



policies that work

for sustainable
agriculture and
regenerating
rural economies

Sustaining Agriculture: Policy, Governance, and the Future of Family- based Farming

A SYNTHESIS REPORT OF THE
COLLABORATIVE RESEARCH PROJECT
'POLICIES THAT WORK FOR SUSTAINABLE
AGRICULTURE AND REGENERATING
RURAL LIVELIHOODS'

Bill Vorley

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and Rural Livelihoods Programme
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Environment and Development
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The Bolivian *altiplano*

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Acronyms and Abbreviations

ACP	The 77 African, Caribbean and Pacific states recognised under the Lomé Convention
AoA	(GATT Uruguay Round) Agreement on Agriculture
BSE	Bovine spongiform encephalopathy
CAP	European Union's Common Agricultural Policy
CBO	Citizen-based Organisation
CEE	Countries of Central and Eastern Europe
CSD	Commission on Sustainable Development
EU	European Union
FMD	Foot and Mouth Disease
GATT	General Agreement on Tariffs and Trade
IFI	International financial institution
IIED	International Institute for Environment & Development
IMF	International Monetary Fund
MDB	Multilateral development bank
MERCOSUR	<i>Mercado Común del Sur</i> – Southern Common Market
MNC	Multi-national corporation
MST	<i>Movimento (dos Trabalhadores Rurais) Sem Terra</i> – Rural landless movement in Brazil
NAFTA	North American Free Trade Agreement
NGO	Non-governmental Organisation
NRM	Natural Resource Management
OECD	Organisation for Economic Cooperation and Development
PO	Producer Organisation
PRA	Participatory Rural Appraisal
PTW	Policies That Work (for sustainable agriculture and regenerating rural economies)
R&D	Research and development
RDB	Regional Development Bank
RRA	Rapid Rural Appraisal
RO	Regional Organisation
SAP	Structural Adjustment Programme
SARD	Sustainable Agriculture and Rural Development
SARLS	Sustainable Agriculture and Rural Livelihoods
WTO	World Trade Organisation

Foreword

There has been a renaissance of interest in rural development in recent years, with several key reports and publications¹ and a redrafted World Bank strategy² pointing to the profound challenges facing the rural world in the new century. Firstly, the rural world is the home of the majority of the world's poor. Economic marginalisation is becoming a global rather than a 'developing country' feature of the farming sector. Secondly, rural communities are highly exposed to the risks (and opportunities) presented by the liberalisation of international trade and withdrawal of state involvement in agricultural production and markets. Thirdly, farmers are guardians (if not the owners) of vast proportions of global stocks of natural capital – soil, water, carbon, and biodiversity. Fourthly, agriculture is being asked to intensify production from a shrinking natural resource base in order to feed another three billion people over the next 50 years.

It was the 'more production from less land' conundrum which has traditionally preoccupied researchers. In the late 1980s, the Sustainable Agriculture Programme of the International Institute for Environment and Development (IIED) focused its research on local level resource management. It engaged in the development of methodologies such as Rapid Rural Appraisal (RRA) and Participatory Rural Appraisal (PRA), focusing on agro-ecological systems. This emphasis on people at the local level highlighted the importance of indigenous knowledge and led to 'Farmer First' approaches for development and natural resource management (NRM). It became clear, however, that issues of access to resources by poor people, and the *management* and *control* of those resources, were not sufficiently covered in the consensus-based tradition of people-centred NRM. So, in the book *Beyond Farmer First: Rural People's Knowledge, Agricultural Research and Extension Practice* (1994) the more complex and dynamic aspects of knowledge and power

¹ IFAD (2001). *Rural Poverty Report 2001 - The Challenge of Ending Rural Poverty*. Available at <http://www.ifad.org/poverty/index.htm>. Ashley C and Maxwell S (eds) (2001) Rethinking Rural Development. *Development Policy Review* 19(4).

² World Bank (2002) World Bank Rural Development Strategy: Reaching the Rural Poor. Draft.

in agricultural change were explored. It covered *institutions* and *policies*, but more work was needed to draw out the complexities of these issues. Soon questions of *scale* and *impact* also arose: Do people-centred approaches make a difference? Can these approaches be institutionalised and scaled up to thousands of villages? Research on policy and policy processes at IIED highlighted that the *policy environment* can enable or disable people-centred development, and *institutions* (including *markets*) facilitate or block it, but that our understanding of these interactions was weak. Some of these points were addressed in detail in two further volumes, *Regenerating Agriculture: Policies and Practice for Sustainability and Self-Reliance* (1995) and *Fertile Ground: The Impacts of Participatory Watershed Management* (1997). While these books brought together new empirical evidence about the potential to scale up more sustainable approaches to agriculture and rural development, ultimately they raised many more questions about policy and institutional change than they answered.

The Policies That Work (PTW) study

In order to gain a greater understanding of policy processes and the impact of institutions on rural development, in 1996 IIED initiated a multi-country, collaborative research project entitled, *Policies that Work for Sustainable Agriculture and Regenerating Rural Economies* (PTW), which built in part on a similar initiative by IIED's Forestry and Land Use Programme (see page 189). Research teams from around the world, consisting of researchers from NGOs, consultancy firms, universities, and government departments and agencies were invited to join the project. These teams were led by Diego Muñoz in Bolivia, Nelson Delgado in Brazil, James Nyoro in Kenya, Voré Seck in Senegal, James Carnegie in South Africa, Javed Ahmed in Pakistan, S. Rengasamy in South India, Anil Shah in Northwest India, and Phrek Gypmatasiri in Thailand. Relationships with ongoing work in the US (Bill Vorley at the Institute for Agriculture and Trade Policy), Australia (Jim Woodhill at Greening Australia) and the UK (Jules Pretty at the University of Essex) were established to ensure that industrialised country perspectives were included in the project's scope.

Each team was asked to propose an in-depth study of sustainable agriculture and its relationship to policy, appropriate to their local context, giving PTW a broad coverage of different farming systems, agro-ecological conditions and institutional contexts. IIED's strategy was to channel as much work as possible through to partners in these countries, in order to ensure local ownership of the material and its development.

IIED's role as project co-ordinator was to provide research partners with background information such as literature reviews, policy 'libraries' and a searchable database, and to back-stop the research teams.

Representatives of the country teams met in October 1996 in the United Kingdom to conceptualise the research process, and then once again at a workshop in February 1998 in South Africa. Bilateral linkages between country teams were also encouraged, and a visit by PTW researchers and local stakeholders from South Africa to Bolivia and Brazil in April 1999 proved the value of such a triangulation in methodology. Two background documents were commissioned – a survey of available methodology and a literature review. *'Think Pieces'* were also commissioned to make the connections with emerging theory – notably of livelihoods frameworks – and to make the connections between local policy and transnational economic, trade and business institutions (see *Appendix 3 Associated material available from the 'Policies That Work' project*). Country reports were finalised between 1999 and 2001. Each report stands alone in its regional or national context. But it is worth looking for common themes and lessons across the reports and *'Think Pieces'*, which is the aim of this report.

This report reflects the work of all the teams of researchers and their country reports as well as the *'Think Pieces'*. The lead author of the report was Bill Vorley. The structure and analytical framework of the report was agreed at an analysis and writing workshop in February 2000, attended by Penny Urquhart, James Carnegie, Diego Muñoz, Chris High, Simon Ferrigno, and John Thompson. Reviewers and

editors of draft versions of the report include Fiona Hall, Olivier Dubois, Penny Urquhart, James Carnegie, Nazneen Kanji, Steve Bass, Chris High and John Thompson.

Funding for the project has been provided by the Royal Danish Ministry of Foreign Affairs (DANIDA), the UK Department for International Development (DFID), the Kreditanstalt für Wiederaufbau (KfW, Germany – Senegal case Study), the Swedish International Development Co-operation Agency (Sida) and the Swiss Agency for Development Co-operation (SDC). The analysis and writing workshop was supported by a supplemental grant from DFID.

Executive Summary

The rural world faces profound challenges in the new century. Agriculture is expected to provide a whole range of economic, social, and environmental services. Not least, it is being asked to intensify production from a shrinking natural resource base to feed another three billion people over the next 50 years. Yet the rural world is the home of the majority of the world's poor and economic marginalisation is becoming a global rather than a 'developing country' feature of the farming sector.

Globalisation is creating new divisions within the rural world: the globally competitive entrepreneurs of Rural World 1 contrast with the failing fortunes of the family farmers of Rural World 2 and the struggle for survival of the marginalised Rural World 3. Yet policy-makers often fail to differentiate between their very divergent needs. A more disaggregated and responsive set of policies and processes are needed, particularly for those for whom many public and private policies do not work – the farm families of Rural Worlds 2 and 3.

To this end, in 1996 IIED initiated a multi-country, collaborative research project entitled *Policies that Work for Sustainable Agriculture and Regenerated Rural Economies* (PTW). The PTW project aimed to identify policies and policy processes that support sustainable agriculture and rural regeneration. It examined a cross-section of case studies across a range of agroecological and socioeconomic environments, and commissioned a number of 'Think Pieces' to make the connections between local policy and transnational economic, trade and business institutions. The research started by identifying 'islands of success' of sustainable agriculture and then observing the different forces, power dynamics, policies and institutions that impacted on those successes.

This report draws on the various findings to build up a picture of the policy environment for sustainable agriculture at the levels of local community, local government, national government, the private sector, and global institutions. It makes recommendations for each of these levels.

Findings

From the **local community perspective**, national policy is often invisible. National policy largely ignores the complex local reality of rural livelihoods, especially for smallholders. This policy gap sometimes creates the social and political space in which innovative practices and novel ‘experiments’ may emerge. But without being rooted in a broader policy context with strong institutional backing, these ‘islands of success’ frequently fail to spread or be scaled up.

There are several ways that local producers can be supported: (1) building **social capital** to draw down resources and power, to understand and develop markets, to develop political and horizontal networks, to build coalitions or social movements (demanding/demonstrating), and to co-operate around resource scarcity; (2) providing financial support and adapted credit systems to create financial capital; (3) ensuring effective decentralisation (see below); (4) engaging with stakeholders and the representatives of federated organisations when planning rural strategy; and (5) ensuring fair trade between commercial agriculture and resource-poor land users.

Decentralisation has handed over the needs of the rural poor to a reformed and empowered **local government**. However, we have described how increased expectations of this middle or meso-level government have often been accompanied by a reduced ability to deliver on them. Decentralisation as *disengagement* will not reverse the trend towards marginalisation experienced in Rural Worlds 2 and 3. Good governance is vital at this level if pro-poor and pro-environment policies are to have any real impact, but the lack of professional incentives, limited organisational capacity, and the paucity of resources to accompany the added responsibilities places a tremendous burden on policy actors. In this context, *functioning community organisations* are essential. In policy terms, this requires governments to provide a *non-hostile institutional and legal framework for indigenous peoples, peasant organisations and producer groups*.

The **national** level of government is traditionally where policy is decided and from whence policy directives emanate. But in an era of decentralised government and the increasingly global nature of agribusiness, there are clear limits to the ability of the state to respond to the challenges facing Rural Worlds 2 and 3. Two key challenges are *access to markets* and *pricing*, related to the *terms of trade* between farming and the rest of the agrifood chain. A clear role for public policy is to put the right institutions in place for smaller scale agriculture to successfully connect with national or global capital. These can include building appropriate frameworks for contract farming or producers' organisations, as well as legal and regulatory oversight at the meso level. Efficient and equitable markets are created by strong governments, not by self-governing markets.

The PTW case studies highlighted how building social capital and effective decentralisation could, for example, empower watershed associations or improve collaboration between farmer organisations and government to improve and oversee trade with agribusiness. Promoting multi-stakeholder participation at the national policy level can create a facilitating national environment for these local and meso initiatives.

Private policy can encourage large private sector players to actively support national agricultural and rural development policies. State and civil society pressure on the private sector, especially large retailers and processors, will be key to effectively engaging corporations to assist developing nations to meet their objectives of sustainable rural development.

At the global level, we ask whether the **global trade and economic liberalisation agenda** can be brought closer to the wider principle of development, to be a tool in improving livelihoods and human welfare. Are there policy tools for rural communities – especially Rural Worlds 2 and 3 – to influence these global institutions? Does the building of social capital, so important for giving a voice and a market to local people at the regional and national levels, have any bearing on these distant global institutions and corporations? Priority must be given to the development of domestic and regional markets rather than exports. Countries should

have sufficient flexibility for domestic policy measures – which may include supply management tools – that protect domestic producers from a surge in imports or a significant decline in import prices.

In conclusion, the PTW study has emphasised that policy reform for sustainable development will *not* be achieved by formulating yet more public policies. A focus on *governance* – the structures and processes that determine *how* policy is made and implemented – is key to understanding how marginalised groups such as Rural Worlds 2 and 3 can negotiate with the state and the private sector in order to set a new political and economic agenda.

Policies That Work – for improved natural resource management, improved productivity, improved value-added, improved technology, improved market access – have been achieved through processes that strengthen farmers’ bargaining position with global or national agribusiness, and/or with regional and national government. It is by understanding those *processes and institutions by which people reclaim some control over their lives and influence policy at the community, regional and national levels* that we can draw generic lessons. We make four final recommendations as prerequisites for coherent policy intervention: (1) negotiate agreement on the functions and objectives of smallholder and family-based farming; (2) create the right environment for peasant organisations and new social movements to be partners in decentralisation; (3) agree on the roles of NGOs, community groups and the public sector; (4) create the right environment for fair trade between small farmers and agribusiness, towards democratic control over markets.

The technological and political facets of ‘globalisation’ are bringing family farms from a tremendous variety of agroecological and economic endowments and constraints into direct competition. Whether rural livelihoods gain or lose resilience from these rapid changes will depend on conscious national and global policy-making built around an appreciation of the multiple functions of family farms – both North and South.

Section 1

Cross-cutting analysis

Chapter 1 Introduction

The dynamics of agricultural change: three rural worlds

More than half of the population in the developing world is rural, and globally 1.3 billion people work in agriculture. In both developing and industrialised economies, increasing globalisation is leading to increasing *differentiation* between these rural citizens. Such differentiation is creating *three rural worlds* (Box 1.1).^{3 4}

Box 1.1 The Three 'Rural Worlds'

Rural World 1. Globally competitive, embedded in agribusiness, commodity producers and processors, politically connected, export-driven, adopters of Green Revolution and transgenic technologies.

Rural World 2. Locally orientated, with access to and control of land, multiple enterprises, undercapitalised, declining terms of trade, the 'shrinking middle' of agriculture.

Rural World 3. Fragile livelihoods, limited access to productive resources, multi-occupational migrants straddling rural and urban residencies, unskilled and uneducated, dependent on low-waged, 'casual' family labour, redundant relative to global food and fibre production.

(After work by Bill Reimer in Canada, and David R. Davila Villers in Mexico)

The large farmers and entrepreneurs of **Rural World 1** are a minority, connected into the global food economy. Through contracts with a rapidly consolidating agricultural handling and processing industry and

³ Bill Reimer. *A Whole Rural Policy for Canada*. Submission to the Canadian House of Commons Standing Committee on Natural Resources for its Study on Natural Resources and Rural Economic Development by The Canadian Rural Restructuring Foundation, Tuesday, 28 May 1996. See <http://artsci-cwwin.concordia.ca/socanth/CRRF/whole.html>

⁴ In R.C. Rounds (ed), *NAFTA and the New Rural Economy: International Perspectives*. CRRF Working Paper Series Number 10, 1998. Canadian Rural Restructuring Foundation c/o The Rural Development Institute, Brandon University, Manitoba Canada R7A 6A9.

even directly with food retailers, these farmers have become a vital part of agribusiness. State resources, especially subsidies and credit programmes, have benefited Rural World 1 in accordance with their political influence and economic power as large modern enterprises. Commodity supply management and price stabilisation institutions, and even some national farmers' unions, frequently serve as advocates to promote the concerns and transfer resources to this powerful lobby.⁵ More recently, health and safety policies in OECD countries have further driven differentiation in the countryside, as only the most capitalised and tightly managed enterprises can meet the strict regulations imposed by importing nations or processing and retail sectors.

Rural World 2 is comprised of the family farmers and landed peasantry who have traditionally constituted the bedrock of the rural economy, from India to the American prairies.⁶ But low levels of capitalisation, poor integration with downstream food businesses and other factors such as lack of information and assets, leaves this sector exposed when government withdraws from agriculture and liberalises agricultural trade, or when agribusiness concentrates market power (and hence profits) off the farm. Rural World 2 is often landed, but land may no longer be a sign of rural wealth. Undermined by a cost-price squeeze, Rural World 2 faces declining returns and increased risks from agricultural commodity production. Off-farm work is now the norm. This is an ageing farm population whose children are unlikely to succeed them. Niche marketing such as agritourism, organics and local markets has provided viable alternatives to a minority of Rural World 2, mainly in industrialised countries.

Anyone who has spent some time working in rural areas in both developing and industrialised countries cannot help but be struck by the convergence in the fates of Rural World 2 in the South and the North,

⁵ Binswanger HP and Deininger K (1997) Explaining agricultural and agrarian policies in developing countries. *Journal of Economic Literature*, 35, 1958-2005. Available at www1.worldbank.org/wbiep/povertyandgrowth/econgro_useful_references.html

⁶ A family farm is one in which the household makes all the important operating and investment decisions, owns a significant portion of the productive assets and provides a significant amount of the labour required by the farm.

Box 1.2 Common Features of Rural World 2 in Developing and Industrialised Countries

1. Declining terms of trade for primary producers
2. Low level of capitalisation
3. Economic subordination to (and mediation of production by) agribusiness
4. Political subordination in state and market relations
5. Exposure to risk and uncertainty through external market fluctuation and global competition (often of subsidised exports)
6. Reliance on income sources outside of farming; multiple, diversified livelihood strategies
7. Resilience of family- and community-centred ideologies

especially the American Midwest, Canadian prairie, the UK and central/eastern Europe. What peasants and family farmers have in common looks increasingly more consequential than what separates them (i.e., that Southern ‘peasants’ have a degree of subsistence, while Northern farmers market most or all of their production and are supported with heavy public investment; that displaced and Southern farmers have reduced potential for repositioning in the non-farm sector) (Box 1.2).

Exposure of these poorly capitalised farmers to wild fluctuations in market prices and global competition (often an unfair market awash in subsidised exports) is pushing both peasants and family farmers into poverty and fractured livelihoods.

Rural World 3 is the struggling underclass that includes almost four-fifths of the world’s hungry. The households of Rural World 3 focus mainly on survival, with livelihoods diversified into mixtures of off-farm work, temporary migration and agriculture. Rural World 3 is often mislabelled ‘the livelihoods economy’, but far from being strictly subsistence producers, their peculiar characteristic is that they combine commodity and subsistence production to varying degrees. This group is prevented from joining the formal urban economy by lack of education, training and access to regular employment opportunities. Support from urban-based relatives may be declining due to economic hardship and public sector

What peasants and family farmers have in common looks increasingly more consequential than what separates them.

retrenchment in the cities. Rural World 3 is the world of mental and physical erosion, with depleted human and natural resources. Highly differentiated by class, gender, age and ethnicity, they are not a homogeneous group. Nevertheless, indigenous farming and pastoral groups are over-represented in Rural World 3. They are generally excluded from the key arenas of power and policy-making, despite the rhetoric of ‘pro-poor’ development strategies.

The vulnerability of the people of Rural World 3 relates to their involvement in continual negotiations over:

1. access to productive resources (i.e., land, labour and capital)
2. external extractive claims on their labour
3. the terms and conditions of production, notably the level of externally provisioned social and productive service infrastructure
4. the amount of productive risk they shoulder (which is increasing)

The economies of Rural Worlds 1 and 3 appear to be completely separate, but they do paradoxically come face to face in the apple orchards of Washington State, the strawberry fields of California and the tomato fields of Northern Mexico. Migrants from rural Mexico and Central America constitute the bulk of the labour force for major agro-industries on farms and in meat processing plants in the US. Similarly (sometimes undocumented) migrants from the Central and Eastern European economies, North Africa and Turkey, work the fields and orchards of the European Union.

A careful stocktaking of Rural World 3 by public and non-governmental agencies concerned with rural development has led to the development of various **livelihoods frameworks** in an attempt to correct misperceptions about the way that these people get by and get things done.

For instance, the longstanding perception of rural livelihoods as simply strategies based on agriculture and natural resources is now seen as inaccurate and inadequate. A livelihoods framework extends so-called ‘assets’ beyond natural capital (such as land, water and biodiversity),

financial capital (savings, credit, remittances etc.) and human capital (skills, knowledge etc.) available to the individual, to less tangible *social, political and cultural capital*. This is a conscious focus on capacities, assets and strengths, as well as resilience to shocks and stresses. The use of livelihood frameworks is simply catching up with the reality of patterns of rural survival at the beginning of the third millennium. Juggling a number of agricultural and non-agricultural income-earning activities has become the norm as households “*attempt to compensate for the high risks associated with agricultural price decline, output fluctuations and lack of access to land or credit*” (Bryceson, 2000). The structure and internal relations of rural households is undergoing radical change, in response to increasing vulnerability and increasing opportunities, leading to high spatial and occupational complexity.

The differentiation of the countryside mirrors the global division of labour that is widening the gap between a core of well-paid workers and a majority of flexible, low-paid, casualised labourers. Rural areas are also competing for a global pool of capital, and the margins (both social and geographical, including many traditional agricultural ‘heartlands’), are bypassed. The number of Least Developed Countries⁷ (something of a Global World 3) is actually *growing*, up from 26 in 1970, now standing at 49 and soon to hit the 50s. The share of these LDCs in world trade is dropping, now standing at only 0.4%.

It is clear that policy priorities for each Rural World are quite different. But the tremendous disparities between the Rural Worlds are very often missed in sectoral agricultural policy or *territorial* rural development policy, which make little or no distinction between the priorities of each livelihood group. And yet national expectations of agricultural policy – food security, employment and enterprise development, trade and foreign exchange earnings, natural resource management, conservation of biodiversity; even poverty alleviation and managed

The tremendous disparities between the Rural Worlds are often missed in sectoral agricultural policy or territorial rural development policy.

⁷ The category of least developed countries was initiated by the United Nations Conference on Trade and Development (UNCTAD) in 1971: all countries with GDP per capita of \$100 or less, manufacturing output less than 10% of GDP, and adult literacy less than 20%.

urban development – are often expected to be achieved with undifferentiated policies. The polarisation and economic marginalisation of much of global agriculture is paralleled by a decline in agriculture’s ability to serve these multiple roles in sustainable development. Agriculture as a sector is expected to provide a whole range of economic, social, and environmental services. Addressing the causes of economic marginalisation is key to making the multifunctional role of agriculture a reality, and to building the resilience of agriculture and rural communities.

Points of policy leverage over farm *production* and farm *income* have been primarily found in research, with improved farming systems and breeding material expanded through public extension services and credit programmes. There has been a similar technical policy response to the crisis of *resource degradation*, encouraging the adoption of soil and water conservation techniques, with the added ingredient of the participation of local people in countries that have caught on to the benefits of participatory resource management. In terms of both farm productivity and natural resource management, it is assumed that benefiting ‘agriculture’ creates equal benefits for Rural Worlds 1-3. This assumption is increasingly obsolete.

The marginalisation of Rural Worlds 2 and 3 is an affront to the expectations of sustainable rural development, as envisaged at the United Nations Conference on Environment and Development (UNCED) at Rio de Janeiro, Brazil, in 1992.⁸ The size of Rural World 3 is a graphic illustration of a failure of policy and a threat to regional food security and sustainable development, both rural and urban. Without the right policy environment and price signals, smallholder farmers cannot be expected to invest in agriculture and produce enough food for an extra 2.5 billion people. Furthermore, the increasingly fragile or exhausted state of natural resources in farming areas of the

⁸ At the UNCED ‘Earth Summit’ at Rio in 1992, the world community set out a vision and action plan for sustainable development in *Agenda 21*. In Chapter 14, this called on governments, with the support of international and regional organisations, to formulate, implement and monitor policies, laws and regulations and incentives leading to sustainable agricultural and rural development (SARD), and improved food security.

world⁹ – so frequently labelled as technological failures in need of new Green Revolutions – are also signs of policy failure.¹⁰ Policy may succeed on one score, such as ensuring food security within the EU or North America, but badly fail to sustain natural resources or to create vibrant rural communities.

Policy failure does not imply a shortage of good policies. Policy is a process involving different actors, at the centre of which are issues of power, social relations, and political influence. It is now widely accepted that policy reform for sustainable development is *not* achieved by adding more new public policies to the already impressive rosters, in the name of rural development and sustainable agriculture. A focus on *governance* – the structures and processes that determine how policy is made and implemented – is key to understanding how marginalised groups such as Rural Worlds 2 and 3 *can negotiate with the state and the private sector in order to set a new political and economic agenda*. Weak governance within and between the state, the private sector and local communities results in bad policy or bad policy implementation, which in turn affects peoples' lives and the health of the natural resources borrowed from future generations of farmers.

A focus on governance is key to understanding how marginalised groups can negotiate with the state and the private sector in order to set a new political and economic agenda.

Governance and the changing institutional environment

What is governance?

Governance can be broadly understood as the systems, structures and processes that are related both to self-governing associations and the institutions of government. Before addressing the issue of governance in this study, it may be useful to distinguish between governance *as an end* and *as a means*.

⁹ Examples are crop production sustained only by bringing marginal new lands into production to offset declines in soil quality, declining total factor productivity (efficiency of use of all the different factors that go into production, including land, labour, inputs, capital, etc), a run down natural resource base, overexploitation of groundwater, or a worsening food security index. See *World Resources 2000-2001: People and Ecosystems: The Fraying Web of Life*. World Resources Institute, Washington DC, 2000.

¹⁰ Gordon Conway. *The Doubly Green Revolution*. Cornell University Press, New York, 2000.

Governance as an end. There is much written about the need for open, democratic and representative government. On some occasions this discussion emphasises the exclusion of the poor from the institutions of government and political processes. At other times, it includes or is focused on a concern about the low-levels of **social capital**.

Discussed in this sense, governance is an end in itself. Hence some development interventions aim to ensure that governance is accessible to the poor and effective in meeting their needs.

Governance as a means. At the same time, there are other discussions in which governance is a means to an end. The improved operation of institutions of governance is sought in order to achieve, for example, better livelihoods, jobs, houses and basic services for the poor. This might be through better government, better partnerships between government and the private sector or community sector, or better self-help schemes by the poor.

This report examines governance both as a means and as an end, drawing on the country case studies to illuminate different parts of the debate.

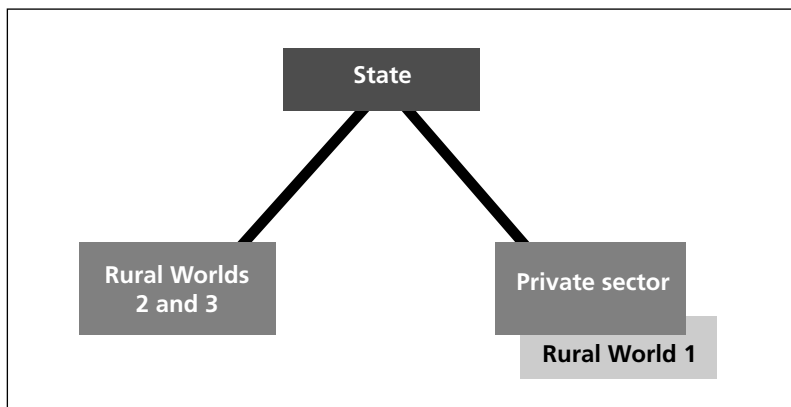
The institutions

Governance is normally described in the context of three key institutions: *government* (at state and regional levels), the *private sector*, and *civil society*, especially *local communities*.¹¹ As Rural World 1 is increasingly subsumed into agribusiness and the market, the spheres of relationships in contemporary rural development can be represented as a triad between the state (national and regional), the private sector, and Rural Worlds 2 and 3 (Figure 1.1). If the interests and power of these three sectors are poorly distributed, then agricultural and rural development¹² will proceed in a way that undermines the health and resilience of rural society, the farm economy and farmland ecology, even when executed in the name of ‘sustainable development’. Likewise, *governance that works* will achieve sustainability through *policies and processes that work*. In real life, this could allow a family to stay on

¹¹ Joseph S. Nye and John D. Donahue, eds. (2000) *Governance in a Globalizing World*. Brookings Institute, Washington, DC.

¹² Comprising the package of policies, technologies, subsidies, credits, research, extension etc.

Figure 1.1 Spheres of relationships in contemporary rural development



land that may have been in the family for generations, a region to be secure in food, the use of farming practices that conserve productive resources and the environment, and a population that can negotiate with state and business from a position of strength, having the freedom to choose lasting improvements in their livelihoods.

In terms of governance relations in Figure 1.1, policy prescriptions for improving the sustainability of agriculture tend to *overstate* the role of state institutions and understate the role of *private sector* and *local communities*. For example, the sections of Agenda 21 on agriculture and rural development make numerous demands of nation states, but do not mention a role for private industry. The twin trends of globalisation and localisation make Agenda 21 look, with the benefit of hindsight, like misplaced faith in the capacity and flexibility of central government.

The challenge of globalisation

The global market is reaching deep into peasant and family-based farming, once presumed to be insulated by protectionist policies or high levels of subsistence. The forces of globalisation, withdrawal of government from 'non-essential' services, liberalisation of agricultural sectors including trade and investment, privatisation of services and information, structural adjustment and donor conditionalities, international trade agreements, and new technologies, create an ambiguous environment for policy-makers (Box 1.3). Many of these

The global market is reaching deep into peasant and family-based farming systems.

predominantly *extra-sectoral forces* are driving divergence between the rural worlds. Governments are faced with the challenges of achieving local rural development within a globalising agri-food system, and of reconsidering the role of agriculture in rural employment and livelihoods.

Box 1.3 The dynamic agri-food policy environment

- Withdrawal of the state, and declining expectations from government interventions
- Multilateral trade agreements, including agriculture
- Decentralisation
- Revival of 'bimodal' thinking (page 36) and declining expectations of agriculture as an engine of rural development
- Market liberalisation
- Privatisation of agricultural research and extension
- New technologies, and confusion in technology policy
- Agribusiness capital, contract farming
- Rise of new social and economic organisations

The world is becoming more integrated in a variety of economic and non-economic ways, through the increasing flow of goods, services, people and money across national borders. This trend towards globalisation – though not a focus of this study – is an important macroeconomic backdrop to even the most isolated rural communities. It has far-reaching effects for rural livelihoods and the move towards agricultural sustainability. Globalisation provides the potential for increased wealth from export-led growth and enhanced trade linkages. The global marketplace additionally offers the potential for better access to new agricultural technologies, which could translate into better value-adding and less reliance on raw commodities. The increasing openness in the world economy could also mean improved access for developing countries to institutional arrangements, such as ecolabels and assurance schemes, that promote agricultural sustainability.

Open markets often mean fewer safety nets, however, which confer increased vulnerability on the livelihoods of poor producers and farm workers. They can also mean greater vulnerability to environmental risk and uncertainty. The dominance of multinational corporations in the agricultural sector that are increasingly unanswerable to any national

government or international regulatory body creates unpredictable consequences for the natural resource base, as well as for human rights, labour rights and environmental rights. Income inequalities within and between countries are growing, indicating increasing poverty and future political instability through social tensions. As the World Bank's recent report on social development comments, "*the globalisation of capital and information has not always resulted in the globalisation of better living standards.*"¹³

Hand in hand with globalisation goes the *liberalisation of agricultural trade and investment*, with uncertain impacts on small farmers in developing countries. Liberalisation can increase income differentiation *within* countries, in favour of groups with superior asset bases. Differentiation also occurs between countries, as rapid liberalisation of weak economies can cause countries to lose out to other countries, and per capita income to drop.¹⁴

International *trade agreements* that regulate which products, in which quantities, complying with which criteria, and at what price, may be traded between parties, have a clear impact on policy and livelihoods. For many developing countries, agriculture, textiles and commodities are still the bedrock of their economies. This places developing countries in a difficult position when commodity prices are dropping, and Europe and the US consistently resist opening their markets to cheaper agricultural and textile imports. This implies a clear role for the international body promoting and regulating free trade, the World Trade Organisation (WTO). However, many developing countries see the WTO as undemocratic and non-transparent and feel they have been marginalised on issues of vital importance. The world still awaits a fair and equitable approach to trade that is based on sustainable development criteria; one that recognises that 'trade involves real people, not just investment and capital flows across borders.' Chapter 6

13 World Bank (2000). *New Paths to Social Development: community and global networks in action*. World Bank, Washington DC.

