets for products, inputs, labour and finances.

4.1.4 Weak individual assets

- Low level of education;
- Poor health;
- Lack of technical and management skills;
- Lack of financial assets.

4.1.5 Non-sustainable natural resources management

- Frequent trade-offs between agricultural practices and sustainable NR management;
- Lack of holistic approach to natural resource use;
- Poorly developed understanding of environmental issues;
- Environmental problems have long-term effects. Decision-makers, (politicians, farmers, traders, etc.) have short-term horizons;
- Resource tenure regimes not conducive to sustainable management;
- Often, local natural resources management practices have global consequences;
- High population growth on a fixed natural resource base.

4.1.6 Negative consequences of OECD policies

- Northern policies are not coherent with Northern requirements for environmental sustainability imposed on the South;
- Unfair competition from the agricultural produce of OECD countries dumped on the global market;
- Barriers to entry to OECD agricultural markets;
- Barriers to international labour mobility.

4.2 Six groups of priorities

The EU's rural development policy has been defined as carrying out its overall mandate for the benefit of the rural populations of the developing countries. The mandate of EU development aid defines four **goals** for the Union's aid policy:

1. Poverty Reduction;
2. Growth through enhancing competitiveness;
3. Democracy and Human Rights;
4. Institutional and environmental sustainability.

The main trends featuring the rural population, as presented under title 3, and the four ends of the Mandate set out above have been used to define the main constraints. These have been grouped under six headings, depending on the level at which they have to be addressed:

- Political level;
- Institutional level;
- Economic level;
- Individual level for individual assets;
- Environmental sustainability;
- Coherence among EU policies.

Translating the constraints into actions for addressing them leads to a «vision» built on the same six interdependent major priority levels. These are the six main trends that the EU wants to support. Improvements at these six levels are the "**expected results**" (in the logframe terminology) of the European aid to rural development in developing countries.

1. Achieving progress towards more **peaceful, equitable, open and democratic societies**. This is an explicit aspect of the Mandate given to EU aid. It implies empowering the poor, giving the same rights to all (including women and ethnic minorities) and ensuring free access to information. These are critical preconditions for accelerating growth, reducing poverty and building a strong and sustainable civil society. Promoting the development of peaceful, equitable and democratic societies as part of a rural development vision implies giving special attention to the political weight of rural populations vis-à-vis urban populations, to an equitable distribution of political voice and non-discriminatory legal rights within the rural population itself;
2. Achieving **improvements in institutional settings**. Sustainable improvements in democracy and human rights will not be achieved unless democratic and administrative institutions are strengthened, (especially with respect to administrative accountability and good governance). Furthermore, accountable, efficient and stable institutions are critical for stimulating investment and helping the poor to play their full potential role in society. The EU will support a trend toward sustainable decentralised institutions²⁰ and an improvement in the quality and volume of public services available in rural areas. Where a potential for private sector service provision exists, the EU will help governments to create the appropriate enabling environment;
3. Supporting the evolution of **economic policies** to provide a more open, export-oriented, investment-friendly economic framework. Net taxation of the rural (especially poor) populations must be reduced. Macroeconomic parameters will be adjusted to sustainable values (budget deficit, inflation, balance of payments deficit, and so on). The integration of internal markets will be closely assessed and trends toward greater efficiency strongly supported. The EU will support more efficient and effective budgetary allocations for public infrastructure and services in rural areas;
4. **Strengthening the assets of individuals**, especially of the rural poor. This includes support for improved health status and education levels in rural areas, and also improved management capability and the capacity to access and utilise innovations;
5. **Improving sustainability of natural resource management**, notably by improving the understanding of environmental issues at local and global levels and by taking into account that interests do not always converge, notably due to temporal and spatial distribution of the consequences of natural resource management activities. The cost of environmental protection will therefore have to be shared at international level;
6. **Introducing greater coherence between the home policies of the OECD countries and those they urge developing countries to adopt**, as for instance: i) the Common Agricultural Policy and donor support for the economic liberalisation of developing countries; ii) the environmental controls industrialised countries place on their own economies and those they urge developing countries to adopt; iii) the WTO agreement and the privileged access to the EU market given to the ACP; iv) the immigration policy of the OECD countries.

20 Bearing in mind, however, the fragile national unity of some recently independent countries.

In the absence of an explicit EU overall development policy framework, these six priority action levels provide a complete and balanced policy framework for the following reasons:

- they refer to all the main levels of policy negotiation and implementation (political, institutional, economic, individual);
- they build on the conclusions of evaluations²¹ which are that aid is only effective when it supports enabling policies; therefore they include explicit policy requirements which will have to form part of contractual commitments supported by financial and technical aid;
- they are compatible with the EU Mandate, which requires the Commission to support not only broad-based market-oriented economic growth, but also values such as democracy and human rights;
- they do not hide the fact that some internal EU policies are in contradiction with aid policy and with the requirements imposed on the beneficiaries; more coherence is therefore needed on the EU side to make aid effective and make credible the values promoted by the EU.

Figure III illustrates the relationship between (a) the mandate of the EC as derived from Maastricht, (b) the constraints which are likely to impede realisation of the goals this mandate implies, and (c) for each of these sets of constraints, the elements of the corresponding «vision», indicating the type of improvement that will be accomplished once the relevant constraints are eased. The last column in this diagram indicates that each of the constraints and the corresponding element of the vision is arranged in an ordered hierarchy. **On ethical and political issues**, little can be done by the donor agency, for the primary requirement is a commitment to reform on the part of the partner government. The donor agency can assist in this process, but only in a subsidiary role. Moving on to **institutional settings**, there is still a considerable political requirement on the part of the host government, but there is greater potential for the donor to assist in this process. This preponderance of the role of the partner government indicates that there are certain preconditions that must be met before the EU's development assistance can be effectively deployed. Moving down the constraints «ladder», it will be seen that the burden on the partner country steadily diminishes, while that on the donor agency increases apace. The next level is that of **economic policy** where, due to the structural adjustment process, many of the difficult decisions have already been taken and very important budgetary and programme aid instruments are available to support their implementation. The weight of aid is even greater when it comes to supporting access to **individual assets**. The issue of **sustainable natural resource management** also implies a large input of technical and financial aid. Moreover, it introduces the idea that, due to the distribution of the effects of the environmental policies, part of the cost of, and therefore of the responsibility for, these policies will have to be supported by the OECD countries. Like the first group (political level), the last one (**coherence between aid and other EU policies**) also imposes political requirements, but this time on the European Union and at a level that is much wider than development assistance and has much to do with trade and natural resource management policies.

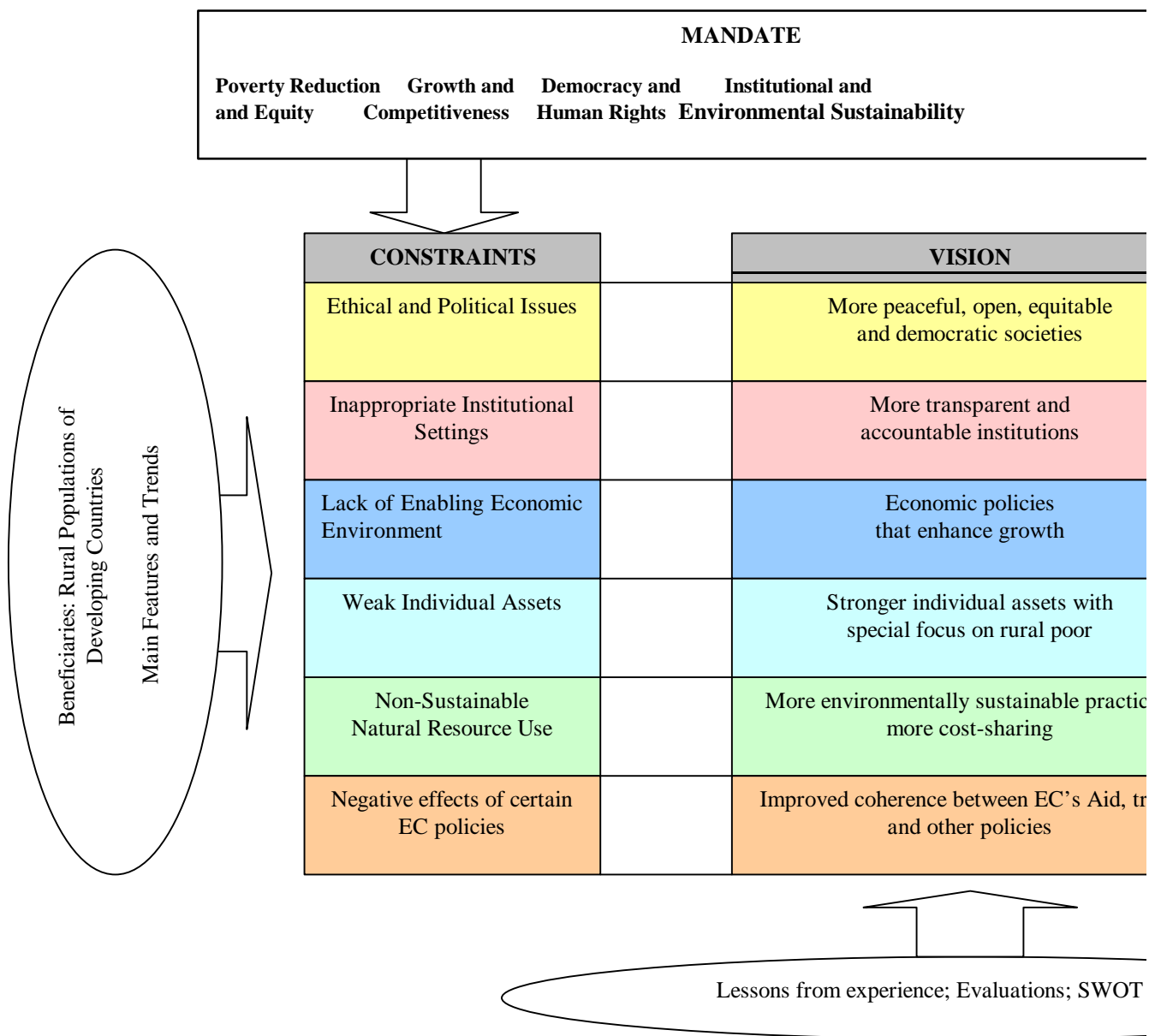
The argument that the requirement for aid resources increases as one moves down the hierarchy shown in Figure III raised the very important issue of how and through which channels these resources are to move. In the case of development assistance channelled through the state, there is general agreement that aid should move from project assistance to programme assistance and thence ultimately to more general budgetary support. The EU's accountability to the European taxpayer, however, demands that moves in this direction be accompanied by the introduction and enforcement of agreed measures to ensure effectiveness, transparency and accountability in the way that this assistance is used. The recent move whereby the state adopts an enabling, rather than a controlling, role in development implies that not all development assistance should be fed through public channels. Partner governments will therefore be expected to agree to the possible development of parallel routes through which the EU could channel resources directly to civil society organisations.

A presentation of the European policy to support rural development in developing countries, based on the logical framework, may be found in Annex.

The **Goals** of this policy are provided by the four ends of the Maastrich Treaty. Its **purpose** is to obtain a satisfactory trend of sustainable improvement in the livelihood of rural populations in developing countries. This clearly states that the rural populations have to be the beneficiaries of that policy and not instruments of agricultural policies aimed at raising the exports or at reaching food self-sufficiency as has long been the case for many donors and developing countries governments. The **expected results** are improvement trends at the above defined six levels: political, institutional, economic, individual, environmental, and at the level of the coherence between the EU policies. **Activities** are identified for each of these levels.

21 See Diagnostic, available on <http://europa.eu.int/comm/development/rurpol/>

Figure III



5.

APPROACH

H

The approach will present the main activities related to the six policy levels presented above.

5.1 POLITICAL EMPOWERMENT

The focus will be on strengthening democratic processes relevant to agricultural and rural development. The EC has a particular comparative advantage here, given that the statutes of a number of international organisations (e.g. the Bretton Woods and UN specialised agencies) limit the extent to which they can become involved in political matters. On the other hand, while some of the bilateral agencies do have a mandate in this area, they generally have a much smaller financial presence than the EC in most countries.

The activities related to this priority are broadly compatible with the EC Communication to the Council and Parliament in this sphere¹ which sets out general principles in relation to human rights, the rule of law, democracy, governance and corruption.

It is also framed in the context of a number of other international conventions to which the EC has subscribed, including Lomé IV bis. These are underpinned by the general recognition that EU aid will support values such as human rights, democratic principles, independence of the judiciary, equal rights for men and women, freedom of association, freedom of the press, and respect for the rights of minorities.

Implementation of the activity will require considerable sensitivity. Indeed, whilst the EC has the right to bring to the negotiating table the principles which it sees as fundamentally underpinning its aid, it is also conscious that it should not lay itself open to the allegation of interfering in the internal affairs of recipient countries. If it is to be effective, action needs to be taken simultaneously at several points in the political and administrative spheres. This is noted at various points below, so that cross-reference should be made to the appropriate component of the institutional activities mentioned in Section 5.2.

Political empowerment: activities, assumptions and risks

EC support of such values as human rights, democratic principles, equal rights for men and women, and the respect for the rights of minorities may be implemented through specifically designed programmes. But, where relevant, agricultural and rural development programmes should be designed to favour progress in these areas. Lines of action include:

- reducing the risk of conflict by allocating aid so as to prevent an increase in development disparities between areas;
- and supporting rural development in former zones of conflict;
- negotiating and monitoring effective rights of free expression in rural areas;
- negotiating and monitoring the process towards non-discriminatory rights to access NR (e.g. among women, minorities and «outsiders»);
- negotiating and monitoring an increased respect for basic human rights
- promoting democratic principles in rural areas.

Selectivity will be an important feature of this first level of activities. Indeed, EU aid will be focused on the rural areas of the countries where a political consensus is reached on the above principles and where the governments give clear signs of commitments along those lines.

Assumptions and risks

Implementation of these activities requires political willingness on the part of the governments in beneficiary countries. It may therefore imply a combination of selectivity and partnership agreements. But it also requires considerable sensitivity on the part of the EC. Where relevant, due consideration must be given to risks related to such factors as fragility of the nation-state, ethnic divisions, traditional rights, and resource-use embedded in religion and culture.

¹ «Democratisation, rule of law, human rights and good governance: the challenges of the partnership between the EU and the ACP States» COM (98) 146, 12 March 1998.

Improving the political empowerment is a priority that can be addressed through a number of activities. Taking each of the above in turn:

1. Reducing the risks of conflict and promoting political recuperation in post-conflict situations

Conflict may occur at many different levels, ranging from highly localised disputes, notably over rights and responsibilities in relation to specific natural resources, to international disputes over, for instance, access to offshore fishing grounds or water flows crossing national boundaries. Different types of activity will help to mitigate conflict at these different levels, and there are opportunities for the EC at all levels:

- at the international level, to support existing forums and help to create new ones which seek to reach agreement on the use of shared natural resources among the countries concerned;
- at the sub-national level, to ensure that aid is allocated in ways which reduce disparities in rural development, and so potentially de-fuse tensions over access to resources;
- at all levels, to build into project or programme preparation an assessment of actual or potential conflicts, to ensure that programme design does not worsen conflict but, wherever possible, reduces the pressures towards conflict.

Particularly in sub-Saharan Africa, there are major opportunities for smoothing the process of transition from political crisis and conflict to normality. Numerous agencies are already concerned with aspects of these conflicts, such as the rehabilitation of refugees, the decommissioning of arms etc. What is clear is that the processes of re-establishing many aspects of rural development depend crucially on the re-introduction of the rule of law, respect for basic human rights, and responsiveness and accountability in government. As noted earlier, the mandate of the EC is less restrictive than those of other agencies in relation to support for political change. It therefore has some comparative advantage in working in partnership with newly-emerging government structures and with other international agencies in helping to re-establish the basic framework of government in these areas. Many of the actions presented above will be relevant to this context, but additional specific actions may include:

- supporting the re-establishment of public sector cadres with expertise in aspects of rural development;
- supporting the establishment of consultative processes, whether at administrative or political levels, over the design and implementation of rural development projects and programmes;
- supporting procedures for elected representatives of rural people – whether within governments (such as members of parliament) or within rural organisations – to monitor activities and call to account the agencies and individuals mandated to design and implement aspects of rural development;
- support the effectiveness and independence of judicial institutions.

2. Negotiating and monitoring progress towards non-discriminatory rights of access to NR

Access by poor rural people to productive resources, to income (including secure access to food) and to public infrastructure and services will be improved, thus broadening their livelihood opportunities

This is an important social goal, but it is also an economic objective, since greater equity often provides the basis for more sustained economic growth.

For the majority of rural people the most important natural asset is agricultural land, and rural landlessness is very strongly associated with poverty; in most countries the problem is increasing with population growth. The evidence shows clearly that **land reform programmes** that grant secure tenure and redistribute land from inefficient large holdings to more efficient smaller (family) ones lead to more efficient land management and are therefore both growth-enhancing and poverty-reducing. Land reform can also increase labour productivity, not least if it substitutes self-supervised family labour for hired labour for which supervisory labour costs must be incurred. For all of these reasons land reform should be a high priority where land distribution is very uneven. Because women are so often disadvantaged with respect to inheritance, an equitable land reform programme must include measures to redress this situation by giving daughters the same inheritance rights as sons, and wives the same rights as husbands. The relationship between landholding and efficiency is not linear, however, and there is a minimum economic size for farm holdings. This minimum can be reduced by a policy of encouraging the development of technologies that augment land productivity. Nevertheless, subdivision cannot go on indefinitely and where land pressure is high measures must be taken to increase the access of poor people to assets that substitute for land.

The other natural assets upon which rural people traditionally depend – for example, **forests, pastures and capture fisheries** – are as finite as land and in many areas equally under pressure from over-exploitation, with the additional complication **that ownership is often community-based**, so that management issues are more complex and reforms must be more location-specific than is the case with land reform. Resources such as forests are often particularly important to the livelihoods of the most disadvantaged members of society, such as women, ethnic minorities and the socially disadvantaged, so there is an important empowerment dimension that needs to be built into any reform process. Again, experience shows that reforms that produce more equitable ownership and usufruct rights lead to improved management and increased productivity, but again most countries will find it necessary to reduce pressure on the resource by promoting alternative livelihood options that reduce people's dependence on natural capital.

3. *Negotiating and monitoring increased respect for basic human rights*

Although much wider than agricultural and rural development, governments increasingly have to demonstrate that they are approaching international standards of respect for human rights if they are to remain eligible for foreign aid. The EC will maintain high standards in this respect, and, in the present context, will monitor potential abuses of human rights in rural areas where traditional practices tend to be the strongest. Potential abuses include:

- those rooted in traditional rules (forced labour, forced marriage, physical mutilation, forced religious conversion);
- those rooted in civil strife (physical violence, robbery, expropriation of minorities);
- those practised in the name of «development» (forced resettlement, forced sterilisation, forced labour).

4. *Promoting democratic principles in rural areas*

Standards of governance at national and local levels are often characterised by:

- **outmoded views of the role of the state**, and weakness in devising frameworks for the promotion of private sector activity with appropriate blends of enabling, regulating and monitoring actions;
- **a culture of accepting corruption and nepotism**, which generates potentially exploitative dependency systems and weakens the overall effectiveness of public decision;
- **weak systems of accountability** at all levels, but particularly between the executive and legislative arms of government, and between executive agencies and the people they are intended to serve.

In relation to agricultural and rural development, the focus of EC assistance will be on:

- assessing, on a country-by-country basis, the prospects for achieving a more appropriate balance between public and private sector activities. Where the balance is already good, the EC will concentrate on supporting processes of redefining the roles of executive departments and bodies in such a way as to increase their accountability to elected bodies at national and local levels. Where, as in many parts of sub-Saharan Africa, the prospects for a stronger private sector role are poor, then the main focus of EC effort will be on improving the statutes and monitoring procedures for public service delivery agencies in such a way that their accountability to elected bodies and to intended service users is increased. It will also increase the capacity of public sector bodies to deliver services in ways which are efficient and more accountable (see Section 5.2);
- strengthening procedures for the scrutiny by elected bodies at national, provincial and local levels of the performance of the wide range of agencies and individuals involved in agricultural and rural development, including regulatory boards, input suppliers, credit, marketing and other service delivery agencies. The EC will also focus on encouraging increased penalties for corruption, and stricter enforcement of anti-corruption regulations;
- provide appropriate levels of support for decentralisation. This has both administrative and political dimensions. The former are discussed in detail in Section 5.2. The latter comprises principally the strengthening of local government. This can help to strengthen local people's voice in the design and implementation of rural development projects and programmes, making them more relevant to their needs. This is required particularly where development activities are in part supported by locally-raised revenues. Procedures for ensuring that all groups are heard in the planning processes, and that those in the political and administrative systems are responsive and accountable to them are important in this context and merit support. However, on the other hand, in the more fragile democracies, caution has to be exercised to ensure that efforts to strengthen local government do not merely reinforce old divisions along tribal or ethnic lines.

All the evidence suggests that the capacity of rural people to articulate their requirements has to be strong if public and private sector services are to be geared to meet their needs. Where services are provided in response to market forces, then these requirements are expressed clearly through the mechanisms of demand and supply (though, even here, there may be a need to enhance rural people's understanding of the features of the services provided by different types of organisation). However, where the services are provided on a non-market basis (e.g. by government), then the need for rural people accurately to identify and articulate their requirements becomes paramount. Where (as is increasingly happening) local government is involved in commissioning or supporting the public sector to provide services in one way or another, then rural people must be able to articulate their requirements not only to government departments, but also to their locally-elected representatives.

Major constraints on their capacity to do this arise from:

- low levels of education in general, and functional literacy and numeracy in particular;
- poor access to development-related information among the rural poor;
- the weakness of rural membership organisations, which is attributable in part to high transaction costs arising from:
- poor telecommunications and weak transport infrastructure;

In order to **increase the capacity of local people, especially the marginalised, to express their requirements** and make demands on bureaucracies and elected representatives in relation to agricultural and rural development, the EC's activities will focus on:

- strengthening functional literacy and numeracy among adults, with particular attention to the needs of women;
- supporting the development of rural transport and telecommunications infrastructure, ensuring as far as possible that commensurate capacity to maintain them is created;
- supporting the creation of local membership organisations capable of identifying and expressing local agricultural and rural development needs, through measures to create the wide range of skills needed (including skills in leadership, negotiation, participation, conflict resolution, holding of elections, conduct of meetings and so on);
- supporting in particular the capacity of women to identify and express their requirements, both through their own organisations and by ensuring fair representation in other organisations;
- supporting a «right to information» philosophy, pressing for information to be placed in the public domain wherever possible, and for ways of accessing such information available to all.

These measures will be supported within programmes specifically designed to achieve these ends, but also as components of wider agricultural and rural development programmes.

Indicators

A range of indicators exists for monitoring the general performance of democratic processes, relating to the conduct of election campaigns and elections themselves, the extent of voter awareness of key issues, voter turnout, and so on, but these lie outside the present discussion. More specifically in relation to agricultural and rural development, it will be important to:

- monitor the changing role of the state in relation to the private commercial and non-profit sectors;
- monitor procedures for scrutiny by elected bodies at national, provincial and local levels of the performance of agencies and individuals involved in agricultural and rural development;
- monitor the extent to which local government is able to design and fund rural development activities under its own authority, and how far it consults with intended beneficiaries in doing so;
- monitor potential and actual tensions between provincial and national levels of government over rural development issues;
- monitor the number of rural development organisations, their composition in terms of gender and social group, and their operating procedures.

Monitoring of key court cases will indicate whether the law is being followed in matters such as land tenure, freedom of the press, freedom of association and even-handedness with respect to gender, ethnicity, etc. Press freedom can be monitored by examining the types of issues reported as news and discussed in editorials. (Here it is vital to monitor the vernacular papers as well as those published in international languages.) The tax/subsidy regime should be scrutinised, as it may discriminate against non-government media. Indirect subsidies should be monitored also. For example, the distribution of government advertising between publicly and privately owned media and between the government and opposition press is an important means of ensuring that government is not covertly subsidising its own supporters.

*Assumptions and risks*²²

Much of the activity suggested here involves qualitative change, and the indicators of performance and means of verifying performance are therefore necessarily also qualitative to a high degree. Much will therefore depend on the design of survey and enquiry methods appropriate for collecting the necessary information.

Given the qualitative nature of the activities, these are likely to require labour-intensive implementation and monitoring. Much will depend on whether adequate numbers of staff of appropriate quality can be engaged for this work.

Finally, the political dimension of this activity means that it is likely to be highly sensitive. EC delegations and their consultants will have to be briefed on the kinds of sensitivity that exist at national level in different countries, and between national and provincial levels. A critical assumption is that EC aid can follow agreed principles, but without setting in train counterproductive reactions from recipient governments.

5.2 SUPPORT THE EMERGENCE OF EFFECTIVE DEMOCRATIC, ACCOUNTABLE AND DECENTRALISED INSTITUTIONS

The expected outcome is the emergence of increasingly democratic, effective and responsive governmental institutions at both central and local levels, complemented by thriving civil society institutions that benefit all sections of the rural population. «Civil society» refers here to organisations and groups within the society which have an interest in government policy but are not directly responsible for policy formulation and implementation. The range of such institutions should be widely defined to include the news media, trade unions, academia, community-based organisations, «non-government» (i.e. voluntary, non-profit, non-membership) organisations, resource user groups and other membership organisations and the private for-profit sector. Because of space limitations only those that are most significant for agricultural and rural development will be examined in any detail here.