14 World Bank (2000). *World Development Report 1999/2000: The Changing Development Landscape*. Oxford University Press and World Bank. Rodrik D (2001). *The Global Governance of Trade as if Development Really Mattered*. Available at <http://ksghome.harvard.edu/~drodrik.academic.ksgh/papers.html>

investigates opportunities for improved governance of international trade and finance institutions.

A further global contextual point is the *technological revolution* sweeping the world, especially in genetic engineering of plants and intensive livestock production systems, which is both a consequence of and a stimulus to globalisation.

While farmers may be attempting to play a role in the free market, increasing corporate convergence moves valuable parts of the sector away from open markets to closed retail-driven ‘demand’ chains. Large agri-business is increasing vertical integration through control of the seed companies and genomics, and through strategic alliances with other players along agri-food supply chains. Both opportunities and risks accompany this restructuring of supply chains, as described in Chapter 5.

Throughout the evolution of agricultural and rural policy, agriculture has been seen as having special characteristics – dependence on soil and climate, seasonality of income, decision-making by a large number of households, household use of part of production, and role in food security – that required specially tailored policies. But this special status for agriculture is waning. Even the international agricultural research centres – the CGIAR centres – have witnessed a decline in their budgets and their legitimacy over the past decade.

There are tremendous new demands on agricultural and rural institutions and policy-makers, but also a great uncertainty about the potential of policy tools to make a difference. How much can public policy really influence what goes on in farming and rural areas in an era of globalisation, privatisation, and lean government? What balance will be found between the institutions of state, market and civil society, and what is the role for policy (public and private) in achieving that balance? Should peasant farming be connected to new sources of global capital, or protected from the potential downside of liberalisation, to prevent the tide of global finance draining resources out of the countryside? Or should we be considering other roles and opportunities outside agriculture?

Clearly, policies and institutions that work to sustain farmers, rural communities and natural resources need to ‘work’ in these new realities. The question is how to identify, develop and implement such ‘working’ policies and systems of governance. After all, much state and NGO involvement in rural development has had minimal impact on

There is great uncertainty about the potential of policy tools to make a difference

smallholder livelihoods even in the *old* realities. The analysis of governance processes that have successfully redressed institutional imbalances, in favour of family-based agriculture and the regeneration of natural resources, is therefore vital. Extra urgency is added by the profound changes in the roles of institutions, especially in developing countries, where the market is expected to pick up as the state withdraws from agriculture and rural development.

Identifying such ‘working’ policies and governance processes was the objective of the collaborative project – *Policies That Work for Sustainable Agriculture and Regenerating Rural Economies* (PTW) – between IIED and its partners in 11 countries on five continents.

The ‘Policies That Work’ project: Seeking ‘islands of change’

The overall objective of the PTW project was to:

Improve the understanding, formulation and implementation of policies and policy processes that support the spread of forms of sustainable agriculture and rural regeneration that increase food production and access to entitlements, conserve natural resources, reduce poverty and stimulate strong rural social enterprises.

The rationale for the project is twofold. Firstly there are enough examples worldwide to suggest that agriculture which is pro-sustainability and pro-people is yielding greater agricultural production, environmental regeneration and local economic and social development.¹⁵ Secondly, these examples can help us understand the

¹⁵ Pretty J (1995). *Regenerating Agriculture: Policies and Practice for Sustainability and Self-Reliance*. Earthscan, London.

policy contexts and instruments that promote sustainable agriculture and social change, as well as the means to successfully formulate and implement such policies.

The research has been conducted through nine in-depth studies in eight countries – Bolivia, Brazil, Kenya, India, Pakistan, Senegal, South Africa, and Thailand – supplemented by links to three OECD countries, Australia, the US and the UK. The research followed an effect–cause strategy, starting from the effect of sustainable agriculture and then working backwards to identify the policy and non-policy causes. In other words, the country case studies were to involve the identification of ‘*islands of success*’ of sustainable agriculture and then to observe the different forces, power dynamics, policies and institutions that have an impact, or that have resulted in the success on the ground. The project thus continues a tradition of multi-country comparative case analyses for deriving best practices for agriculture and rural development policy-making.^{16 17}

Finally, having explored the interactions among the state, civil society and market actors, the research developed recommendations for new policy-making and implementing processes that enhance helpful policies and amplify existing pockets of sustainable agriculture, i.e. scaling up from islands to form ‘continents’ of success.¹⁸

Defining sustainable and multifunctional agriculture

There are as many definitions of sustainable agriculture as there are groups that have met to discuss the issues. The FAO definition of Sustainable Agriculture and Rural Development (SARD), which has received very wide international approval and commitment, states:

¹⁶ There are many multi-country projects within the EU, such as Baldock *et al.* (2001) *The Nature of Rural Development: Towards a Sustainable Integrated Rural Policy in Europe*. Institute for European Environment Policy IEEP, London.

¹⁷ Another example is ‘Instructive experiences in rural development’ co-ordinated by the Cornell International Institute for Food, Agriculture and Development (CIIFAD), published in two volumes:

Krishna A, Uphoff N and Esman MJ (1997). *Reasons for Hope: instructive experiences in rural development*. Kumarian Press, West Hartford, Connecticut.

Uphoff N, Esman MJ and Krishna A (1998). *Reasons for Success: Learning from instructive experiences in rural development*. Kumarian Press, West Hartford CT.

¹⁸ In the language of sustainable livelihoods, we are working back from ‘livelihood outcomes’ to understand the influence of ‘*transforming structures and processes*’ such as laws, policies, institutions and incentives that transform capitals assets into those positive outcomes.

*The SARD approach aims to foster sustainable development in the agriculture, fisheries and forestry sectors that conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable.*¹⁹

Preserving the productive capacity and resilience of natural systems is obviously a precondition upon which profitability and equitable sharing of benefits depend. This is acknowledged in Gordon Conway's definition:

*'Sustainable agriculture is one which is resistant to stress and shock, and which combines productivity, stability and equity.'*²⁰

Below these umbrella definitions exists a very wide range of interpretations, from 'deep' to 'surface' SARD.²¹ Most uses of the term 'sustainable agriculture' within the OECD focus on the "environmentally non-degrading" element of the FAO definition ²² (i.e. producing food and income while minimising negative impacts on the environment) and at its most 'surface' extreme are constructions of sustainable agriculture equivalent to 'precision agriculture' i.e. better targeting and optimum use of chemical inputs.

But, as the president of the International Federation of Agricultural Producers (IFAP) said recently, the concept of what constitutes sustainable agriculture has to be much broader. *"Today, it includes not only economic sustainability, but also environmental sustainability, social sustainability, and ethical sustainability."*²³ The emergence of the term multifunctional agriculture or multifunctional land use in Europe and Japan over the past decade is, in part, an attempt to reclaim the concept of sustainable agriculture within the holistic social-environment-economic space of sustainable development, and to catch

¹⁹ Developed and refined between the FAO-Netherlands conference at Den Bosch in 1991 and UNCED in 1992.

²⁰ Gordon Conway (President of Rockefeller Foundation) presentation to 8th Meeting of the Commission on Sustainable Development

²¹ Farquhar I and Smith A (1994). *Deep SARD/Surface SARD*. NGO Background Paper for CSD. Available at www.csdngo.org/csdngo/agriculture/agr_deep_SARD.htm

²² See OECD, *Sustainable Agriculture: Concepts, Issues and Policies in OECD Countries*, Paris: OECD, 1995.

²³ Gerard Doornbos, addressing the 2nd OECD Conference of Directors and Representatives of Agricultural Knowledge Systems, 10-13 January 2000. Available at www.ifap.org/news/sp100100.html

up with political reality. It also, according to the analysis of Einarsson (2000), signals a fundamental change in the nature of the debate over sustainable agriculture.

Although a working definition of *sustainable agriculture and rural livelihoods* (SARL) was developed for the purpose of the PTW research to guide the country case studies, this was deliberately kept quite broad to make room for local interpretations by the case study teams (*Appendix 1 Glossary*).

Each country team developed operational definitions that covered the *environmental, social, and economic* triad of sustainable development (i.e., sustainable agriculture and rural development must *conserve natural resources, be equitable, and be competitive*). These definitions became the selection criteria that were used to identify the ‘islands’ that were studied during the course of the field research. They also were used to explore the perspectives and priorities of key stakeholder groups regarding the policy options that emerged during the course of the research.²⁴

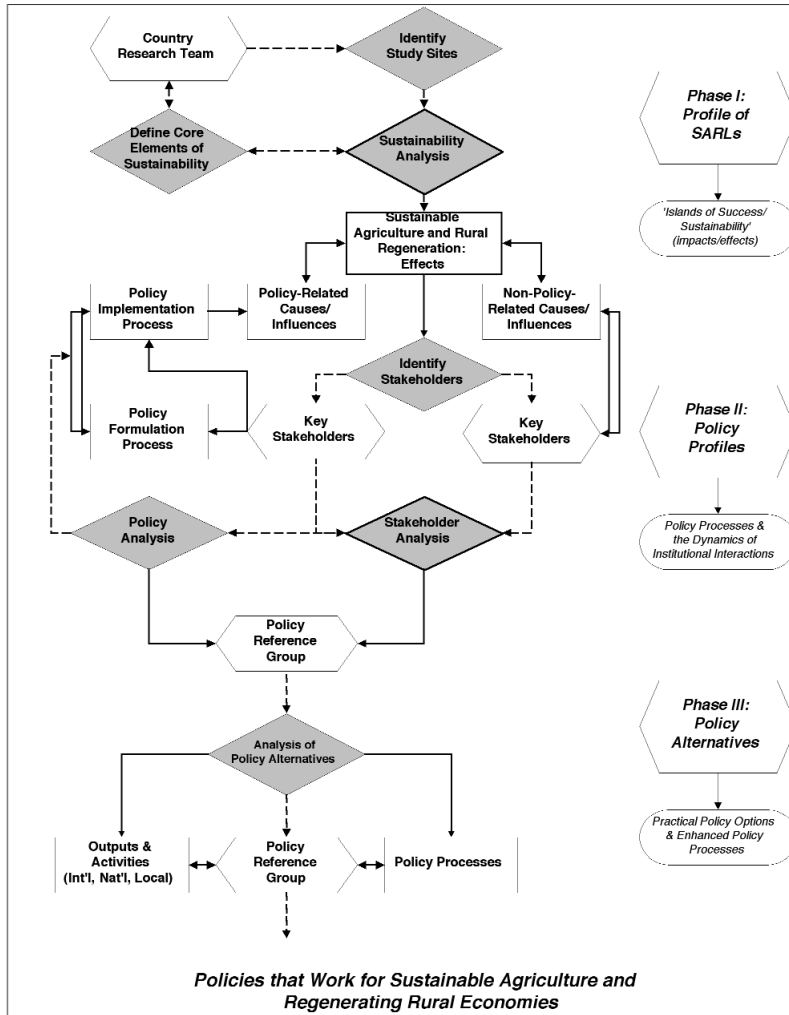
Methodology

IIED and its partners set out to understand policy as a critical factor in shaping and supporting sustainable agriculture and rural livelihoods. The guiding question was, “*Where are the public policies and policy processes that work, and how can they be strengthened and spread further?*” The research process in each case study country consisted of three main activities (Figure 1.2):

1. Conducting a profile of sustainable agriculture to identify ‘islands’ of sustainable practice and innovation.
- Research teams reviewed successful agricultural initiatives or ‘islands of

²⁴ Two country teams, **Kenya** and **South Africa**, carried out detailed surveys in which different actors from the public and private sectors defined the term sustainable agriculture according to their points of view, analysed the opportunities and constraints to spread, and assessed future policy options. For more information, see James Cheruiyot Boit (1999), *National Survey of Sustainable Agriculture in Kenya*. London: IIED and Nairobi: Tegemeo Institute of Egerton University; and Urquhart P and Fakir S (1998) *National Survey on Sustainable Agriculture: South Africa*. Synthesis report. Unpublished report for IIED, London.

Figure 1.2 Three Phases of PTW Research



sustainability' within the case study country or region. Once examples were identified, the teams 'worked backwards' in order to identify the policy forces supporting these 'successes'.

2. Analysing the policy processes, specific policies and policy actors that have enabled such sustainable agriculture to emerge, persist, and in some cases, to spread.

Research teams examined in some detail the nature of the particular policies supporting the sustainable agriculture initiatives they identified as case studies. The actors involved in formulating and implementing these policies were identified. Other areas of interest included the distortions between policy writing and policy implementation, and the processes involved in policy formulation and implementation.

3. Identifying and developing viable *policy options* for improving the sustainability of agriculture and regenerating rural economies. Through this activity, in which policy-makers and stakeholders were involved, some alternatives to current policy and to current policy-making processes were developed so that more sustainable and equitable forms of agricultural and rural development could be promoted.

The methodology was not prescriptive and each country was able to interpret and adjust the basic framework and process to suit local circumstances. This resulted in the different countries adopting a variety of methodologies and yielded a divergent yet rich array of findings which have been combined to form this report.

The difficulty of defining ‘success’ meant that many of the country studies felt they were not able to identify cases of ‘successful’ sustainable agriculture and therefore focused on specific elements of agricultural systems that were considered desirable for sustainability. Given the ambiguity surrounding the term ‘success’, in other instances, such as the Senegal case studies, it was felt more appropriate to consider ‘islands of change’.

Some of the PTW case studies were intensely local in nature, and therefore produced interpretations that were strongly shaped by researchers’ subjective interpretations and may be less applicable to general theories that can be tested in other settings. Cross-cutting analysis is valuable only for some, rather than all, of the insights of each country report.

During the course of this research it became clear that much greater attention needed to be given to how policy is articulated at the local,

meso and state levels in order to highlight the tensions and trade-offs that invariably arise when policies are applied in practice. Only then would we be able to recognise the ‘leverage points’ that offer opportunities for opening up the debate and informing and influencing policy and practice.

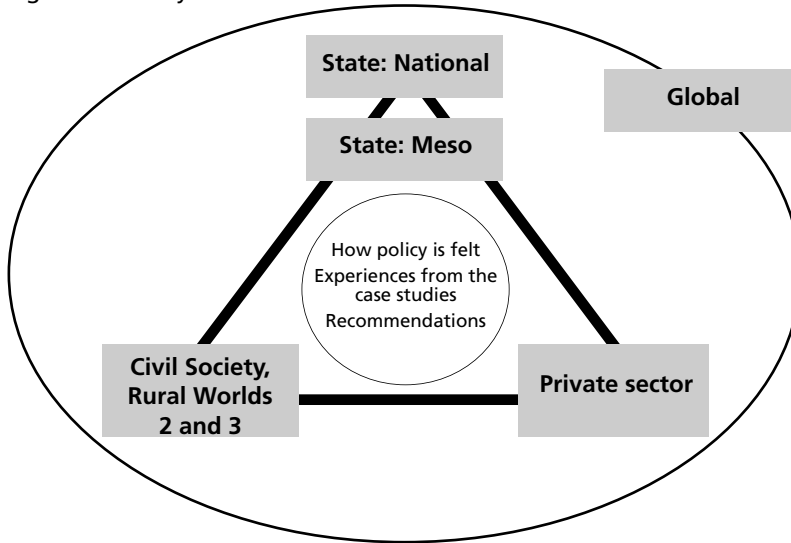
At the same time, it became apparent that greater recognition of the private sector as an important policy actor was needed in order to understand the changing dynamics of the countryside and the three Rural Worlds, particularly given the rapid rate at which globalisation of the agrifood system is proceeding. The PTW country cases were complemented by a series of published *‘Think Pieces’* that provided context to the global forces driving rural development and its analysis (*Appendix 3 Associated material available from the ‘Policies That Work’ project*). These include two assessments of supranational market organisations (the WTO, and the EU’s Common Agricultural Policy), an analysis of the role of agribusiness, and a critique and extension of livelihoods frameworks. As with the case studies, these papers have helped inform this synthesis report and the design of the next phase of research on sustaining smallholder agriculture in a climate of economic and trade liberalisation. Another clear evolution during the life of the project was an expansion of focus out from sustainable agriculture to embrace livelihoods and governance.

Selected extracts from the full country reports are presented in *Section 2 The Case Studies: Summarised extracts*. Readers are referred to the individual reports for more detailed information.

The organisation of this report

This document draws on the lessons from the various country case studies in the PTW project to build up a picture of the policy environment for sustainable agriculture at the levels of **local community, local government, national government, the private sector, and global institutions**. While aware of the blurred boundaries between the state, civil society and market, the document describes how individuals at each level are affected by state and extra-state policies, and how they are able to engage with the

Figure 1.3 Analytical model



policy-making process and shape the policies that will influence them, as well as the dynamics and interactions between and among the actors. Figure 1.3 summarises this framework. The aim is to promote mutual learning from the local level through to the global level and vice versa, towards ensuring balanced governance for rural livelihoods based on sustainable agriculture and vibrant regional economies.

The local or community level is the focus of Chapter 2. Here the experience of perverse policies and policy processes working against sustainable agriculture or rural livelihoods is widespread, particularly for the farmers of Rural Worlds 2 and 3. Even more common is the policy ‘bubble’ or ‘vacuum’, where policy appears to have little or no discernible influence or impact on local conditions or outcomes. As we will see, this policy gap sometimes creates the social and political space in which innovative practices and novel ‘experiments’ are able to emerge and even persist over time. But because they are not rooted in a broader policy context with strong institutional backing, these ‘islands of success’ frequently fail to spread or be scaled up.

Chapter 3 deals with meso-level government, perhaps the most complex and least understood stratum of the modern state. This ‘in-between’

level is comprised of different types of actors in local and regional government who communicate policy demands from the ground up and interpret and implement policy pronouncements and decisions from the top down. Here the dilemmas of decentralised planning and decision-making under conditions of scarce resources come to the fore. Officials caught in this middle level frequently feel pressurised by both the local constituents they are meant to serve and the conflicting demands of central government. The need for good governance is vital at this level if pro-poor and pro-environment policies are to have any real impact, but the lack of professional incentives, limited organisational capacity, and the paucity of resources to accompany the added responsibilities places a tremendous burden on policy actors.

The national level of government, covered in Chapter 4, is often where policy is decided and from whence policy directives emanate, though globalisation and the erosion of state sovereignty means that the national level increasingly takes on ‘meso’ characteristics. Thus, while actors at this level generally enjoy more power and authority over key policy processes, they also are caught between the pull from below (particularly in an era of decentralised government) and the demands of powerful international development agencies and multinational agribusiness. Despite these pressures, the PTW case studies did find examples of multi-stakeholder participation in setting agricultural and rural development policy. These cases point to improvements in governance, rather than the addition of yet more policies, as the key to bringing lasting improvements to the lives of the farm families of Rural Worlds 2 and 3.

Chapter 5 focuses on the role of the market and private sector in agricultural policy and practice. This chapter draws on the PTW case studies to highlight two areas where market forces can be harnessed to support Rural Worlds 2 and 3. The first looks at how public policy can bridge gaps in knowledge or technology and provide a legal framework to enable smallholder farmers to access lucrative, value-added markets without losing out to intermediaries. The second area shows how private policy can encourage large private sector players to actively support national agricultural and rural development policies.

In Chapter 6 we examine the role of multilateral finance and trade bodies, which can support, bypass or undermine national policies for sustainability and which raise the key question of how global governance of these institutions is to operate to the benefit of marginalised rural citizens.

At each level, we use the case study material to demonstrate and analyse how different types of actors (broadly civil society, market and state) interact, influence and respond to certain structural conditions, problems and opportunities within particular policy environments. We use these insights in Chapter 7 to develop practicable recommendations for informing and influencing policy processes in order to make them more pro-poor and pro-environment.

Section 2 of this report summarises extracts from the individual country case studies, which support the conclusions in Section 1. The report ends with information about the partners, and products of the 'Policies That Work' project.

Summary

By examining a diverse cross-section of case studies across a range of agroecological and socioeconomic environments, the Policy that Works project has sought to demonstrate how the traditional divisions of the rural folk of the world into rich and poor, North and South, full and part-time farmers and so on, no longer provide a useful analytical framework for understanding the dynamics of international agriculture at the beginning of the 21st Century. Important distinctions between different farming populations and enterprises are masked, while certain similarities are ignored.

A new analytical 'lens' is needed through which the different 'rural worlds' of farmers and rural citizens can be examined and understood.

A new analytical lens is needed through which the different 'rural worlds' of farmers can be examined and understood.

The difference between the rising star of the globally competitive entrepreneurs of Rural World 1, the falling fortunes of the family farmers of Rural World 2 and the struggle for survival of the poor peasants of Rural World 3 is that policy-

makers often fail to differentiate between their very divergent needs. The ‘one-size-fits-none’ approach to agricultural policy will no longer do. A more disaggregated and responsive set of policies and processes are needed, particularly for those for whom many public and private policies do not work – the farm families of Rural Worlds 2 and 3.

Rather than respond with suggestions that would lead to further policy inflation and further policy failure, this study has focused attention on the need to build better governance structures and systems. Paying attention to policy processes and the relationships between actors is more important than rolling out ever more programmes and initiatives. In the face of the processes of globalisation that are affecting even the most marginalised and peripheral populations, the roles, responsibilities and interactions of industry, commerce and civil society need to be explored as well as those of central and local government. If the increasing worldwide inequality gap is to be reversed, all these groups need to be involved in creating a fair and equitable approach to trade and sustainable countrysides. Above all, the marginalised people of Rural Worlds 2 and 3 must be empowered to make policy rather than merely ignore, evade or suffer its consequences.

Chapter 2

Local Communities and Civil Society

The community level is where the simplified, blunt instrument of policy can meet or miss the diverse and complex realities of rural people's lives. Local communities are also expected, by the World Bank and many development agencies, to be where capacity will be built to deal effectively with a liberalised market and decentralised government.

How people at the local level experience policy

Looking at agricultural and rural development policy through the eyes of Rural World 3, policy can seem either like background noise or the interference of a predatory and extractive state.

Through the eyes of the rural poor, policy can seem either like background noise or the interference of a predatory and extractive state

This was certainly the case for farmers in most of the PTW case studies. For the people at the local level, policy and the institutions and organisations of government were invisible or oppressive, rather than something that works for sustainable agriculture and can positively influence their livelihoods. They think of policy as 'the way things work around here'. When people hear about policies, even pro-poor initiatives such as the King of Thailand's 'New Theory'²⁵, they feel alienated from the national debate, and excluded from the development model.

This cynicism, so devastatingly expressed in Mahmood Hasan Khan's descriptions of local perceptions in Pakistan²⁶, is based on the reality of

²⁵ A land management theory developed by His Majesty the King of Thailand during the late 1990s, to enable small-scale farmers to be self-sufficient while creating unity and fostering harmony in the community. A typical farm is divided into 4 parts: paddy field, field crops or fruit trees, and large farm pond. A group of farmers then work together to form a co-operative for the purposes of production, marketing, welfare and education, with assistance from the government, foundations, and private sectors.

²⁶ For instance, see Khan, Mahmood Hasan (1998a). *Public Policy and the Rural Economy of Pakistan*. Vanguard Books, Lahore, Pakistan; and Khan, Mahmood Hasan (1998b). *Climbing the Development Ladder with NGO Support: Experiences of Rural People in Pakistan*. Oxford University Press, Karachi.

power relations that govern rural peoples' lives and determine the extent to which they are able to engage with policy. The well-off at the local level are able to affect policy, which is why policy-makers take them into account. The study in **India – Tamilnadu** showed that successful 'farmers' are successful, in part, because of their connections into the political system.

For Rural World 2 – the family-based farmers who used to be 'insiders' in agriculture sectoral policy – there is a widespread feeling of being abandoned to the uncertainties of the world market and the market power of agribusiness.

Farming policy and livelihood reality

Agricultural policy focuses on full-time well-capitalised farmers (predominantly the *Rural World 1* in Box 1.2), not just because of their influence and **rent seeking**, but because they are more easily identified as 'farmers'. This common stereotyping of rural populations as being engaged in a uniform enterprise of 'farming', overlooking the majority of rural livelihoods (especially of women), is another reason why rural people see little relationship between their activities and distant public policies.

Policies are diminishing the value of non-financial assets that are so key to people's ability to choose where they want to live. Policy is driving differentiation in the countryside, between industrial and peasant farming systems. The well-capitalised farmers around whom the political and financial systems are built are managing mostly financial assets – a question of inputs and outputs. The research team that conducted the **India – Tamilnadu** PTW study identified this group of politically connected people; they are perceived locally as wealthy and are called 'farmers', but never actually farm themselves. They accumulate capital by investing in non-agricultural ventures, which enables them to be successful as farmers. Policy is usually built around a limited, male subset of the farming population who are able to get credit from the bank and buy inputs such as fertilisers, chemicals and machinery. Consequences for paid and unpaid female labour – in terms of increased workloads, poor health and negative outcomes for household welfare – are not 'counted' in policy analysis and development.²⁷

²⁷ E.g. Evans, A. 1989. *Women: Rural Development. Gender Issues in Rural Household Economics*, IDS Discussion Paper, No. 254

Peasant societies in the South, and increasingly also ‘family farm’ commodity producers in the North, deal with their situations of permanent uncertainty through highly flexible economic and productive diversification. In terms of the ‘capital assets’ described in rural **livelihoods frameworks**, these complex livelihoods are a conscious means to increase security and reduce risk. But such livelihood strategies bear little relationship to the intent or implementation of public policies.

The livelihood strategies of most farmers and rural citizens bear little relationship to the intent or implementation of public policies.

In the countries where PTW research was conducted it was possible to see rural people who make enough money from farming to provide their families with everything they need, some who farm part-time, and some who don’t farm at all. In Thailand for example, *non-farm* income provides on average 75% of the cash coming into a rural household, and the figure across Asia is probably between 30 and 40%. Diverse livelihoods, mixing farm and non-farm activities and often including seasonal migration to urban or overseas employment centres, are widely and increasingly common in rural economies. These strategies insulate a family’s income from seasonal fluctuations, perhaps allow them to retain a small property and thus access other types of capital and avoid complete migration, or get higher returns on capital than can be got from farming. But the decision to be drawn into non-farm work is often made in response to unfavourable conditions and agricultural stagnation, perhaps (but not always) as a result of failed policy. These are not just one-way relations; agriculture also plays a role in the livelihoods of many urban dwellers for similar reasons.

Landless farmers have the fewest options. They do not have the means to leave the rural area, which makes them weaker in terms of social, cultural and other assets. Poverty is not only defined as lack of access to economic capital, but to these other assets. They usually find alternative employment within the rural area. For example, landless corn and bean producers in Brazilian *fazendas* earn money by selling their labour during the three months of the year when beans, maize and potatoes are harvested. Landless rural labourers are often the first to experience food insecurity caused by regional economic dislocations or natural calamities.

The necessity of livelihood diversity underscores the need for *flexible* and *differentiated* policies.

When policy is aimed at smallholder farmers, as observed by the **Brazil** case study, it risks becoming entirely social in orientation. The outcome is a schizophrenic policy environment, split between productivist trade and economic policy for the large export-oriented ‘farmers’ of Rural World 1 and social policy for Rural World 3, labelled as ‘subsistence’ peasants. The Brazil report notes that “*recent policies for family farming are more often than not oriented towards ‘compensating’ ‘social dues.’ Their role in overcoming the structural obstacles to sustainable development of this major sector of Brazilian agriculture is therefore extremely limited.*”

Agricultural modernisation policies aimed at Rural World 1 have tilted power relations to the detriment of individual farmers and collectives. In **Brazil**, the imposition of policies more appropriate for large-scale, well-capitalised farming operations has resulted in high levels of debt and bankruptcy for many small-scale family farmers. In the case of **South Africa**, such policies, designed for large-scale commercial farmers under the apartheid regime, currently have negative implications for emerging small-scale farmers under the land reform programme.

Such two-tier (*bimodal*) development – small farmers as ‘livelihood’ farmers and industrial agriculture as an economic powerhouse – plays into the hands of those who believe the North can ‘feed the world’. Food security can, from this perspective, be achieved through imports rather than through local or regional self-sufficiency. And there is a serious risk that *taking a livelihoods focus perpetuates an overemphasis of the social role of family farming compared to small farmers’ contribution to the national agricultural economy*, which then receives diminished policy focus. This ‘livelihoods focus’ thus becomes a route to reduced support for smallholder farming in the South.

The failure of policy to appreciate and support the *agricultural production* functions of Rural Worlds 2, and especially 3, is one of the key obstacles to global rural development. In particular, a much more

profound appreciation of the complexity of smallholder farming systems and rural livelihoods is required. In the **Brazil** case study, for example, 14 different farming systems were identified, of which large sections (especially the

landless and tenant farmers) are completely untouched by policy. The **South African** study provided an even starker contrast in agriculture-based livelihoods, from large-scale commercial farmers to peri-urban dwellers producing from back yards and common land (Box 2.1).

There is a risk that taking a livelihoods focus perpetuates an overemphasis of the social role of family farming compared to its contribution to the national agricultural economy.

But it is also clear from some of the case studies that there is considerable distress in sectors of moderately capitalised family farms of

Box 2.1 Range of agriculture-based rural livelihoods in the Free State, South Africa

Large scale commercial farmers

- Serviced mainly by the private sector
- Well organised
- High level of indebtedness
- Feel threatened by recent policies of market liberalisation

Farm workers (~160,000)

- Marginalised, isolated, non-unionised
- Usually allocated some land for livestock and crops
- Low pay, poor conditions
- Many evictions arising from Extension of Tenure Act

Land reform beneficiaries

- Limited skills in farming, and shortage of capital
- Expected to run commercial farm in communal manner
- Limited market exposure
- Unclear about agricultural policies

Peri-urban farmers (~260,000)

- Use backyards or commons around rural towns
- Close to market

Small-scale producers in former homelands (~4,000)

- Subsistence
- Organised in associations
- Limited physical infrastructure

Rural World 2. The **India – Tamilnadu** study identified groups of struggling farmers who, since the Green Revolution, have been inside the political and economic system and are aiming to make a living out of farming, but whose resilience to environmental, climatic or economic stress is weakening. Their decision to remain in farming is related to many social and cultural values, but economics is still the most important issue. The labour market is changing so they cannot hire people to farm in the way that they used to in the old days. So they have to follow the high input route and borrow money to do this. They are forced to overexploit the land to be able to repay credits. When this works, it is profitable, but in a bad year when the rain does not come, they may lose everything. If these farmers are not able to make a living out of farming, they experience severe cultural dislocation, often involving migration of family members to the city.

Similarly in South Africa and many industrialised countries, liberalisation of markets and the abolishment of the marketing boards have unsettled the large commercial farmers. While they have the means for production, they now have difficulty in marketing their produce. They feel that the government needs to play a role in protecting and stabilising markets for sustainability.

Connecting local level ‘islands of success’ to policy

Despite these challenges to sustaining agriculture at the local level, it was possible to find ‘islands of success’ in the PTW case studies. But understanding the *policies and policy processes* behind local level islands of success of sustainable agriculture and thriving rural economies is not easy, particularly because political, historical and socio-cultural contexts are so important in the ‘islands’. This highlights the gaps between bottom-up contextualised livelihood analysis and top-down policy analysis.

The first impression one gets from reviewing the islands of local success in most of the case studies is of the *absence* of policy, at least formal public policy. Success seems to have occurred *despite* rather than *because* of policy. Most of the experiences analysed in **Kenya, Senegal**

and **Pakistan**, for example, are at first glance typical linkages between external institutions – ‘change agents’, especially NGOs – and the grassroots, operating in a policy vacuum or unfavourable policy environment caused by the retreat or absence of the state. And in **India – Tamilnadu**, farmers identified by their peers as practitioners of ‘good farming’ appeared to call on unique personal and moral skills – human capital – rather than any of the 140 government policies that the state has instigated to promote sustainable agriculture. The **Bolivia** report states that the peasant sector sees *“little relationship between their activities and distant public policies which hardly affect them. The very many problems that peasant societies face are solved by means of highly flexible economic and productive diversification strategies [which] respond to situations of permanent uncertainty and bear no relationship to the implementation of public policies.”*

The first impression of local success in the case studies is of the *absence of policy*—success has occurred despite rather than because of policy.