Considerable progress has been made in recent years through the structural adjustment process in correcting macroeconomic and social policies that unfairly transferred resources from rural to urban communities. However a great deal more needs to be done to correct imbalances in the provision of economic and social infrastructure that still heavily favours the urban dweller to the detriment of rural people. This calls for moving the political centre of gravity towards the rural areas in order to make government institutions both more accountable and more effective. Fears about decentralisation causing political destabilisation (see Section 3.3 above) should be viewed with a measure of scepticism, as the argument can sometimes be an excuse for continuing to keep power in the hands of central government.

The lowest level of decentralisation is at the administrative level and implies **relocating** a substantial part of the bureaucracy to regional and local capitals and giving the offices in question significant power to adapt policies to local circumstances. This is the minimum level of decentralisation that is compatible with basic standards of responsiveness and accountability to rural populations, and it can be achieved even where there are real and justifiable fears about political destabilisation. An intermediate, and much more effective, level of decentralisation is attained when, in addition to administrative decentralisation, **fiscal powers are also**

²² No explanation is required for sources of verification, as these are adequately covered in the logical framework

transferred from central government by providing a budget to local authorities and giving them the power to make financial decisions (while at the same time requiring them to account for expenditures).

This will give much greater weight to the decentralisation process than administrative decentralisation alone, because it will give the local government real power over the administrative decisions of civil servants who are otherwise responsible only to central line ministries. The highest level of decentralisation is full-scale devolution, **the transfer of resources and power to democratically elected local authorities**. However this power transfer should take into account the comparative advantage of central and local authorities, for both have important and highly complementary roles to play (see Section 3.3 above). The EC can assist in making the decentralisation process meaningful by entering into dialogue with central government in order to promote and facilitate the necessary legislative and regulatory changes. Subsequently the EC would play a crucial role by working directly with devolved government institutions, strengthening their administrative, financial and implementation capacity and ensuring that they are closely involved in the design, implementation, monitoring and evaluation of at least EC-funded rural development interventions.

In the decentralisation process an area of particular concern to rural economic development is the research and service delivery institutions for sectors such as agriculture, forestry and fisheries that have traditionally been the domain of central government. The 'linear' structure in which these institutions have traditionally functioned has helped to make them monopolistic, top-down, supply-driven and unresponsive to client needs²³. New relationships must be forged between these agencies and the clientele they are meant to serve. Many of the functions traditionally performed by such bodies (e.g. input supply, crop marketing, research and extension on cash crops) would be best transferred to the private sector, but in other areas (such as research on public goods, agricultural extension on subsistence crops and crops of interest to disadvantaged areas), the public sector still has a major role to play. There is clearly little point in simply replicating the linear model at a local level. New paradigms must be introduced which induce greater responsiveness to the needs of users and which separate the function of governance, which remains in the public sector, and delivery institutions that need not. In agricultural extension the **'hub' model** is such an approach. Similarly in agricultural research, funding mechanisms are needed which link financing to both the scientific quality of research proposals and their relevance in terms

Supporting institutions: activities, assumptions and risks

Accountable, efficient and stable institutions, while they are a prerequisite to sustainable improvements in democracy and human rights, are critical for stimulating investments and allowing the poor to play their full potential role in society. EC contributions in this area will include:

- Support for the decentralisation of public institutions;
- Strengthening of the capacity of government at national and provincial levels to commission policy analysis;
- Improving governance and accountability among local administration and rural organisations;
- Supporting open and competitive private sector development in rural areas;
- Supporting private sector organisations, such as chambers of commerce and farmers' organisations;
- Improving the effectiveness and independence of judicial power in the rural areas, thus allowing the free expression of human rights and the safe conduct of business;
- Supporting rural communication institutions, particularly in respect of market information of value to farmers;
- Attracting urban and foreign investment into rural areas;
- Supporting regional integration for inputs, outputs and such services as agricultural research;
- Supporting the development of secondary cities and rural industries.

Assumptions and risks

Any progress along these lines implies a firm commitment by the government to devolving broader responsibilities to local institutions and to the private sector in the agricultural and rural development process.

The risks associated with this activity must not be underestimated. If not cautiously managed, decentralisation may exacerbate development disparities between regions and reinforce centrifugal trends in fragile nation-states. Moreover, unless specific actions are undertaken to promote the democratic functioning of local and professional institutions, a greater reliance on local public and private institutions will not guarantee progress towards democracy. Finally, the capacity of the private sector to substitute for public suppliers and to do it in a competitive way must be carefully assessed to avoid a disruption of supply or the emergence of private monopolies.

²³ See Diagnostic Report, Section 3.1.3.4.

of national policy and client orientation.²⁴ These are areas that call for imaginative central-local partnerships that can draw on both the scale economies of centralised bodies and the potential of local government structures for client-accountability and responsiveness and the EC must assist in their creation.

EC policy, in common with that of other donor agencies, now places great emphasis on policy reform as an essential precondition for development. However, once a government shows political commitment to reform, lack of policy analysis capacity very quickly surfaces as a crucial institutional constraint.²⁵ **Policy analysis** is essential if high level statements of policy goals are to be translated into practical measures adapted and fine-tuned to the individual circumstances of each country. At central government level, once a firm commitment to policy reform has been made, a great deal of assistance will be required at all stages from the drafting of legislation through the development and progressive refinement of regulations and directives. In the short term, this need can be supplied through technical assistance, but in the longer term it requires an EU commitment to create in-country capabilities. Such capacity must be created within technical units of government whose professional staff must know how to translate the high level policy statements of political leaders into an analytical agenda, to prioritise and transform this agenda into sets of terms of reference. But policy analysis capacity must also be created outside of government – in academia, private consulting firms and research institutions – because the analysis itself must be neutral, objective and independent.

The above point introduces the much broader topic of the **human resource development** component of institutional capacity programmes. In designing these, very close attention must be paid to detailed arrangements right from the outset. Probably the most important such detail is the process of candidate selection. Long experience shows that if such a programme is administered by government, only government staff are likely to be selected for training programmes, and that they are more likely to be selected on the basis of criteria such as seniority than on the basis of merit. This means that special provision has to be made from the outset to ensure that participants from the private sector are included in HRD activities. Selection processes must also be absolutely objective, transparent and merit-based, with an independent selection body that includes representation from central and local government, but also from civil society, the relevant professions and the EC itself.

The policy of EC and other donor agencies emphasises the role of **the private sector** in rural development and the need to privatise inefficient state-run enterprises in spheres like agricultural input supply and product marketing. However, many structural adjustment programmes, particularly in LLDCs, soon come face to face with the problem of market failure, particularly in rural areas – and the more remote the area the more acute the problem²⁶. To correct this situation, progress must be made on two fronts. The first lies once more in creating the legislative, regulatory and enforcement framework that clearly defines the respective roles of the public and private sectors, creates an enabling environment and **ensures that competitive markets actually work**. Infrastructure investments also need to be planned in areas like transport, telecommunications, storage and marketing; public goods have to be created and other public expenditure programmed in a way that significantly reduces transaction costs for private enterprise. Where no private sector organisations exist that can take on a specific task, it will be necessary to maintain direct public sector involvement, but this should be designed in such a way as to encourage the subsequent entry of private sector firms in competition with the public sector agency, for example by the elimination of discriminatory overt and hidden subsidies for the latter. The second requirement is to build up the institutions of the private sector itself. Most countries have chambers of commerce and industry, trade associations, commodity associations, business/financial sections in the media, and perhaps some rudimentary form of stock exchange, sometimes also trading agricultural products. These almost invariably require strengthening and reorientation towards promoting competition among their members and identifying new business opportunities so as to help these institutions assist in the process of stimulating economic growth, rather than devoting themselves to the perpetuation of monopoly and stagnation. For this to happen dialogue and information flows must be facilitated and partnerships created between these domestic private sector institutions with a wide range of others, ranging from central and local government through farmers and farmers' associations to potential importers and overseas investors. Management skills are in particularly short supply in developing countries, and capacity strengthening in this sphere is a vital role for funding agencies to play.

²⁴ Ibid, Figure 3.4, Box 3.8 and associated text.

²⁵ Ibid., Section 3.1.2.4.

²⁶ Ibid., Sections 3.1.2.4, 3.1.2.5, 4.1.6 and 5.

An important part of the privatisation process, and one which requires considerable support, is the **handover to community management of resources** such as forests and irrigation structures that were previously managed by government agencies. Here, since the government agency is legally responsible for the process of handover (and often for post-handover support), institutional strengthening of the membership groups requires almost as a precondition institutional strengthening of the government agency in question. The first essential here is to ensure that the necessary legislative and regulatory framework is in place to establish clear user group rights to the resource, and a clear basis in law for community responsibility for its management. This process will once more require intensive input in producing an appropriate legislative and regulatory framework, but this will be effective only if it is backed up by training that re-orientates line agency staff, particularly by introducing them to the principles and practice of participatory development and assisting them to apply this approach in their work with communities.

Institution building with **membership organisations** in rural areas must not be based on the assumption that the exercise is taking place in an institutional vacuum, for, at least in the area of natural resource management, indigenous institutions are often already in place. The concept of integration of local level institutions into rural development strategies needs to be adopted to ensure not only increased environmental sustainability but also the sustainability of local institutions themselves. Where indigenous institutions have declined because of the loss of the natural resource base that used to underpin them, or because previous official interventions have by-passed them, it may be necessary to facilitate their rebirth – with, of course, the full participation of, and ultimate ownership by, local people. However, it is essential when doing this not simply to facilitate replication of historical social imbalances that may continue to exist at a community level and can be exacerbated through local institutions. Beneficiary involvement and the shouldering of responsibility by communities at all stages are essential, otherwise there will be perpetuation of the attitude among resource users that it is the government's resource and the government can manage it. It is equally important to ensure that the list of final beneficiaries is inclusive: there have been too many examples of resource user groups from which the poor, the disadvantaged and women (who are often most highly dependent on the resource) have been excluded, intentionally or otherwise.

Past experience of working with **NGOs** and the donor-dependency this has so often created should sound a clear warning note regarding the type of partnership relationship that is, and is not, sustainable in terms of working with civil society institutions in the voluntary sector.²⁷ Across-the-board disillusionment with NGOs is unfortunate, because in many situations in many countries they still play a vital role in furthering democratic pluralism and there are many circumstances in which the EC should continue to work with them, but in a new, more equal and more sustainable fashion. NGOs are not the only civil society organisations with which the EC currently works: many EC-funded programmes have as their partners membership groups such as agricultural commodity associations, community forestry user groups and community-managed irrigation groups.

Many states, especially in SSA, are too small to have any hope of becoming economically sustainable without being closely integrated in broader regional economic and political frameworks. **Regional integration** is an important priority of EC aid. As for the EU itself, the institutional dimension of this integration is critical but difficult. This integration, facilitating the mobility of labour, goods and finance, increasing the competition between upstream and downstream economic actors, may have important effects on rural development. The Commission has great credibility in this area and should not only support the setting up of specific regional institutions, but also support the regional networking of local and national public and private institutions and enterprises.

Indicators

Legislative changes are the first steps towards making central and local government institutions more democratic, accountable and decentralised. However legislation often provides only an enabling framework and it is the body of regulations subsequently issued under the legislation which determines the extent to which policy commitments are being given real force. **Directives** issued by line ministries under the regulations are another means of verifying that the spirit of the new legislation is being adhered to. Publication of all such instruments so that they are available for public inspection is another vital indicator.

²⁷ Ibid., Section 3.1.3.4

Transfer of financial resources requires budgetary provision at central government level as well as legislation permitting devolved governments to raise and retain revenue locally. Financial accountability can be verified by checking the extent to which accounts are subject to independent audit and public inspection.

Press freedom is an important indicator of democratisation, and this should be guaranteed in law. The very **existence of non-government owned media** is an indicator of press freedom, but only if individuals and institutions that are potentially critical of government have equal access to media ownership. **Freedom of association** is another basic freedom without which civil society institutions cannot flourish. Provision must be made in the law for such institutions to have legal existence and the same rights and responsibilities as other legally constituted bodies.

Promotion of **competitive markets requires** a legislative, regulatory and enforcement framework that covers areas as diverse as weights and measures, quality inspection, seed certification, the protection of intellectual property rights, quarantines, contract enforcement, labour relations, credit and savings, company law and foreign investment.

Assumptions and Risks

A basic assumption is that central government is willing to support the emergence of more democratic, accountable and decentralised institutions. If this is lacking, the most fruitful role for a donor would be to support those civil society organisations that are lobbying for policy change.

If the first assumption is fulfilled, a second is that the government has the capacity to deliver the reforms to which it is committed. An important risk is that the government lacks the authority to enforce the law or to control those within its own ranks who have a *de facto* policy implementation role, such as the military, the police and the bureaucracy.