But in all these cases policy is in the background, both *enabling* and *disabling*. Policies include *conditionalities* and *macroeconomic policies* imposed by donors and/or parts of *structural adjustment* programmes, and *domestic policies* designed to help reduce the negative consequences of liberalisation and public sector downsizing. Deliberate policies of *decentralisation*, *privatisation*, and *legitimation of the role of NGOs in providing services* both precipitate and facilitate the formation of ‘islands of success’. And policy has sometimes created *deliberate space* for policy experimentation, such as opportunities for local negotiation.

In **Senegal** the ‘islands of success’ identified by the research teams were built on the involvement of local populations with high social capital, technical support from NGOs, and support of international institutions and donors, with good collaboration between partners, local knowledge and access to credit. But in the background of these ‘islands’ are both the crises resulting from macroeconomic policy and the withdrawal of the state from agriculture, and the positive impacts of new laws to legitimise NGOs and Producer Organisations, as well as the establishment of new institutions to co-ordinate rural development activities between key stakeholders.

Similarly in **Pakistan**, external change agents have had remarkable success in organising communities in marginal mountain areas around infrastructure projects, natural resource management, niche marketing and social development. While not going as far as the Government of Senegal in legitimising NGOs, the Government of Pakistan's Social Action Programme for 1992-95 (later included in the 8th Five-Year Plan), in response to the shock of Structural Adjustment, asserted that the implementation of social sector programmes and projects in rural Pakistan must be implemented through (participatory) grassroots and support organisations such as NGOs. This was an acknowledgement that the state's own structures were not functional, and that in order to improve quality of life in rural areas, they should be bypassed. The government allocated funds via community organisations in a National Rural Support Programme – in effect, a state-funded NGO – in the same way as NGOs such as the Aga Khan Rural Support Programme (AKRSP) were operating in the northern mountains. This was a big break in traditional government approaches and demonstrates that the government had clearly gone some way towards creating a facilitating policy environment for the scaling-up of AKRSP-type developments.²⁸

It is naïve to think of agricultural and rural policy as shaped only by officials, donors, and formal stakeholder participation. It is worth noting that policy reforms may also be reluctantly extracted from the state by militant civil society activism, especially when the state is facing fiscal crisis. An example is the landless movement *Movimento (dos Trabalhadores Rurais) Sem Terra* (literally Movement (of Rural Workers) Without Land or MST), now the strongest social movement in Brazil. In Thailand, the *Assembly of the Poor* successfully influenced a change in agricultural policy to include small-scale farmers in the drafting of the Eighth Economic and Social Development Plan, and in running pilot projects for alternative agriculture. But in many low-income countries, such levels of civil society organisation are not in evidence.

²⁸ But by following the AKRSP blueprint, the NRSP may miss all the interesting configurations of the AKRSP model, which are found in the 'private transcript' (adaptability, flexibility, an evolutionary approach, personal relationships, cultural aspects of mountain societies) (see Scott J *Domination and the Arts of Resistance: Hidden Transcripts*, Yale Univ Pr, 1990) rather than the 'public transcript' (the reported 'standard' village organisation). The space that NGOs found in mountain areas was much greater due to the failure of formal organisations.

Adjusting policy and policy-making to local rural reality

Faced with the challenging and complex realities experienced by people at the local level, and the ‘background’ role of public policy in both precipitating and facilitating local level islands of success, the question is what can be done to improve things? The PTW case studies suggest a number of ways to improve governance and the policy-making processes in order to bring policies closer in line with local needs and local realities. These encompass: (1) *building social capital* to draw down resources and power, to understand and develop markets, to develop political and horizontal networks, to build coalitions or social movements (demanding/demonstrating), and to co-operate around resource scarcity; (2) *financial support and adapted credit systems to create financial capital*; (3) *effective decentralisation*; (4) *engaging with stakeholders and the representatives of federated organisations when planning rural strategy* and (5) *ensuring fair trade between commercial agriculture and resource-poor land users*. The first two are discussed here. Points 3), 4) and 5) are covered in Chapters 3, 4 and 5 respectively.

Building social capital

Social capital – the features of social organisation (networks, membership of groups, relationships of trust etc.) that facilitate co-ordination and co-operation for mutual benefit – can transform rural citizens from policy *recipients* to policy *actors*. Rural areas can then constitute a significant political power base for changing the rules and adjusting policy, or forcing access to information and resources legislated for in existing policy; in other words, making government work for the poor. Where government support for rural elites is entrenched, this organising may take the form of militant political movements, as with the MST in Brazil or the indigenous people’s movement in Ecuador. Rural people can link up with urban coalitions to exert pressure on the state to develop and implement policies for the countryside. Social capital does have its downsides,²⁸ especially where public institutions are weak. These include exclusivity, **clientalism**, and

²⁸ Portes A and Landolt P (1996). The downside of social capital. *The American Prospect* 26. Available at www.prospect.org/archives

restrictions on individual freedom and initiative. Social capital requires a responsive and accountable state – the balance between civil society and the state as represented in Figure 1.3 – in which to thrive.

Understanding the policy process

An understanding by people of their political position within a policy system and the recognition by rural citizens of the *political nature of resources and relations* is the first step for translating social capital into policy reform; turning *understanding* into *action* via *organisation*. Both

An understanding by rural citizens of their political position and of the political nature of resources and relations is a critical first step in turning social capital into policy reform.

of the Indian case studies describe successful collaborative approaches in which Participatory Rural Appraisal evolved into participatory policy research. People at different levels eventually shared experiences of policy research and could *locate* themselves in the policy process. At the grassroots, an understanding of

how meso-level and national policy works is essential if people seek to improve policy and policy implementation (see **India – Gujarat and National**), just as the upper levels need to understand how policy affects livelihoods at a local level. The **India – Tamilnadu** case in particular demonstrates the value in selecting tools that create rapport, thereby allowing this process to take place. The tank rehabilitation study in Tamilnadu (page 149) is an example of local people getting organised to achieve what they cannot achieve individually.

This shared understanding of how policy works moves the debate beyond simplified perceptions and judgements of ‘farmers’ and ‘government’. Information starts to flow up and down, from local to regional and national levels and *vice versa*, in a manner that people can relate to. All levels become more discerning in their understanding of what ‘good farming’ and ‘good policies’ are in practice. Structures of *downward accountability* are the only way that people who have local power (such as local mayors) can know what is happening, before they can genuinely speak in the name of the people. The rural poor also enhance their political power through developing skills in influencing the ‘civic culture.’³⁰

³⁰ Rural poverty reduction: the neglected priority. Chapter 1 in the IFAD Rural Poverty Report IFAD (2001). Rural Poverty Report 2001 – The Challenge of Ending Rural Poverty. Available at <http://www.ifad.org/poverty/index.htm>

Unfortunately current attempts to 'involve the poor in policy' are often little more than market research, comprising surveys and assessments for national high-level priority-setting.³¹

'Involvement of the poor in policy' is often little more than market research for national high-level priority setting.

Even these 'assessments' and 'policy dialogue' lead to a similar standardised set of recommendations within currently favoured policy frameworks.³²

Building social capital from cultural capital

In the marginal, rainfed areas of Tamilnadu, as on the Bolivian *altiplano*, the Pakistan northwest frontier, the Senegalese Sahel, and the tribal areas of northwest Thailand, social capital was built up from *cultural capital* with the involvement of NGOs. These case studies demonstrate a *positive correlation between strong culture, marginal environments and social organisation*.³³ Social organisation was necessary in the presence of a weak state in order to cope with fragile and poor environments and increasing scarcity of natural resources. People are willing to organise themselves around specific activities that will help to achieve their objectives. In the **India – Tamilnadu** case study, the role of cultural capital as a resource to positively affect things is demonstrated by a follow-up project that will record the cultural resources of the Tiruchuli Panchayat Union, using cultural capital as a starting point to further build social capital. By contrast, in areas well endowed with natural capital, where people face less of a daily struggle for survival (such as in Central Africa or the Amazon), weak government structures often result in more opportunistic arrangements and weak organisation of rural groups. And where cultural capital is weak and the state is strong, as in the case of land reform beneficiaries in post-apartheid South Africa, social organisation may be present but service providers and consultants do not appreciate its importance and the need to support it.

31 A good example is the World Bank's recent (2000) *Can Anyone Hear Us? (Voices of the Poor series)* by A Rademacher et al., Oxford University Press and World Bank

32 Kanji N (2001) *Poverty Reduction and Policy Dialogue: The World Bank and the State in Zimbabwe, Zambia and Malawi*. Ch 7 in F Wilson, N Kanji and Ei Braathen (eds). *Poverty Reduction: What Role for the State in Today's Globalized Economy?* Zed Books, London

33 But beyond certain levels of stress, reduced reciprocity and social disintegration are typically experienced

Building social capital around ‘communities of interest’

The establishment of ‘*communities of interest*’ is central to a number of NGO-mediated rural development and service provision initiatives, such as the Village Organisations in AKRSP and government-sponsored scaled-up Rural Support Programmes in Pakistan, as well as watershed management in India (see Box 2.2). Many countries are instituting programmes for decentralised, collaborative natural resource management involving a diversity of stakeholders. Illuminating examples include South Africa’s Integrated Catchment Management Programme, the Kenya Soil and Water Conservation Programme, the Corporación Agropecuaria Campesina (CORACA) in Bolivia and the Landcare programmes of Australia and South Africa.

Box 2.2 Constructed local representation

Village Organisations and other stakeholder institutions with access to funds and self governing systems may be formed by projects and used for complying with guidelines, to deal with an external actor, and/or to successfully carry out functions.

The term ‘constructed’ is misleading, because households in isolated villages always have some element of social organisation. It is the **leadership** of these organisations that may be ‘constructed’ by external projects.

After projects end, these formal village organisations may cease to exist. There is a danger that such constructed Village Organisations may weaken indigenous, functioning (but socially fragile) natural resource management traditions, and may reinforce or even widen structures of unequal privilege. But the capacity they have helped to build (e.g. financial management, horticultural practices) may far outlive the organisational structures.

The Kenya PTW case study recorded how the country’s Natural Resource Management and Conservation Policy only became effective after it evolved a Community Catchment approach, in which the community takes over the running of conservation efforts in their area. Decentralised administration of watershed development programmes such as those reported in India, has been one of the success stories of

scaling up from ‘islands’ of SARLs. The Indian Watershed Development Programme is also an example of subsidiarity, moving implementation and decision-making to the lowest feasible level. There are clear provisions in the programme to empower the village communities, who make their own plans and receive funds directly from the large district authorities, a development unprecedented in the history of rural development in India. Self-reliance is instilled through releasing 80% of funds directly to village watershed committees, but only to those villages where community organising has succeeded and ensured people’s participation (see **India – Gujarat and National**). But implementation of this programme is hindered by lack of capacity in administrative bodies. This shortfall in *meso-level institutional capacity* is a common constraint, discussed in the next chapter.

Another, similar example of decentralisation allied with partnership building comes from **India – Tamilnadu**, where watershed user associations were empowered (or more accurately *allowed*) to become contractors in tank rehabilitation, by removing a requirement for cash deposits. A further development in this case is the shortening of communication channels between the grassroots and government officials.

Despite undoubted success in infrastructure and credit provision, the ‘private transcript’ of the use of constructed communities such as village organisations (VOs) is that such group ‘sustainability’ may be disappointing. This is not necessarily a bad thing – human capital outlives ‘sustainability’ of deliberate VOs (see Box 2.2). Investigations in Pakistan show that VOs work best around an infrastructure project such as irrigation or micro-hydro power generation. Even a watershed may not be a sufficiently immediate organising focus.

Expectations of building social capital by devolving state functions to NGOs and of NGO-ising government should carry some policy ‘health warnings.’ Apart from the well-documented limitations of many NGOs in terms of

Should government think and work like an NGO, or is there a need for the building of more effective NGO-government relationships?

accountability, fiscal management and representativeness, dependence on NGOs raises questions of how to ensure survival and spread of innovations, especially when the public infrastructure has low or zero operations budgets. NGOs taking over public services may unwittingly catalyse institutional withdrawal while sowing the seeds of unsustainability. A fundamental question then arises when considering the relative merits of governments and NGOs for service delivery: Should government think and work like an NGO, or is there a need to build more effective civil society-government relationships?

Producer Organisations (POs) and *service groups* have emerged from the grassroots over the last decades. They are developing a reputation for being more pragmatic, more durable, and better equipped than NGOs to survive the withdrawal of donor support. Strong representative farmer organisations are also able to effectively negotiate with agribusiness and government. In fact the POs described in the case studies from **Senegal**, **Thailand** (potato cooperative), **India-Tamilnadu** (the water users' associations) and **Bolivia** demonstrate their promise as natural partners for government devolution of agricultural development service delivery,

Producer Organisations are developing a reputation for being better equipped than NGOs to survive the withdrawal of donor support.

and/or natural partners for agribusiness. But there is a huge gap in our understanding of how producer organisations work as 'social mechanisms to adapt to the market economy' or as policy actors

(see Chapter 5). There is also little information about what characteristics define effective producer organisations, and what sort of policy interventions best reinforce the actions of POs in support of rural livelihoods. To shift all external interest and funding from NGOs to POs would be to ignore the clear shortcomings of POs.³⁴ NGOs have played a key role in the establishment of many co-operatives and Water User Associations. What is needed is the know-how to empower the leaders of POs so that decision-making, political knowledge and management skills are improved.

³⁴ See Berdegue JA (2000). *Small farmers' economic organizations in Latin America*. RIMISP, Chile

Financial support and adapted credit systems to create financial capital

Generation of cash flow is essential for poor farmers to afford to take some risks, develop a longer term vision than daily survival, and, at a later stage, perhaps find some time and gain bargaining power to engage in local policy-making. The PTW study had only limited insights into policies for financial services. The **Brazil** case demonstrates that self-financing capacity is key to allow farmers to adopt more environmentally friendly practices. Limited access to credit is a major impediment to small-scale agricultural production. Credit programmes seldom reach smaller farmers due to power disparities and **rent seeking** by larger farmers. And under structural adjustment and economic reform, credit systems for small farmers have declined substantially. Even once relatively successful institutions such as producer cooperative unions have been affected by market competition.

More generally, it is difficult (but not impossible) to create loans adapted to diversified family agriculture. The **Bolivia** case study explains that in contrast to large-scale mechanised agriculture, smallholders had no or little access to credit, since they have no collateral. Not only do small peasant holdings have little commercial value for banks, but land reform legislation (INRA) has determined that peasant lands are non-transferable, and as such cannot be used as collateral. This issue of land collateral has been circumvented in Bolivia in the last decade by micro-credit schemes which use social collateral – commonly held resources belonging to the community – rather than material collateral. Some cases (**Brazil, South Africa**) suggest that making credit systems more flexible and less linked to technological packages improves the adaptability of banking systems to smallholder agriculture.

Making credit systems more flexible and less linked to technological packages improves the adaptability of banking systems to smallholder agriculture.

The case studies also demonstrate the importance of off-farm income such as retirement funds in Brazil and city jobs in Bolivia, and therefore the need to include an *urban perspective* in policy intervention. Many low income households use migrant relatives' remittances for

consumption purposes or to pay expenditure such as education and health, so little usually remains for investment and farm-based accumulation. Readers are directed to Tacoli (1998)³⁵ for a more comprehensive analysis of urban-rural interactions.

Summary

In this chapter, we have described how national policy ignores the complex local reality of rural livelihoods, especially those of Rural World 3. When policies are designed for the rural poor, they typically have a 'residual' social mandate for Rural World 3, and overlook the role of smallholders in agricultural production. This firstly drives further social differentiation, and secondly diminishes the prospects of small farmers to connect with global capital and gain from globalisation and trade liberalisation.

Within the unpromising policy environments of our local case studies, national policy has often been invisible from the ground. However, policy was usually the precipitating factor which led to the establishment of 'islands of success', either as a response to fiscal crisis, donor conditionalities and/or militant civil society activism.

For the local level, the building of *social capital* is a key element of improved governance that would yield better policies, improved public services, and improved market access for Rural Worlds 2 and 3. Social capital is especially important where local governments are undemocratic or poorly resourced. We believe a focus on processes and institutions that work, rather than policies that work, will lead to more effective interventions by governments, donors and development agencies. However, the pros and cons of NGOs versus economically focused producer organisations, and constructed versus indigenous communities as institutional bases for building social capital need to be clarified.

³⁵ Tacoli C (1998) Rural-urban linkages and sustainable rural livelihoods. Pp 67-80 in D Carney (ed.), *Sustainable Rural Livelihoods: what contribution can we make*. DFID London.

Chapter 3

The State – Local and Regional Government

This chapter examines the level of local rural livelihoods at the *meso* (middle) level of government. The meso level refers to all sub-national policy-making institutions and administration. For the public sector, this comprises all sub-national bodies that have fiscal responsibility. There is usually a range of levels within meso government, such as provincial/state, regional, district and/or municipal administrations. Making this distinction within civil society and the private sector is less clear, but the meso level could include organisations in between national organisations and the grassroots, such as trade union branch offices, state agricultural unions, trade associations and co-operatives, religious groups and federations of community groups, as well as most NGOs.

How people at the meso level experience policy

Rising demands on government at the meso level

The overriding characteristic of the meso level is that it has pressures from both sides, as well as its internal forces between and among the levels, typically under conditions of scarce financial and human resources. A mid-level administrator may at any one time have to juggle pressures from national government policy-makers and state government

The meso level has pressures from both sides, under conditions of scarce financial and human resources.

departments, political party machinery, private sector and civil society lobbies (including NGOs), demands from the grassroots for delivery of services, rent seeking from groups that got him/her into power, as well as ethnic and clan affiliations.

Regional policy is partly about the 'hidden aspects' of rural development in which nepotism and patronage, low key corruption and

power disparities play a key role in translating (and often distorting) policies designed at the national level into actions at the community level. Local stakeholders fight to position themselves according to their own powers and interests. But Migdal's study³⁶ of weak states observed that the local and regional level is where accommodations occur

At the local and regional level, a web of political, economic and social exchanges determine the final allocation of state resources into a region.

between regional politicians, party functionaries and local strongmen "*in a web of political, economic and social exchanges*" that determine the final allocation of scarce state resources into a

region, and are used to reinforce their social control. In the space between meso government and the grassroots, policy is experienced as power struggles, which policies feed. Meso-level policy is not all about accommodations and covert issues; many states give reasonably clear policy roles that are quite distinct, with room to manoeuvre.

The national or state-level bureaucracy may have a very ambivalent attitude toward local government, tending, in the case of **Pakistan**, to treat it little better than any other government department. Far from being a substitute or a partner, rural local governments in Pakistan have remained adjuncts to the provincial administration, and have been allowed to languish without regular elections for local councils. This has encouraged undemocratic practices in the councils and cynicism among the people. Successive governments have lacked an appreciation for the special requirements for fostering local self-government. Local government officials tend to overlook political development in order to achieve physical targets, such as the number of miles of road constructed.

The legitimacy of meso-level officials may be threatened by NGOs working in the field with plentiful resources and with direct connections to national and international offices and donors.

The legitimacy of meso-level officials may also be threatened by NGOs working in the field with plentiful resources and with connections directly to national and international offices and donors. Furthermore, mid-level

³⁶ Migdal JS (1988) *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World*. Princeton University Press, Princeton NJ.

administrators may (correctly) see career development as a question of satisfying their superiors rather than providing services efficiently to the constituents. Much time at meso level may be spent providing state or federal offices with information.

Extension services face enormous difficulties; extension agents are often moved and given perverse targets and incentives, and career advancement depends on 'keeping your nose clean' rather than taking risks and meeting local needs. Resources are usually consumed by salaries, with little funding available for development. In Nyandarua, **Kenya**, district extension staff in the study site reported that they had only one vehicle (grounded) to cover their district. Service delivery is typically top-down and not responsive to farmers' aspirations, and may be very biased against sustainable agriculture. The **South Africa** case study describes an attempt to reform extension services in Free State, which could have become an 'island of success' in meso-level client orientation. After 1994, all staff were trained in participatory extension methods, as well as project management and team approaches. But the experiment failed because of inflexibility in the system. A more fundamental shift away from extension 'delivery' towards support for farmers' organisations and their connection with market organisations, seems even more remote.

The gap between policies and expectations at the national level and implementation at the meso and community levels was common to all PTW case studies. Ironically, in countries such as Brazil that are more financially and perhaps more politically mature, meso-level politics have a key role in mediating or translating good policies into (distorted) reality since local funds depend a lot on central government resources. Strong governments, with clear programmes and proposals, are those which for better or for worse make an impact on meso institutions of the state. This is perhaps the reason why the notions of 'islands of success' or even 'islands of change' do not hold in such countries. However, a strong, top-down centralised administrative system can be successfully used to promote local participation when systems of downward accountability are in place, as Judith Tendler found in Northeast Brazil.³⁷

³⁷ Tendler J (1997) *Good Government in the Tropics*. John Hopkins University Press, Baltimore and London.

However, it is in countries where the government has retreated from public sector involvement in agriculture and rural development, where local governments have few resources to promote development, where communities are in isolated regions with no cash crops and few strategic interests, and where dependence on foreign aid is high, that it is often easier to find ‘islands of success’. NGOs may almost entirely replace government services under these circumstances, but innovations are less likely to spread, particularly where NGOs have small-scale operations and do not engage with policy processes at the national level.

Experiences of decentralisation

Expectations of the meso level have grown tremendously in the era of decentralisation, often at the behest of multilateral and bilateral donors. Current donor priorities for reforming national policies include ridding the state of non-core functions, encouraging an enabling role for the state with respect to NGOs and the private sector, providing service via the private sector and community-based organisations, decentralisation, strengthening civic participation and monitoring and regulating the private sector. Decentralisation is also a common refrain of advocates of sustainable development. Problems occur when decentralisation is not accompanied by decentralised authority or capacity. An example is **Brazil**, where decentralisation reforms in the revised 1988 constitution produced a new breakdown of functions between the federal state, the 27 federated states and 5,000 municipalities. Municipalities were allowed overall responsibility for sub-national government for the first time. But the process of devolution of government was constrained by a shortage of funds and authority.

Even the Australian partners in the PTW project made this observation. They note that “*Often governments devolve Regional Organisations*

Often governments devolve responsibilities to regional organisations without devolving the authority that would empower them to successfully discharge those responsibilities.

(ROs) responsibilities without devolving the authority which would empower the ROs to successfully discharge those responsibilities.” There is a significant difference between devolving responsibility and truly devolving power, resources, and

control of locally raised revenue. The Australians found that “ROs, and the communities they represent, are often surprised when they realise they have less real implementation power than they had thought.”

This is not made easier by problems of *technical capacity*, *institutional capacity* (such as transparency, accountability, and participation mechanisms) and *coordination*. The Australian team note that “Many ROs often lack the capacity to meet the demands and challenges of sustainable development. This is largely because they often have an ambiguous, contested mandate within the current structures of government. Where necessary, capacity should be enhanced by professional development, and more adequate resourcing in terms of people, finance, facilities and time.” They continue: “There remains a problem in many places with poor co-ordination between the different spheres of government, between different government agencies and between different ROs. This is widely seen as wasteful of resources, frustrating, and a major impediment to attainment of the community, economic and environmental goals of sustainable rural development. We need to improve co-ordination, so as to enable greater efficiency and integration.”

Countries in transition (such as **South Africa** in this study; Vietnam is another example), with high pressure to deliver ‘sustainable development’ with multiple social and environmental goals, often experience *policy inflation* and *capacity collapse at the meso level*. Downsizing of public sector programmes threatens those schemes designed to assist in building a small farmer sector that can respond effectively to decentralisation, such as cooperative service programmes.

Countries in transition, with high pressure to deliver, often experience policy inflation and capacity collapse at the meso level.

In **Bolivia**, decentralisation ushered in by the Law for Popular Participation (LPP) has meant the direct allocation of considerable resources from the national level to the municipalities, which can make autonomous decisions about how to use these resources. This law reversed the anti-peasant and anti-rural character that had prevailed in

the Bolivian state since the mid-1950s. Besides distributing a significant amount of government resources to rural municipalities, the law extended the concept of the state to the most distant places of the national territory.

In the Bolivian municipality of Irupana, the authorities designed a creative system of fund distribution in collaboration with the local peasant organisation, based on the hierarchical structures of community organisation. Such creation of political space and incorporation of peasant political structures into local government decision-making both legitimised the Irupana municipal authorities and diminished conflict between the municipality and peasant authorities. This community has a tradition of self-help, being relatively isolated from La Paz, and thus had social and political capital in place to deal effectively with the challenge of decentralisation. But in the municipality of Caquiaviri, which has closer political ties to the centre, the LPP led to politicisation of resource allocation and the *decentralisation of conflict*. The impact of the law on agricultural production was consequently disappointing.

Marginalised groups in Bolivia have also experienced difficulties in taking advantage of the LPP in areas well endowed with natural capital – in this case forests – despite the appropriate institutional structures being in place. Local governments in such areas are often more subject to mismanagement, have no capacity to plan and regulate resource use, and are weaker in counteracting powerful private groups with vested interests in forest resources.³⁸ The resulting free-for-all in forest use might be termed ‘democratising deforestation’. The example of the LPP in Bolivia raises the issue of political capital as a means to turn social capital into real benefits for the sustainability of the family farm sector. A greater understanding of how political capital features in livelihoods frameworks is required.³⁹

38 Kaimowitz D, Pacheco P; Johnson J, Pávez I, Vallejos C and Vélez R (1998). *Local governments and forests in the Bolivian Lowlands*. ODI Rural Forestry Development Network, Network Paper 24b, Winter 98/99

39 Booth D, Holland J, Hentschel J, Lanjouw P and Herbert A (1998). *Participative and combined methods in African poverty assessment; renewing the agenda*. Department for International Development, London.

Improving meso policy and policy-making: Effective decentralisation

Considering the enormous challenges facing meso-level government, it is necessary to question whether civil society and producer organisations should focus their efforts on building their national and supra-national bargaining power through federations and lobbies, instead of attempting to extract services and resources from local government. Such a conclusion overlooks the fact that meso-level government controls access to land, to infrastructure and services, to justice and the means by which farmers are protected from exploitation by the private sector, and the means by which entitlements are assessed.⁴⁰

How then can the policy environment be improved so that better policy is made, and existing good policies work at the meso level?

Much of the analysis around improving policy and policy-making at the meso level revolves around *effective decentralisation and democratisation*. Decentralisation assumes that activity and decisions, concentrated close to the people they are supposed to serve, will result in an improved service or policy implementation.

Decentralisation can concentrate resources and decision-making at a lower level above the grassroots.

But decentralisation can concentrate resources and decision-making at a lower level above the grassroots, and a gap between the people and policy still remains.

In order for decentralisation and devolution of powers (as opposed to *disengagement*) to put the right mix of responsibility, authority, and resources in the right hands, *functioning community organisations* are essential. In policy terms, this requires governments to *provide a non-hostile institutional and legal framework for indigenous peoples, peasant organisations and producer groups*.

Without building political and negotiating skills, decentralisation may just decentralise conflict and rent seeking. Gaining access to the fruits of

⁴⁰ Satterthwaite D (2001). Local governance. *The Future is Now Vol 2*. IIED, London.

**Decentralisation
may just
decentralise conflict
and rent seeking.**

decentralisation may require further development of peasant organisations, to build **political capital** and enter the sphere of party politics, either to lobby or to send elected officials into meso-level government. The

Brazil case study provides an excellent example of the opportunities and risks of this approach (Box 3.1). Moreover, this case illustrates the risk of farmers losing touch with the grassroots when they are elected to local councils.

A policy of people-driven development may require a completely different approach to the operation of regional government in the delivery of services. Many think that ‘training’ is the way out for blockages at the meso level. Also, there are often calls for ‘better consultation’ between government and farmers. But, as with agrarian reform, just writing a policy is not enough. If after training, those people go back into systems where competing forces remain dominant, then the only result of training will be to make officials more cynical about their situation because they understand their boundaries better than before.

The meso level is where the issue of *incentives* (personal and financial) can make or break successful collaboration between NGOs, local

Box 3.1 The challenges of political victory in Brazil

Between 1993-97, the NGO AS-PTA sensitised leaders of the Rebouças municipality in the southern state of Paraná to the adoption of an agro-ecological model of sustainable development for family farming. This resulted in 1997 in a massive victory for the Rural Workers Union in municipal council elections, on a platform of alternative agriculture and farm families’ quality of life. But between 1997 and 2000, these sustainability ideals were undermined and the space for alternative democratic institutions reduced. The mayor and the Secretary of Agriculture and Environment could cloak themselves in the legitimacy of their trade union social base, while overlooking their participation and involvement. The traditional management style devalued the participatory process. Furthermore, the election victory weakened the trade union, emptying it and community associations of leaders, thereby undermining the conditions that made victory possible. Political opposition also inevitably involved compromise with the state and federal governments under conditions of scarce resources, which in this case led to a tendency to transform the programme for structural changes into a distant utopia.

government and rural citizens. The problems observed in the **Pakistan** case study in the scaling up of a successful rural development project – the Malakand Fruit and Vegetable Development

Downward accountability can put meso level officials under even more pressure to deliver the impossible.

Project – were attributed to the removal of earlier incentives for public sector officials, and resulting breakdown in relationships between the project and these resource personnel. This example shows that, with all the pressures on the meso organisation, it may not be in the interests of local government to engage too closely with the people they serve. *Downward accountability* can put meso officials under even more pressure to deliver the impossible. As much emphasis must be placed on building successful institutions as on making successful policies.

Involving meso-level officials in participatory rural development programmes empowers these public sector workers through bringing their private and public convictions into alignment. It can enable them to include that reality in their public role. They commonly, after all, have roots in the farming and rural community that they are supposed to serve. This principle, strongly brought out in the book *Whose Voice?*⁴¹ was evident in the PTW research in **India – Tamilnadu and India – Gujarat and National**. Downward accountability of local authorities, and their empowerment through the control of valuable resources and significant decision-making powers, gets people to focus on who their clients are – especially important when services have become very internally focused. The Tambon Administration Organisations (TAOs) established in **Thailand's** 1994 policy of decentralisation and local empowerment, seem to be a good example, as are **Senegal's** decentralisation reforms since 1996.

Putting *mechanisms* in place to *improve the participation of diverse local stakeholders in meso-level government*⁴² is a concrete step to operationalise consultation between small farmers, governments and other rural stakeholders. **Brazil, Bolivia, Senegal and Pakistan** have

41 Holland J and Blackburn J (eds) (1998). *Whose Voice? Participatory Research and Policy Change*. Intermediate Technology Publications, London.

42 See research and publications of the International Development Department of the University of Birmingham's School of Public Policy – <http://www.bham.ac.uk/IDD/>

formal, sometimes statutory mechanisms in place. The Brazilian Rural Development Committees include farmers, NGOs, unions and other local groupings working in partnership with the local authority towards integrated rural development. In the pioneering municipality of Irupana in Bolivia, decentralisation has resulted in a multi-stakeholder forum at the local level that is making strides in turning around the historic urban bias. However, there remains a fear that the political environment does not provide the right climate for making best use of Bolivia's decentralisation and popular participation law.

Through building sufficient social and political capital, local citizens can short cut the meso level to engage with senior policymakers.

All these improvements to make decentralisation work are about linkages and two-way communication flow between the local, meso and national

(state) levels. Through building sufficient social and political capital, local citizens can short cut the meso level to engage with senior policymakers, as in the **India – Tamilnadu** case study (Box 3.2). In the tank rehabilitation study, villagers – previously excluded from infrastructure planning and operation – organised themselves into Water Users Associations and bypassed meso-level officials, closing the information loop between local and national levels. Frameworks for stakeholder representation and downward accountability have to be accompanied by other institutional changes that deliver efficiency, equity and credibility into the operations of meso level government.

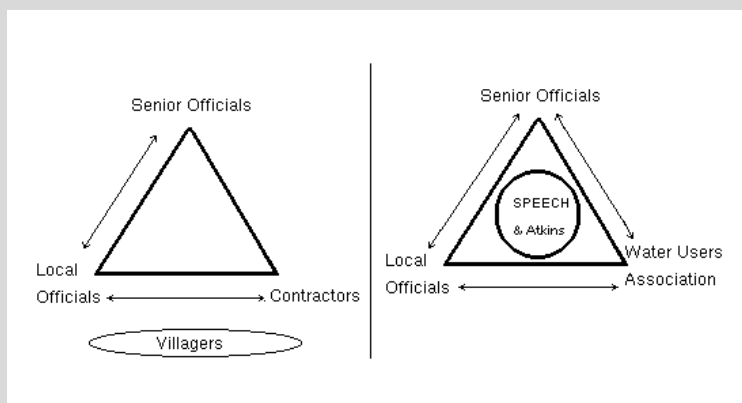
Summary

In this chapter we have focused on local and regional government, where the real work of improving the sustainability of agriculture and rural livelihoods is supposed to take place. In theory, decentralisation has handed over the needs of the rural poor to a reformed and empowered local government. However, we have described how increased expectations of meso-level government have often been accompanied by a reduced ability to deliver on them. Decentralisation as *disengagement* or as *privatisation* will not reverse the trend towards marginalisation experienced in Rural Worlds 2 and 3.

Box 3.2 Changes in the relationships between stakeholders involved in the tank rehabilitation project in Tamilnadu

Before

After



The Tank Systems study was initiated by an engineering consultancy, W.S. Atkins International, on behalf of Tamilnadu Public Works Department and the European Commission, partly to explore the scope for participation of farmers in tank modernisation. The first stage consisted of a series of PRA exercises in each of the villages served by a tank in the village chain. Although the project had only been meant as an experimental feasibility study, when the response of the farmers to the PRA became apparent, the idea of inviting their participation in the implementation scheme was floated. The local NGO (SPEECH) undertook to organise Water Users' Associations that would carry out the work themselves, rather than government contractors. To launch the implementation phase, a chain-level PRA event was held to appreciate the holistic nature of the system of tanks, which led to a significant change in the way that the officials related to local people. In a normal project, the senior officials would approve a budget, which the local officials would implement by approving a local contractor to carry out the work; local people are excluded and become passive recipients of possibly flawed projects. In this case, the contractors are now the Water Users' Associations, who have an interest in carrying out the work properly.

The explosion of interest in the process of globalisation means that much discussion concentrates on macroeconomic factors (such as the role and impact of the WTO and its Agreement of Agriculture), while continuing interest in grassroots organising and 'New Social Movements' focuses on the local level. Where we could find examples of attention to the meso level of government and its ability to deliver the

goods of sustainable rural development, they were mostly to do with incentives and creating the right institutional framework for local governance. However, at this level the analysis of policy processes is limited. We believe that this means that many have lost sight of the whole of agricultural and rural policy.

While the internal forces of the policy world are failing, there is evidence of external forces coming into play. The enormity of the challenges facing local government in many countries means that civil society and producer groups are putting their efforts into improving their influence at the national and even supranational levels, in part to drive reform at the meso level.

Chapter 4

The State – National level

The *national level* is the apex of the state within a country, with primary responsibility for policy formulation. For the local level, this is where the ‘buck stops’ and is where power seems to reside. However, within many developing countries, actors at the national level have much in common with their meso level counterparts, in that they feel caught between the pull from below and the demands of powerful international agencies like the International Monetary Fund (IMF), the World Bank, donor agencies and multinational agribusiness. Thus the difference between these national actors in terms of absolute power varies from country to country. Similarly, for members of the EU much power for setting agricultural policy resides not with national governments but with the European Commission, and even at the supra-national level the corporate lobbies have a role in influencing policy.⁴³

The national level also sees bargaining, allegiance, and power relations in play between rural and urban interests. It is at this level that the definitions of sustainable agriculture and rural livelihoods diverge the most, according to different interest groups.

It should also be stressed that the ‘state’ is not a homogenous entity; rather, it is “*a network of institutions and agents, only some of whom are clearly and unambiguously representatives of the state.*”⁴⁴

Recent history and new forces in national agricultural and rural policy

Most countries have experienced at least half a century of deep state intervention in agriculture. With World Bank blessing, national governments in developing countries, most rigorously in Africa in the

⁴³ Balanya *et al.* (1999) *Europe, Inc.* Pluto Press.

⁴⁴ McDonald JH (1999) The neoliberal project and governmentality in rural Mexico: emergent farmer organizations in the Michoacan Highlands. *Human Organization* 58(3), 274-284.

1960s, treated agriculture as an engine of industrialisation: a source of economic surplus (derived through tax revenues, foreign currency, savings, or price distortions), labour and raw materials for industrialisation, and a market for products such as fertiliser from the emerging urban sector. This was an urban-biased *bimodal* strategy, emphasising dependence on large-scale industrial farms and encouragement of export crop production and redistribution of the produced added value via the public sector, rather than a unimodal approach emphasising the growth of the entire agricultural sector. Agricultural practice in this period was often very damaging to the environment, such as tree and root clearing to grow groundnuts for export in Senegal.

Later in the 1970s these extractive policies were modified when the agricultural imperative started to be redirected towards farming as a source of employment and improved living conditions for the rural population, partly to prevent agriculture from holding back industrial development, and partly as a buttress against communism. The policy of allocating more resources to (or removing institutional barriers from) productive small farmers through political interventions such as land reform and security of tenure, extension services, credit and infrastructure – subsidised through deficit financing and over-valued national currencies – was considered to bring high returns and be the most efficient use of scarce capital for overall development.⁴⁵ A general shift to poverty reduction and a ‘Basic Needs’ approach to development was heralded by the 1974 MacNamara speech to the World Bank.

With increasing concerns for environmental impacts of farming in the 1980s, a shift toward *sustainable intensification* of smallholder farming was the order of the day. At the same time, both donors and governments began paying more attention to *private* actors such as Producer Organisations, and to the *participation* of project ‘beneficiaries’. These were translated into donor conditionalities for implementation by national governments.

⁴⁵ Bryceson D, Kay C and Mooil J (2000). *Disappearing Peasantries: Rural Labour in Africa, Asia and Latin America*. Intermediate Technology Publications, London.

Rigid interventionist policies prevented economies from adapting to internationalisation of currency exchanges and depressed international agricultural markets in the early 1980s. Recession in the North and the move from fixed to floating interest rates compounded the problems. African countries were soon swamped in debt and forced to appeal to the IMF and World Bank for assistance. *Structural adjustment programmes* (SAPs) were then enforced, undertaken by 34 sub-Saharan countries alone between 1980 and 1991, associated with *economic liberalisation* and *democratisation* in the 90s. Governance issues associated with World Bank and IMF intervention are discussed further in Chapter 6.

The GATT reforms of the early 1990s, plus 20 years of neo-liberal reforms worldwide, have left their mark on Rural Worlds 2 and 3, stimulating new forms of deregulation and tariff reduction. The pro-exporter role of the World Trade Organisation has, for many critics, raised the spectre of unprecedented competition in agriculture with the result that developing country producers will be out-competed by American or European growers, and transnational agribusinesses will control ever larger parts of the agri-food chain. As the PTW case studies reveal, this restructuring of various national food systems is a politically fraught process which has implications for the fate of rural livelihoods and landscapes across the globe.

The liberalisation of agricultural sectors in many countries, including a transition to world prices, removal of trade distortions and compliance with trade agreements in industrialised countries, has seen the retreat of public sector investments from extension, public research, rural infrastructure, producer and input subsidies, supply management and marketing boards, and a transition to market-based rather than government-controlled pricing.

Under the influence of SAPs, state withdrawal was rapid and often not adequately compensated for. The abandonment of government services could reverse decades of progress in the provision of ‘public goods’, such as cattle parasite control described in the **Kenya** case study. As government withdrew from service provision, there was a move in many countries towards the *privatisation of agricultural services and*

information formerly provided by the state. However, this has usually only been successful for high-value export sectors. While state extension services still exist in many countries, their effectiveness is limited for a variety of reasons. This means that as markets open up, there are fewer support services to help manage the transition for those dislocated by market forces. In the case of **Senegal**, the PTW research revealed that replacement of state services by NGOs, external agencies and farmers' organisations had been patchy, resulting in a weakening of concerned government line agencies.

For many developing countries, agriculture, textiles and primary commodities are still the bedrock of the economy. This places countries in a difficult position when commodity prices are dropping, and Europe and the US have consistently resisted opening their markets to cheaper agricultural and textile imports or even to desist from dumping their agricultural exports on fragile markets of the South (see PTW *Think Piece* by Iain Farquhar⁴⁶).

But one of the enduring features of national agri-food systems is their protected character. A combination of the power and influence of agrarian constituencies (eg., Bolivian farmers calling a national strike or Indian farmers demonstrating in New Delhi) coupled with the political premium placed on national food self-sufficiency has produced complex state-regulated forms of production, tariffs and subsidies, particularly in the EU (through the Common Agricultural Policy (see page 104) and North America (through the North American Free Trade Agreement). Typically, the effects of the technological treadmill and the emphasis on increased productivity have produced an agri-food system in which surplus management (eg., the butter mountain in the EU and the grain surpluses in the US) has been paramount.

Exposure to the global and national macroeconomic forces that accompany structural adjustment and liberalisation has influenced the livelihoods of farmers and rural citizens more than specific agricultural

⁴⁶ Farquhar, I (1999). *The Other Side of the Mountain: the impact of Europe's Common Agricultural Policy on sustainable agriculture in the South*. IIED, London

and rural development policy, and must be understood in order to successfully reform policy for sustainability. For instance, among three crucial factors of success identified in the **Senegal** study, was the need for agriculture and rural development policy processes to grapple with extra-sectoral dimensions, especially fiscal and industrial policy.

Liberalisation is also an opportunity. The **South Africa** study showed how market liberalisation has had some beneficial impacts on agriculture, removing distortions caused by fixed prices that had encouraged the production of maize in marginal areas. A Futures Exchange, forward contracting, diversification into alternative grain crops and stable food prices are some other benefits of deregulation and trade liberalisation.

National market deregulation, together with widespread disenchantment with the poor performance of rural development programmes in alleviating rural poverty or improving agricultural productivity, has pulled the rug out from under national agricultural and rural development policy. The experience of agricultural transformation in Chile, where Rural World 2 – the mid-sized capitalist farm sector – thrived in a period when little or nothing was invested in the peasant economy through the 80s opened a debate on the *viability* of peasant farming and a *revival in ‘bimodal’ thinking*.

National market deregulation has pulled the rug out from under national agricultural and rural development policy

One of the key strategic questions facing national policy-makers, raised particularly in the **Brazil**, **Bolivia** and **South Africa** cases, is whether the peasant/smallholder farm sector should be treated as economically viable, or simply as a temporary social safety net for the rural poor and a shock-absorber in economic recession. There is now an apparent willingness to accept a rather rapid rate of decline of peasant farming (so-called *depeasantisation*) in many countries: a transition of rich peasants (and landlords) into pure capitalists (Rural World 1) and the transition of poor peasants into pure wage labourers, either on capitalist farms (Rural World 3) or in the urban sector. Policy then becomes a question of investment in the productivity of

There is now an apparent willingness to accept a rather rapid rate of decline of peasant farming in many countries

the ‘potentially viable’ units in order to aid their transformation into competitive capitalist family farms.

A political willingness to accept a shakeout in peasant farming is echoed in the **Thailand** PTW report that cites a statement by the former prime minister that an ideal peasantry would comprise only 5-10% of the population. Similar figures are heard in Brazil, in this case a reduction of rural population from 24% to between 8 and 10%.

A similar process is underway in OECD countries, especially the US where the last vestiges of Rural World 2 – the yeoman family farming in the Midwest and High Plains – is in steep decline, among talk of ‘releasing’ family farmers from agriculture. Even in Europe, expectations of agriculture as an economic pillar of rural development are now negligible.

There is not much in the PTW study, however, that sheds light on the potential for larger versus smaller farms to contribute to local development, poverty reduction and livelihood security, through the creation of small and medium sized enterprises (SMEs) and local employment opportunities, for example. This is a very controversial issue that requires in-depth research.

Policies of rural development based on increasing *food production* are also being rethought, as it is now clear that stagnant food production has as much to do with market power and limited entitlements as it does with agricultural technology and productivity. Policy-makers are *redefining national goals for food security*, towards self-reliance achieved through trade and comparative advantage rather than through self-sufficiency. Food is purchased both domestically and on the world market in exchange for manufactured goods or primary commodities such as mining. Under these conditions, policies in the US and EU which over-stimulate agriculture and dump cheap commodities onto the world market are a mixed blessing for net food-importing nations, both reducing the costs of imports but also seriously undermining the economic health of domestic farming.

Who's in charge? How people at the national level experience agricultural policy

The *influence of the state in agricultural policy is weakening* in many countries. Power and policy initiative now rests with non-elected trade authorities, multilateral and bilateral donors, agribusiness companies (including mutli-national companies and supermarkets), new economic organisations such as farmer federations, NGOs, as well as national and regional governments. Opportunities to reverse the process of depeasantisation are declining, even if governments actively seek to intervene. Governments are often not in a position to put the required policies and regulations into place without exposing themselves to retribution from powerful internal and external vested interests.

But pressures on policy-makers to deliver on pledges of development are strong, especially in transitional countries such as **South Africa** where promises of transforming society and attacking poverty after the fall of the apartheid regime raised high expectations. As discussed in Chapter 3, over-ambitious objectives lead to *policy inflation* at the national level and capacity collapse at the local/meso levels. The South African government is faced with the unenviable task of having to balance the conflicting demands of current economic trends with those of the majority of its supporters, who would like emphasis to be placed on directly tackling poverty, and not leaving it up to the “efficient workings of the free market”.

Even in countries not in transition, there is an apparent inconsistency between the short-term profit orientation of the market and government's responsibility towards the poor and the marginalised. The end result is often a jumble of contradictory policies, with mixed pro-liberalisation and pro-rural development signals.

Donors may encourage the weakening of public policy influence, working to their own agendas rather than building national institutional capacity for countries to build their own frameworks. Donor action, with its emphasis on ridding the state of ‘non-core’ functions, decentralisation of public administration, devolution of responsibility for public services to NGOs, the private sector and community organisations, and the

Dependency on international aid interferes with and fragments national formulation and implementation of public policies, and prevents long term planning.

strengthening of civic participation, may be a positive force for a more participatory and sustainability-oriented approach to rural development. But it can also have unintended negative

consequences due to problems of authority, capacity, co-ordination and politicisation at the meso level. Dependency on international aid can interfere with and fragment national formulation and implementation of public policies, and prevents long term planning. National policy-making becomes reactive and short-term. It also leads to the familiar problems of oversized projects.

As donor influence grows and supports the role of NGOs, this may undermine the role of the state and lead to institutional destruction. Donors have a “*Politically naïve tendency to excessively demonise the state and romanticise NGOs.*”⁴⁷ NGOs have a proven record at ‘island’ level where they can control conditions, but not on a wider scale. The entire NGO sector is tackling social development in a piecemeal manner. Just as the government has failed to look into sustainable agriculture at the local level, NGOs are not in a position to tackle the issues at a national level. Multinational agribusiness is also increasingly unanswerable to national governments. The situation develops where the state has abdicated its responsibilities and civil society is left to fill the gaps left by weak, failed or non-inclusive politics, so that it is unclear who is really in charge. This creates risks of social fragmentation and weakening of the state.

Also linked in part to the dismantling of state involvement in agriculture is the rise of *new economic and political organisations*, often emerging out of vacuums in central government policy or from new legislation, that are reshaping the political landscape and putting new pressures on national policy-makers. Some of these organisations have become very powerful at the national level and can challenge the legitimacy of national governments (Box 4.1).

⁴⁷ Khan, MH (1998). *Climbing the Development Ladder with NGO Support: Experiences of Rural People in Pakistan*. Oxford University Press, Karachi.

Box 4.1 Grassroots participation in policy development in Senegal

In **Senegal**, strong central government involvement in agriculture was followed by an abrupt handover of responsibilities to producers in 1994, when the country embarked on a process of liberalisation of the economy in general and of agriculture in particular. Public and quasi-public organisations are modifying their intervention strategies to adapt to a situation in which they only play an advisory role. The evolution of agricultural policy and the existence of a strong legal framework (the 'Law on Economic Interest Groups') have favoured the development of peasant structures that, although mainly promoted by the public sector or NGOs, have progressively improved their capacity to take charge of their roles and responsibilities. This dynamic began in 1974 with the creation of the Federation of Senegalese NGOs (FONGS) which federates farmers' organisations and led, in 1993, to the creation of the National Council for Rural Consultation and Cooperation (CNCR). Another federation of grassroots organisations was created in 1995 in the form of the Senegalese Association for the Promotion of Grassroots Development (ASPRODEB). Initiatives such as the CNCR negotiate with the state and the other stakeholders including co-operatives, economic interest groups, pastoral federations, women's interest groups, forest exploitation groups and FONGS, and also have strong links with the international development partners such as the World Bank and the EU. The influence of the CNCR extends to having veto power in the newly created national parastatal extension agency ANCAR, and in managing the administrative division of the Senegalese Research Council for Agriculture.

With such a complex series of new functions expected from agriculture, and often contradictory demands on national policy-makers, the challenges for national policy reform are enormous. The PTW project clearly points to improvements in *governance* rather than the addition of yet more policies, as the key to bringing lasting improvements to the lives of Rural Worlds 2 and 3.

Improving national policy and policy-making

Chapters 2 and 3 have already highlighted 'working' national policies and governance processes implemented at local and meso levels. These showed how building social capital and effective decentralisation could, for example, empower watershed associations or improve collaboration between farmer organisations and government to improve and oversee trade with agribusiness. What is needed at the national policy level in

order to create a facilitating national environment for these local and meso initiatives? One answer is national planning with multi-stakeholder participation.

Multi-stakeholder participation in setting agriculture and rural development policy: the links of governance

Policies that work for the rural poor at the national level have much to do with communication and collaboration. Successful policies are flexible, built on governance systems that link civil society, meso and national government and, where appropriate, the private sector. Policy-

Successful policies are flexible, built on feedback systems between local, meso and national levels.

making can then be based on *dialogue* and shared *control* of the policy-making process (as well as shared *responsibility*) rather than the kind of one-way consultations (such as

participatory poverty assessments or ‘listening to the poor’) dressed up as participatory policy-making. Such blending of policy research, policy-making, experimentation and implementation can achieve far greater ownership and commitment from all levels, as seen in the tank rehabilitation study in **India – Tamilnadu**.

Multi-stakeholder institutions can be an important element in creating the inclusive policy environment that can foster change, presenting multiple voices from the rural sector to inform and lobby national government for flexible and differentiated policies. Citizen juries,⁴⁸ scenario workshops and other methods which bring local voices (producers, consumers, men, women, ethnic minorities) into deliberative and inclusive processes (DIPs) could be used to engage different actors in making decisions about the choice of policies and technologies that structure food systems.

The existence of these forums, whether ‘permanent’ or temporary, enables stakeholders to learn about policy, participate in decision-making and cross-fertilise perspectives, and ensure that all voices are heard when

⁴⁸ See Pimbert, M. 2001 Prajateerpu: A Citizens’ Jury / Scenario Workshop on Food Futures for Andhra Pradesh, India. Interim report. London: International Institute for Environment and Development.

planning rural strategy. They promote a culture of interdependence rather than isolation. This was appreciated by the **India – Gujarat and National** study, which identified multi-stakeholder institutions as a gap in the watershed programme at national, state and district levels.

By engaging with the representatives of Rural Worlds 2 and 3 – the small farmer organisations and other previously invisible rural sectors – policy is open to more voices than the usual large farmer and agribusiness interests. The Small Farm Commission in the US, for example, had the opportunity to provide countervailing influence to the entrenched productivist interests of the American Farm Bureau. But relatively low levels of stakeholder participation in policy formulation are a feature of Northern as well as Southern agriculture and rural development.⁴⁹

Multi-stakeholder institutions take many forms, growing out of the grassroots such as the CNCR in **Senegal**, or established by the government, such as the Municipal Committee on Rural Development (CMDR) in Rebouças **Brazil**, which was created as a result of decentralisation policies of federal and state government. In many cases the government plays a facilitating role, while the mechanisms include donors, agri-business, and other transnational actors alongside grassroots players. The level of participation also varies, from seats at the table to devolution of some elements of planning and decision-making. The **Brazil** case study showed that despite its government origins, the CMDR has become a key player for communities to influence policy formation and accountability of municipal public policies.

Multi-stakeholder dialogue will work best for institutions that can negotiate from a *position of strength and legal recognition* and with *good access to information*. It is politically naïve to believe that the policy process can be democratised through simple exchanges between actors with radically different endowments of power and resources.⁵⁰ Federations acquire greater independence of action by obtaining

49 Baldock et al. (2001) *The Nature of Rural Development: Towards a Sustainable Integrated Rural Policy in Europe*. Institute for European Environment Policy IEEP, London
50 See Leach M and Mearns R (in press). *Challenging Received Wisdom in African environmental change and policy*.

negotiating parity with donors and international players. Sometimes it seems that the formation of institutions that bring more groups into the political process are often spurred on by situations of fiscal crisis such as the National Dialogue in Bolivia entered into under the HIPC2⁵¹ debt-relief programme. Even if formal dialogue does not survive beyond the lifetime of donor support, the experience of the forestry sector (in Costa Rica, Ghana and Papua New Guinea, for example) shows that it sows the seeds of real dialogue by legitimising actors who had previously been outsiders in the policy process.⁵²

In **South Africa**, the *Rural Development Initiative* (RDI) was started in 1998 to mobilise rural communities and organisations to take their rightful place on the rural development agenda. The RDI is being co-ordinated by five land and rural development NGO networks, including the National Land Committee. At a national conference held in April 1999, a Rural People's Charter was drawn up, which expresses the desires and needs of rural people with respect to a range of different issues: agriculture and food security, the rural environment, rural economic development, water and sanitation, health care, governance, and the rights and conditions of farm workers. The Rural Charter notes that although policies and laws are in place to address rural issues, there has been very little improvement in the lives of the rural poor. It remains to be seen whether the RDI will develop into an effective broad-based movement that is perceived to be legitimate and is able to make an impact through lobbying on government policy and programmes. South Africa has the usual middle class champions linking with NGOs to draw up liberal policies from the grassroots. But there has not yet been much stakeholder involvement despite the explicit aims of the Freedom Charter and the Reconstruction and Development Programme to base development on people's needs through bottom-up approaches.

⁵¹ The HIPC (Highly Indebted Poor Country) initiative was introduced in 1996 by the IMF and World Bank, and for the first time contemplated debt cancellation to enable debtor countries to get out of unsustainable debt. The 1999 Cologne Debt Initiative otherwise known as HIPC2 promised to write off \$100 billion of debt owed by poor nations.

⁵² Mayers J and Bass S (1999). *Policy That Works for Forests and People*. IIED, London.

Summary

In this chapter we have tracked some of the remarkable changes in the scope and mandate of national agricultural and rural development policy over the last 50 years. We have focused on the new imperatives of economic and trade liberalisation, which are leading to a serious re-evaluation of the traditionally unique policy position of agriculture and particularly smallholder farmers in national development. In the same time frame, there has been a big rise in the number of ‘insiders’ in agriculture and rural policy-making. These now include donors, NGOs and federations of producer and peasant organisations, as well as agribusiness. We can see the same squeeze developing on national agricultural policy-making as we found at the meso level.

These are the potential ingredients of global and national political paralysis, unless models of improved *governance* are adopted. These models can be built around deliberative and inclusive processes, bringing the representatives of Rural Worlds 2, and especially 3, as partners into the policy arena.

Blaming ‘bad governance’ for all of the problems facing Rural Worlds 2 and 3, however, is simplistic in the extreme. Regional and global forces fall outside the triangle of national governance, and limit the options for national policy-making, while creating other opportunities. The next two chapters examine the role of distant actors – the market governors such as food processors and retailers, the International Financial Institutions, the regional integration and free trade agreements and the institutions of the multilateral trading system – in building or impeding ‘policies that work.’

⁵³ The category of least developed countries was initiated by the United Nations Conference on Trade and Development (UNCTAD) in 1971: all countries with GDP per capita of \$100 or less, manufacturing output less than 10% of GDP, and adult literacy less than 20%.

Chapter 5

The Private Sector and the Market

Many analyses of policies for sustainable rural development *overstate* the ability of the state to respond to the challenges facing Rural Worlds 2 and 3 in the face of government withdrawal from agriculture. They also *understate* two of the key constraints facing smallholder and family agriculture: *access to markets*, and *pricing*, related to the *terms of trade* between farming and the rest of the agrifood system.

This chapter looks at the way in which agri-food markets are governed, and the associated impacts on sustainable agriculture and rural livelihoods. The analysis is based on the ‘*Think Piece*’ on agrifood chains (see *Appendix 3 Associated material available from the ‘Policies That Work’ project*), though the country case studies, especially of **Thailand** and **South Africa**, provide important context.

Liberalisation and market opportunities

As described in Chapter 4, the agricultural sectors in many Southern countries have been liberalised through privatisation and deregulation, often as a result of structural adjustment policies, donor conditionalities and compliance with trade agreements. The state has withdrawn from interference in production activities and the functioning of markets. Structures such as marketing boards designed to transfer resources from agriculture to other sectors of the economy have been broken up. Many agri-food markets have experienced a rapid transition to world prices.

These reforms should allow small farmers to exploit their comparative advantage. Small farmers North and South are encouraged to deal with the withdrawal of government from the business of agricultural support and commodity trading by forging direct relations with the market.

Removing constraints to the *productive* sector, rather than the provision of social services, is now seen as key to rural development, especially for Rural Worlds 2 and 3.⁵⁴

In a perfect world, the increased risk from exposure to market fluctuations and removal of safety nets⁵⁵ would be countered by improved market information and reduced information asymmetries,

Removing constraints to the productive sector is now seen as key to rural development, especially for Rural Worlds 2 and 3

efficient scales of production and marketing, contract farming and improved liquidity. Problems of quality, efficiency and competitiveness on smaller

farms could be overcome through social organisation. **Producer organisations** and **social capital** – as social mechanisms to adapt to the market economy – are the means by which Rural Worlds 2 and 3 are supposed to defend themselves from being bypassed and marginalised by liberalisation and globalisation.

Access to new market opportunities in an open economy depends on ending distortions in the domestic ‘market’ caused by dumping by industrialised countries (see Chapter 6).

But there are two other limitations, linked to the management of risk and dealings with markets, which introduce a strong bias within the process of liberalisation in favour of Rural World 1.

Firstly, as described in Chapter 4, the state has also withdrawn from investment in extension, public research, rural infrastructure and credit provision under the same fiscal constraints and donor influence that brought about economic liberalisation. This limits access to technology, information and markets, even for strong local peasant organisations.

Secondly, many markets are undergoing rapid change, with *closed commodity chains* rapidly replacing traditional arms length or spot

⁵⁴ For example, DFID (2000). *Eliminating World Poverty: Making Globalisation Work for the Poor*. White Paper on International Development, Department for International Development, London. Available at www.globalisation.gov.uk

⁵⁵ Such as tariff barriers, supply management, price supports, production subsidies, and access to credit.

markets. The restructuring of markets and power relations beyond the farm gate has been underreported in the debate about sustainable agriculture and rural poverty, both North and South. The trends were considered to be typical of industrialised country agriculture rather than peasant systems. Agenda 21 reflects this: the private sector and the market hardly figure.

Liberalisation of agricultural markets *relocates risk from the state onto the individual*, and also *elevates the importance of the private sector and off-farm capital* as arbiters of sustainability. As governments – especially in the South – withdraw from heavy involvement in agriculture, to be replaced by direct dealings with agribusiness, the gap of *private sector* policy must be addressed.

Market power and terms of trade: the chains of agriculture

We are witnessing in agri-food a profound shift to *buyer-driven* (as opposed to producer-driven) commodity chains or **value chains**. Buyer-driven chains have sophisticated forms of *coordination and integration*, and *rules of participation*. The implications for smallholder agriculture of these new forms of agri-food governance can be overstated. But as we shall see later, the rules of participation in vertically co-ordinated supply chains with privatised standards, and the rise of contracts and specialised intermediaries, are proving to be powerful drivers of divergence and marginalisation within farm communities. It is by understanding supply chains and their role in concentrating capital in the agri-food system that we get a clear understanding of agricultural markets and the future sustainability of farming.

The analysis of commodity chains has its theoretical roots in *demand* orientations informed by neoclassical economics, as compared to the *supply* orientation of political economy. A traditional political economy approach to the agri-food chain would propose that capital is accumulated through controlling the tangible *means of agricultural production*: land, labour, nutrients and chemicals, water, genetics and seeds, feed, equipment, and capital. In contemporary agri-food chains,

however, it is ownership and control of *intangible assets*, especially *information, brands and patents*, rather than control of the tangible means of production, that raises sufficient *barriers to competition* to allow the concentration of capital from a supply chain and the conversion of that capital into mobile financial capital.⁵⁶ In other words, the governance of supply chains hinges on controlling the *means of co-ordination* rather than the means of production.

Management and control of *information* is a feature of industrial *size and concentration*, rather than monopoly. *Size* confers logistical control, reduced transaction costs, economies of scale, improved market and meteorological intelligence, and access to and control of the most valuable intellectual property and the most comprehensive distribution network. Size confers ‘absolute cost advantage’ – the ability to outbid smaller farmers or companies for resources and ideas, to invest more heavily in research and development and patent protection (for instance, to obtain critical mass in genomics), to set predatory prices, to externalise risk, to raise external capital, and to mount lavish promotional campaigns. Size also confers access to information related to the workings of government that selectively benefits the company, and the ability to remould the social and political environment to an individual’s or company’s own benefit.⁵⁷

Size can be achieved through acquisition or through *strategic alliances*, a common feature of buyer-driven chains. Global clusters and strategic alliances in agrifood industries are examples of *corporate convergence* which is becoming the global norm. Under these conditions of ‘*cooperative capitalism*’ transactions become based on *industrial relationships* rather than on open markets. These networks transcend national and transnational (eg. EU) regulation.

⁵⁶ Pritchard B (2000) The tangible and intangible spaces of agro-food capital. Paper presented at the 10th International Rural Sociology Association World Congress, Rio de Janeiro, Brazil, July 2000.

⁵⁷ Agribusiness has a long history of influence over supra-national trade policy, from Cargill’s role as one of the principal architects of the US proposal presented to the GATT agricultural negotiations in 1987 to industry dominance of the Intellectual Property Committee that drafted the GATT TRIPs (Trade-Related Intellectual Property Rights) Agreement and the Codex Alimentarius, an international food standard body authorised under the GATT to set international food safety standards. The New York Times has written of a “*symbiotic relationship*” between the US Department of Agriculture (USDA) and “*some of the politically influential companies it regulates.*”

Size and concentration in agrifood industries

The past decade has seen an astonishing process of concentration in upstream and downstream global agrifood industries.

1. *In retailing*

In both the EU and US, it is retailers who determine what *food processors* want from *farmers*. Retailers are the point of contact between the majority of OECD citizens and the rural economy. The supermarket sector is most concentrated in the EU, but is also rapidly consolidating in the US. Since 1992, global retail has consolidated enormously and three retailers – Carrefour, Ahold and Wal-Mart – have become truly global in their reach. In 2000, these three companies alone had sales (food and non-food) of \$300 billion and profits of \$8 billion, and employed 1.9 million people. It is predicted that there will be only 10 major global retailers by 2010.

2. *In processing*

Partly out of necessity to exercise countervailing economic power to retailers, processing industries are also rapidly consolidating their economic and market power. The economic power of the top eight food multinationals has been compared to that of half of Africa. In 2000, US\$87 billion in food industry deals were announced, with Nestlé, Philip Morris and Unilever emerging as the Big Three of global foodmakers. The justification for such massive accumulation of market power is to have more power in the consolidating retailing environment. We are likely to see a growth in networks and cross-ownership between food processing and the seed sector, in which the farmer is contractually sandwiched, just a step away from the farmer as renter rather than owner of contracted crops or livestock.