The third assumption relies on the availability of human resource needed to decentralise administrations. Skilled public officers have to agree to be based in secondary cities and to accept downward accountability toward local population.

War is a major risk in SSA and in some other areas. Indeed, if a deep rooted democracy is a good protection against war and civil strife, the transition phase toward decentralisation and democracy can wake up dangerous conflicts.

5.3 SUPPORT FOR ECONOMIC POLICIES ENHANCING ECONOMIC GROWTH IN RURAL AREAS

The outcome targeted by this activity is a high and sustainable rate of growth of agriculture and, more broadly, of the various economic sectors located in rural areas upstream and downstream of agriculture, provided this growth process contributes to the alleviation of poverty and is respectful of the environment.

*In rural areas, as in any other sector of the economy, growth, to be rapid and sustainable, must rely on a steady **increase in the global productivity of inputs, mainly of labour productivity**(Section 3.2.6 above). Apart from an increase in the stock of equipment available to the labour force, an aspect which will be dealt with below, raising the educational level of the rural population, developing its skills through vocational training and the provision of extension services, and improving its health status through the widespread provision of primary care facilities have a powerful demonstrated influence on labour productivity. Agronomic research, provided its results are made available to smallholders through extension services and input suppliers, can also contribute to the increase of labour productivity in the agricultural sector. There is substantial scope for increasing agriculture- and NR-based incomes, and reducing income fluctuations, through the introduction of appropriate new technologies for instance, plant varieties able to resist drought and/or pests and diseases can be of major benefit in this respect, and research capabilities need to be maintained and appropriately focused in order to deliver them.*

Where arable land is scarce in relation to population, increasing the productivity of agricultural land is a necessity. If it does not increase, mounting population pressure will be reflected in almost irreversible damage to the long-term fertility of arable land. Investment in land improvement, better agricultural practices and, where possible, policy measures supporting the migration of population from overcrowded areas to less densely populated ones may help to preserve the productive potential of agricultural land. Education is a powerful instrument increasing the range of non-agricultural income opportunities, and can therefore help to alleviate the pressure on agricultural land. Previous agriculture policies have been premised on a perceived need to keep labour in agriculture. In reality, many of the poor earn a substantial part of their income from migration. To enhance the mobility of labour by making it easier for people to migrate, to send back remittances and so on could generate substantial benefits both to the rural and to the wider economy.

Increasing the investment rate is a basic precondition for a higher rate of growth of rural sectors, but even in countries where the investment rate is relatively high, the allocation of financial resources is frequently distorted against agriculture and rural activities, while the poor are banned from the distribution of credit. It is therefore of the utmost importance to design and implement economic policies that, while enabling an increase in the overall investment rate, reduce the obstacles to investment in rural sectors and give smallholders access to credit.

This implies in the first place the design and implementation of **policies favouring an increase in domestic savings**. The higher the saving rate, the greater the volume of investments that can be financed without pushing the balance of payments into an external debt-creating deficit.

Savings and loans institutions can greatly increase the saving rate of the rural population if they protect depositors effectively against inflation and the risk of bankruptcy of the institution. At the same time, savings and loans institutions located in villages are in the best possible position to mobilise collected funds for the financing of productive investments in rural sectors. These institutions, however, must develop within a clear legislative framework governing financial activities. They must operate in accordance with market conditions, hence offering a positive real yield on deposits while allocating funds where they can yield a higher return. They must be managed under the close scrutiny of an independent institution in charge of supervising the banking sector. Safety mechanisms must be put in place to protect the assets of depositors against the risk of mismanagement or the bankruptcy of their savings institution.

The establishment and development of credit institutions focused on smallholders and the poorest strata of the rural population should be supported (see Section 3.2.5 above). An adequate system of savings and credit may also contribute significantly to the sustainability of agricultural development. Agriculture is riskier than most other economic activities, and enabling smallholders to protect their savings and resort to credit when they are in difficulty will reduce the risk of depletion of their productive capacity through disinvestment in times of crisis (see Section 4.4 below).

The budget policy has a major role to play with respect to the development of savings and productive investments. It must be strongly underlined that a deficit in the current budget (public capital expenditures excluded) reduces the overall volume of domestic savings. Accordingly, it either hampers the increase of

Support for economic policies: activities, assumptions and risks

Promoting policies enhancing growth in rural areas is a major activity of any assistance to developing countries, provided these policies take into account the preservation of the environment, favour the alleviation of poverty and support the progress towards a democratic society. Areas of activity include:

- negotiating and monitoring a reduction of the net taxation of agriculture and rural activities;
- enhancing the level and stability of agricultural income in rural areas through research and extension programmes that promote sustainable intensification and diversification;
- stimulating rural income diversification through labour mobility;
- investing in improved communications and other infrastructural works (energy, water...) as well as public services in rural areas so as to enhance the productivity of private investment;
- improving the efficiency of markets for labour, finance, inputs and products at local, national and regional levels.

Assumptions and risks

A prerequisite for the improvement of economic policies related to the agricultural and rural sectors is the implementation of an overall macroeconomic policy for the development of an investment-friendly, export-oriented and more open economy. Progress in these areas will result from a permanent policy dialogue between beneficiary governments and the EC.

private investments or aggravates the imbalance of external accounts. The budget policy should on the contrary contribute to the overall increase of domestic savings through the strict management of the budget current expenditures.

In contrast to current expenditures, it is legitimate that public investment, that contributes to the overall economic growth and therefore generates additional budgetary revenues, should be partly financed by borrowed money. But the overall budget deficit must be kept at a sustainable level²⁸.

Support should be given to shifting budget expenditures from such areas as government consumption, subsidies to public enterprises and defence towards capital expenditures, and the development of those public activities (primary education, vocational training, primary health, etc.) that enhance people's personal assets. Public capital expenditures, notably through the creation of infrastructure, are a major factor contributing to the development of private investment. Private economic actors, whatever their size and sector of activity, will not invest in rural areas unless the basic infrastructural facilities, such as energy, water and roads are available and properly maintained. Traditionally, efforts undertaken to reduce budget deficits often result in sharp cuts in capital expenditures whereas government consumption is hardly affected. This situation needs to be reversed.

On the revenue side of the budget, policy developments, while fighting tax evasion, should aim at improving the equity of the fiscal system. **This implies in particular correcting fiscal distortions that lead to the net taxation of agriculture and rural activities far above their contribution to GDP. Levying heavy direct and indirect taxes on rural activities and the rural population, while public expenditures focus mainly on the needs of urban areas, is not only inequitable, it hampers the development of rural areas** The redistribution effect of the taxation system, taking into account indirect taxes as well as income taxes, should be thoroughly assessed and corrections implemented to align them with the poverty alleviation objective.

Foreign direct investments should make a major contribution to economic growth in rural areas²⁹. But FDI will not be attracted unless foreign investors are offered a friendly institutional environment and the appropriate public services and, above all, unless they believe in the commitment of the government to further drive the economy towards a market-oriented and open economy. Public aid can usefully assist governments in this respect.

Economic growth, the development of investments, an efficient sector allocation of the resources available for investments as well as an equitable distribution of income require **efficient (products, labour, inputs and financial) markets**. Improving market efficiency implies removing public monopolies and phasing out those regulations that interfere with market forces in the settlement of prices. The role of the government remains nevertheless fundamental (see Section 4.2 above). It has to create the legislative and regulatory framework that is needed to secure commercial transactions, to provide the legal institutions requested to enforce this framework, to prevent the establishment of private monopolies. Since external diseconomies generated by pollution and damage to the environment are not properly reflected in market prices, governments have to enforce regulations and/or to introduce taxes which prevent private economic activities from developing at the expense of natural non-renewable resources.

The need for increased market efficiency applies to external trade as well as to domestic markets It applies in particular to agricultural exports which should not be handicapped, as they frequently are, by export formal or informal levies or delays. Developing exports offers to small economies the possibility of reaping the benefits of scale economies that they could not achieve within the tight limits of their own domestic market.

Trade barriers against imports should also be gradually reduced. Tariffs may be needed to protect local production, permanently or temporarily, against dumped imports that threaten to flood the local markets. But a general import policy in favour of an open policy of competition from abroad is a powerful incentive to

²⁸ In order to prevent an increase of the public debt in relation to GDP, the budget deficit to GDP ratio should not be higher than

$$(d/GDP)_t < (D/GDP)_t * (r - i) / (1 + r)$$

where 'd' is the public deficit, 'GDP' is the gross domestic product, 'D' the public debt, 'r' the nominal GDP growth rate and 'i' the interest rate on public debt.

²⁹ See Diagnostic Report Section 3.1.2.1 (The changing nature and growth of capital flows).

increase productivity and promote the allocation of resources to those sectors with the highest potential competitiveness. Custom duties on imported agricultural inputs should be as low as possible in order to stimulate the modernisation of the agricultural sector.

Freeing trade at the regional level through **the establishment of regional free trade agreements and custom unions between neighbouring countries, notably as regards agricultural products, should be encouraged.**

Note however that if it is to deliver its benefits, an open trade policy must rest on an **adequate exchange rate** properly reflecting the relationship between local production costs and the production costs of foreign competitors.

Indicators

Growth and labour productivity in the agricultural sector can be monitored through the rate of growth of the **Agricultural GDP** and of the Agricultural GDP per head of the agricultural labour force. The direct contribution of the agricultural sector to GDP growth³⁰ might also be worth evaluating.

Monitoring the inputs global productivity in the agricultural sector presumes that input-output tables are computed on a regular basis. Provided reasonably accurate data are available on investments in the agricultural sector, an indirect approach to global productivity might be found in the calculation of the **ICOR** (Incremental Capital Output Ratio) of the agricultural sector, an indicator which relates output growth to investments.

Investment, notably private investment, is a major engine of growth. Therefore the overall **investment-to-absorption**³¹ **ratio** and the distribution of investments between the private and public sectors are important monitoring indicators. If the relevant information is available, the share of the agricultural sector in the total investment figure should be compared to its share in GDP and to its contribution to GDP growth.

The development over time of foreign direct investment should be closely monitored If a sector breakdown of FDI is available, special attention should be given to the development of FDI in the agricultural and related sectors.

The balance sheet of banks and/or aggregated figures computed by the institution in charge of supervising the banking sector will provide data on the development **of bank deposits**, notably of deposits on saving accounts. Provided we remember that the development of bank deposits may overestimate the net increase in savings, because these have shifted from the informal to the formal sphere, this information will provide a good insight into the development of domestic savings. A breakdown of this information in relation to the location of bank offices will provide indications on savings in rural areas.

The overall state **budget deficit** and, if available, the deficit of the General Government including local governments, are important indicators of the sustainability of the fiscal policy. As regards budget expenditures, attention should be given to the structure of expenditures in the line ministries with special responsibilities in the agricultural sector and rural areas (Ministry of Agriculture, Ministry of Irrigation, Ministry of Public Works). In particular, it will be possible to determine the extent to which capital expenditures and expenditures related to services to farmers and the rural population develop as a share of the total budget. Indicators tracing the number and characteristics of intended beneficiaries of such agricultural public services as extension will tell us whether or not these services are made accessible to smallholders.

Estimating the **net taxation rate of the agricultural sector**, that is the global value of government revenue originating in the agricultural sector through direct and indirect taxes less the global value of transfers and public expenditures for the benefit of the sector, will reveal any bias of the fiscal policy against this sector.

³⁰ Contribution of the agricultural sector to GDP growth = (Agricultural GDPt – Agricultural GDPt-1)/ Total GDPt

³¹ Absorption is the sum of public and private consumption and of investment.

In addition to identifying public monopolies and price distorting regulations, unjustifiable price discrepancies from one market place to another for the same product and/or large variations over time of the price gap for a product between various market places will signal inefficient markets.

The index of real exchange rate distortion will provide an overall indicator of the likely impact of the exchange rate on trade. This indicator will be completed by estimations of the average taxation rate of imports and exports, these indicators being estimated at the most aggregated level as well as for groups of products. More accurate and detailed assessments of the obstacles to the development of agricultural exports will be obtained by calculating for important agricultural products the **average nominal protection rate** which takes into account, together with the exchange rate, the export taxes, the price distortions at the producer level and the protection of manufactured inputs.

Assumptions and risks

As was stressed above, economic policy co-operation between the EC and its partners in the agricultural and rural sectors must rely on a policy dialogue between the two parties. Partners must agree on the main objectives, on priorities, on the nature of the actions to be undertaken and on a timeframe for their implementation. These conditions are summarised under the formula: appropriation by the intended beneficiaries of the programme objectives and means of intervention.

Obviously any progress towards growth-enhancing economic policies in the agricultural and rural sectors would be unachievable without a sound policy at the macroeconomic level. The macropolicy must aim at the removal of macroeconomic imbalances (unsustainable budget deficit, high inflation, unrealistic exchange rate, growing external debt, etc.), be supportive of the development of the private sector and tend towards a greater openness of the economy.