3. *In farm inputs*

Only six companies now control 80% of *pesticide* sales, down from 12 in 1994. There were \$15 billion of amalgamations in the US seed industry in the period 1995-2000. From a value chain perspective, input manufacturers – as suppliers to the least profitable sector of the agrifood system, namely farming – are in a strategically weak position. The level

of concentration in the business is in part a desperate drive to maintain profitability against declining strategic value of chemicals, seeds and biotechnology. Value chain thinking rather than technical hubris is key to the sustainability of these industries. Survival will depend on strategic alliances with processors and retailers around food quality, safety and healthfulness.

Highly concentrated food processing, retail and food service industries, as key agents within value chains, are able to reduce their supply base and demand increasingly stringent levels of quality, compliance with standards and codes of conduct (including proof of ‘sustainable agriculture’ production techniques) and post-production service from their suppliers.

What does this mean for SARL?

If valuable agricultural markets are subsumed into relatively closed commodity chains governed by downstream actors, what does this mean for SARL and the opportunities for agriculturally-led development? There is a risk of overstating commodity chains both in terms of their implications for peasant agriculture and their importance relative to public policy. But the development of ‘policies that work’ must anticipate rather than run behind change. It is by understanding buyer-driven chains and their role in concentrating capital in the agri-food system that we get a clear understanding of agricultural markets and the future sustainability of farming.

Participation in value chains can link small farmers to the modern economy, with lower market risk and greater new markets, to inputs, and to financing. *Contract farming*, as one means of making this connection, has been described as a route to increased wealth from export-led growth and enhanced trade linkages, better access to finance and new agricultural technologies, and improved access for developing countries to flexible institutional arrangements that promote agricultural sustainability.⁵⁸ It has also been described as the means by which agribusiness “turns

⁵⁸ Eaton C and Shephard AW (2001). *Contract farming: Partnerships for growth*. FAO Rome. Available at <http://www.fao.org/ag/ags/agsm/contract.htm>

farmers into wage labour on their own farms” and locks peasant farmers into more intensive and specialised forms of extractive commodity production. Both perspectives are potentially correct. Like all forms of intensified commodity production, contract farming raises potential benefits and potential risks to growers. Small producers South and North can be global actors rather than perpetual victims of imposed models and global forces.⁵⁹

Market access for producers to supply chains does not have much to do with classical notions of ‘efficiency’

But the control of value chains in agrifood by clusters of powerful downstream industries has profound impacts on agriculture, especially in *weakening the link between farm prices and food prices*.

High levels of concentration in downstream processing and retailing industries mean lower levels of value-added⁶⁰ going to local communities; 78-85% of value added in the agrifood chain in the US and UK, for example, is *not* done by farmers. The farmers’ slice of the retail cost of a basket of foods sold in grocery stores shrinks further once they have paid for seeds, fertilisers, feed and machinery, finance, labour and land rental costs. Farmers have to produce more, but get less.

Retailers can concentrate capital within value chains by governing access to consumers. Market access for producers to value chains does not have much to do with classical notions of ‘efficiency’. Rather, market access has everything to do with exploiting a *marketing advantage*, meeting large processor and supermarket demands for consistency of supply (reliable quality), speed of response and compliance with standards.

Co-ordination by supermarkets of their supply chains raises the requirements for farms and firms to stay in the market. For instance, although production costs are lower and quality higher among small-scale grape producers in Brazil, marketing advantage accrues to large-scale producers through their better access to post-harvest cold storage

⁵⁹ Bebbington AJ (2001) Globalized Andes? Landscapes and livelihoods in the Andes, *Ecumene* 8 (4) 414-436.

⁶⁰ The share of the consumer food expenditure captured by farmers.

and refrigerated transport services.⁶¹ In Latin America as well as Europe and North America, there is a growing tendency for supermarkets and processors to use this form of co-ordination to source sub-regionally or regionally, and occasionally extra-regionally,⁶² rather than locally or nationally.

As buyer power increases, so barriers to entry for smallholders to markets other than for basic commodities become more daunting (Figure 5.1). The standards and product specifications driven by the private sector mean that the lower labour costs in developing countries are not a

High levels of concentration in downstream processing and retailing industries mean lower levels of added value going to local communities.

comparative advantage. Small farmers of Rural Worlds 2 and 3 – in both South and North – often lack the strong and direct market relationship enjoyed by large-scale producers, such as contracts with processors or

supermarkets. Buyers preferentially contract larger farms and firms that can meet these demands, because they deliver lower transaction costs and risk. Smaller farmers with little land and capital do not see benefit from the investments needed to achieve the quality and efficiency required to meet the expectations of an agribusiness processor, even in the unlikely event that they can raise the capital. Smaller farmers also present higher per unit costs for contractors, and have greater problems meeting stringent quality and safety requirements.⁶³ Rural Worlds 2 and 3 have experienced declining returns from agriculture, stuck in commodity activities with low barriers to entry.⁶⁴

Only Rural World 1 has integrated itself economically and politically with downstream actors, using its capitalisation, infrastructure, technical expertise and market information to meet the requirements of shippers,

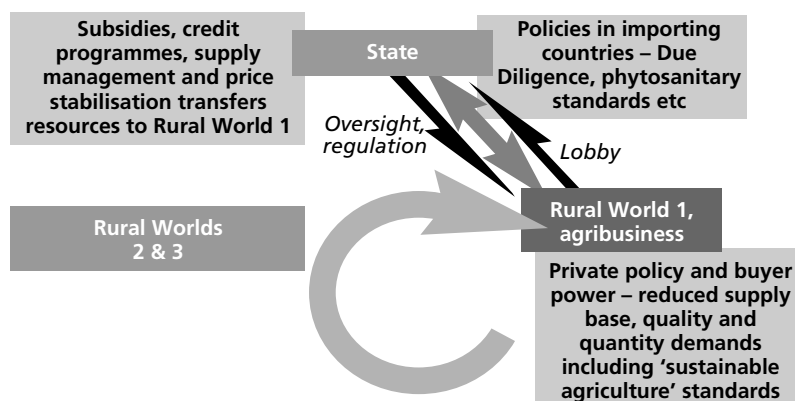
61 Collins JL (2000). Tracing Social Relations in Commodity Chains: The Case of Grapes in Brazil in A Haugerud, MP Stone, and PD Little (eds.) *Commodities and Globalization: Anthropological Perspectives*. New York: Rowman and Littlefield.

62 Reardon T and Berdegue JA (2000). Report of the International Workshop “Concentration in the Processing and Retail Segments of the Agrifood System in Latin America, and its Effects on the Rural Poor,” Santiago Chile, 27-28 November 2000. RIMISP, Chile.

63 Reardon T and Barrett CB (2000?) Agroindustrialization, globalization and institutional development: an overview of issues, patterns, and determinants. *Agricultural Economics* [full ref.]

64 Kaplinsky R (2000). *Spreading the gains from globalisation: what can be learned from Value Chain Analysis?* IDS Working Paper #110. Institute of Development Studies, Sussex UK. Available at <http://www.ids.ac.uk/ids/index.html>

Figure 5.1 Market exclusion of Rural Worlds 2 and 3



processors and retailers, and the political influence to direct state resources in support of their interests. Yet even for this highly capitalised group it is very difficult to prevent bargaining power (and therefore profitability) from being eroded as downstream agribusiness becomes ever more concentrated. The contracts that Rural World 1 negotiates with downstream agribusiness are often low risk and low return. Captive supply⁶⁵ of livestock under contract to the large integrators, for example, is drying up markets in many countries for non-contracted animals and forcing down wholesale prices. Farmers are left with “*take it or leave it*” deals with a few integrators. Captive supplies of beef cattle and swine in the US, for example, are now such a large part of the livestock industry that there is no competitive market where prices can be discovered. The spread of closed contract production systems into the grain sector does not bode well for price and farm income.

Buyer-driven chains, while appearing very remote from most of the PTW case studies, are in fact making rapid inroads into areas considered to be entirely dominated by spot markets.⁶⁶ Penetration of supermarkets, with their associated sourcing strategies, are rapidly penetrating lower middle class markets even in rural areas of Latin America, South and Southeast

⁶⁵ Animals contracted by packers (livestock processors) and integrators for future delivery in order to have a predictable source of raw materials for their plants.

⁶⁶ Reardon T and Berdegue JA (2000). Report of the international workshop, “Concentration in the Processing and Retail Segments of the Agri-Food System in Latin America and its effects on the Rural Poor”, 27-28 November 2000, Santiago, Chile. RIMISP International Family Systems Network.

Asia and Southern Africa. Consider that 20-35% of the rural retail sector in Central America is already controlled by supermarkets, and that a single firm controls 60% of chicken purchases in Central America.

Growth is particularly rapid in emerging economies of Latin America and Eastern Europe. In Chile, 14 of 15 main food products are now sold through contracts between farmers and supermarkets and processors, rather than through spot markets. Thousands of small dairy operations have failed in Chile, Argentina and Brazil in the 1990s – cooperatives of small farmers and processors have gone bankrupt or suffered membership declines. In the 1990s, the share of the retail sector controlled by supermarkets in Argentina increased from 20% to 80%.

Price pressure is forcing farmers into unsustainable practices in order to sustain family income from a fixed land base. Overstocking, and neglect of practices which favour biodiversity or soil quality, are typical features of farming areas under price pressure.

How 'sustainability' can drive consolidation and marginalisation

'Sustainability' as a set of process standards can provide leverage for large enterprises to control markets and *raise barriers to competition*.

When a processor or retailer develops a strategy for sourcing more 'sustainable' products, they can – as governors of the value chain – push all compliance costs and risks down to suppliers. Standards and Codes of Practice thus favour well-capitalised farms (not necessarily always 'large' farms) while presenting smallholders with high transaction costs.

'Sustainability' is understood by farmers as another new set of outsiders deciding what goes on inside the farm gate – as with policies of importing countries such as 'due diligence' and phytosanitary standards

'Sustainability' as a set of process standards can provide leverage for large enterprises to control markets and raise barriers to competition

– as a cost of contracting with vastly more powerful market players. Standards are seen as another example of the North 'pulling up the ladder of development' on Rural Worlds 2 and 3.

Standards for ‘sustainability’, such as conditions for farm workers or techniques for soil and pest management, are part of a trend from *performance* to *process standards*. Another characteristic is that these are *private* rather than *public* standards. Private, process standards are features of value chains, marked by “a shift in [the] centre of gravity from technical norms to reduce transaction costs in broad homogenous commodity markets, to strategic instruments of product differentiation, agrifood chain co-ordination, market creation and share growth.”⁶⁷

Northern environmentalism has thus been a blessing and a curse. It is an important and unwitting driver in the consolidation of Rural World 1, and the high transaction costs may hold back smallholder farmers from building equitable (and therefore economically sustainable) trading relationships with downstream actors. The proponents of sustainability, in catalysing a public-private response which packages ‘sustainability’ into technical, regulatory and managerial frameworks, have seen agrifood chains respond with another push towards marginalisation of small farmers and peasants.

These issues add to smaller farmers’ growing problems of *market access* within rapidly concentrating supply chains.

How can markets be regoverned differently?

Governments are faced with the challenges of achieving local rural development in a period of globalisation in the agri-food system, liberalisation of markets, reduced state intervention, and a reconsideration of the role of agriculture in rural employment and livelihoods.

Despite the rhetoric of poverty reduction through access to resources (for instance, via land reform) and more inclusive governance, especially participation of rural people in policy processes, it is becoming clear that *improving governance in public policy-making is not enough to reduce poverty*.⁶⁸ The livelihoods frameworks provided by rural sociology, with

⁶⁷ Reardon T, Codron J-M, Busch L, Bingen J and Harris C (2001). Global change in agrifood grades and standards: agribusiness strategic responses in developing countries. *International Food and Agribusiness Management Review* 2(3/4) 421-436.

⁶⁸ Bebbington AJ (2001) Globalized Andes? Landscapes and livelihoods in the Andes *Ecumene* 8 (4) 414-436.

their household and community perspective, are also inadequate tools for understanding the workings and influence of agrifood chains.

Control of and influence over markets is key to the circulation rather than extraction of economic assets, either within agrifood markets or through non-farm activity such as tourism where control over markets is easier.

How can public *and* private sector policy be reformed to achieve this re-governance of the agrifood system, so market liberalisation is an *inclusive* process rather than a driver of rural differentiation? Public regulation is not geared up to deal with value chain structures. And within the supermarket- or processor-driven value chains, where standards and prices are dictated by distant actors, there are few opportunities for smallholders and family farmers to influence the market or exert democratic influence over agrifood futures. With growing distance between point of decision over production methods/technologies and production itself, there is a need for *global governance over value chains*.

We first need to recognise the *political* nature of the rules and frameworks that comprise market structures, understanding that markets and political authorities (and hence economic interests) are parts of the same ensemble of governance, rather than contrasting principles of social organisation. We must also recognise the paramount importance of removing market distortions caused by dumping of subsidised produce onto global and domestic markets.

Following from these recognitions, there are seven ingredients for advancing the interests of equitable and sustainable rural development:

1. Producer organisations (and supporting institutions)

Economic organisations of producers have flourished in rural areas in absence of strong central or provincial government. These organisations can help overcome constraints on farmers acting individually, especially liquidity, shortage of market information, and efficiencies of scale of production and/or marketing, particularly when public policy provides a legal framework for ethical and fair trade.

Organisation of smallholders is widely seen as an antidote to smallholders' problems of dealing with buyer-driven chains. Developing organisational capacity among small farmers can allow extraction of more benefits and less risk from contract farming, as demonstrated by small rice-potato farmers in northern **Thailand** (Box 5.1). It can prevent the tendency to vertical patron-client relationships (similar to historic landlord-peasant relations) characteristic of many vertically integrated chains. The collective technical, management and marketing skills of organised farmers represent an institution that can develop long-term profitable relationship with agribusiness. Umbrella associations of economic organisations are important in policy advocacy concerning the way in which markets are governed. Reduced differentials in the powers of interest groups through collective organisation of small farmer economic organisations is essential to the development of inclusive pro-poor markets. Governments and international co-operation can assist these organisations, through recognising them as partners in

Organised farmers can develop long-term profitable relationship with agribusiness, especially when public policy provides a legal framework for ethical and fair trade

Box 5.1. Smallholders and agribusiness: contract potato production in Northern Thailand

In the San Sei district of northern Thailand, small (averaging 1 ha) farmers have developed a sustainable rice-potato production system, on which they have built outstanding marketing arrangements. National legislation in 1987 and 1995 emphasised the promotion of high quality value-added products for exports, through co-operation between industrial firms, farmers, and financial institutions. Efforts of local officers in co-ordinating contracts between firms and farmers have made initial establishment possible, and supported the progress of the whole industry by building the right conditions of trust between firms and farmers. Farmers have found that growing both *processing potatoes* under contract with processing companies and *cooking potatoes* for the domestic market spreads risk and avoids over-dependence on one partner, diversifying their enterprises between *contract* and *open market* arrangements. Organisation by farmers has allowed them to effectively pull down services and resources from government authorities and local politicians. A potato growers' cooperative has been effective in managing supply and therefore the price of cooking potatoes. *Contract farming* has helped promote the production of a quality product and assured quantity. However, the development of the modern formal contract is a long process; in Northern Thailand it took at least 30 years.

decentralisation, and providing a legal framework covering oversight of contracts and provision of bank credit that enables smallholders to access lucrative value-added markets without losing out to intermediaries.⁶⁹

But we must recognise that economic organisations are part and parcel of economic differentiation in the countryside. Economic organisations are more likely to represent the better off members of village communities – Rural World 2 – who have the resources to invest in production technology, while the traditional peasant unions, with a political rather than economic focus, still have strong following among Rural World 3. There is some evidence that economic producer organisations, as responses to neoliberal policies, freeze into place the inequitable structure of asset and income distribution between Rural Worlds 2 and 3. But these equity issues are relative. Economic organisations are still very much *campesino* organisations, and may be shut out of valuable export markets by the big players. For instance, the national association of Bolivian coffee exporters has put a sourcing limit of only 3.5% from economic organisations – the rest is handled by the big enterprises. Economic organisations may flourish in a transition to a completely liberalised market, but be out-competed when exposed to global competition. The dairy organisations of the Bolivian Andes, for example, are very concerned about their future if long-life milk is imported or dumped from MERCOSUR (see page 108) countries. Careful surveying of economic organisations in Chile has shown that high levels of social capital will not always lead to high levels of economically-oriented collective action.⁷⁰

The mismatch between the expectations for producer organisations and their capacity to fulfil those expectations will widen unless there are major programmes of building management, technical and lobbying capacity, with donor and NGO support. Intensive research is required on the impact of these organisations on gender and social equity, especially (1)

69 “Markets in rural areas, and particularly agricultural markets, suffer especially from problems of information, adequate competition, and weak enforcement of contracts. Building institutions that reduce transaction costs for farmers, therefore, can greatly improve the way agricultural markets operate.” *World Development Report 2002*, Chapter 2 Farmers, World Bank, Washington DC.

70 Berdegue JA (2000). *Small Farmers’ Economic Organizations in Latin America*. Draft report for the FAO. RIMISP, Chile

Box 5.2 Institutions That Work for Peasant Economic Organisations

Peasant Economic Organisations can be successful when their core activities aim at (a) differentiating members' raw products through value-adding, (b) providing price and market information; (c) overcoming investment, technology or knowledge and management barriers to market access, and (d) expanding the portfolio of clients, especially for highly perishable products. Organisations set up to trade undifferentiated commodities are unlikely to be successful. Linkages to actors outside the rural communities is essential for operating in dynamic and competitive markets; effective Economic Organisations are part of effective multi-agent networks. Internal systems and rules must address the allocations of costs and benefits between members, and must transmit market signals to members. When Economic Organisations are embedded in a rural community, their internal rules and decision-making processes become more effective and less costly, but close social and geographic proximity can also undermine the operational rules.

Berdegú JA (2001) *Cooperating to compete: associative peasant business firms in Chile*. PhD Thesis, Wageningen University and Research Centre, the Netherlands.

what forms of support to these organisations would have the most impact on the sustainability of livelihoods of poorer households; (2) the relevance of existing policies to supporting the activities of local level producer organisations; and (3) the characteristics (institutional dynamics) of those economic organisations that are effective in terms of bringing benefits to their members/constituency and preventing the capture of the organisation by market and formal political forces. New research from Latin America on these peasant economic organisations is pointing to a specific set of institutional requirements for success (Box 5.2). A Phase 2 of the PTW research is underway in Bolivia to further investigate the political and institutional drivers of successful economic organisations.

2. *Competition policy*

Concentration in agricultural supply, processing and retail industries exposes primary producers to unfair terms of trade. *Policies that protect markets* are as important to sustainable development as policies that protect land and water. Industrial policy is a valid instrument in agricultural and rural development, in

Policies that protect markets are as important to sustainable development as policies that protect land and water.

penalising collusion and preventing undue concentrations of economic power. Vigorous *competition (antitrust) policy* must address *buyer concentration* (oligopsony) and its effects on supplier welfare and the *distribution of profits* as well as profit levels along the agri-food chain. Other tools are a legal environment which allows agricultural bargaining as a form of countervailing power, and legislation or ombudsmen to protect producers and uphold principles of fairness, full information and equity in supply chains. Bringing competition policy to the international stage is proving immensely difficult.

3. *State support for building small producers' capacity*

Governments can help producers develop new competencies for participating in value chains, especially in meeting quality standards, with a spin-off in raising production standards for the domestic market. There is also a key role for the state in informing farmers about the market to overcome information asymmetries that disadvantage remote farmers in market transactions, as described by the **Kenya** study. State support can be very beneficial in providing alternative structures to value chains, such as school meals programmes, poor-to-poor markets, and local farmers' markets. Demographic change related to migration and urbanisation is driving the growth of many *regional markets*. There are models of state intervention such as the state-sponsored farmers' markets in urban centres of Tamil Nadu. There is a need to examine the role of state intervention in linking regional agricultural produce with urban consumers, both in improving the welfare of Rural Worlds 2 and 3 and improving food security of the urban poor.

4. *Corporate ethics and private sector policy*

The private sector is usually considered to be *reactive* to policy and civil society pressure, rather than an *initiator* of or *participant* in policies that support national objectives of sustainable agriculture and rural livelihoods. But there are examples of pro-sustainability private sector policies in agriculture.⁷¹ These policies range from Codes of Practice for labour and/or environment standards, such as the UK's Ethical Trade

⁷¹ e.g. CIAA (2002). *Continuous Improvement Towards Sustainability: The contribution of the Food and Drink Industry to the World Summit on Sustainable Development*. Confederation of the Food and Drink Industries of the EU, Brussels.

Initiative or the code developed by the Fresh Produce Exporters Association in **Kenya**, to innovative arrangements for collaboration between state and private sector around land reform.

As the state in **South Africa** has retreated from direct involvement in extension support, the sugar-cane sector has been particularly quick to capitalise on this opportunity. Innovative outgrowers schemes, instituted and financed by the sugar industry to ensure sufficient and continual supply, have granted loans to more than 33,000 small-scale growers who are otherwise unable to raise development capital through conventional financial channels because of their land tenure systems.

The outgrowers scheme provides smallholders with access to technical assistance and increases farmers' negotiation position by bringing them into the market system. But it also directly exposes those farmers to the risks of market dynamics. The situation of small-scale sugar farmers in South Africa has worsened, due to cheap imports from Swaziland and Mozambique in line with international trends towards regional sourcing. Their options are limited as they are tied to the sugar industry. The South African team report that contract farming there has in many cases been exploitative and that some farmers have fallen heavily into debt. Similarly in **Pakistan**, the sugar mills first helped farmers to grow sugar cane, but later made a cartel and fixed the sugar prices to the farmers' disadvantage.

Despite a few bright spots, it has to be acknowledged that the private sector, particularly processors and retailers in the North, feel little obligation to support *national* objectives for rural development and poverty reduction. The private sector, especially global corporations, typically fall outside of the governance relations described in Figure 1.3. This situation must change if Rural Worlds 2 and 3 are to see lasting improvements in their livelihoods, in an era of government withdrawal from agricultural policy.

A clear commitment by industry to move beyond its eco-efficiency positions laid out at the UNCED 'Earth Summit' in Rio is essential. Food

retailer and processor policies affect livelihoods and environmental health right across the value chains, way beyond the points of production and sale. Standards and codes of conduct should be accompanied by training and capacity-building to ensure inclusion rather than exclusion of Rural Worlds 2 and 3 in the chain. A commitment to sharing the cost of compliance would be a small step on this path.

5. *Civil society scrutiny*

Increased size and concentration in agrifood industries has advantages for sustainability, in that they become sensitive to scrutiny by civil society groups ('stakeholder value'), in order to defend brand equity and shareholder value. Civil society benchmarking is another pillar of improving the governance of agrifood chains. It raises public expectations for private sector support for sustainable agriculture, draws consumer and investor attention to best practices, and can be a tremendous educational opportunity.

There is tremendous scope for state and civil society scrutiny of supermarkets, regarding the terms and ethics of their trade with smaller farmers and developing countries

The multi-stakeholder standards-setting bodies such as the International Sustainable Cocoa Programme have focused largely on improving production methods rather than changing the terms of trade in favour of small-scale producers.⁷² There is substantial

scope for state and civil society scrutiny of supermarkets, for example, as the gatekeepers of the Northern agrifood system, to drive improvements in the terms and ethics of supermarkets' trade with smaller farmers and developing countries, as long as they provide standards consistent with national and local needs and conditions. By striving for stakeholder value, supermarkets can compete in a 'Race to the Top' (Box 5.2) rather than feeling satisfied with a few feet of shelf space dedicated to labelled 'Fairtrade' produce. An immediate practical example would be for supermarkets to create markets for land reform beneficiaries in South Africa, thereby supporting political, economic and social reform in post-apartheid South Africa and preventing these new land owners from becoming part of the global rural underclass – Rural World 3.

⁷² Najam A and Robins N (2000). *Seizing the Future: the South, Sustainable Development and International Trade*. IIED, London.

Box 5.2 Scrutiny of UK supermarkets: The ‘Race to the Top’ project

The potential for supermarkets to abuse their dominant market position is high, reflected in a ‘race to the bottom’ in which competitive retail prices are achieved through driving down farmgate prices and scouring the world for the cheapest supplies. Farmers are looking to concentrated market power in the food chain, especially by supermarkets, as an explanation for their economic hardship. There is a shortage of data on how fairly supermarkets treat their suppliers. How much of a share of food expenditure gets back to the farm? Is there a commitment to local produce? Are contracts fair or one-sided, reflecting the difference in market power between the big retailers and farmers? What about farm workers? Are smaller farmers in developing countries and emerging economies getting a slice of the pie?

A project being co-ordinated by IIED as an outcome of the PTW work is measuring the performance of supermarkets in terms of promoting a greener and fairer agriculture and food system. The *Race to the Top* project is benchmarking and tracking the social, environmental and ethical performance of UK supermarkets—including comparative data on supermarkets’ relationships with farming at home and abroad—and thereby intends to catalyse change within the UK agri-food sector and beyond. A broad alliance of organisations representing farming, conservation, labour, animal welfare, and sustainable development communities, has developed a series of indicators of supermarket performance. These indicators provide comparative data for an annual independent benchmarking process. By identifying, highlighting and rewarding best practice by supermarkets, the project will point to key issues for public policy, consumers, investors, retailers and campaigners.

The breadth of the alliance allows supermarket companies a brokered, constructive relationship with NGOs and campaigning groups. The project turns supermarkets into a powerful educational platform, illuminating the link between shopping choices, retailer policy, and the health of agriculture and the food system. The Race to the Top indicators are useful pointers for socially responsible investment (SRI) funds, helping them to deploy their retail investments to where genuine social and environmental improvements are taking place. The information from the project can also help the mainstream investment community to evaluate the risk of supermarket investments, including risk to reputation brought about by ethical or environmental liabilities. Lastly, the project can help government to understand and better define the role of regulation—where government policy can support supermarket best practices—and the limits to industry self-regulation and voluntary initiatives.

Further information is available at www.racetothetop.org

6. *Strengthening the farmer’s voice in the process of setting standards and codes of conduct*

Standards and codes of conduct, including those for sustainability,

should be undertaken as a partnership with producers rather than enforced from a distance. Standards can then take into consideration local realities and aspirations.

7. *New international research alliances*

Our ability to develop effective policy for governance of value chains is lagging behind the reality of the marketplace. New constellations of research which link grassroots programmes, academics and policy experts are required to develop new analysis and thinking to guide public and private policy, and civil society advocacy.

Summary

The market alone cannot steer a course towards sustainability, because markets respond to *demand* rather than to *need*. Economic liberalisation and the shift in power towards the private sector must be accompanied by public institutional development which provides governance of the market. Under the right conditions of government policy, information technology, farmer organisation and corporate responsibility, equitable trade can be encouraged between agribusiness and small farmers. We described how the private sector can be a good partner for small farmers, if farmers can organise to co-operatively supply high value markets for export, food processing or domestic consumption. The benefits accrue from access to export markets and value chains, and also improved quality and consistency of produce.

A clear role for public policy is to put the right institutions in place for peasant agriculture to successfully connect with national or global capital. These can include building appropriate frameworks for contract farming or producers' organisations, as well as legal and regulatory oversight at the meso level. Efficient and equitable markets are created by strong governments, not by self-governing markets.

Local oversight is key to preventing a potential 'race to the bottom' on labour standards and environmental regulations which can occur when farming communities are brought into direct contact with mobile agribusiness capital.

But within the supermarket- or processor-driven value chains, where standards and prices are dictated by distant actors, there are few opportunities for smallholders and family farmers to influence the market or exert democratic influence over agrifood futures. With growing distance between the point of decision over production methods/technologies and production itself, there is a need for *global governance over value chains*. State and civil society pressure on the private sector, especially large retailers and processors, will be key to effectively engaging corporations to assist developing nations to meet their objectives of sustainable rural development.

Chapter 6 Trade and Finance: The Context of Global Governance

Transnational corporations and commodity chains are not the only institutions which fall outside the governance triangle described in Figure 1.3. Global and regional financial and trade bodies – the international financial institutions, the Regional Integration Agreements such as the European Union (EU), and the institutions of the multilateral trading system (specifically the World Trade Organisation – WTO) are distant from the reach and the realities of rural people. This is demonstrated by the almost complete absence of references to global institutions in the PTW country case studies.

But these global and regional institutions are having a clear impact on livelihoods of the three Rural Worlds, for instance, when farmers have to compete against products dumped onto domestic markets as a result of market liberalisation imposed by a structural adjustment programme and surplus management by the EU.

Global finance and trade institutions raise or lower the economic ‘sea level’ and thus the size of ‘islands of success’, by profoundly influencing access to markets, prices, and the relationship between people and capital. National governance structures and the ‘best’ national policies can be bypassed or undermined by macroeconomic forces and global decisions that move the goalposts of sustainable rural development.

As a recent World Bank report states “*Globalisation... has created forces that often bypass the state while affecting the well-being of people, both positively and negatively, even in the most remote areas... [M]any of the risks and opportunities confronting the poor reflect the impact of forces not only beyond [poor people’s] community boundaries, but even beyond*

their national border."⁷³ The linkage between effective government systems to make globalisation and markets "work for the poor" has been clearly recognised by development agencies.⁷⁴

We have discussed some PTW findings relating to global market access in Chapter 5. In this chapter, we address the institutions of the international trading and financial system. The chapter is based largely on the '*Think Pieces*' prepared as background for the PTW project by Iain Farquhar and John Cameron (see *Appendix 3 Associated material available from the 'Policies That Work' project*), and analysis of agricultural trade policy by Peter Einarsson⁷⁵ and others.

International Financial Institutions

International financial institutions (IFIs) include the International Monetary Fund (IMF) and the multilateral development banks (MDBs) such as the World Bank, Inter-American Development Bank (IDB), Asian Development Bank (ADB), African Development Bank (AFDB), and the European Bank for Reconstruction and Development (EBRD). Related organisations include the International Fund for Agricultural Development (IFAD).

The primary role of MDBs is to provide development financing for specific projects in countries with poor access to the international capital markets. As a group, the MDBs are the largest source of development aid for middle- and low-income countries, and become directly involved in the structural issues of individual countries in the process.

The World Bank and International Monetary Fund were created by the Bretton Woods Agreement in 1944. The World Bank is owned by more than 180 member countries whose views and interests are represented by

⁷³ World Bank (2000). *New paths to social development: community and global networks in action*. Social Development Department, Sustainable Development Network, World Bank, Washington DC.

⁷⁴ DFID (2000). *Eliminating world poverty: making globalisation work for the poor*. White Paper on International Development., UK Department for International Development, London. Available at <http://www.dfid.gov.uk/policiesandpriorities/files/whitepaper2000.pdf>

⁷⁵ Einarsson P (2000) *Agricultural trade policy - as if food security and ecological sustainability mattered*. Church of Sweden Aid and The Swedish Society for Nature Conservation. Available at <http://www.forumsyd.se/globala.htm>

a Board of Governors and a Washington-based Board of Directors. Member countries are shareholders who carry ultimate decision-making power in the World Bank. In the World Bank (and most regional MDBs), the US, EU and Japan control over half of the vote. The Bank has spent about US\$200 billion on poverty alleviation programmes between 1987 and 1998. The number of people living on less than a dollar a day (the Bank's measure of poverty) registered a slight drop from 28 to 24% of the world's population in that period.

The IMF is an international organisation of 183 member countries, designed to help countries over short-term balance of payments deficits and currency crises. Since 1999, the Fund's mandate has been to focus on *poverty reduction* rather than stabilisation and growth. The key element of this new strategy was an initiative to tackle poverty, the Poverty Reduction Strategy Paper (PRSP) initiative. Developing country governments are now asked to produce PRSPs, in consultation with their citizens, and these will form the framework for all IMF and World Bank operations in those countries.

Conditioning of aid agreements dates back to the 1980s, in the form of prescriptions for a package of economic reforms with the IMF as the main agent. These *Structural Adjustment Programmes* (SAPs) have been designed to promote growth led by a competitive, broad-based private sector with government providing an enabling policy and legal environment. The role of the government in production is curtailed and limited to ensuring that public actions are effectively coordinated and financially sustainable. Service-providing institutions are improved and made transparent and accountable to stakeholders. Government functions that are considered to be best performed by the private sector are divested. Each SAP usually includes several basic conditionalities geared toward reducing inflation, promoting exports, meeting debt payment schedules, and decreasing budget deficits. They generally entail severe reductions in government spending and employment, higher interest rates, deregulation of capital markets and currency devaluation, lower real wages, privatisation of state enterprises, reduced tariffs, removal of subsidies to consumers and farmers, downsizing of public

programmes for social welfare, and liberalisation of foreign investment regulations. Privatisation of water supplies, of strategic grain reserves, fees for public schools and hospitals, and privatisation of public pensions are among the most controversial SAP reforms. These reforms are supposed to increase agriculture productivity through economies of scale and exposure to international best practice.