5.4 STRENGTHENING INDIVIDUAL ASSETS

Human capital is in many ways the most basic of all assets, for not only is it a necessary condition to be able to exploit the others, but it can also substitute for all of the others. The most basic of such assets is health and the most basic component of health is nutrition. Food security is the most important asset the poor can possess, for without that few other assets can be safeguarded. One way that countries have tried to guarantee food security is through ration schemes. Although these have the obvious disadvantage of high cost, if they are based on local procurement, this approach can have the offsetting advantage of providing a guaranteed market for the nation's farmers, which in turn generates employment. Unfortunately it can also, unless carefully designed, distort agricultural production incentives. Applicability of this approach will depend on the country's financial resources and degree of agricultural commercialisation. Another method of providing food security, used in many countries, is the school meals programme, which targets nutrition to children. However unless such a programme is accompanied by universal school enrolment it will magnify existing income disparities: the poor are least likely to be able to send their children to school, and when funds are short, girls are less likely to be sent to school than boys.

Health, particularly environmental health, interacts strongly with nutritional wellbeing. Safe drinking water is vital, not least because so many diseases are water-borne. An extremely common symptom of water-

Strengthening individual assets: activities, assumptions and risks

Increasing the access of the poor and disadvantaged to individual human assets is one of the main means of achieving sustainable poverty reduction in rural areas. Areas of activity include:

- Strengthening rural education by targeting the rural poor and achieving a better balance between girls and boys with affirmative action to increase female enrolment and reduce the female drop-out rate;
- improving health conditions through improved access to clean water, specific educational programmes; better access to health care, special programmes for controlling AIDS and malaria; mitigating the consequences of AIDS on household livelihoods;
- achieving a sharp reduction in maternal and infant mortality.

Assumptions and risks

Traditional attitudes towards the education of girls are negative at times and persistent efforts by government will be needed to overcome them. Poor health needs to be addressed as a priority since it is a cause as well as a consequence of poverty. Widespread AIDS and the dwindling capacity to control the prevalence of malaria are major threats for rural livelihood improvement. Centrally managed health services rarely address the needs of the poor adequately.

borne disease is diarrhoea, leading to loss of nutrients from the digestive system. Investment programmes are needed in rural drinking water supply, immunisation programmes and health-and-hygiene awareness campaigns. A growing need is for AIDS awareness. A related need calls for improved – and cultural- and gender-sensitive – access to family planning advice and supplies, backed up by contraceptive awareness campaigns. Such investments have high payoff in terms of building up human capital. Investment in curative medicine, on the other hand, can be very expensive and should be carefully targeted in areas with high payoff, such as improving the often appallingly low standard of obstetric care in the rural areas of most developing countries. This is also an area in which general health education, particularly the dismantling of many traditional taboos and practices, could pay high dividends in terms of improving human assets. The physical and educational components of these programmes play to the comparative advantage of an organisation such as the EC.

Education, like good nutrition and health, has an intrinsic value that few would question, but it also serves important livelihood functions. The relationship between (a) education and skills training and (b) labour productivity and **an important contribution to make simultaneously to equity and economic development**. Education policy that deliberately targets poor families in rural areas will not only raise labour productivity, but will also counteract the problem of traditional hierarchical social norms that act as a brake on the emergence of democratic, accountable and decentralised institutions. Women with formal education tend to marry later, have fewer children and enjoy a greater degree of participation in the formal economy than their illiterate sisters. A policy that has been of great help in promoting girls' education is that of providing flat rate monthly scholarship for every girl sent to school. Such a scheme is self-targeted towards the poor, because (a) the poorer a family, the less likely it is to send its daughters to school, yet (b) the poorer the family, the greater is the marginal utility of a given sum of money, even a relatively small sum. This approach, especially if combined with a school meals programme, would make a huge contribution to the wellbeing of both the present and the next generation. Similarly, non-formal education programmes for rural women have been found to increase both their ability and their self-confidence to take part in community activities, through for example successfully standing for elected office in savings and loan schemes, community forestry user groups, and so forth. In programmes aimed at building vocational skills there must be due recognition of the need for gender sensitivity. Education by itself, however, does not necessarily guarantee more sustainable livelihoods. **Specialist training programmes must be based on labour market research that targets real job opportunities**. Special credit programmes can be designed to provide loans to enable people to turn their education to economic advantage.

Social relations can be powerful assets, but they can also function as long-term liabilities. They can help liberate poor rural people by expanding their livelihood opportunities, or they can help lock them into bonds of inferiority and subservience. Clearly, policy has to aim at expanding the former and weakening the latter. Carefully-designed policy measures can broaden the membership of economically-based membership organisations, such as savings and credit groups and user-based organisations to the rural poor and thus increase the number of social assets on which they can draw. Some membership organisations and institutions function effectively as insurance providers, because members who suffer a livelihood setback can draw on community funds to make up the loss. Fostering the emergence of democratic, accountable and decentralised institutions such as these plays a vital role in providing social assets for the poor. However, such an approach must be sensitive and context specific: there are too many examples of top-down "institution building" (for example in irrigation management) that destroy smooth-functioning traditional institutions.

Indicators

So that the poor may have better access to natural assets, the most basic OVIs are **legislation, regulations and administrative directives**. Changes in the **average size of holdings and the gini coefficient for landholdings** are important indicators of the success of land reform legislation. Variables such as the area under community managed forests, and the proportion of irrigated area under user group management will show the degree to which rural people are gaining access to natural assets. Indicators of human capital development include: the construction of schools and other educational facilities in rural areas and **changes in school enrolment (particularly in terms of gender balance)**, levels of child and maternal mortality, standard nutritional indicators, etc. The accumulation of social capital can be assessed in terms of the establishment of new community-based institutions.

Assumptions and risks

As in so many other cases, the basic assumption is that central government has the willingness and capacity to carry out the necessary programme of legislative and regulatory reform. Professionals such as health workers must be willing and able to work in rural areas. There is a strong risk that powerful vested interests within society will use every means of frustrating attempts to channel resources and assets to the poor. Landowners are likely to oppose land reform, logging companies do not tend to welcome community forestry, moneylenders are unlikely to be happy with the emergence of savings and credit institutions, trading monopolies will not welcome the introduction of competition, large farmers will not want to see expanding employment opportunities that raise the cost of labour. People must be willing and able to take advantage of the educational and training opportunities on offer. Traditional stigmas and taboos that militate against good health and good nutrition must be overcome. Without meaningful devolution of power to local government it will be difficult to bring government closer to the people and thus more difficult for the rural poor to translate their huge majority in terms of voting power into influence over decisions that affect their lives.

5.5 IMPROVING THE SUSTAINABILITY OF NATURAL RESOURCE MANAGEMENT

This activity will focus on improving the standard of natural resource management by rural people in order to ensure that the present generation enjoys an increasing flow of resources while guaranteeing that future generations will inherit a resource base that is at least as productive as that of today.

The EC activities that support the sustainability of natural resource management have to take into account the four dimensions featuring the natural resources production: productivity, variability, sustainability and the specific distribution of the effects of NR management practices (see Section 3.4.1 above). In order to be sustainable, natural resource management practices have to meet two criteria: a) they have to be environmentally sustainable, and b) they have to be financially profitable (economic sustainability). Economic profitability mainly relies on labour productivity which depends on the capital/labour ratio. Therefore, sustainable agricultural patterns have to be sufficiently capital intensive. This capital intensity has to rise with the reservation threshold of the rural workers.

Taking into account the spatial and temporal distribution of the benefits of more sustainable natural resource management patterns, **realistic frameworks have to be agreed upon to share the costs, benefits and responsibilities** of such patterns, between the rural households (poor and better-off), the local communities, the regional and national authorities, and the international public and private institutions. The principle that some environmental issues are global concerns to be addressed only through long-term international fiscal transfers is beginning to be accepted, but much remains to be done to set up realistic agreements on that basis. On the other hand, the governments of developing countries should accept that internationally financed programmes should be managed under the responsibility of international (private or public) institutions. Otherwise, they run the risk of a breakdown in confidence between partners and hence an interruption in funding. These frameworks need to be combined with others permitting closer monitoring of long-term trends and variability in the productivity of NR.

Improving environmental sustainability: activities, assumptions and risks

Achievements as regards economic growth and poverty alleviation in rural areas can only be secured over time, provided they rely on the sustainable utilisation of natural resources. This constraint has to be addressed at several levels by EC assistance and beneficiaries:

- Monitoring of long-term trends and variability in the productivity of NR;
- Monitoring environmental deterioration threatening the health of rural populations (pesticides, pollution, and so forth);
- Providing institutional support designed to adapt land tenure and other individual and collective NR ownership in order to ensure incentives for long term management.

Assumptions and risks

International organisations, governments, NGOs, and farmers have different views about the priority of long-term sustainability (they do not share the same discount rate). These differences are often understated, which raises the risk of limited ownership of policies and programmes. There are potential tensions between improving access to NR by the poor, and long-term sustainability. Monitoring systems rely on long-term international support for their viability.

Regulations ruling individual or collective access to natural resources have to be made clear, sufficiently stable and reliable to provide the necessary incentives to ensure long-term management of these resources.

The capital-intensive approaches rely very much on **efficient markets** (product, input, financial and labour markets), at national, regional and international levels. Too many programmes have dumped inputs, extension and cheap credit in inefficient market conditions and have failed.

In countries with well-integrated markets, and with a special focus on farmers well connected with these markets, sustainable **technical packages** to enhance labour productivity have to be designed and extended. Research and extension have often been crop specific. The ecological and economic sustainability of farming activities can hardly be addressed that way. More holistic approaches are necessary including farming system analysis, design and extension (both economic and technical sides), watershed management, and livestock management in relation to agriculture and forestry. Specific programmes such as anti-erosive infrastructural works, water storage dams, hillside reforestation and wildlife conservation are also needed.

Close monitoring is needed of changes in the status of biotic factors, particularly those influencing environmental quality or public health and safety. The growing number of pesticide poisonings reported each year are evidence of the need for stronger safeguards in this area.

Direct intervention on **demographic pressure** is sometimes necessary. In high-density areas, support for emigration and the development of non-agricultural incomes is needed to ensure sustainability of the agricultural patterns.

Indicators

Verifiable indicators of environmental sustainability are numerous, but often expensive to monitor. Three levels of indicators can be listed:

- Sustainability of the NR contribution to income, including soil fertility trends, fish stocks, availability of wood, rangeland productivity and groundwater levels for irrigation;
- Factors impacting on health or quality of life, such as pesticide residues and food safety;
- Indicators of the contribution to global issues: Biomass able to recycle CO₂, species that demonstrate biodiversity, etc.

Nutritional trends, farm budgets and hired labour wages will make it possible to assess the economic sustainability of the proposed patterns. The evolution of the distribution of different farming systems helps assess the extent to which the natural resource base is being depleted or, on the contrary, is improving.

Assumptions and risks

Many donor decisions and NGO programmes for environmental sustainability are based on **unrealistic assumptions** and do not lead to any form of ownership by the beneficiaries. International institutions and NGOs rely too often on the assumption that their concern for environmental sustainability can be shared by poor farmers, rural decision-makers or governments, provided good information and training programmes make them aware of the long-term consequences of their behaviour. **More awareness is necessary but is not sufficient in itself.** Deep poverty, high uncertainty, and weak solidarity networks explain and justify individual coping strategies that do not necessarily match, or are sometimes in conflict with, collective long-term interest. The pro-birth attitude of poor households, even in overcrowded areas, is a well-known example. The **lack of common language** between international institutions and local political decision-makers about the economics of environmental sustainable management raises the risk of poor ownership of the proposed programmes. At grass roots level, environmental investments can **lower labour productivity** below the threshold of economic sustainability and, therefore, they are unlikely to be maintained.

There is a risk that the necessary international **distribution of the costs** and responsibilities for addressing global issues will be hard to find.

5.6 IMPROVING THE CONSISTENCY OF OTHER EU POLICIES

The EU co-operation policy in the area of rural development aims at promoting the four objectives identified in the Maastricht Treaty: poverty alleviation, economic growth, democracy and sustainability. Whereas this means supporting the implementation in developing countries of policies with these objectives, **one should not underestimate the negative impact of obstacles located in the policy framework of the OECD countries themselves.**

Such obstacles exist notably in four policy areas: agriculture, trade, immigration and the environment. A consistent co-operation policy for rural development should comprise activities aimed at their removal.