Structural Adjustment and the PTW Case Studies

Without exception, all of the non-OECD case study countries in the PTW project have moved in the last two decades from strong state intervention in agriculture and the economy to a liberalised market economy, either under World Bank or IMF supervision, or (as in the case of South Africa) under domestic policy. These transitions have seen the state obliged to ‘unprotect’ the agricultural sector, drastically reducing the state’s role as the agency in charge of production and the functioning of the economy, to one focused on the success and profitability of private investment.

Structural adjustment policies succeeded, as in **Bolivia**, in stopping hyperinflation and achieving economic stabilisation. But small-scale farmers have fallen between the stools of reduced state support and increased connectedness to global markets.

Under a World Bank/IMF-supported SAP in 1993-94 and an enhanced SAP in 1996-97, **Kenya** removed import licensing requirements, liberalised the foreign exchange system and interest rates, opened up markets to competition, deregulated petroleum and agricultural commodity prices, rationalised tariffs and carried out civil service and parastatal reforms. The aim of these policy initiatives was to allow the private sector a more enhanced and decisive participation in the economy. In agriculture, SAP focused on fertiliser reform, producer incentives and rationalisation of public expenditure, with responsibilities for the private sector in the supply of fertilisers, provision of research and extension services, animal health and related services. Adverse effects have been felt by the poor through public sector retrenchment programmes, severe cuts in health and education expenditure, a fall in the number of nurses per person and a worsening

teacher-pupil ratio, rising charges for health and education, and cuts and eventual elimination of maize subsidies. The SAPs were associated with a rise in people below the poverty line, from 23% to 43%, with a decline in income of over 50% for the bottom quartile.

Liberalisation of trade and deregulation of food markets has, according to the Kenya study, been largely positive for agricultural production in Kenya. Removing the system of price controls allowed agricultural products to move easily around the country, so that products can be sold in deficit areas where they are most needed by consumers, also providing employment and income for those involved in agri-businesses.

In **South Africa**, macro-economic measures were contained in the government's 'Growth, Employment and Redistribution' strategy (GEAR)⁷⁶. The GEAR, aimed at more stringent fiscal policies, is often described as South Africa's own home-grown Structural Adjustment Programme. It has been aimed at creating jobs, reducing inflation and cutting the budget deficit. It relies heavily on high interest rates to attract foreign investment and thus maintain South Africa's net foreign reserves. The GEAR also places a great deal of emphasis on export growth, and aimed for a 10% export growth rate per annum by the year 2000. For the agricultural sector, the government's intention is to create a free market pricing system, based on competition with global trading partners. Tariff restrictions will be reduced in line with GATT targets. This policy has been highly successful in keeping food price increases below inflation, though it has been helped by a series of good dryland crop harvests.

Agricultural exports have been buoyant as new markets have opened up for South African products. Environmental and food safety standards abroad have helped to make South African agriculture more aware of sustainability issues and have moved producers, researchers and support services in the general direction of sustainability. Some agricultural sectors such as poultry and dairy have been affected by export competition, but on the whole the commercial agricultural sector has

⁷⁶ The stated purpose of the GEAR package was to increase economic growth, with a 4.2% rate programmed for 1996-2000.

done well out of the new open market system, with the system being responsive to needed changes in tariffs.

However, these effects have been experienced in different ways by large-scale commercial farmers and by small-scale emerging farmers. Export is not an avenue open to many new farmers who have acquired land through the land reform programme. They are hardest hit by reduced state support services such as input supply and subsidised government credit schemes to meet requirements for increasing fiscal discipline. The private sector has been slow to move in because of poor infrastructure and unreliable profits, which has left resource poor farmers in a worse situation in the short-term than before.

In **Senegal**, structural adjustment policies introduced in 1984 involved a new agricultural policy (NPA), which disengaged the state from agriculture. The NPA supported export-oriented policies that improved producer prices, but also increased the costs of inputs. Bank liquidity improved, but there was no associated improvement in access to that credit, and credit liability remains a serious problem for many peasants. Structural adjustment programmes reinforced the weaknesses of those rural support institutions that connect farmers with innovations for improving the productivity of agriculture.

Structural adjustment programmes are grounded in outward-looking development models that stress the importance of integration into the dominant global structures of trade, finance, and production. Let us now look at the institutions and governance of global trade.

One law for the rich: the global and regional trade institutions

The world economy has become increasingly tripolar, with the bulk of world trade concentrated in the three regions Asia, Europe, and North America. In 1994, approximately 90% of world exports and 88% of world imports were concentrated in these three regions. Africa's share of global exports has actually shrunk over the last 20 years, from 4.6% in 1980 to 1.6% in 2000.

The multilateral financial and trade institutions are often grouped together as agents of *globalisation*. This overlooks the contradictory systems of *multilateralism* and *regionalism*, exemplified by the WTO on one hand and the EU on the other.

The WTO

The World Trade Organisation (WTO) replaced the General Agreement on Tariffs and Trade (GATT) in 1995, introducing an institutional framework and dispute settlement system for global world trade. The WTO's mandate is to implement a rules-based framework for trade relations among countries, with the objective of lowering the barriers to open market forces, rather than to regulate international trading relationships (as foreseen by Keynes at Bretton Woods in 1945).⁷⁷ Developing countries now comprise the majority of the 135 WTO members.

Agriculture was included in GATT, but was submitted to much stronger disciplines in the Uruguay Round 'Agreement on Agriculture' (AoA) which came into effect with the WTO. The AoA requires countries to implement specific commitments to reduce domestic support to agriculture. A new trade round, delayed by the Seattle failure, was launched at the 4th Ministerial Conference of the WTO in Doha in November 2001. The new cycle of negotiations commits members to reductions of export subsidies, though the EU (which speaks with a single voice within the WTO) successfully lobbied against a timetable leading up to the elimination of these subsidies being set. This points to the fundamental inconsistencies between the goal of a *multilateral trading system* under the World Trade Organisation, and *regionalism* as exemplified by the EU.

Regional Integration Agreements and Free Trade Blocs

Regional arrangements in the form of Regional Integration Agreements (e.g. EU) and Free Trade Blocs (e.g. NAFTA and MERCOSUR) may be able to serve as building blocks for further global integration, but the

⁷⁷ The failure of the US to ratify the Havana Charter which established the International Trade Organisation (ITO) meant that the ITO never got off the ground, and instead international trade rules are governed by much more *ad-hoc* arrangements – the GATT.

Disputes over standards are often found at the front lines between the globalisation and regional integration projects.

co-existence of multilateralism and regionalism is confronting developing countries with a trading system with different mandates and systems of governance. Disputes over standards are often found at the front lines between the globalisation and regional integration projects.

Liberalisation of trade in agriculture and the withdrawal (at least in the South) of governments from intervention in

domestic markets (through the removal of parastatal institutions) means that price and quality standards are set by international markets.

Agriculture which is oriented towards both the export sector and internal markets must increasingly turn out products at a similar cost and quality as those that can be bought on the world market.

National policies that are designed to protect farmers from imports, for example, may be overridden as a condition of structural adjustment or WTO membership. Farmers may then be exposed to world markets distorted by decisions taken in Brussels or Washington that have subsidised EU or US cereal and meat exports and flooded fragile markets with products priced below the cost of production.

The European Union

The European Union (EU) constitutes the longest-lasting and deepest economic integration agreement in the world. Beginning as the European Economic Community through the Treaty of Rome in 1957, and going through phases as a customs union (1968) and the European Single Market (1993), the economic integration in this region acquired a new momentum through the Maastricht Treaty in December 1991 which laid the foundation for the creation of the EU. The EU currently has 15 members states.

The EU's Common Agricultural Policy (CAP), conceived through the Treaty of Rome, laid out five major objectives covering increased agricultural production, stabilised agricultural markets and affordable consumer prices, food security for the member states, and income parity between the agricultural and urban populations. In line with the priorities of the time, the CAP's mandate did not include sustainable

development at home or abroad, or food security in developing countries; or, for that matter, trade liberalisation.

The CAP's mandate did not include sustainable development at home or abroad, or food security in developing countries, or trade liberalisation.

The CAP has been extraordinarily successful in fulfilling its original mandate as part of a regional integration agreement. It has been vastly expensive, with agricultural support in the Union equivalent to an annual transfer to farming of nearly \$700 per EU household. There have also been great costs to developing countries and to the environment, and also to integrity of the food chain. Now the CAP must adjust to very contradictory new mandates of multilateralism in the form of the agricultural agreement of a new WTO round, 'greening' the CAP, and making it more responsive to citizen/consumer needs and to enhancing the 'multiple benefits' of *multifunctional agriculture*.⁷⁸

The EU, which is the largest agricultural market for developing countries, has maintained preferential trade agreements with former colonies – the so-called ACP countries⁷⁹ – and these preferences have been extended to 2008 in the Doha Round. The EU has also launched an 'Everything but Arms' initiative, removing import tariffs and quotas for all products except arms exported by the 49 least-developed countries.

NAFTA, MERCOSUR and AFTA

In addition to the European Union there are a number of other multi-national free trade blocs. NAFTA (the North American Free Trade Agreement), MERCOSUR (South America – see below) and AFTA (the ASEAN Free Trade Area) are the three largest after the EU.

NAFTA is restricted to eliminating tariffs, quotas and other trade impediments amongst the three countries involved. MERCOSUR is the

⁷⁸ Vorley W (2001) *Farming That Works: Reforms for Sustainable Agriculture and Rural Development in the EU and US*. Background paper for the NTA Multi-Dialogue Workshop "Sharing Responsibility for Promoting Sustainable Agriculture and Rural Development: The Role of EU and US Stakeholders", Lisbon, 24-26 January 2001"

⁷⁹ Seventy-one former European colonies of Africa, the Caribbean and the Pacific, signatories to the first Lome convention with the then European Community in 1975 in the Togolese capital of Lome. The convention provided non-reciprocal trade preferences – goods from the ACP countries were allowed to enter European markets without tariffs but without a corresponding treatment. Under the WTO such a trade arrangement constitutes an unfair trading practice because it discriminates against trading partners outside the ACP-EU trading block.

trade agreement started by the two largest economies in South America, Argentina and Brazil, along with Uruguay, and Paraguay. It is presently a customs union in addition to a free trade zone and it is committed to eventually becoming a full common market. Chile and Bolivia are in the process of becoming members, and it is likely that in 10 years MERCOSUR will represent almost all of the South American countries.

ASEAN started out primarily as a political organisation and only lately has created AFTA – a free-trade zone in the making. Indonesia, Malaysia, the Philippines, Singapore and Thailand were the original creators of ASEAN. Brunei and Vietnam, Laos, Myanmar and Cambodia have since been admitted as members. In effect, ASEAN and AFTA now represent Southeast Asia. The 10 members are still working out agreements to eliminate tariffs, quotas and other restrictions on trade.

Agricultural subsidies and the ‘free market’

Agriculture in the North consumes vast sums of public money under normal circumstances, totalling US\$361 billion across the OECD (1999 figures). This astonishing sum is equivalent to 40% of the agricultural value of rich countries. It is also equivalent to the GDP of sub-Saharan Africa and is seven times the size of official aid flows. Farm support costs are even higher when things go wrong, as witnessed in the billions of direct and indirect costs of dealing with food safety and livestock health crises (BSE and foot-and-mouth disease) in Europe. Agriculture in the EU and US alone is overstimulated by direct and indirect production subsidies amounting in 1999 to the tune of nearly US\$ 170 billion⁸⁰. OECD country subsidies to agriculture have *increased* dramatically in the five years since the establishment of the WTO. The new US Farm Bill, which boosts government subsidy to \$45 billion over the next six years, is expected to put further downward pressure on prices through market distortion.

Developing countries have neither the money nor the room to manoeuvre (under structural adjustment programmes) to anywhere near approach the levels of support which the EU or US provide by way of subsidies and

⁸⁰ Producer Support Estimates (value of gross transfers from domestic consumers and taxpayers to support agricultural producers) according to the OECD. See Producer And Consumer Support Estimates OECD Database 2000 Edition.

other supply side measures to retain competitiveness. The OECD estimates that subsidies to agriculture in OECD member countries cost developing countries US\$ 20 billion a year in lost trade and other distortions to the global economy.⁸¹ This has been made worse for some nations by the phasing out of preferential trading arrangements.

The export of surplus commodities to clear domestic markets with the support of subsidies (at many levels) has caused serious disincentives to agricultural production and stewardship in many developing countries, such as Kenya, Zimbabwe and Mexico. Export subsidies usually get targeted as the main culprits of market distortions. The AoA in fact only regulates direct export subsidies and not other forms of dumping. But dumping (or underselling) – the practice of selling products at prices lower than their cost of production – is a much wider problem. Calculations by the Institute for Agriculture and Trade Policy, for instance, show that both wheat and cotton have been dumped onto the world market at prices up to 30% below the cost of production.⁷⁸ Substituting direct payments to farmers for export subsidies – supposedly much less trade distorting – still has the effect of artificially reducing the export price of goods. Direct payments without supply management and border protection are still a disaster for countries which cannot afford countervailing measures.

The AoA has favoured exporters, codifying a ‘right to export’ while limiting the potential to support domestic production. It has not curtailed export dumping below cost of production, and is also incapable of regulating the misuse of food aid and export credits. The former Chilean president Patricia Alwin claims that the WTO agreements “have enabled the developed counties to maintain their high levels of agricultural protection and to substantially increase support to the domestic agricultural sector.”⁸³ Tariffs on agriculture and other labour-intensive goods are much higher than industrial goods, though agriculture is much more important for developing countries.

81 Supper E (2001) *Is There Effectively a Level Playing Field for Developing Country Exports?* Policy Issues in International Trade and Commodities Study Series No. 1, UNCTAD, Geneva, Feb. 2001

82 Ritchie M, Wisniewski S and Murphy S (2001) *Dumping as a structural feature of US agriculture: can WTO rules solve the problems?* Institute for Agriculture and Trade policy, Minneapolis.

83 Address to the opening session of FAO conference, Rome, November 2001.

Much of the negative fallout for the South in trade policy – especially dumping of agricultural surpluses – is a result of disputes between the EU and US on how to support their domestic industries, especially agriculture. The CAP has outlived its original mandates, but massive vested interests have grown up around support regimes with the clout of global agribusiness and food processing corporations.

The persistent severe distortion of global commodity markets through agricultural protection and dumping hits Rural World 2's producers of undifferentiated commodities very hard when economies and trade are liberalised.

What does this mean for SARL?

The development critique of the international trading and financial system is quite well known. The unifying theme is the *institutionalised reinforcement of Northern interests*, while ignoring central issues of *redistribution, economic democracy, and the unequal relationship between people and capital*. The orthodoxy of neoliberal development policies (opening of markets, withdrawal of the state from agriculture to allow specialisation in production of goods according to 'factor abundance') are visited on the South as conditions of structural adjustment, WTO membership or preparation for EU accession. Meanwhile, the North uses its political and economic muscle to continue massive intervention in agriculture, clearing domestic markets by dumping huge quantities of subsidised grains, meat and dairy products onto world markets, sometimes in the guise of 'food aid' and 'feeding the world.'

There is considerable empirical evidence to support this critique of trade liberalisation "*polarising and excluding, as well as connecting people and places*."⁸⁴ Surges in imports following liberalisation, such as for maize in the Philippines and in Mexico, have sent shockwaves

⁸⁴ Stone MP, Haugerud A and Little PD (2000). Commodities and globalization: anthropological perspectives. pp1-25 in A Haugerud, MP Stone, and PD Little (eds.) *Commodities and Globalization: Anthropological Perspectives*. New York: Rowman and Littlefield.

through rural communities in those countries.⁸⁵ India and China are about to witness massive dislocation in their rural areas.⁸⁶ ‘Yesterday’s farmers’, displaced by imports, are swelling urban and migrant ranks. The WTO itself is taking the reform agenda seriously. The incoming WTO Director General, Dr Supachi Panitchpakdi, has called for an assessment of previous trade rounds for impacts on marginalised farmers and rural citizens to see whether these trade rounds have helped, or led to new impediments to trade. So far, there is deep disagreement about the existence of a linkage between trade liberalisation and economic growth.⁸⁷ Real trade and investment flows are related to the size of markets and pre-capita income. A recent analysis by the Centre for Economic and Policy Research in the US calculated that many developing countries will actually *lose* from trade liberalisation in agriculture and textiles.⁸⁸ Even without market distortions, the comparative advantage of smallholder farmers in international markets (from their relative efficiency) is disappearing due to the high transaction costs associated with globalised markets.

Current constructions of ‘sustainable’ and ‘multifunctional’ agriculture in Europe offer little if any solace to developing countries, or to the countries of Central and Eastern Europe (CEE), which while waiting for

85 Rapidly rising imports of US maize in Mexico under NAFTA reached 5.6 million tons in 1999, or a quarter of all consumption. Now that prices are now set by international grain markets, and bear little relation to the costs of production in Mexico (which are relatively high) there has been an accompanying movement of people—allegedly two million corn farmers—off the land. See “Growing Troubles in Mexico” *Los Angeles Times* 17-Jan-00. It should be noted that Mexico had 15 years to reduce maize tariffs under NAFTA, but took only two and a half years. From a net agricultural exporter in the 70s and 80s, the Philippines became a net food importer by the late 90s. Liberalisation of agricultural imports under the WTO-AoA caused heavy surges of imported products like rice, corn, wheat, poultry, livestock and vegetables. In 1998, agriculture lost 710,000 jobs. In 2000, the sector suffered a loss of two more million jobs. See http://www.wtowatch.org/library/admin/uploadedfiles/WTO_and_Philippine_Agriculture_Seven_Years_of_.htm

86 In India, over two million small and marginal farmers lose their land or are alienated from it each year, and the number of landless in rural areas has multiplied from 27.9 million in 1951 to over 50 million in the 1990s. In China, 40 million jobs are expected to be lost in rural areas as a result of low price agricultural imports. See Tavernier K and Conaré D (2001) A heavyweight in the ring. *Courrier de la Planète* 65(V) 33.

87 Rodrik D (2001). *The global governance of trade as if development really mattered*. Paper prepared for the UNDP. Available at http://www.undp.org/mainundp/propoor/docs/pov_globalgovernance_trade_pub.pdf Rodrik states that “there is no convincing evidence that trade liberalisation is predictably associated with economic growth.” Contrasts with Dollar D and Kraay A (2000) *Growth is good for the poor?* Development Research Group, World Bank, 2000, which stresses the importance of favouring the growth-enhancing policies: good rule of law, fiscal discipline and openness to international trade. Available at <http://www.worldbank.org/research/growth/pdfiles/growthgoodforpoor.pdf>

88 Weisbrot M and Baker D (2000). The relative impact of trade liberalization on developing countries. Centre for Economic and Policy Research, Washington, DC. www.cepr.net

EU accession have been marginalised in the 'North-South' rural development 'industry'. This is despite clear evidence of small farms in CEE and developing countries performing a multitude of functions. There is a widespread conjecture that 'sustainability' in terms of supporting farmers in the North is achieved at the expense of other people's sustainability, a form of '*green protectionism*.' Agreement between the EU and US, for instance on preserving agricultural 'multifunctionality', must not be achieved at the expense of market access to Southern producers. Agriculturally dependent developing countries are marginalised through over-stimulation of agriculture (with consequent depression of world market prices), dumping of surpluses below costs of production, and the use of exclusionary tariffs and standards.

But in agriculture, this is not necessarily a 'developing' vs 'developed' split. Market access for developing countries may benefit large agroindustries and overlook the continued global marginalisation of small-medium sized industries and farms. Northern commodity producers who have been sold the prospects of development through exploiting export markets are also suffering, and find themselves engaged in a 'race to the bottom' against lowest cost (and potentially low sustainability) global competitors.

The reassurances that WTO reform will bring the trade agenda firmly in line with sustainable development objectives are ambitious, considering (1) the GATT's single objective of lowering the barriers to open market forces and maximising economic integration, (2) the absence of mechanisms to benchmark the priorities and performance of the WTO against sustainable development criteria, and (3) the absence of civil society connections into decision-making at the WTO.

Global Governance

The critics of multilateral institutions describe them as distant, undemocratic, open to lobbying by large business interests, and in the case of the WTO, demanding a level of state resources and skills beyond the reach of many developing countries.

Of course, we cannot put all the blame of the continued marginalisation of Rural Worlds 2 and 3 at the door of institutions such as the WTO and World Bank. We should rather blame the narrow national domestic and mercantilist interests which the institutions reflect, and the erosion of power and influence of UN agencies as the civil society leg of global governance to act as a countervailing power to global economic institutions.

Furthermore, as described in Chapter 5, trade policy is no longer the exclusive domain of public policy, as standards and grades are increasingly privatised and imposed on suppliers by large retailers and manufacturers. Market power drives distortions of terms of trade, as well as tilted trade rules.

Can the global trade and economic liberalisation agenda be brought closer to the wider principle of development, to be a tool in improving livelihoods and human welfare? Are there policy tools for rural communities – especially Rural Worlds 2 and 3 – to influence these global institutions? Does the building of social capital, so important for giving a voice and a market to local people at the regional and national levels, have any bearing on these distant global institutions and corporations? Or are ‘policies that work’ for improving the governance of global institutions to be found elsewhere?

Some of the case studies have shown that social capital can be built to the extent that direct negotiation with the World Bank or RDBs is possible. In **Senegal**, the CNCR (*Conseil National de Concertation et de Coopération des Ruraux*) which has a 25-year tradition of social organisation, is seen as a valid partner in World Bank negotiations.

But generally, the lack of accountability and connectivity between the institutions of the international trade and financial system – especially the WTO – and the needs of marginalised communities have been a source of great controversy. Calls by the World Bank and donor governments for ‘good governance’ in recipient nations do not sit squarely with the democratic deficit within these international institutions themselves.

The hope of bringing about democratic governance of these global and regional institutions and bringing them into the triangle of governance (Figure 1.3), or rebuilding the role and influence of UN organisations such as UNCTAD (the UN Commission on Trade and Development) appear remote. But restoring the credibility of multilateralism will depend on developing more equitable trade and finance systems. The roots of governance of these institutions must be the *nation* state.⁸⁹ International negotiating positions of countries on questions of agriculture, food and rural development must be guided by a *national vision of what populations expect from their domestic agri-food and rural sectors*.

Such an approach to international relations is far removed from the current management by executive branches of government with little democratic oversight. But *governance* can be defined, after all, as nothing more than *the set of processes through which a community decides upon and pursues its preferred future*.⁹⁰ A range of methods is available for such *strategic planning and citizen-based participatory approaches to policy construction*. These include multi-stakeholder dialogue, scenario planning, ‘future search’ approaches, citizens’ juries or referenda (see page 79), which can lead to institutional reform and the reorganisation of collective behaviour.⁹¹

True dialogue should not be entered into in the expectation of widespread public support for the *status quo*. There is no public mandate in Europe, for example, to put a protective fence called ‘multifunctionality’ or ‘green protectionism’ around current models of agriculture. Established Northern democracies can take no pride in their progress towards citizen-based agrifood policy construction.

National or regional dialogues on expectations from agriculture and the countryside only make sense if countries and/or regions have a degree of

⁸⁹ Rodrik D (2001) Four simple principles for democratic governance of globalization. Note prepared for the Friedrich Ebert Foundation. Available at www.demglob.de/rodrikpaper.html

⁹⁰ McKinlay P (1999). Globalisation, subsidiarity and enabling the governance of our communities. Paper presented to the Community Government Forum, Christchurch, New Zealand. Available at www.mdlco-nzreadingroomgovernance-globalsub.html

⁹¹ See for instance the *National Strategies for Sustainable Development* collection at <http://www.nssd.net/index.html>

freedom of choice in setting national agricultural and rural development policies, and sovereignty over trade and investment policy. This sovereignty is, of course, undermined in Structural Adjustment Programmes,⁹² and also in the WTO bias in favour of the rights of exporters⁹³ rather than of importing countries.

Summary

Trade liberalisation can be a positive force for development and the environment. But it is clear that liberalisation of international financial and trade flows can freeze in place global inequalities due to deep seated imbalances in economic power and systemic biases in the international trading and financial system. Liberalisation opens up more opportunities to the already powerful – those with assets – and therefore tends to worsen the distribution of wealth, especially when backed by a pro-rich proprietary regime of property rights and patents.

Trade liberalisation exposes third countries to highly subsidised models, potentially undermining more sustainable, less intensive local models of agriculture. Much of global trade in agriculture is artificially stimulated by ‘subsidy wars’, overproduction, surpluses and dumping. If one country’s ‘sustainability’ is achieved at the expense of another’s (especially by putting up fences, and by throwing surplus production over that fence), then that is not ‘sustainability’ at all.

The WTO members have to get serious about overt and disguised dumping in agricultural trade and stop disguising surplus removals as ‘aid’ under a blanket justification of ‘feeding the world’. Local producers should not have to compete with dumped imports. Regions or countries should not build agricultural and rural policy based on a presupposition of large agricultural exports, if clear markets for those goods do not exist and/or if their status as major exporters requires large quantities of non-renewable inputs.

⁹² The national dialogues being integrated into the IMF’s Poverty Reduction Strategies offer a potential means to overcome this limitation.

⁹³ Established by mandating minimum market access and restricting the means available for protection of domestic production

International trade cannot substitute for domestic food production. Priority must be given to the development of domestic and regional markets rather than exports at least until development targets are achieved. Countries should have sufficient flexibility for domestic policy measures – which may include supply management tools and market access tools such as import taxes – that protect domestic producers from a surge in imports or a significant decline in import prices.

Chapter 7 Conclusions and Recommendations

The *Policies That Work* case studies report from the front lines of rural development. They are windows onto the state of farming and rural economies in the South, shaped by decades of big political ideas and increasingly exposed to economic drivers over which national governments have little control. These are real stories of real dilemmas faced by policy-makers throughout the world. Should the smallholder sector be viewed as a cornerstone of economic and agricultural development, or a transitional social safety net along the road to urbanisation? Should NGOs be viewed as primary agents of public service delivery, or just fillers of gaps where government agencies fall short? Should food security be based on trade and ‘comparative advantage’ or on self-sufficiency? Should decentralisation and regionalisation maintain top-down structures, or should peasant organisations be empowered to engage with local government?

The backdrop to these big policy questions is often disheartening. For small-scale producers, be they ‘peasants’ or ‘family farmers’, the context is one of declining terms of trade, degrading natural resource bases, and livelihoods fractured into complex mixtures of farming, off-farm wage labour and migration in order to retain access to natural capital (the land) for security and survival. Increased vulnerability is accompanied by new opportunities. But diversification as a survival strategy often entails a move into over-competitive and poorly paid service activities such as petty trade (Bryceson *et al.*, 2000).

It is wrong to assume that agriculture is the best or preferred activity for rural residents, but it is also wrong to abandon agriculture as a potentially powerful engine of rural economic development. Policy is key to getting that engine working, but farmers have seen ‘policy’ as a flow of public resources between captured state institutions and a rural or

agribusiness elite – Rural World 1 – who are connected directly into the upper echelons of state power.

What is a ‘working’ policy?

A challenge to defining *Policies That Work* is that the definition of what ‘works’ is very relative and value-laden, as revealed by the PTW case studies (see Box 7.1). Understandings, definitions and goals of ‘sustainable agriculture’ and ‘rural livelihoods’ are different at each level of policy-making and policy implementation. The diversity of perspectives on sustainable agriculture and rural livelihoods apparent in the country surveys is apparent in *Section 2 The Case Studies: Summarised extracts*, especially for South Africa, Kenya, Senegal and India-Tamilnadu.

Box 7.1 Agricultural policies...

- Reflect deep-rooted differences in world view (agro-industrial, peasant, NGO, government, donor, etc.)
- May have become institutionalised despite changes in stated government intentions (eg South Africa)
- May fail to connect with farmers’ reality
- May ‘work’ for agriculture, but often overlook the very wide range of rural livelihood strategies
- May ‘work’ for the moment, but can’t necessarily deal with or encourage change

Different levels of stake in the policy system – smallholders, well capitalised farmers and land owners, local and national policy-makers, donors, consumers – have different outlooks on sustainability depending on the pressures on the individual and on households. A ‘working’ policy for a national policy-maker could be one that strikes a balance between urban, rural and international interests – cheap food, satisfied rural and agribusiness power brokers, compliance with trade agreements and government downsizing priorities – as well as ensuring that agriculture is maximising its potential towards earning foreign exchange and offsetting deficits in the trade of industrial goods or energy. A working policy for local government could be one that somehow matches national expectations of decentralisation with resources and capacity-building.

A working policy for farmers and rural residents could focus on higher commodity prices, subsidised inputs, investment in infrastructure like roads, and secure land tenure. But the policy priorities *between* Rural Worlds 1, 2 and 3 are strikingly different. For equitable and efficient rural development, Rural World 1 looks to codes of practice. But for Rural World 2 to access global capital, policies that support *business reform* (reining in the exercise of market power by concentrated processors and retailers, and rent-seeking by commodity groups and special interests), *cooperative production and marketing* and provision of *market information* are necessary.

For Rural World 3 to be responsive to policies of natural resource management, *political empowerment* and *security of tenure* are policy priorities. Rural World 3 requires expanded livelihood options, through *access and control of productive assets* (entitlements), education and training, and rural small and medium enterprises.

An understanding of people's livelihoods is crucial in policy analysis, but is by no means a prescription for policy 'success'. 'Working' policy is not *all* about bringing policy closer in line with local needs and local realities. There is a risk that, by focusing on the household and community level, we tacitly endorse the macroeconomic and political roots of poverty and reduce the policy aims of sustainable development to defensive strategies to alleviate poverty and reduce environmental degradation. As Bryceson (1999) states, "*By narrowing their analytical gaze, focusing on the micro-level of rural households' coping and livelihood strategies, development economists could circumvent controversy. Policy aims couched in terms of sustainable development [have] aimed to alleviate poverty and lessen the environmental degradation of smallholder farming.*"⁹⁴

The reality of Rural World 3, juggling agricultural and non-agricultural income-earning, helps counteract the high risks associated with agricultural price decline, output fluctuations, lack of access to land or credit, technological obsolescence, or cheap and subsidised imports.

⁹⁴ Bryceson DB (2000). Peasant theories and smallholder policies: past and present. Pp 1-36 in Bryceson D, Kay C and Mooij J (eds), *Disappearing Peasantries: Rural labour in Africa, Asia and Latin America*. Intermediate technology Publications, London

These are the limited options for smallholders who wish to retain access to their natural capital (the land) for reasons of security and survival or lack of alternatives. ‘Livelihood’ farmers may be marooned as a source of cheap seasonal wage labour for capitalist farmers, fuelling the process of rural economic differentiation.

Working policies for farmers in one country may be another group’s policy failure

Working policies for farmers in one country may be another group’s *policy failure*. The decline in earning potential of Mexican smallholder (*ejido*) agriculture due, in part, to the forced liberalisation of the

Mexican agricultural economy and imports of subsidised grains from the US, is obliging Mexican farm families to diversify their livelihoods through temporary or permanent migration to work in US agriculture. Livestock producers and processors and fruit and vegetable growers in the US, in turn, are driven to employ migrant labour due to declining profitability and stiff international competition. US pork production subsidised by migrant peasant labour may in turn force more ‘farmers’ – from Iowa to Mexico – to diversify their ‘livelihoods’ or leave farming altogether. A ‘working’ policy such as export subsidies and price supports in the US is a policy failure in Mexico.

The variation of outlooks apparent in the case studies highlights the need for greater inclusivity in the policy-making process, if policy is to be broadly acceptable and yet cater for the fragmented agricultural context.

Relating ‘success’ to public policy

In this landscape, looking for islands of sustainable agriculture which are growing successfully thanks to enlightened policy and policy process – especially the big levers of national policy – has not been easy for the PTW research partners. National policy-making has been put to work largely on macroeconomic rather than specifically agricultural issues.

Policies of state withdrawal and privatisation have precipitated the crisis conditions under which many ‘islands of success’ have emerged

Indeed, it is neoliberal policies of state withdrawal and privatisation that have precipitated the crisis conditions under which many ‘islands of success’ emerged. It is tempting to conclude that these islands

have prospered *despite* rather than because of deliberate pro-rural policy interventions. After all, deliberate public policy only affects a small portion of our lives. This would support assertions that policy has very little impact on autonomous smallholder agricultural production, but *bad policy* can have a lot to do with making it unsustainable.

But islands of success should be interpreted and analysed differently depending on the prevailing quality of formal *governance* (Table 7.1).

Where success was clearly related to favourable formal rules, as for agro-industrialisation in Thailand and watershed protection in **India-Gujarat** and **Kenya**, (quadrant 1 of Table 7.1), we should ask *what are the success factors*, and whether or not they are *replicable*. These success factors include (1) policy oversight that assists fair trade between agribusiness and small farmers in **Thailand**, a country with a long history of *laissez-faire* economics; and (2) devolved and inclusive management of soil and water conservation projects in **India** and **Kenya**.

Under conditions of unfavourable governance, such as the cases in northern **Pakistan**, **Tamilnadu** and historically in **Senegal** (quadrant 2), we should ask instead about *local coping strategies*, and how *policies* (local and national) can learn from and *build on these informal success factors*. Here we are often observing the work of external ‘change agents’ and grassroots institutions, operating in an unfavourable policy environment caused by the retreat or absence of the state. They operate at the margins of state influence – geographically (the mountains of Northern **Pakistan**, marginal rainfed southern **India**), economically (non-political crops, horticulture in **Pakistan**) and ethnically (tribespeople of northwest **Thailand**, indigenous peasants of **Bolivia**).

If we fail to ask how policies can learn from and build on these informal success factors, there is a great risk of just watching more ‘islands’ come and go rather than be scaled up. The reality of the rural world at the beginning of the 21st century is that there are myriad islands of success, and very few ‘continents’. The predominance of islands rather than continents of success is less a symptom of failure to ‘scale up’, and more

The predominance of islands rather than continents of success is a reflection of the current limits to bottom-up development

an accurate reflection of the *limits to bottom-up development within current institutional constraints*. Successes at the *project* level have not or cannot be

translated into public *policy* because of costs of scaling up, or the lack of incentives, or a very unfavourable institutional environment.

In policy vacuums or in adverse policy climates, NGOs can succeed on a small-scale, but then come up against their institutional limitations. The public sector is being asked to ‘NGO-ise’ itself or work with NGOs to effect scaling up at a time of declining meso level resources. And as we have seen in the **Pakistan** case study, successfully scaling up is not simply an adoption of the NGO approach by the public sector.

The hidden blueprint of the NGO approach, involving attention to incentives, adequate resources, personal relationships and downward accountability, is often missed.

Table 7.1 Interpreting sustainable livelihoods outcomes based on governance systems (based on Dubois)

Formal governance	Type of outcome for sustainable livelihoods and rural development	
	Positive outcome	Negative outcome
Favourable formal rules	1. What are the success factors? Are they replicable?	2. Informal factors Should governments and donors intervene?
Unfavourable formal rules	3. What are the local coping strategies? How can policies (local and national) learn from and build on informal success factors?	4. Why have no local strategies evolved? How should governments and donors intervene?

It is important not to equate the sustainability of ‘islands of success’ with sustainability of *projects*. The sustained presence of intact projects does not constitute ‘sustainability’. Three of the cases investigated in the **Pakistan** PTW study had finite lifespans and, while not looking

‘successful’ in classic development project sense, have built research capacity and technical know-how for self-sustaining markets in partnership with an emerging private sector that allows these marginal regions to build on their comparative advantages in horticulture and orchard crops.

A third group of PTW cases – notably **Brazil, Bolivia and South Africa** – found largely negative livelihood outcomes despite favourable governance structures (Quadrant 3). Here we should ask what informal factors prevented these structures from working to the benefit of Rural Worlds 2 and 3, and whether governments and donors should intervene to correct these failings. A classic example is the failure of the Law of Popular Participation in **Bolivia** – a piece of legislation with tremendous potential for the rural poor – to recognise (and therefore engage with) economic organisations of peasant producers.

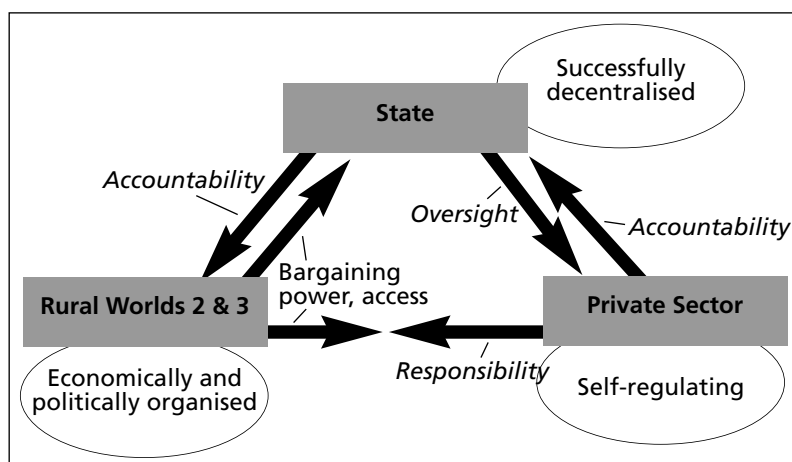
‘Islands of success’ have not been much influenced by policy (except policy abdication) but have *influenced policy* when ‘success’ is identified and backed by influential donors.

Common themes

Policies That Work in this study – for improved natural resource management, improved productivity, improved value-added, improved technology, improved market access – have been achieved through processes that strengthen farmers’ bargaining position with global or national agribusiness, and/or strengthen farmers’ bargaining position with regional and national government. It is by understanding those *processes and institutions by which people reclaim some control over their lives and influence policy at the community, regional and national levels* that we can draw generic lessons, rather than developing a ‘blueprint’ or ‘checklist’ of successful formulated policy. To focus on formulated policy is to fail to heed the warnings from some of the case studies, such as **South Africa and Bolivia**, of policy inflation and the massive disjunction between policy formulation and ground-level implementation.

The common process themes which emerge from the case studies are summarised in Figure 7.1. They concern *farmers and rural communities building and applying social, financial and political capital to interact with (and apply countervailing power to) a successfully decentralised and responsive state and a responsible private sector, to negotiate natural resource management, infrastructure and services, and marketing. They concern widening the base of information and awareness within and between local, meso and national levels, from which capacity and skills are built that can find the best points to lever change and to use those leverage points to best effect.*

Figure 7.1 Common themes from the PTW case studies



Of course, an idealised model of structural adjustment would look very similar to Figure 7.1. Where the PTW research contributes is that implementing the same model through a more inclusive livelihoods approach shows that attention needs to be paid to *all* levels simultaneously, and the processes and institutions which *link* them. It is also vitally important to note that international policies have disabled and inhibited the formation of 'islands' of success (especially when liberalisation and divestiture of power and resources from the state has been too rapid), as well as occasionally facilitated them.

The formulation of strategies for rural development – including the revision of the World Bank's rural sector strategy – will have to focus on

this dynamic. Without this balance between collective local-level action and meso and national institutions, islands of success, rather than growing into continents of success, may sink back under the sea due to policy neglect or policy failure. An example from the case studies is in the Nyandarua site in **Kenya** where resource conservation had been improving under considerable population pressure, but where isolation from markets through failure to provide the ‘public good’ of transport infrastructure was threatening to reverse these successes.

Building *political capacity* is crucial for collective action in order for the rural poor to compete with individuals or organisations rich in assets, especially in an era of decentralisation. But as the **Senegal** case demonstrates, its development has a very long time horizon. Development agencies and donors may not see the full fruits of investments to build political capital from its social and cultural foundations for 20 years, well beyond normal project cycles. Neither does this apply only in the South; the farming ‘community’ in the US and UK, rich in human, natural, social and financial capital, has badly failed to act collectively to avoid expropriation of their production to more powerful downstream players on the agri-food chain. Agricultural livelihoods in these countries are disappearing at a historically unprecedented rate.

The limits of government policy

This report shows that much can be done to make the process of governance ‘work’ better, towards policies that work for Rural Worlds 2 and 3. It is important to recognise that only a limited portion of the farming and rural world is responsive to the levers of public policy, and that government policy ‘works’ when integrated with effective economic and social institutions – trade, commerce, markets, political parties, NGOs, news media etc.⁹⁵ – and international policy.

Only a limited portion of the farming and rural world is responsive to the levers of policy. Government policy ‘works’ when integrated with effective economic and social institutions

⁹⁵ Sen A (1999) *Development as Freedom*. Oxford University Press, Oxford.

The ‘Policies That Work’ project was a network of locally oriented groups. There was a disconnect between the country case studies, which are very local in nature, and the international forces – the complex mix of trade liberalisation and protectionism, and of industrialisation and integration of agribusiness – that national governments have little control over. Globalisation can put barriers before governments that seek to balance the ascendance of financial capital; for instance, through policies in support of labour rights, or protection of (and positive discrimination in favour of) smallholders. Globalisation has also pushed out the boundaries at which countervailing political power must be applied, and has thus reduced the potential for social capital to tip agri-food power relations in favour of farming and rural communities. When the governors of Northern agri-food systems – the supermarkets – can source globally without restrictions, we may ask how even the most powerful collective action by farm communities can defend their interests. Supply management and withholding production to defend prices becomes futile in an era of globalisation and global sourcing.

What participatory policies and policy processes can get at international trade policy, or democratic control over markets? Finding answers to this key question is the subject of new research at IIED. We tried to bridge the gap between the local and global with a series of three ‘*Think Pieces*’ (on the WTO, the CAP and international agribusiness – see Chapter 6 and *Appendix 3 Associated material available from the ‘Policies That Work’ project*), but we did not fully succeed in linking local policy analysis with international factors in terms of policy recommendations.

Recommendations

We have stated that policy-makers need to understand the perspectives of the entire range of ‘farmers’, whether in the Bolivian *altiplano* or the US Midwest, and how they experience power, to understand the differential effects of policy on them. But unless there is broad agreement that Rural Worlds 2 and 3 are pillars of balanced and equitable national development and the basis of rural resilience, policies will continue to transfer public resources to the traditional lobbies. The case against relinquishing the management of regional food security and sustainable

use of natural resources to Rural World 1 has not been effectively made. We have also stated that successful policies are flexible and built on feedback systems between civil society, the state and the private sector. Policy-making can then be based on dialogue and shared control of – and responsibility for – the policy-making process. ‘Downstream’ as well as ‘upstream’ participation is key.

At the local level, success in *building social capital* in order to pull down resources and power, to understand and develop markets, to develop vertical and horizontal political networks, to build coalitions or social movements, and to co-operate around resource scarcity, are common themes. In the process of building social capital, NGOs can involve people in mapping their position in the agri-food system or political system; a technique used in **India – Tamilnadu, Kenya and Senegal**.

At the meso (regional) level, it is clear that successful *decentralisation* (as opposed to disengagement or abdication) requires both the pull from economic and social organisations *and* responsive, downwardly accountable public institutions at the meso level that can challenge prevailing systems of patronage. Most case studies had early signs of this positive local-meso interaction. These include the tank rehabilitation case in **India – Tamilnadu** and pro-rural municipal government in **Brazil** (both using social mobilisation to match raised rural expectations and downward government accountability ‘within the system’), watershed management in **India – Gujarat and National**, the popular participation law in **Bolivia**, contract oversight in **Thailand**, the CNCR in **Senegal**, and the Rural Support Programmes in **Pakistan**. These early successes come with many warnings about the need to deal with meso-level capacity shortfall, the need for economic organisations to work with the party political system, and the need to acknowledge power relations along the way.

New economic organisations (producer groups, credit organisations, marketing groups) and citizen-based organisations have flourished in rural areas in the absence of strong central or provincial government. Their consolidation into more powerful meso- or national-level groupings, such as the Forum of Farmers’ Organisations of the Centre-South Region of Paraná (*Fórum das Organizações de Agricultores e Agricultoras da região*

Centro-Sul do Paraná) in Brazil can become a significant mobiliser of farmer interests and an instrument with which to pressure local and state authorities. Donors can support capacity-building in producer organisations, especially for management, marketing, and for building an effective lobby. The Indian case studies show the power of building alliances to pull down resources to the local level and achieve a level of development subsidiarity. Where cultural capital – the building block of social and political capital – has been weakened, as in South Africa (and, interestingly, in the United States), government policy may have to be more deliberate in its engagement with smallholders due to their organisational weakness compared to established agribusiness interests.

At the *national (state) level*, engagement with these producer federations – as partners in decentralisation – is an essential part of good governance. But with a few exceptions (such as the facilitating role to provide legal oversight of farmer-agribusiness contracts in **Thailand**), government policy in the PTW case studies appears as an impediment to successful scaling up of ‘islands’ of regional agricultural and rural development. This is because of policy confusion and mixed signals. In **South Africa**, for instance, we learn of a policy of land distribution to former farm workers, but of an agricultural research and development policy entrenched in the agro-industrial mindset. Or in **Kenya**, we learn of successful participatory NRM, but very weak infrastructure to get surplus produce to market.

Policy *consistency* is profoundly important, achieved through providing the right conditions for national agreement on the functions and expectations of agriculture and rural areas, based on multi-stakeholder dialogue. Although centrally directed sustainable development should be a contradiction in terms, there is a tendency for sustainable development planning to be very centralised. Planning groups can be a self-selected clique of ‘systems thinkers’ with whom mainstream farmers and rural residents find little in common.

The *private sector* and NGOs must commit to active support of national goals for sustainable development, land reform and participation of small

farmers in trade liberalisation. There is also a clear need for the private sector to redefine business responsibility as economic and social justice along the agri-food chain. Otherwise, smallholders will continue to be excluded by the shifting terms of trade – the consolidation of supply chains and privatisation of standards – despite their comparative advantage in efficiency terms.

Policy priorities at the level of *international* governance must include a commitment by WTO members to ending dumping (selling below cost of production) in agricultural trade as a prerequisite to fair trade and economic justice for rural communities.

Our key recommendations focus on four *prerequisites for coherent policy intervention*, to supplement the recommendations made in the individual country case study reports.

- (1) Negotiate agreement on the functions and objectives of smallholder and family-based farming.
- (2) Create the right environment for peasant organisations and new social movements to be partners in decentralisation.
- (3) Agree on the roles of NGOs, community groups and the public sector.
- (4) Create the right environment for fair trade between small farmers and agribusiness, towards democratic control over markets.

Negotiate agreement on the functions and objectives of smallholder and family-based farming.

Beyond the obvious functions of agriculture – food security and balance of payments – there is deep disagreement on what society expects from farming and the countryside, North and South. Production? Employment? Managing biodiversity and natural resources? Amenity and leisure? Managing culture? Peace and stability? We have seen that ‘success’ in moving towards sustainability in agriculture and resilience in rural community development is in fact occurring within a complex and contested space between the traditional power blocks and civil society. Introducing sustainability objectives and pro-poor perspectives into the mix has only served to bring the lines between different groups into

sharper contrast, by pointing the finger of *unsustainability* at anyone who uses fertiliser or anyone who doesn't espouse community self-reliance.

Lack of agreement on the functions of agriculture leads to excessive flexibility in definitions of 'sustainable agriculture'. If the function of agriculture is to achieve maximum output of food and feed, then policy-makers are faced with completely productivist definitions. If the function of agriculture is primarily to sustain a peasantry on the land, then 'sustainable agriculture' takes on definitions skewed to social goals. The case studies in **Brazil**, **Bolivia** and **South Africa** all report that the overemphasis on the *social* role of family farming has diminished policy focus on small farmers' contribution to the national agricultural economy. There is a tremendous risk of policy just paying social dues, and bifurcating policy between capitalist export-oriented 'farmers' and 'livelihood' peasants. This patronising language extends into farm policy debates in the US and EU. Likewise, overemphasis on the natural resource management (NRM) objectives of sustainable agriculture policy may diminish policy focus on the social objectives of agriculture, especially employment and rural economic health. The Landcare programme in Australia, for example, is trumpeted as a success in building awareness in NRM, but in the period between 1962 and 1996 the number of farms in Australia has halved, 70% of farms are considered 'non-commercial', return to capital has fallen to 0.15%, and the average age of farmers is now 56 years.

Even debating the multiple functions of agriculture has become a thorny issue for developing countries, as 'multifunctional agriculture' can embody all that is protectionist and bloated in agricultural policy in industrialised countries. Without a broad national consensus that can survive changes in elected governments and other 'shocks', agricultural and rural development policy will continue to exclude many sectors of society.

As the Senegal study states, "*Conflicts of interest around the choice of development strategy cannot be minimised, but nor can one go towards a situation where difficult policy decisions are not open to debate, because*

they are politically difficult.” Such debate – via new institutions as a *multi-stakeholder dialogue* – is crucial to national and meso level policy development, in order to:

- Define what ‘working’ means for agriculture and rural development policy and choose indicators of success
- Target interventions and resources such as public extension and R&D, infrastructure and market information
- Define roles of each sector – government, NGO, private sector – and build complementary alliances between them – see Recommendation 3
- Create the right policy environment for reforms such as land redistribution.

Within multi-stakeholder debate, language must be grounded in the reality of what farmers and rural citizens understand by good farming and sustainable livelihoods. We already introduced our bias into the design of the PTW project, by putting forward a very (small) farmer-centred definition of ‘sustainable agriculture’ which, in fact, only corresponded in part with concepts expressed by farmers in the case study regions.

Such strategic alliances between diverse actors to pursue a commonly agreed local development agenda require new capacities. Given that policy reflects power relations rather than desires to make rural people’s lives better, it is naïve to believe that a multi-stakeholder dialogue can succeed – either in getting marginalised groups to the table, or in implementing the plans developed by such a dialogue – if the representatives of peasants and the proponents of sustainability are not negotiating from positions of strength. This raises a number of issues around ‘autonomy’ and the agendas of donors in funding intermediary as opposed to membership-based NGOs.

There is also the risk of ‘participation’ of the poor in multi-stakeholder dialogues and planning simply legitimising distortions in power relations, or ‘rubber-stamping’ decisions taken elsewhere. Even when ‘participation’ can go as far as it did in the **Brazil** case study – replacing the regional government with a pro-smallholder administration – policies affecting

rural people are still prone to being out-bid under conditions of resource scarcity. The **Australian** team noted that while participation is widely championed in sustainable regional development (SRD), “*some fundamental questions need to be constantly re-examined. Which individuals and groups are included in our definition of ‘the stakeholders’ and ‘the community’? And, what do we mean by ‘participation’? It should be acknowledged that different people and groups have more or less confidence, capacity and power. Participation processes are often unclear and questionable. Does your definition of ‘participation’ mean consultation, ‘insulation’, tokenism or true empowerment of all stakeholders to meaningfully participate in an SRD process?*”

We must therefore distinguish between *consultation* and *partnership* in the conduct of multi-stakeholder dialogue. More research is needed on the various institutions created for multi-stakeholder dialogue, distinguishing between the state-sanctioned or parastatal institutions and the more militant rural lobbies such as the Assembly of the Poor in Thailand, and the elements that distinguish effective institutions from the impotent talking shop. The democratisation of policy making requires new skills, both for those who previously monopolised policy making *and* the new players (NGOs, CBOs, the private sector...) more familiar with criticism than policy design.⁹⁶

The experience of the CNCR in **Senegal**, which now represents about three million people, shows that a strong anchoring at the local level legitimises the policies at the meso and national levels. The building of social capital and its political consolidation, which has a long history in Senegal, has provided rural interests with countervailing power, even to the extent of bargaining with the World Bank. By inviting peasant organisations and other grassroots groups to the planning and negotiating table, the problems of dealing with non-accountable NGOs can be circumvented. The collaboration between farmers’ organisations, municipal government and the NGO AS-PTA described in the **Brazilian** case study is a signpost for the global rural NGO community.

⁹⁶ Can we all be policy makers? *Sparc* 93, June 2001.

The history of the farmers' movement in Senegal, established in 1974 with FONGs then followed much later by CNCR, illustrates the importance of time – in this case some 20 years – for farmers to organise to the extent of being considered equal partners in negotiations with government and donors.

Create the right environment for peasant organisations and new social movements to be partners in decentralisation
Decentralisation requires strong reinforcement of resources and capacity of meso-level government. Resources and capacity are built on budgets that are not completely consumed by salaries, real local management of development funds, and subsidiarity. This means devolution of authority to levels below the district, even as far as watershed associations for management of budgets (**India – Gujarat and National**) and contracting (**India – Tamilnadu**) in order to improve opportunities for representation of the rural poor. It is built on decentralisation of real political power and responsibility, and regular testing of meso-level government by elections. It is built on downward accountability in extension (**India – Tamilnadu**). The **Bolivia** report makes the point that successful decentralisation requires strong government, because of the bargaining that distorts policy at the meso level in weak states.

Decentralisation not only requires economically, professionally and politically strengthened municipal government, but also *professionally strengthened rural organisations*, so that they can work within (or challenge) party political machinery without weakening and/or compromising their organisations. It has long been asserted in mainstream institutions such as the World Bank that bringing peasant organisations into the political process is essential for correcting policy failures that drive rural poverty, inefficient resource allocation and natural resource degradation. NGOs like SPEECH (**India – Tamilnadu**) have found an important role in building social capital, in part by *building reflective capacity* in rural groups.

Strengthening rural organisations and creating new institutional frameworks through which new social movements have a voice, are key to fulfilling this objective.

The impact of resurgent, organised rural civil society (encouraged or deterred by powerful donors) on weak states needs to be better understood; various commentators have warned against decentralisation being misunderstood as a panacea for weak central government. One direct outcome of the PTW research in **Bolivia** has been a new project to categorise and analyse the plethora of new economic organisations arising in the *altiplano* and subtropical areas, in relation to the Law of Popular Participation.

These first two recommendations are prerequisites for Jules Pretty's call in his book *Regenerating Agriculture* for governments to “*declare a national policy for sustainable agriculture*.” Another prerequisite of effective policy development is the clarification of the roles of different stakeholders – NGOs, peasant organisations, government and agribusiness.

Agree on the roles, build on the strengths, and appreciate the weaknesses of NGOs, community groups and the public sector. NGOs are key players in many of the PTW ‘islands of success’, from the Aga Khan Rural Support Programme in **Pakistan** to SPEECH in **India – Tamilnadu** and AS-PTA in **Brazil**. NGOs have proved themselves able to work and bring benefits such as credit schemes and technical assistance to the rural poor, and to be flexible and responsive to community needs. But the role of NGOs in sustaining and scaling up rural development projects is increasingly called into question. There is a real risk that NGOs with strong external links/drivers can disrupt the formation of more ‘natural’ economic or community organisations at the grassroots. NGO-led ‘empowerment’ through ‘constructed’ local representation (see Box 2.2), has shown that it can sustainably increase income and evolve a replicable model. But it has also been criticised for being non-accountable, non-transparent, reinforcing (or even widening) of structures of unequal privilege, and corroding to fragile social structures. Rural populations may be cast as lacking ‘capacity’, to be corrected simply by ‘capacity-building’. There is a risk of undermining state structures needed for real enfranchisement, including head-hunting the best personnel at market prices. NGOs and ‘change agents’ may be

intrusive and destructive, because they tend to usurp functioning institutions for local resource management. Village organisations may be hijacked by local leaders and the membership of VOs “*appears frequently aligned by factional allegiance around such leaders*” fuelling enclaved animosities⁹⁷. Ideals of ‘community and ‘tradition’ can both be used to mobilise, and to obscure class and gender differentiation and the transfer of resources and value from poorer to richer farmers.

NGOs have been very aggressive, and sometimes successful, but have in the process vexed governments by apparently working outside of state development plans and goals.

The pendulum of current thought on governance is swinging towards a *strengthened government sector and strengthened economic organisations*. Donors are questioning the coherence of policies that channel funds through NGOs in the name of ‘democratisation’; these swings in donor preferences overlook the central importance of *consistency* and *duration* of support to civil society organisations.

Effective establishment and scaling up of islands of success requires an appreciation of the strengths and weakness within and between the sectors of NGOs, community-based organisations and their federations, and of the government. The important lessons unfolding in **Pakistan** with state-funded NGOs (RSPs) merit closer investigation.

Create the right environment for fair trade between small farmers and agribusiness, and democratic control over markets
There has been an explosion of new relationships between the private sector and small-scale rural producer organisations. Rather than pretending this is not happening, or criticising these relationships out of hand, policy analysis and advocacy must work towards *fair trade* and *economic justice* between farmers and business – democratic relations guaranteed by associated mechanisms and respect for the needs of rural

97 Parkes, P (1999) Enclaved knowledge: indigent and indignant representatives of environmental management and development among the Kalasha of Pakistan. In R Ellen, P Barkes and A Bicker (eds) *Indigenous Knowledge: Critical Anthropological Perspectives*. Harwood Academic. Available at www.mtnforum.org

people. Trust between market participants supported by contract enforcement and accountability of local public officials is key to rural development.

The **Thailand** case studies of potato, longan, mango and vegetable production and marketing show that farmer organisation and government intervention can help minimise the risks and spread the benefits of contract farming. This appears to reduce the differences between rich and poorly capitalised farmers, compared to the one-sided smallholder-agribusiness deals typified by poultry contracts in the US, which are accused of turning small farmers into little more than ‘wage labourers on the agribusiness plantation’. The role of government in providing an *enabling legal environment* (both for the development of producer cooperatives and for oversight of production contracts) is especially worthy of further investigation. Of course, policies that assist small producers to meet quality and delivery requirements will help ensure a reciprocal exchange of benefits.

There is evidence that small farmers can, under circumstances of effective organisation, risk management and government oversight, become powerful partners in high value specialised production. This requires far more intensive investigation. A large part of the follow-up to the PTW project will focus on identifying the circumstances in which smallholders can benefit from market liberalisation and reverse the trend of marginalisation of the rural poor from commercial agriculture.

A critical role of government in creating the right environment for fair trade between small farmers and agribusiness is the provision of infrastructure. The **Kenya** case study, especially at the Nyandarua site, stressed how poor road links and poor market information swing the benefits of high-value horticulture to intermediaries and exporters, and how this threatens the continued success of sustainable intensification in the region.

Concluding comments

Farming belongs to both the socio-economic world *and* the ecological world. The durability of small family-based farm production is clear in its historical and spatial ubiquity: small farms exist in all environments, in all political and economic contexts, in all historical periods over the last 5,000 years, and in every known cultural area where crops can be grown. Small farmers have developed and use a variety of technologies, crops, and farming systems. Perhaps most important in an era of diminishing non-renewable resources, small farmers frequently produce with minimal recourse to expensive external inputs. Family farmers regularly achieve higher and more dependable production from their land than do larger farms operating in similar environments. Policy opportunities are available to improve the quality of the environment, including its physical (increased soil fertility, better quality air and water), biological (healthier and more diverse animal, plant, and human populations), and social, economic and institutional (greater social equity, cohesion, peace/stability, well-being) components.⁹⁸ Technological and political developments under the rubric of ‘globalisation’ are bringing family farms from a wide variety of agroecological and economic endowments and constraints into direct competition. Whether rural livelihoods gain or lose resilience from these rapid changes will depend on conscious national and global policy-making built around an appreciation of the multiple functions of family farms – both North and South.

⁹⁸ Food and Agriculture Organisation United Nations (FAO) (1999). *Cultivating our Futures: FAO/Netherlands Conference on the Multifunctional Character of Agriculture and Land. Scoping Phase. Synopsis: The Multiple Roles of Agriculture and Land*. Rome: Sustainable Development Division of FAO.

Section 2

The Case Studies: Summarised extracts

Bolivia



The Bolivia PTW report was co-ordinated by Diego Muñoz. It is a study of decentralisation in the Andes against a historical backdrop of weak government. The research was carried out on three levels: national government; two very ecologically different Andean municipalities – Caquiaviri and Iruana; and six communities within those municipalities. An apparent lack of influence of public policy on the islands of success prompted a

careful historical analysis of policy and their processes, with specific methodological instruments used at each level.

Policy for Popular Participation and New Economic Organisations in Bolivia

In Bolivia and across the Andes, new economic organisations have flourished in rural areas in the absence of strong central or provincial government. These organisations are a response to situations of permanent uncertainty and public policies that, in their implementation (or lack of it), bear no relationship to the problems faced by peasant communities. These new economic organisations may be producer groups, credit organisations or marketing groups.

There has been a tradition by successive governments of dealing with peasant societies as subsistence (rather than market-oriented) economies. Corruption has resulted in a lack of trust in the political system and its authorities on the part of the people. This lack of confidence, plus the existence of important organisations such as trade unions, set in train a vicious circle of permanent struggle between the government and social organisations. Because the Bolivian state is so weak, there is a tendency towards policy inflation – the state generates lots of new policies but there is only a weak relationship between formulation and implementation.

In the rural areas, the relationship between the state and its citizenry was changed significantly with the passing of the Law for Popular Participation

(*Ley de Participación Popular, LPP*) in 1994. The LPP is regarded as the most important rural reform since agrarian reform in 1953, in that it is an attempt to operationalise participatory rural development planning. The LPP decentralised fiscal resources and allowed for a good share of national income to be managed by the municipalities instead of being arbitrarily administered by centralised bodies. LPP policies have been implemented through the Municipality Development Plans, which were formulated in a participatory manner. Before the LPP, the municipalities did not control any money, and all spending was decided at the national level. Now, each region has a budget related to the number of its inhabitants. Before LPP, the only elections were for the president and voting in the countryside was a formal act bearing no relationship to everyday life.

But many people interviewed by the Bolivia PTW project consider the LPP to be a bad law. Previously, everyone was united against the military, but now urban and rural groups find themselves fighting for scarce resources, and each group wishes to keep control of local government to defend their sectoral interests. The LPP has devolved a lot of power into the hands of mayors, but they may be unapproachable due to their need to maintain close links with their party political power base in La Paz. There is a general sense of alienation, and some formerly respected mayors are perceived by the peasant communities to have been 'bought'. The mayor in one of the towns studied even lives in La Paz, 130 km away.

Farmers are questioning the legitimacy of these mayors, but they know that their farms would suffer if they entered the political arena to lobby in the city on their organisation's behalf. They realise that they will either have to find new ways of getting political representation in order to access the resources which the LPP was supposed channel to them, or lose out to urban interest groups.

Under the LPP, mayors now have responsibility for both towns and the surrounding countryside. Peasants who have developed economic organisations around a non-territorial entity such as agricultural production (eg. for milk producers' associations) find themselves ineligible for LPP resources. There is also a basic incompatibility between the LPP and the government's stated drive for improved agricultural production and increased exports.

This struggle of interests between peasants and residents of the towns and provincial capitals over access to power and services generates a new political dynamic, which uses political parties as means to access politics and to fight for power. Some economic organisations are running for office to get elected so that money can be designated for their sector. For example, in both municipalities, organised peasant sectors have become involved in one or several parties irrespective of ideology, in order to enter the local political

circuits and thus defend their interests. Decentralisation not only requires economically and professionally strengthened municipal government, but also professionally strengthened rural organisations.

Full report

- Full Spanish version: Diego Muñoz Elsner (2000). *Políticas Públicas y Agricultura Campesina: Encuentros y desencuentros*. IIED, London and Plural, Bolivia. 292pp.
- English extended summary: Diego Muñoz Elsner (2001). Public Policies and Processes in the Bolivian Andes. 56pp. Available as pdf file at www.iied.org/agro/proj_ptw.html

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Brazil



The Brazil PTW case study was co-ordinated by the Brazilian NGO AS-PTA.⁹⁹ It is the story of one rural municipality, Rebouças in the south-eastern Brazilian state of Paraná, and how NGOs worked to reshape municipal government towards the interests of sustainable rural development.

Local level policies for family farming in Brazil have shown enormous discrepancies between their planned objectives and their actual results. Small municipalities in Brazil such as Rebouças have very small budgets, used almost entirely for fixed costs. They depend on state and federal programmes to finance agrarian and agricultural policies. The Brazil PTW project describes how those state and federal programs become distorted at the meso level.