Agriculture in OECD countries is heavily subsidised. In the framework of the Uruguay Round negotiations, a distinction was made between different types of subsidies to the agricultural sector. Three types of agricultural subsidies were considered: those which interfere with the price settlement mechanisms ('yellow box'), those which are linked to production ceilings ('blue box') and those which are assumed to have no incidence on production or trade ('green box'). Although such a distinction may be useful from an analytical point of view, it remains that **all sort of subsidies granted to agricultural producers, including the direct income allocations of the 'green box', distort competition between the farmers who benefit from such subsidies and those who do not.** A European farmer who derives as much as 50 percent of his earnings from direct income allocations can afford to sell his products at a lower price than his foreign competitors whose income entirely relies on the sale of their production. In fact, competition distortions originating in the subsidisation of agriculture oppose, on the one hand, farmers who live in OECD countries rich enough to afford subsidised agriculture and where they form only a small part of the overall labour force, and, on the other hand, farmers in developing countries who, on the contrary, make up the bulk of the population and are in many cases subject to heavy taxes and tax-like levies.

A consistent co-operation policy for rural development should accordingly aim at putting farmers on an equal footing, wherever they practise their profession. This implies a phasing out of subsidies to the agricultural sector in the EU, whatever form they take. The credibility of the typically European «aid and trade» approach to development co-operation is at stake.

Major competition distortions arise from the trade policy of developed countries. Export subsidies for agricultural products together with high tariffs on agricultural products imported by OECD countries and with non-tariff barriers, restrict the exports of agricultural and food products from developing countries and therefore the development of agriculture itself.

According to WTO calculations, after 'tariffication' of non-tariff measures following the Marrakech agreement, **the tariff applied by the European Union on agricultural and food products imported from third countries averaged in 1995 some 15 percent on raw materials and over 30 percent on fully processed food items**³². On individual sensitive items, tariffs can be considerably higher than these averages, reaching over 100 percent for a number of meat and dairy products, cereals, bananas and fruit and

Improving the consistency of EU policies: activities, assumptions and risks

Obstacles to the achievement of the objective of the EU co-operation policy lie partly in other EU policies. Policy actions relevant in this respect include:

- reducing the effective protection of European agriculture;
- reducing non-tariff barriers;
- ensuring coherence between immigration and aid policies.

Assumptions and risks

Progress in the above-mentioned areas, that will stem from negotiated agreements between OECD governments, might be hampered by divergent political and economic interests. The main risk is that Europe could refuse to take development-related issues into account when designing and negotiating the above policies.

Recent concern for labour conditions and respect for environmental norms in the production process in developing countries can be used to protect EU markets from imports. Agriculture is especially vulnerable to this stance.

³²

Auboin, M. and Laird, S. : EU Import Measures and the Developing Countries. WTO, August 1997

vegetable juices. Furthermore, the price and demand effects of low tariffs on products such as coffee, tea, mate and spices may be offset by **high excise taxes** in EC Member states.

However, this protective stance on agricultural and food products is not specific to the EU but is common to most industrialised countries. It has a considerable impact on the world distribution of agricultural production. Under the extreme assumption of the full removal of all farmer-support policies in all industrialised countries, grain production might decrease by as much as 45 percent in Japan and 20 percent in Western Europe and meat production by nearly 60 percent in Japan and 15 percent in Europe; the developing countries, with increases in agricultural production ranging from 5 percent (Asia) to 10 percent (Africa and the Middle East) and up to 20 percent (Latin America), would be, together with Australia and North-America, the beneficiaries of this reallocation of agricultural world production³³.

A shock of such a magnitude on the agricultural sector of Europe and Japan could not be absorbed in a short period of time without serious economic and social upheaval. The main interest of such estimates is, however, to demonstrate that a **gradual removal of subsidies to the agricultural sector and a step-by-step lowering of tariffs applied to agricultural and food products would contribute a lot to the development of agriculture in developing countries. Interventions focusing on these policy changes are therefore an indispensable component of any consistent co-operation policy in the area of rural development.**

Within the framework of the Uruguay Round industrialised countries have committed themselves to implementing by the year 2000 significant reductions in their subsidies for the agricultural sector. Unfortunately this concerns the sole 'yellow' and 'blue' boxes whereas subsidies included in the 'green box' are likely to increase. They agreed all the same to lower their tariffs on imports of agricultural products. These are positive steps in the right direction. But much has still to be done. The new round of negotiations on world trade, due to start in 2000, should bring fresh progress.

Apart from tariffs, trade distortions may result from the implementation in industrialised countries of measures that, under various provisions, make it more difficult for developing countries to sell their products on Western markets. The need to protect consumers and agriculture itself in the EU against the damage that might be provoked by the import of contaminated agricultural and food products is not questionable. Nor is the need to fight the mistreatment of children and the disrespect of human beings in the workplace. **What is questionable is, first, the utilisation of trade regulations as the main means of action in these areas and, second, the unilateral settlement of such regulations by industrialised countries.** The demand by some European circles for the erection of protection barriers against products from countries where the level of social protection is lower than in Europe indicates the possible excesses of recourse to these instruments.

In as far as trade regulations of this sort may impact negatively on the exports of agricultural and food products from developing countries, they should be discussed with the trade partners in the developing countries and should make **provision for any assistance needed to comply with the conditions for the entry of agricultural and food products into OECD countries.** Except in cases of emergency, the implementation schedule of these regulations should give this assistance time to deliver its outputs.

Turning to environmental concerns, it was noted earlier (Section 3.4.3) that interventions are needed at local, national, regional and global levels to counter the problem of externalities, i.e. the fact that the benefits of more sustainable resource management (such as conservation of tropical biodiversity) are often enjoyed by those who do not incur the costs. The magnitude and level of intervention will depend upon the magnitude and level at which external benefit and cost streams occur. In particular, if at the global level rich people expect poor people to use the global commons more sustainably, they must expect to share the resultant costs by rewarding poor producers and consumers in developing countries for their unilateral services to the common welfare of humanity. Although much remains to be done to realise this economic principle of internalisation, important piloting exercises are underway. Examples include:

- «Debt-for-nature» swaps;
- Certification of production processes (tropical timber, eco-labelling);

³³ Anderson, K. and Strutt, A. : On measuring the environmental impact of agricultural trade liberalisation. In *Agriculture, Trade and the Environment*, Westview Press, 1996

- Within the framework of the *Generalised System of Preferences* (GSP), differentiated access to the European market for environmentally-friendly products (timber);
- Fees/royalties for bio-prospecting, and;
- The *Global Environment Facility* (initiated in 1992 and subsequently re-pledged).

Other innovative international instruments are currently being negotiated, for instance the *Clean Development Mechanism* in the context of climate change.

The picture concerning domestic environmental policies of OECD countries is less encouraging, as these do not strongly support their proclaimed commitment to the protection of the environment as demonstrated by the problem of carbon dioxide emissions.

In spite of some improvements in the 1980s, mainly prompted by the higher price of energy, OECD countries are by far the largest energy consumers and therefore the largest emitters of carbon dioxide³⁴. However, up to now they have not agreed on the means of curbing these emissions. Europeans are in favour of imposing ceilings, each country being free to implement the means it considers appropriate to keep its emissions within these limits. They endorsed the conclusions of the Rio Conference and committed themselves to enforcing its recommendations. However, no sanction exists for those countries that depart from their commitments and indeed few practical measures have been taken to achieve the agreed objectives. The United States, for their part, are in favour of a different, market-oriented approach, based on the creation of tradable rights to emit CO₂. They accordingly refused to endorse the recommendations of the Rio Conference. Considering the threat that the greenhouse effect is imposing on the humankind, there is an urgent need for industrialised countries to resume talks and to come to an agreement on this topic.

Finally, temporary and permanent migrations from highly populated to less densely populated areas can make a positive contribution to food security, to incomes, to the increase of labour productivity and to the protection of the environment. The removal of obstacles to population movements is therefore frequently recommended within the boundaries of developing countries as well as between neighbouring countries. But as far as they are concerned, OECD countries, notably the European Union and Japan, have adopted a very restrictive policy stance to immigration from developing countries. It is to a large extent paradoxical that these industrialised countries, while they support the political and economic opening of developing countries and worry about the risks linked to a general ageing of their own population, strive at the same time to prevent any significant influx of immigrants. Poverty should not be more acceptable outside European borders than inside. Migrations (domestic and international) have long been seen as a negative phenomenon that aid would attempt to limit. In fact it is an old and effective way (and sometimes the only way) of overcoming environmental, economic, political or cultural constraints. It is a powerful means of transferring incomes, skills, values such as democracy, and improving the integration of the national and global society, which is exactly what aid is about. **Aid, therefore, should not aim at preventing migration but help to manage it** in order to make it economically profitable and socially acceptable for the migrants, for the (mostly rural) societies from which they come, and for the societies which are receiving them.

Indicators

The volume of subsidies to agriculture is measured by the 'Aggregate Measurement of Support' (AMS) which allows comparisons between OECD countries, whatever the form of these subsidies.

There is no similar aggregated index for measuring the level of protection secured to agricultural production by tariffs and non-tariffs barriers on imports. The WTO however is thoroughly monitoring the trade policy of all countries and regularly publishes country reports presenting the trade policies of WTO Member states and their developments. It also supplies data allowing precise assessments of the protection level for various groups of products as well as for the whole agriculture and food sector in the OECD countries. These countries as well as the EC produce their own figures on this topic.

³⁴ In 1996 the emission of carbon dioxide per capita reached 20 cubic meters in the United States, around 10 m³ in the European countries and 9.3 m³ in Japan against 1.0 in Africa and a 4.0 figure at the World average level (World Development Report 1999-2000: The World Bank, pp 248 and 249).

As regards the environmental policies of the OECD countries, their objectives and the measures which are implemented to achieve them, extensive information can be found in the reports presented by the governments at international conferences and organisations.

Policy reports and populations surveys provide abundant information on the immigration policies of OECD countries and on their income.

Assumptions and risks

One of the basic assumptions of any significant progress in this area is the political willingness of OECD countries, notably of the EU, to ensure a higher level of consistency between their domestic policies and their policy supporting agricultural and rural development in developing countries.

However, as already underlined above, little progress may be expected from unilateral initiatives. Progress will stem from negotiated agreements between OECD governments. For this reason, divergent political interests and the implications of policy changes on the competitiveness of industries are serious hurdles to any agreement.

The main risk is that development aid would remain a specific and isolated activity to which the EU dedicates much less than 1% of its GDP and that Europe might strongly resist the idea that the four aims of Maastricht regarding development co-operation must also be part of its major common policies.

6. MAIN ACTORS

Each of the above six groups of activities requires specific institutional settings.

1. The first group, **improving the political framework**, includes **many requirements and a limited amount of aid**. Political choices have to be made by the beneficiary countries in order to move their societies toward more democracy, more respect for human rights, and more openness to the rest of the world. This is what the EC is ready to support. This part of the «co-operation contract» is mainly the part that has to be met by the beneficiary government. Saying that democracy and respect of human rights are «Western values» that should not be shared compulsorily by other cultures, is not an acceptable argument³⁵. The absence of political will in that direction makes co-operation less relevant to the European citizen/tax payer, since spending money in countries that are not ready to progress along that road does not effectively meet the aim of the EC Mandate. Only a very limited number of mainly humanitarian aid instruments are relevant in these cases. For countries that agree to change their political framework, the support mainly takes the form of much negotiation and some TA. The main actors here are the governments *sensu stricto*, i.e. the political leaders at national level. The support of the «civil society» is often critical, although sometimes dangerous for the opposition groups. The Delegations have an important diplomatic role to play, in close co-ordination with the representatives of the Member States and other donors. Witnesses from the rural areas are critical, since remote rural areas often face worse situations in terms of democracy and human rights than the main cities. International NGOs, national civil society organisations and other public institution are likely to share the same interest in these issues and to co-operate in order to support government progress. The direct link between some NGOs and the international press or institutions such as the European Parliament may put donors under pressure, asking them to hold strong positions when defending these political values. This may also give the European citizen an opportunity to send strong signals to the international institutions.
2. The second group, **improving institutional framework**, still implies much commitment from the Government side, since changing institutions mostly implies changing the political weight of the different components of society. The institutional changes required aim at empowering the poor and at enhancing market-based growth. An external pressure is mostly necessary to achieve progress on these lines. However, **while it still includes conditions and requirements, the «co-operation mix» implies much more aid**. Indeed, processes such as public administration restructuring, administrative decentralisation, and building an enabling legal and institutional framework for the development of a competitive private sector require a lot of analysis, technical assistance, training and equipment. The set of actors is much broader. Political leaders still have critical decisions to make, but central and local administration, representatives of local and foreign enterprises, membership organisations, co-operatives, NGOs with economic, social or cultural roles are also very important actors. Supporting the organisation of civil society, providing social services through non-governmental institutions, are typical areas for decentralised co-operation. However, the risk of mushrooming «instrumental» NGOs, sometimes too keen to channel aid flows with limited accountability, should not be underestimated. Since regional integration is a priority for often very small economies, regional institutions have to be supported as major actors. EC should also support private actors. In countries where public enterprises hold monopolistic positions in the production-processing-distribution chain of agricultural and food products, the dismantling of these monopolies will not spontaneously bring about the emergence of a competitive market. In such cases, EC-funded programmes could usefully help local producers establish the market institutions, while operators would be asked to trade and process their products in such a way that the interests of smallholders were fully taken into account. Similarly, market mechanisms might fail to create such institutions as savings and loans banks focused on poor people. Here again, EC-funded programmes might contribute to the emergence of such institutions on the basis of more specific policies such as the recent guidelines prepared for microcredit programmes.

³⁵ Sen, A. (1999) 'Development as Freedom' New York: Alfred Knopf

3. In the process of building an **enabling economic framework, the aid component of the co-operation contract becomes very large**. Indeed, where a real commitment to priorities such as **tied budgetary and monetary policies, market liberalisation and reduction of the role of the state is required, significant progress has been made** since the mid-eighties. Aid includes large and quick disbursing budgetary aid, large contributions in support of public enterprises privatisation or restructuring, large investments in infrastructure, etc. Most of the policy developments included in this activity are under the responsibility of central governments. Supported mostly technically and financially by the IMF and the World Bank, they are in charge of preparing changes to the legislative framework related to production, trade and financial activities and of enforcing this legislation. They implement the fiscal and budget policy. They shape the institutional environment offered to potential foreign investors. They manage the monetary policy, notably as regards the settlement of the exchange rate against foreign currencies. They ensure, jointly with local governments, the provision of public services. This means that the main instrument for effective co-operation between beneficiary governments and the EC is the establishment and development between the two partners of a permanent dialogue on economic policy. Such a dialogue, carried out in close co-ordination with the IFIs and other major donors, aims at assessing the current economic situation (with special attention to the rural markets) and its development, at jointly designing further steps towards the improvement of the policy framework, and at defining the support which can be provided by the EC to progress towards commonly agreed objectives. Budgetary aid instruments are critical here. Many of these instruments are closely related to rural development policy. Some such as the STABEX are generated by agriculture, others such as the GIP and SIPs are often used to import agricultural inputs. Programme food aid is frequently used as a means of supporting the balance of payments and the budget through the counterpart funds, and programme and project aid is mostly invested in rural areas. Where countries have started to establish regional co-operation, the EC builds on these achievements and contributes to their further development through a co-ordinated policy dialogue with the countries involved and the design and implementation of regional programmes. Some of these programmes deal with agriculture and livestock.

4. **Improving individual assets** is a field in which **aid dominates**, even if issues such as access to land for the poor require political decisions which are difficult to take and enforce in the field. This has been addressed above under the political and institutional framework improvements. Specific grass roots institutions have a role to play in the collective management of natural resources such as water, range land and fuelwood. Improving human assets such as health, education, technical and management skills is an area where EC aid has a major contribution to make. The relevant institutional settings have to ensure that these services are delivered efficiently, with a specific focus on the poor. Central and local public institutions have a major role to play in setting priorities, programming investments and delivering the services. However, local, national and international non-governmental institutions have also a major role to play, direct links between the EC and these institutions (decentralised cooperation) must be enhanced. A financial contribution from the beneficiaries is increasingly required, in order to enhance the sustainability of the service delivery, but with the risk of excluding the poor. The development of sustainable and democratic civil society organisations has been described as a major asset per se. NGOs have an important contribution to make in this field.

5. **Improving the sustainability of natural resource management requires** not only long-term aid, but realistic and fair conventions to share the costs and the responsibilities. Global environmental issues have first to be addressed at global level. International conferences are the right place at which priorities have to be agreed upon, costs shared, commitments undertaken, and the consequences of non-compliance with these commitments made clear. Local issues or local contributions to global priorities have to be addressed at regional (multi-country), national or local levels. The concept of Strategic Environmental Policy Analysis (SEA) the EC intends to carry out and the National Environmental Action Plan (NEAP) implemented by the World Bank for instance, show that both institutions want to base their actions on consistent strategies designed at national level. Like many other donors, both believe, however, that environmental questions should not be addressed separately, but be integrated into overall development policies and programmes³⁶. Both have country strategy instruments such as the CSP³⁷ for the Commission

36 See for instance: - Integrating environment concerns into economic development and economic co-operation; EC –Gibb Brussels, Draft version: May 1999; and
 - Toward Environmentally Sustainable Development in Sub Saharan Africa; a World Bank Agenda; The World Bank, 1996

and the CAS³⁸ for the World Bank. Ex ante, ongoing and ex post assessments of development policies and programmes have to be made from a specific environmental point of view, but related activities must be part of broader development policies. In practice, this situation of converging views about the status of environmental issues, the heavy costs of collecting and analysing ecological information and the need for coherent policies call for close co-operation between donors. The more so since negotiations are likely to be difficult: on the one hand with the beneficiary governments, which are likely to have different priorities than long-term environmental sustainability; on the other, with the Western tax payer representatives, who have still to be convinced that they will have to bear most of the cost of long-term environmental protection, even in developing countries. Data collection, analysis, monitoring and policy evaluations are among the most relevant areas for close collaboration between donors. The training of decision-makers is another critical issue. Beneficiary country officials have to raise their overall awareness of environmental issues and update their level of information about the specific constraints and problems of their countries and, more specially their rural populations. International stakeholders (public institutions, NGOs, consultants, investors) have to improve their understanding of environmental issues, but also their knowledge of local economic and socio-cultural features that have to be taken into account, in order to suggest realistic environmental policies. Farmers' organisations have to play a greater leadership role in the orientation of research and extension programmes in order to ensure a better ownership and sustainability of the results. Difficult decisions, with critical ecological consequences such as changes in the land tenure regulations, for instance, could be better addressed regionally. The EC and other donors should support the development of scientific and decision-makings networks, sharing information and experience and building on success stories. A lot has to be done at grass roots level to better understand the practical trade-offs that farmers have to confront in order to raise their income, face uncertainty and ensure access to productive resources for their descendants. The choices between household and community resource management are difficult and context specific. The adaptation of the community and individual management practices to the resource base degradation, to the increasing demographic pressures, to new technologies or new market opportunities also needs close co-operation between the population concerned, the local administration and external actors. Education, free expression, democratic organisation of the society and receptivity of external actors are critical.

6. At first sight, **improving the consistency of EU policies is the sole responsibility of the Union** as far as agricultural and trade policies are concerned, and of the EU and its Member states as regards the environment, and immigration policies. However, industries in the OECD countries are competing against each other. The EU and its Member States can hardly remove the subsidies to their farmers, dismantle their trade protection and implement costly environmental policies, if other OECD countries, notably the United States and Japan, do not take equivalent measures. Furthermore, as was underlined above, the interests of those developing countries that might be negatively affected by changes in OECD policies must be taken into due consideration. This means that any progress along the lines described above will be achieved in the framework of international negotiations initiated by such organisations as the World Trade Organisation, the United Nations and its specialised agencies or the International Labour Organisation. Making the EC responsible for negotiating international agreements on behalf of the whole EU, as is already the case for trade agreements, should strengthen the position of the European negotiators vis-à-vis their counterparts from other OECD countries. Technical assistance programmes should be designed to support the adjustment of developing countries to new regulations adopted at the international level. Technical assistance might also be usefully provided to developing countries to reinforce their negotiating capacity, notably through a more accurate assessment of the likely impact on their economies of changes in the international regulatory framework.

- Mainstreaming Environment in Country Assistance Strategies; The World Bank; 1997.

37 Country Strategy Paper

38 Country Assistance Strategy

7. CONCLUSION

Development aid is the expression of a worldwide solidarity that aims at helping millions of people to carry out a sustainable process of improving their sometimes extremely severe and unreliable living conditions. Evaluations and economic analysis show that aid is only effective when it supports countries led by governments committed to carrying out market-oriented policies deliberately open to the world economy and specifically addressing the issue of poverty. European co-operation also aims at promoting ethical values such as democratic principles and respect for human rights. Evaluation findings and European priorities are relevant to the development policy as a whole, but especially to rural development. Indeed agriculture is the main activity of a large part of the population of developing countries. Most of the poor live in rural areas where the level of respect for human rights, particularly regarding women, is mostly below national averages. Rural economic growth is especially sensitive to the macroeconomic framework, to market efficiency and to access to the export markets. The political will to develop rural areas at the same pace as the rest of the country is often lacking. Rural populations are often politically weak and the first victims of the poor governance of politicians and administrations. Sustainable management of natural resources is a critical issue for the rural poor which may also have important consequences for the rest of the world. The geographical features of rural areas and the cultural specificity of their population are extremely diverse.

For these reasons, providing a policy basis that is relevant to all EU undertakings, supporting rural development in all developing countries means that policies with an extremely broad scope have to be adopted. In the absence of any explicit EC overall development aid policy, the political lines on which the rural development policy has to be built are the four ends assigned by the Maastricht Treaty to EU development co-operation. The proposed policy relies on the assumption that EU aid will become more selective, focusing on countries where a clear political will to progress along the Maastricht lines is expressed. It starts therefore with political requirements that partner countries have to meet³⁹. Conversely, this policy also relies on the assumption that the EU is seriously committed to supporting economic development and therefore that it is ready, not only to transfer a limited part of its GDP as public aid, but also to adapt some of its major internal policies in order to mitigate the current contradictions between these policies and the EC Mandate in favour of rural development.

Between these two ends, which require clear political commitments on both sides, four areas of co-operation are identified: institutional reform, economic policy, individual assets, and sustainable natural resource management. These four fields are relevant for rural development. In each of them, specific actions benefiting rural populations are already in train with the support of the EU. Other interventions can be proposed and this Policy Orientation Paper provides the necessary framework for designing country-specific rural development strategies. These strategies will include the definition of the EU-supported activities as well as the conditions that will ensure the effective contribution of these initiatives to the accomplishment of the EU mandate. By definition these strategies will have to be negotiated with the beneficiary countries, but experience has shown that negotiations are far more effective when both parties meet around the table after having carefully prepared and clearly defined their analyses and strategies.

³⁹

When conditions are not met to allow close co-operation at policy level, other options are possible. The different stages are the followings: i) humanitarian aid during crisis, ii) direct support to the civil society where the necessary political decisions have not been made, iii) technical support to reform where the political decisions are taken, iv) broad based co-operation where the necessary reforms have been made.

**ANNEX I: LOGICAL FRAMEWORK
PRESENTATION**

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF INFORMATION
Goals	1: Absolute poverty alleviated in Developing Countries (LDCs)	% below poverty line. Qualitative assessment based on peoples' behaviour ⁴⁰ Health and nutritional status indicators Proxies such as housing features	National statistics & household surveys
	2. Economic growth, based on improved competitiveness in an open market, accelerated	GDP/head Foreign Direct Investment Balance of payments Indicators of competitiveness Indicators of openness Indicators of export diversification	IMF/WB data, National statistical data supplemented by surveys of households and enterprises
	3. EC supported LDCs are states ruled by Law, respecting democratic principles and human rights	Recent development of legislation; political representation of minorities; GEM ⁴¹ ; frequency of elections; conflicts; court cases, free press, etc.	Review of legislative changes Review of independent reports on implementation, on corruption, abuses of human rights, etc Review of developments in press coverage
	4. Natural resources are managed with more concern for the sustainability of their productivity	Biophysical indicators of natural resource status and productivity Indicators of bio-diversity Health indicators related to pollution	Remote sensing and field surveys Qualitative and quantitative reviews of institutions relevant to environment Medical records

⁴⁰ See: Guide de programmation des opérations de sécurité alimentaires: EC/ADE/IRAM: sept 1995

⁴¹ Gender Empowerment Measure (see 3.1.5 above)

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF INFORMATION	
Purpose	A satisfactory trend of sustainable improvement of the livelihood of rural populations in developing countries is reached	Rural income, savings, health, literacy, access to water, energy, quality of housing, social organisation	National statistical data supplemented by quantitative and qualitative surveys at local, provincial and national levels	<i>Assumptio</i> overall dev <i>Risk:</i> Urb and politic
Results	1. Political results: Rural societies are peaceful, have more political influence, they are more democratic, equitable and open to the rest of the world	Legal framework and court cases regarding elections, freedom of association, free press availability, minorities and women rights, n° of victims of wars or civil strives, status of minorities	Legal texts, NGO reports (Amnesty...) , HDI ⁴² , EIU ⁴³ reports	<i>Assumption</i> and especia Cultural o balance, so Political wi <i>Risks</i> of c rural organ
	2. Rural Institutions are more accountable, decentralised and market oriented	% of public budget under local control; n° and size of membership organisations; collective NRM organisations; private sector development and organisations in rural areas; indicators of open (including foreign) competition on the financial, labour, inputs, services and output markets. Share of the state in the agricultural GDP	Reports on corruption and administrative transparency; national and local accounts, chambers of commerce, farmers organisations and NGOs; WB CDF and CPIA ⁴⁴ ; interviews and PRA ⁴⁵ s	<i>Assumptions</i> accountabilit resources at culture” ava <i>Risks</i> relate democratic budgetary : regionalism” mobility of g

⁴² Human Development Index provided by UNDP

⁴³ The Economist Intelligence Unit

⁴⁴ Comprehensive Development Framework and Country Performance and Institutional Assessment

⁴⁵ Participatory Rapid Appraisal

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF INFORMATION	
Results	3. Economic framework in rural areas is more open, export oriented and investment friendly; public investment and services provide a more effective contribution to sustainable poverty reduction and, therefore, growth. Net taxation of the rural population is sharply decreasing	Growth of rural GDP/capita and distribution; agricultural incomes; net taxation of agriculture; public expenditure/capita in rural areas n° of pupil/teacher, n° habitants/health worker; Private investment in rural areas; effective protection rate ⁴⁶ for ag products and inputs; bank deposits in secondary cities and rural centres; average size of loans	National accounts; surveys IFI, NGOs and membership organisations reports Records of Central Bank and commercial banks	<i>Assumptions</i> will to invest downstream <i>Risks:</i> climate countryside; taxation of a
	4. Individual assets are strengthened; with a special focus on the poor	Legal texts empowering the poor, trend of holding size and distribution (Gini); Membership organisations, trends and distribution of, incomes savings and physical assets; health indicators (incl. prevalence of aids) literacy rates (male and female); technical skills; capital/labour ratio; communication network density	Local surveys; statistics (health, education, infrastructure...), PRAs. Legislation	<i>Assumptions</i> distribution of International available on <i>Risk:</i> political sustainability
	5. Natural Resource management practices are more sustainable	Environmental sustainability : Soil fertility trends; rangeland productivity; water supply; fish stocks; availability of forestry products; Factors impacting on health and quality of life : pesticide and food safety.	Local surveys; farm budgets remote sensing backed up by ground truthing	<i>Assumption</i> NR products consequently <i>Risks :</i> limited (concern for authorities, I
	6. Negative effects of other EC policies on rural development are reduced	Effective protection of EU agricultural products; direct income support to EU farmers; non tariff barrier for rural products (incl. processed products) from developing countries; obstacles against migration; EU contribution to global pollution or climate change	WTO statistics, EU regulations, CSD 2000 monitoring instruments	<i>Assumption:</i> EU policies <i>Risk:</i> The impact on poverty reduction a specific agricultural policies

⁴⁶

The effective protection rate measures how far domestic prices of tradable goods differ from their international price whatever the factors exchange rate, domestic taxation, non-tariff barriers.

	INTERVENTION LOGIC	ACTORS	MAIN FEATURES OF ACTION⁴⁷	
Activities	1. Political empowerment			
	1.1. Reducing the risk of conflict by supporting rural development in former zones of conflict and allocating aid so as to prevent an increase in development disparities between areas	Aid agencies, central ministries, local authorities	Development of capacities to assess and respond to potential conflict, and post-conflict situations	<i>Assumption:</i> conflict; aid
	1.2. Negotiating and monitoring effective rights of free expression in rural areas	Government, local authorities, national and international NGOs	Diplomatic activity of the Delegate in co-ordination with other donors, based on field info provided by NGOs and membership institutions	<i>Risk</i> that progress are
	1.3. Negotiating and monitoring the progress towards non-discriminatory rights to access NR (women, minorities, and “outsiders”)	Government, local representatives in charge of land tenure, traditional authorities, and membership organisations	Analysis, negotiation and TA for implementation have to be done with a high level of local participation since solutions and transition phases may be specific in each zone	<i>Assumption:</i> leads to a b wealthy
	1.4. Negotiating and monitoring an increasing respect of basic human rights	Government; local administration, NGOs, local and international	Independent bodies reporting any breach of the basic human rights. They have to be taken into account in aid programming	<i>Assumption:</i> Human right due to the 1 physical mu the framewc expropriatio framework resettlement,
	1.5. Promoting democratic principles in rural areas	Government; local authorities farmers organisations; local NRM institutions; regional representatives at central level	Support through NGOs and CBOs to political forces aiming at promoting democratic principles	<i>Assumption:</i> prerequisite important co <i>Risk:</i> the exp instability ar

⁴⁷

In principle, at the level of activities, the two central columns of the logframe deal with ‘means and costs’. Since costing is not relevant in this means into ‘actors’ and ‘main features of actions’.

	INTERVENTION LOGIC	ACTORS	MAIN FEATURES OF ACTION	
Activities	2. Institutional support			
	2.1. Supporting the decentralisation of public institutions	Central Ministries; local institutions	Negotiation, training, technical support equipment	<i>Assumption:</i> more decentralised than centralised
	2.2. Support government at national and provincial levels to commission policy analysis	Aid agencies; local authorities	Creation of national level policy analysis capacity in government and non-government sectors	<i>Assumption:</i> more policy analysis than the findings of the findings
	2.3. Improving governance and accountability among local administration and rural organisations	Local public institutions (municipalities, districts, local representatives of line ministries) Local membership organisations private sector control and audit firms	TA, training and equipment. Linking aid and external audits	<i>Assumption:</i> more pressure on accountability
	2.4. Supporting open and competitive private sector development in rural areas	Central and local administration, chambers of commerce and industry, trade associations, commodity associations	TA, institutional building aiming at improving the institutional and regulatory environment	<i>Assumption:</i> more open to foreign investment The taxator market development goods are abundant Government remove their
	2.5. Supporting private sector organisation	Farmers organisations, traders organisation, foreign investors, local administration, quality control institutions, chambers of commerce in secondary towns; financial institutions	Training decentralised co-operation, twinning with private sector organisations in Europe	<i>Assumption:</i> more areas without organisation products and organisation regulations
	2.5. Improve effectiveness and independence of judicial power in rural areas	Ministry of Justice; police	TA, equipment and institutional support	<i>Assumption:</i> more law is accessible democratic entrepreneur

	INTERVENTION LOGIC	ACTORS	MAIN FEATURES OF ACTION	
Activities	2.7. Supporting rural communication institutions	Public and private radio, Market Information Systems, press, Internet etc.	Building and supporting institutions aiming at raising the level of information of farmers, rural traders and enterprises Building awareness among farmers as to the availability and importance of market information	<i>Assumption:</i> (prices, market) is higher for especially in
	2.8. Attracting urban and foreign investment in rural areas Mobilising domestic, especially rural, savings	Central and local administration, local and international private sector organisations, Financial sector	Providing an attractive institutional and regulatory framework; active promotion of targeted regions	<i>Assumption:</i> areas, to build savings and provides capital transfer <i>Risk:</i> Inappropriate
	2.9. Supporting regional integration especially for agricultural markets, labour, financial and input markets as well as for agricultural research	Customs; regional market information systems, traders organisations; farmers organisations; international research centres; regional banks or saving and credit schemes, especially where common a currency is already shared (CFA zone)	Aid provides incentive for merging or at least close co-operation between similar public or private services or professional organisations Aid enhances market competitiveness by requiring international tendering for public investments allowing at least for regional competition. All rules involving discrimination against foreign enterprises (in the transport sector, for instance) have to be removed	<i>Assumptions:</i> process, not of the market privatisation overall efficiency international broader market seeking active benefit from
	2.10. Supporting the development of secondary cities and rural industries	Ministries of Industries and Commerce; Finance Ministry; Ministry of Transport; Private sector	Development of rural transport and communications; tax incentives; public goods (e.g. R&D)	<i>Assumption:</i> income opportunity on economic <i>Risk:</i> Rural

	INTERVENTION LOGIC	ACTORS	MAIN FEATURES OF ACTION	
Activities	3. Improving the economic framework			
	3.1. Negotiating and monitoring a reduction of the net taxation ⁴⁸ of agriculture and rural activities	Ministry of finance; ministry of trade; line ministries representatives in rural areas; local institutions	Removal of price controls, reduction of export taxes and on import taxes on inputs, realistic exchange rate, monitoring of the negative impact of food aid on prices, ensuring that public investment and services in rural areas are increased	<i>Assumpti</i> obstacle <i>Risks:</i> du income i through sustainat Reductio balanced
	3.2. Enhancing the level and stability of agricultural income in rural areas through Research/extension programmes promoting sustainable intensification and diversification	International research institutions; Public extension services; non gvt extension organisation partly financed by the farmers	The aim is to focus demand led R&E systems on sustainable rural income increase and/or reliability	<i>Assumpti</i> provided <i>Risks:</i> R rural inc
	3.3. Stimulating rural income diversification through labour mobility	Training/Education institutions, public authorities, police, justice Membership organisations	Managing labour mobility a) from agriculture to other sectors, or b) from poor and overpopulated areas to others	<i>Assumpti</i> climatic that agri Therefore incomes
	3.4. Investing in improved communications and other infrastructure (energy, water...) as well as public services in rural areas in order to enhance private investment productivity	Line ministries, local authorities; international private sector (telecoms)	Project aid in relation with decentralised authorities	<i>Assumpti</i> and the explainin potential linked wi
3.5. Improving the efficiency of the markets for labour, finance, inputs and products at local, national and regional levels	Central administration customs and neighbouring countries traders farmers organisations media Ministry of transport Private sector	Investment in market places, market monitoring systems, TA in the rural financial sector...training, equipment rural roads, especially farm-to-market roads; facilitating contract negotiation between farmers and traders	<i>Assumpti</i> in a fran and dow Governn framework profit) or	

⁴⁸

The net taxation of agriculture is defined as the revenue of taxes raised on farmers and on agricultural products diminished by budget expenditure transfers to farmer families. This concept may be extended to encompass all activities and the whole population located in rural areas.

	INTERVENTION LOGIC	ACTORS	MAIN FEATURES OF ACTION
Activities	4. Strengthening individual assets		
	4.1. Strengthening rural education by targeting the rural poor and achieving better balance between girls and boys with affirmative action aimed to increase female enrolment and reduce female drop-out rate	Ministry of Education Local private schools (NGOs) Ministry of Finance Local government religious leaders	Budgetary support; TA to education planning Decentralised co-operation instruments Development of parents organisations able support and control the implementation of rural education In some cases; when education supply is available but demand does not reflect the needs, income compensation (school feeding scholarship?) Affirmative action through special scholarships to encourage families to send their daughters to school
	4.2. Improving health conditions through improved access to clean water, specific education programmes; better access to health care, special programmes aiming at controlling AIDS and malaria, mitigating the consequences of aids on household livelihoods Achieving a sharp reduction in maternal and infant mortality	Ministry of health, NGOs, local organisations; private sector, EU research centres religious leaders	Developing as much as possible local, participatory health policies, based on NG and co-ordinated with the central public services. Educational push to correct traditional attitudes towards birth customs and post-natal practices; education of traditional midwives; improved education on human nutrition
	5. Environment		
	5.1. Monitoring of LT trends and variability of NR productivity	Ministry of agriculture, forest and waters; NGO's, multidonor cooperation International scientific agencies	Donor supported and managed NR productivity monitoring systems carried out with the participation of farmers
5.2. Monitoring environmental deterioration threatening health of rural populations (pesticides, pollution ,...)	International co-operation NGO's Health institutions; private sector incl fertilizer and pesticide suppliers International scientific centres (including CGIAR) Government environmental protection agency	Creation of a new regulatory framework with legal back-up Monitoring of specific indicators; education and technical training in the use of new products (pesticides...)	

	INTERVENTION LOGIC	ACTORS	MAIN FEATURES OF ACTION
Activities	5.3. Financing and supporting the contribution of developing countries rural populations to global challenges such as the protection of biodiversity, the absorption of CO ₂	Farmers organisations, local authorities, NGOs, other donors, OECD gvts, Financial sector	Several forms of remuneration of the rural population of developing countries: contribution to the management of global environmental issues
	5.4. Providing institutional support aiming at adapting land tenure and other individual and collective NR ownership in order to ensure incentives for LT management	Ministry of Interior, local authorities, NRM organisations; traditional authorities	Participatory approach based on existing experience and surveys on NR ownership Regulations on ceilings for land holdings Measures to consolidate land holdings Legal/tax reforms to stop land acquisition being used as a tax avoidance mechanism
	6. Contribution to other EU policies to rural development		
	6.1. Reducing the effective protection of European agriculture	EC DG VI; EU Council; Member States Gvts, European Parliament Farmers Unions; beneficiary countries	Assessment of the Impact of the CAP on rural dvp in developing countries; NGOs of the media to publish the findings; training of the developing countries officials in charge of export, in order to enhance their negotiation capacity
	6.2. Reducing non tariff-barriers	Commission, EU Council World Trade Organisation Other OECD governments	Identification of non tariff barriers impact on developing countries rural development and negotiation of their removal
	6.3. Ensuring coherence between immigration policy and aid policy (from migration prevention to migration management)	MS Ministries of interior and aid agencies	Including immigration policy as part of aid policy, using part of the aid budget for training and integration of immigrants