Distortion of farm credit policy at the meso level

Unsustainable practices in Rebouças are increasing due to subsidies for ‘green revolution’ technology packages. The Brazil case study shows how this happens through farm credit policies becoming distorted at the meso level.

For example, in Rebouças, the implementation of the federal government’s credit scheme for farm equipment (FINAME RURAL) is distorted by the influence of machine and equipment retailers. The retailers themselves prepare the credit applications for farmers who are recommended by the local extension staff. Many of the farmers wanted to purchase more modest and/or second hand equipment but were convinced otherwise by ‘technical assistance’. These loans resulted in enormous debt default, followed by the economic downfall and environmental degradation of farms.

Another federal credit scheme, PRONAF, aims to increase family farm productivity, generate jobs and increase income. The financial costs and reimbursement schedule are more favourable than conventional agricultural credit lines. But in Rebouças, PRONAF has been appropriated by the tobacco industry, counteracting the programme’s strategic objectives.

Collusion between the banks and tobacco firms has meant that farmers in Rebouças were unable to obtain credit from PRONAF. When they presented credit requests, the banks either claimed lack of resources, that the proposals were of poor quality or that the farmer would be unable to repay the loan. PRONAF and similar credit lines have effectively functioned as a mechanism

⁹⁹ AS-PTA: *Assessoria e Serviços a Projetos em Agricultura Alternativa* (Assistance and Services for Alternative Agricultural Projects)

to transfer public resources to agro-industrial enterprises, in opposition to the interests of the farmers themselves.

State programmes also have problems. PRO-RURAL, the Integrated Project for Support to the Small Farmer, is a state programme which aimed to overcome the low yields, poverty and the backwardness of certain rural regions in the state of Paraná. It failed because access to PRO-RURAL credit was limited by rules established at the federal level. It did not achieve its goal of stimulating the production of basic foods – rice, beans and manioc – on small farms and did not address the problems faced by the municipality's main agro-ecosystems.

Another state programme, the Paraná Rural Development Programme (PARANÁ-RURAL), was supposed to increase plant cover and water infiltration and to control run-off, agro-chemical pollution and siltation due to soil erosion. In Rebouças, in a scandal linked to the governor, the funds were almost entirely used to distribute limestone for soil conditioning. Some funding was also used to construct terraces designed to decrease erosion from rainwater run-off, but these proved to be extremely unsuitable for the municipality's agro-ecosystems.

There is consensus among the farmers and their leaders that in Rebouças the extension service (EMATER) has been an accomplice in their indebtedness. It can impose technological packages and remove farmers' ability to invest in innovative proposals, because all loan contracts need a technical assessment of the project's viability. It is therefore not surprising that many farmers feel that the extension service could be closed down without any loss to them.

Agribusiness, both input suppliers and processors, influence farmers through programmes for training and technical assistance, credit, insurance and marketing. These are often financed through public money, such as the example above of the appropriation of PRONAF resources by the tobacco industry. It is more than likely that there are illegal mechanisms favouring private interests.

Reforming municipal agricultural policy for sustainability in Brazil

The sustainable development of agriculture is complex and multidimensional, requiring policy-makers to consider social, economic, environmental and cultural aspects. This is difficult to achieve on a national or state-wide scale, and so NGOs such as AS-PTA have given more emphasis to local participatory development strategies for more sustainable agriculture. The local approach brings together the interests of different stakeholders and the many varied aspects involved in development, allowing active local participation in the shaping, implementation and monitoring of public

policies. The local level is “*the essential base for planning, generation of proposals which can be spread, social economic and environmental monitoring and of demonstration of viable alternatives for the promotion of agro-ecology*”. AS-PTA pushes a sustainable agriculture agenda by working through farmers’ organisations and institutions and capacity-building to “*link new ideas to historical movements*”. Farmers are involved directly in experimentation.

When AS-PTA started working in Rebouças in 1993, the municipal council was dominated by politicians who were traditional in their style of administration and showed little commitment to the poorest family farmers in the municipality – ie. the majority of the rural population. The municipal council’s policies favoured the farmers with greater resources, excluding the more disadvantaged ones.

AS-PTA began working in Rebouças to sensitise the leaders to the adoption of an agro-ecological model of sustainable development for family farming, through:

- The development of an agro-ecological consciousness
- The search for economically, environmentally and culturally sustainable farming systems
- Intervention in public policies to shape municipal and regional development proposals to become more decentralised and democratic
- Strengthening regional and state networks (eg. the rural workers trade union movement) as essential elements for the exchange of experiences and the increase in social and political awareness of successful proposals
- The use of participatory methods in farm experimentation and dissemination.

By 1997, this work culminated in a massive victory for the Rural Workers’ Union (*Sindicato de Trabalhadores Rurais, STR*) in municipal council elections on a platform for alternative agriculture and quality of life for farming families. It shows that social mobilisation can significantly minimise the distortions described above, by allowing greater social control over policy implementation. This *policy process that works* demonstrates the need for a participatory process to ensure that resources are used for what they were intended.

But this is not the end of the story. The intervening years have seen Rebouças farmers’ political, technical, environmental, cultural and economical sustainability ideals undermined and the space for alternative democratic institutions reduced. The mayor and the Secretary of Agriculture and Environment, backed by the legitimacy of their trade union social base, have increasingly overlooked their organisation’s participation and involvement. With their strong connections to the grassroots, they have felt that it is not necessary to have ongoing participation because they believe their proposals automatically represent and favour small farmers.

Furthermore, the trade union's election victory has weakened it through the loss of the union and community leaders who created the conditions for victory. Farmers' leaders lose influence after reaching local government and the opportunity to create and enlarge alternative democratic institutional spaces is lost.

For a municipal council in political opposition to the state and federal governments, lack of resources makes compromise inevitable. There is a tendency for the programme of structural changes to become a future utopia that accommodates popular demands, while the government becomes progressively distanced in practice.

Full Report:

■ Nelson Delgado, Jorge Romano, Silvio Gomes de Almeida, Paulo Petersen, José Maria Tardin and Francisco Marochi (2000) Public Policies and Participation for Agricultural Sustainability: findings from the case study in Rebouças, Paraná, Brazil. AS-PTA Rio de Janeiro, and IIED, London.

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India – Gujarat and National



This case study focuses on a policy 'island of success', rather than a geographical one. The case study examines the implementation of an existing innovative national policy, the *Guidelines for Watershed Development*.

The research was co-ordinated by the Development Support Centre (DSC), an Indian non-profit organisation with a mission to promote and support people-centred organisations, programmes and policies in natural resource management. The research was guided by a Steering Committee.

The research set out to:

- Analyse the new policy on watershed development, comparing programme implementation with policy objectives
- Identify distortions in implementation
- Analyse the reasons for distortions and recommend possible solutions
- Present these recommendations to appropriate policy-makers at state and national levels with a view to improving policy and procedures to better serve policy objectives, with appropriate follow-up to press for their acceptance.

The field research was concentrated in Gujarat, where DSC is based. The research team visited seven districts and visited villages and conducted interviews with the staff of relevant organisations such as District Rural Development Agencies, Project Implementing Agencies and Watershed Associations. The aim of these interviews was mainly to gather stakeholder perceptions on the implementation of the watershed programme.

Scaling up of decentralised, collaborative natural resource management – the Indian Watershed Development Programme

The Indian Watershed Development Programme was launched in April 1995, and is unprecedented in the history of Indian rural development. On the face of it, this programme supports sustainable agriculturally based rural livelihoods and qualifies as a clear example of scaling up from 'Islands of Success'. Its guidelines stress decentralisation, participation, productivity, environmental management, equity, use of local knowledge, enterprise diversification and increasing self-reliance. The Watershed Development Programme is implemented through a tiered arrangement of organisations, which include national, state and district government, rural development agencies, project implementation agencies, watershed development teams and village communities.

The programme aims to devolve decision-making for better watershed management, local capacity-building and the integration of local knowledge.

A fifth of the project funds go to the implementing agency for training, community organisation and overheads, while the majority is released directly to village watershed committees. Each village community manages a budget of two million rupees over four years. The expectation is that 80% of the activities should be implemented by user groups and be based on local knowledge.

Research findings

Overall, the programme is people-friendly and flexible, but there are some question marks over its long-term sustainability.

The research team found:

- A lack of capacity amongst the implementation agencies for facilitating participatory, empowering processes. Whilst the programme formally provides for decentralised administration, it lacks the administrative and financial processes and procedures appropriate to a participatory approach
- An underestimate of the amount of time needed to build community capacity before handing over the management the programme to local groups
- A monitoring process which focuses on physical and financial targets, neglecting social process and the enhancement of productivity
- Practical difficulties in securing significant benefits from the project for the poorest sections of communities such as the landless, tribal groups, artisans, shepherds and many women.

Decentralised decision-making requires competencies, resources and sensitivity. There is a gap between the programme's vision and local capacities, and implementation is patchy. Some people have felt the programme is something they have to simply comply with. There is also a problem of rivalry with those who don't participate.

The team proposed ways of dealing with some of these shortcomings, such as including all interest groups and ensuring that it is a programme that learns through a cycle of monitoring and evaluation. In this way, problems occurring on the ground can be fed back to policy-makers so that appropriate changes can be made. Thus policies and programmes can begin to 'learn' and adapt as they go along.

The research highlighted that although there are national level policy announcements on the Watershed Development Programmes which subscribe to participatory processes, and in a few cases at the state levels too, what is missing are appropriate administrative and financial procedures for participatory approaches. Therefore the priority should be operationalising these policies and monitoring their implementation.

The researchers concluded that a paradigm shift is required in state bureaucracies, rebuilding capacity in knowledge, skills and attitude. Political space must be created in government departments for stakeholders to share

their experiences and ideas. Consultative forums at the national, state and district levels are required, where government representatives can interact with representatives of implementing agencies which could be NGOs, grass-root organisations or academics.

Full report

■ Shah A (2001) *In the Hands of the People: An Indian Case of Watershed Development*. Development Support Centre, Ahemdabad and IIED, London

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India – Tamilnadu



This PTW case study was carried out by SPEECH,⁹⁹ an NGO based in the city of Madurai, Tamilnadu. This is the most ‘local’ PTW case study, and explores in depth the hidden elements of rural development – the use of participatory processes that change policy via ‘shadow systems’ of personal relationships. It is divided into three main pieces of work:

- Investigation of the local significance of sustainable agriculture through focus group meetings, interviews and workshops
- A set of three crop case studies based on interviews with farmers and other stakeholders
- A policy case study of an irrigation project, which comprised a set of PRA exercises followed by devolved implementation by village water users’ associations.

Perceptions of sustainable agriculture

Academics and field NGOs generally translate sustainable agriculture into Tamil as *nilaitha vivasayam*. The PTW team used this term initially, but farmers felt it was vague and failed to identify with it. Then, during a workshop, a farmer exclaimed, “Oh, you mean *nalla uzhavadai*!” – which means ‘good farming practice’. It turned out that this commonly-used term has many of the same connotations as sustainable agriculture does in PTW, but arises out of the working lives of the local farmers.

Indicators for *nalla uzhavadai* were developed at farmers’ focus group meetings and revealed good farming as a moral but practical way of living, which brings respect and recognition. It requires commitment, involvement with agriculture, and the maintenance of good relationships with workers, family members and neighbours. A good farmer achieves good yields through caring for the land and maintaining its fertility. A good sense of timing is needed, and a thorough knowledge and practice of the appropriate techniques for individual crops and for the farm as a whole. Good agriculture requires a strong business sense, achieving more with less expense and getting a good price through marketing skills. It is rooted in tradition, but also forward-looking and open to beneficial change.

The importance of the individual and the personal: ‘good farming’

The researchers identified ‘island of success’ *farmers* by asking locals to name people who actually practice *nalla uzhavadai*. All are wealthy farmers, but

⁹⁹ Society for People’s Education and Economic Change.

most had started out with little or no land. Many other rich families have quite diverse activities and interests, but the 'islands of success' are dedicated agriculturists. Also, many of the other wealthy benefit from government assistance. They use their connections to get cheap loans or earn commission as an intermediary arranging credit for others.

It was clear however, that 'island of success' farmers' achievements are due to their own efforts and intelligence, rather than their connections or the agency of the government. Where they have adopted practices promoted by the state, it wasn't due to one of the 140 programmes relevant to sustainable agriculture identified by the research team. They tend only to change their practices if they see for themselves a good argument to do so. The success of these farmers is rooted in their personal qualities, rather than any policy influence. To conclude that agricultural policies have little or no benefit to all farmers practising sustainable agriculture might be doing a disservice to the official system, but the connection with the 'islands of success' in Thiruchuli is at best tenuous.

From their interviews and by local reputation, they are seen to be hardworking, positive, intelligent men of strong moral character. They are reserved, but not alienated from their communities; simply uninterested in becoming involved in disputes and bad feeling. They are family men who maintain healthy relationships with their spouses, children and elders. Their relationship with their labourers was qualitatively better than other big farmers.

Although the picture that emerges has little to say about policies that work, it is still worth examining the lives of these men a bit further. They are successful because they have risen to the challenge of agriculture in Thiruchuli – a challenge that has embittered many others around them. There may be aspects of their experience that are replicable. If these can be fed back into the extension system to inform policy decisions, as well as to the farmers around them, then there is the chance to create development for the area that does not require alienation from the land. For example, in the case of labour costs, none of the 'island of success' farmers has any problem with paying the going rate. They see a well-paid and well-motivated workforce as an investment, and make up the cost in other ways

The role of officials in policy implementation

Officials in the extension services face enormous difficulties in carrying out their duties in a way that benefits local people. Their initiative is stifled by the need to concentrate on official targets and internal politics, rather than those they ostensibly serve. Furthermore most officials are re-posted every three years, which is meant to cut down on collusion between officials and the local community. The problem is that officials have limited time to become familiar with their new 'patch', before being sent elsewhere.

The essential ingredients of success as a government official are fulfilling targets and avoiding exposing oneself. The target-led approach leads to distortions when real targets are hard to measure and a proxy is used. For example, targets for farmers' loans are construed not in terms of benefit to the farmer and their community, but in terms of total amount lent, which at its best does nothing to encourage quality control. Other targets are equally dubious, such as amount of money spent on promotional advertising. Even if one does fall foul of someone powerful, one's job is not threatened unless there is documentary evidence of wrongdoing or inefficiency. The need to prevent any possible evidence being filed against one leads to an attitude of 'safety first' – never taking action without clear instructions from a superior. The result is a system that looks inwards and is slow to react to the concerns of the local community.



Dhanuskodi, one of the most successful farmers in the area, started life as a landless labourer. (Photo: Chris High)

Building downward accountability in government through collective action: Tank rehabilitation

A study of the chain of tanks (water storage structures) around the local town of Villur was initiated on behalf of the Tamilnadu Public Works Department (PWD) and the European Commission, partly to test the use of participatory methods for such studies. The first stage consisted of a series of Participatory Rural Appraisal (PRA) exercises in each of the villages served by the chain. The positive response of the farmers led to the idea of inviting their participation in the implementation scheme. SPEECH undertook to organise Water Users' Associations to carry out the work. Participation allowed the tailoring of the scheme to each village and the resolution of problems that had previously made tank management difficult.

To launch the implementation phase, a cultural and consciousness-raising event was held – a 3-day *padayatra* or march following the 35 km course of the chain. The big surprise of the project was the set of unexpected changes in attitudes of the various stakeholders arising from the event. These were based on a positive emotional reaction between senior officials and local people, leading to changes in their relationships. For example in subsequent visits, the PWD Chief Engineer stayed with the villagers rather than using the



The water users' association handled the contract to build this new irrigation channel (Photo: Chris High)

government guesthouse. This direct contact short-circuits the link from the senior officials to the people through the local officials, enabling changes in the way that things are done.

The final outcome was changes to the policy system. In customary PWD practice, contractors pay a large deposit to guarantee their work before commencing operations. This was clearly not practical for the Water Users' Associations and PWD changed its policy in their case. Furthermore when some of the local PWD officials saw that one of the budgets concerning the project failed to reflect what was actually needed, they took it upon themselves to send the budget back to the state capital requesting alterations. Such initiative is not usually fostered within the bureaucracy, but in this case the junior officials felt it important to get things right, because of their personal interest and commitment to the project.

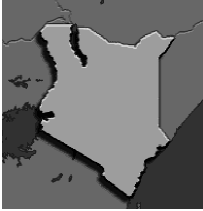
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Kenya



The Kenya study was co-ordinated by the Tegemeo Institute of Egerton University in Nairobi. Detailed empirical work to assess the current state of sustainable agriculture in four sites of differing potential (Nyandurua, Mwea/Tebere, Thika and Kajaibo) was supplemented by a national survey of perceptions and practices within major national institutions involved in agricultural policy. A third component was a Policy

Milestones study that tracked 70 years of policy on Kenya and its influence on the development of agricultural sustainability.

Perceptions of sustainable agriculture

Over half of the responses to a national survey defined sustainable agriculture in terms of economic factors, while only 20% referred to the environment. The remainder mainly related to agricultural productivity and prudence in using natural resources. Social factors were rarely mentioned. Private sector and commodity organisations emphasised efficient production and marketing systems while acknowledging that sometimes these can adversely affect the environment.

Kenya's Natural Resource Management and Conservation Policy

The aim of this policy is to manage and conserve natural resources, reduce land degradation and increase farm productivity through soil and water conservation. From 1930 to 1962, these measures were vigorously enforced, especially in the African reserve areas. Such policies failed to get community support and were largely abandoned after independence.

Since 1963 education, training and extension have been used to encourage conservation measures. In the 1980s a community catchment approach was introduced which uses PRA to mobilise and train communities to implement relevant conservation measures. After an initial period, the government personnel withdraw, leaving the community in charge. In Nyandarua, this participatory model started in 1988 and has been applied to a new 2,000 acre catchment every year since, so that now farmers have taken complete responsibility for over 20,000 acres of land. This previously successful 'island' of NRM is now threatened by declining transportation infrastructure. The result is poor market access and low prices for surplus production and the decline of productivity. Local farming co-operatives have collapsed due to low production.

Privatisation and public goods: Tick control in Kenya

Structural Adjustment in Kenya aims to increase private sector-led agricultural performance and growth. The government's role is to provide an enabling policy and legal environment by ensuring public actions are well co-ordinated and financially sustainable and service providers are transparent and accountable to stakeholders. Meanwhile, the private sector is encouraged to invest in research and extension services, animal health and participatory decision-making. However, liberalisation was implemented without properly preparing farmers, leading to a virtual collapse of the agricultural support industries. Services such as artificial insemination and disease control came almost to a standstill.

In 1966 grade cattle were introduced to Kenya and because of their susceptibility to tick-borne diseases, tick control was promoted. The African District Councils and Co-operative Societies ran dips through committees elected by farmers. The committees collected fees, provided water to the dips, purchased acaricides and employed attendants. As dipping was extended, indigenous cattle lost their resistance to tick-borne diseases.

Between 1977 and 1984 the government managed cattle dips, providing free acaricide and dip attendants. Under the state regime, acaricides were in chronically short supply, and sample tests and dip emptying were delayed. There was a general failure to maintain the dips and the monitoring of dipping activities was inadequate due to a lack of funds. In 1984 the government was no longer able to supply acaricides because of sharp price increases, dipping became very irregular and dip maintenance degenerated further.

In 1991, the government introduced cost sharing and handed back management of cattle dips to dip committees. The state supplied an initial stock of acaricide and fees were collected to replenish supplies, which continued to rise in price. Dipping fees increased substantially and the number of cattle dipped plummeted. Consequently, many dips were abandoned and tick borne diseases (notably East Coast Fever, Anaplasmosis and Heart Water) became rampant with the loss of many head of cattle. Production of milk and beef went down and as their prices went up, consumption declined. Due to production shortages, many dairy societies collapsed when they could not pay their members. There is now a need to initiate new approaches to controlling ticks and tick-borne diseases.

Wildlife-livestock interactions in Kajiado

An evaluation of the sustainability of the pastoral livelihoods of the Maasai community was carried out in Olgulului Olorarashi in Kajiado District. The district is representative of the relatively arid areas that make up 70% of Kenya. The traditional Maasai livestock systems in the district maintain a balance between land use and the environment.

In Olgulului, the Maasai lost much of their traditional land to the neighbouring Amboseli National Park in 1963. Their remaining land is run as a group ranch, but also forms part of a game reserve where livestock and wildlife compete for land and water resources. The community is short of water for both humans and livestock because the main water sources are now within the park. The group ranch provides a migration corridor for the wildlife between the Serengeti and Maasai Mara Game Parks, and the game are shielded by law. Even though the wildlife have protected access to water and grazing on their land, the Olgulului community do not gain any direct benefit from them. Nor are their livestock allowed to graze in the national park, even during droughts. This all leads to serious conflict between the Maasai and the government, and threatens the sustainable use of land in Olgulului.

To redress the balance, the Kenya Wildlife Service introduced a policy of sharing 25% of the revenue earned from the wildlife with the communities in the game reserve. The community uses this money to improve social services in their area, but the money allocated so far is insufficient to compensate their livestock losses through disease and attack by wildlife and their loss of water and grazing. Poor accounting and corruption in the group ranch management committee does not help. The community thus has no incentive to regard wildlife as complementary to their livelihoods.

Private sector codes of practice: FPEAK

The Fresh Produce Exporters Association of Kenya (FPEAK) is a private trade association whose 160 members export fruit, vegetables and also cut flowers, one of the fastest growing sub-sectors in Kenyan agriculture. This fresh produce is sold mainly in Western Europe and the Middle East, but exporters are slowly penetrating the US, Eastern Europe and Japan and have begun exploring South African and Australian markets.

FPEAK has developed a code of practice with the help of the United States Agency for International Development (USAID) and GTZ/Protrade, among others. The voluntary Code which is open to all FPEAK members addresses increasingly exacting standards of the international markets for Kenyan products regarding labour, pesticide use, food agricultural practices, product traceability and environmental conservation. In today's markets, a good product is not enough. It is also becoming necessary to show 'due diligence' – ie. that the product has been produced under acceptable conditions at all stages.

The Code is intended to encourage, reward and publicise responsible production and marketing practices. It is also meant to enhance the reputation of Kenya's export produce in general.

All participating companies must consent to the following:

- Publication of a list of conforming companies

- Random third party checks to verify compliance with the declarations
- Random tests for quality and chemical residues in export
- Removal from the list of conforming companies upon failing an inspection

Full report

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Pakistan



In Pakistan, the PTW project was co-ordinated by the Pakistani office of the International Union for Conservation of Nature and Natural Resources (IUCN) in collaboration with the Sustainable Development Policy Institute (SDPI) and the Pakistan Institute for Development Economics (PIDE). The study had two parts:

- A review of the effect of policy on the achievements of Pakistani agriculture and rural development. This policy history was comprehensive, but was inevitably weighted towards 'political' crops such as irrigated cotton and wheat, where government involvement is longstanding.
- An in-depth study of four 'islands of success' in the northern mountainous areas of Pakistan, an area largely bypassed by government policy. These were the Aga Khan Rural Support Programme (AKRSP), the Kalam Integrated Rural Development Project (KIDP), the Provincially Administered Tribal Areas Project (PATA) and the Malakand Fruit and Vegetable Development Project (MFVDP).

Policy and the rural people of Pakistan¹⁰⁰

The vast majority of the rural people in Pakistan, especially the poor, are cynical about the larger social and political context in which they live. This cynicism is directed towards all arms of government, and arises because of the pervasive rent-seeking behaviour of strategic coalitions of the political and administrative elite. Policies largely benefit the individuals, families and clans who have the social and economic power to get elected. Most rural people are left at the bottom of the hierarchy of power since the distribution of assets and income is highly skewed. They are used as a subservient vote bank by the competing families and clans of the rural elite, facing high pecuniary and non-pecuniary costs if they dissent.

The judicial and administrative machinery, such as the law enforcement officers, revenue courts, and revenue and irrigation departments that most people come into contact with, are seen as predatory institutions of a capricious state. Government departments directly responsible for rural development have no sustained contact with the less privileged and influential villagers, depriving them of goods and services supplied by the state. Rural people regard the so-called 'nation-building' agencies of the state, eg. the agriculture, veterinary, road, education, and health departments, as both ineffective and inefficient.

¹⁰⁰ Based on MH Khan, 1998b.

Officials and extension agents are not judged on the quality of their service provision and are not trained for development and institution-building roles. They tend to adhere to rules and procedures in an impersonal and unimaginative way. The government is centralised, authoritarian and little changed from its colonial roots, and regional governments are untested by local elections. Consequently, the poor and marginalised sections of the rural communities are not empowered to make basic decisions without direction from government officials and traditional leaders.

National policy and NGOs

Though the 6,000-7,500 NGOs currently in Pakistan enjoy advantages such as close contact with communities, flexibility and consultative planning over the traditional national extension services, they are not universally popular. Like their perception of the government, the public's perception of NGOs is rather low. When asked, "*Do non-profit organisations make an important contribution to empowering people?*" 56% of Pakistanis say "no". National policy-makers view the displacement or substitution of the state service sector by NGOs with some ambiguity and trepidation, despite calls for such approaches by bilateral and multilateral donors. NGOs may be seen as culturally subversive and serving the agendas of Western donors, posing a direct threat to political parties, members of national and provincial assemblies, local leaders and the established bureaucracy. There is also a resentment of the NGO habit of recruiting the better trained government personnel. This ill-feeling defeats co-operation and prevents sustainable development.

Government officials point out that the NGO approach has had limited success and needs to evolve further. NGOs have been successful in entering the field of rural livelihoods, but not in their exit strategy. The NGOs rely on donor support to sustain themselves in the long run and the social organisations they build tend to disintegrate without continued intervention. This indicates that development funds were, after all, the binding fibre of these institutions. Post-donor survival of NGOs is a big question in Pakistan, and some are concluding that regular external inputs may in some cases be required indefinitely.

Another explanation for suspicion and hostility is that the NGO sector in Pakistan is not formally organised and lacks direct accountability. With the rapid growth in the non-government sector in Pakistan, there has been a problem with fake NGOs. The donors have started monitoring the NGOs they fund, but there is still a lack of a proper system at the national level. In 1993, the Ministry of Social Welfare drafted a bill to regulate the role of the NGOs, but it failed to become law because, among other reasons, there was strong resistance to the clause that gave District Commissioners the authority to cancel NGO licenses. Because of political instability, the bill has not been presented again or redrafted since then, leaving no framework against which to monitor progress.

The Aga Khan Rural Support Programme in Pakistan: model for publicly funded rural development?

Both national development and agricultural policy have traditionally bypassed the mountain areas of Pakistan. Since 1980, when Pakistan began the first phase of World Bank/IMF Structural Adjustment, shrinkage of the government created a policy vacuum which made room for NGOs and the private sector to take up the development of these areas.

The Aga Khan Rural Support Programme (AKRSP) began in 1982. Its objective in Gilgit was increasing the capacity of the local people to become involved in their own development in order to improve their income and welfare in a sustainable and equitable manner. The AKRSP approach to participatory rural development is based on three tried and tested principles: social organisation, development of skills and building capital through regular saving. The approach is based around supporting village community organisations (COs), that are more than merely delivery systems for technical infrastructure. The programme stresses participation, flexibility, equity and sustainability and has been well received right from its pilot phase. The government, although a bit wary, was not in a position to address the needs of the people of the area and did not interfere.

After its initial success, locals from other parts of the Northern Areas district invited the programme into their areas. In the mid 1980s the programme expanded to Chitral and Baltistan regions, and later it moved into the Astore valley of Diamer district. AKRSP now operates in all six districts of northern Pakistan, and has become a role model for sustainable development at the grassroots level. By 1997 it had organised 3,358 village organisations and



Baltit (Karimabad) in the Hunza Valley: a community in transition due to AKRSP activities and tourism in Northern Pakistan

women's organisations with 126,000 members in more than 2,600 rural communities. It had also trained over 13,000 village level specialists in managerial and technical disciplines. In 1995, the AKRSP approach was given the blessing of the World Bank, with a report that demonstrated the major impacts of the programme on household income, women's status, agricultural production and natural resource management. The AKRSP is now entering into partnership with the Government of Pakistan to provide primary education.

Building on the AKRSP experience, the National Rural Support Programme (NRSP) was set up in 1992 as a state-funded NGO, intended to mobilise the existing expertise of government line departments to achieve the same impacts as AKRSP, but with one-third of the staff strength. There are questions about the realism of this initiative and whether it can be insulated from political interference. When considering the relative merits of governments and NGOs for service delivery, a fundamental question arises: Are we asking government to think and work like an NGO, or are we asking for the building of more effective NGO-government relationships?

Full Report

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Senegal



The Senegal PTW study, carried out by the Rodale Institute and Green Senegal, reviewed the impact of economic and sectoral policies on agriculture and rural development since 1930. It also investigated six 'islands of success' in the Groundnut Basin, the Niayes Zone, and the River Region of Saint Louis – among the areas most vulnerable to natural resource depletion and desertification. The cases covered family gardens that

intensively produce condiments, medicinal plants and vegetables; the production of quality seeds to improve agricultural production systems; collaborative research on soil restoration and plant protection, natural resource management and irrigated production systems.

Perceptions of sustainable agriculture

Senegalese farmers define sustainable agriculture in terms of sufficient crop production (soil regeneration, crop protection, seed quality and crop diversification) and rural employment opportunities to ensure a good existence for them and their children. Donor perceptions are based on the premise that sustainability depends upon people's participation in the development process, while government views focus on improved NRM and the liberalisation of markets.

The views of NGOs varied. For some, sustainable agriculture meant intensification with minimal chemical input, environmental preservation and breaking the vicious cycle of deforestation, biodiversity loss, erosion, and lower yields; for example, by combining perennials (fruit trees and wind breaks) and non-perennials (cereals, horticultural crops) through space and time. For others, sustainability must address the decline in soil conditions and the need to improve productivity while respecting local conditions and cultural practices. Still others thought that sustainable agriculture means traditional methods and natural products. A further belief recorded was that the emergence of a local private sector could contribute to the promotion of sustainability.

Policy in the background

In each of the six case studies, national policy was a background issue compared to the importance of factors such as:

- The involvement of populations and the existence of strong social cohesion and mobilisation
- Technical support from NGOs, the support of international institutions (FAO, UNDP) and the engagement of donors, alongside good collaboration between partners

- Local knowledge
- Access to financial resources and systems of credit
- The personal initiative of a charismatic farmers' 'champion'

However, the policy environment affects the 'islands of success' in two ways. Firstly, through crises of macroeconomic policy and the withdrawal of the state from agriculture. Secondly, through the new laws that legitimise NGOs and Farmer Organisations and establish new institutions to co-ordinate rural development activities between NGOs, peasant organisations and the state.

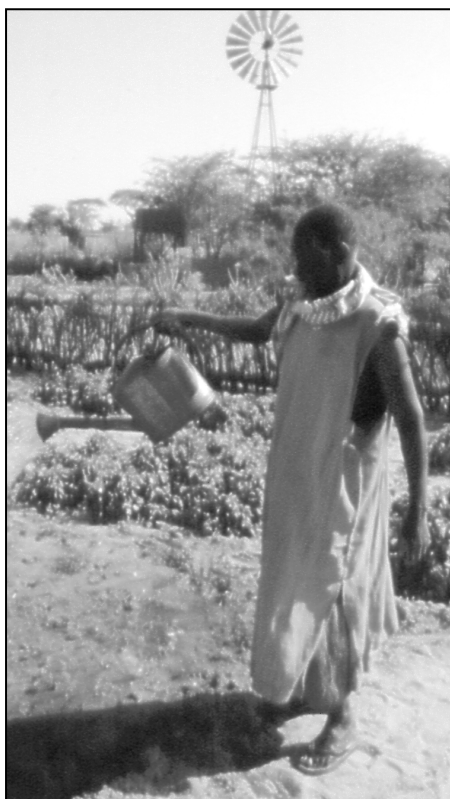
The economic crisis between 1970 and 1980 forced the Senegalese government to carry out structural adjustment because of economic imbalance, particularly internal and external national debt. Heavy public sector involvement in the provision of inputs and the marketing of produce came to an abrupt end. This disengagement of the state, with the elimination of groundnut and rice parastatals and the removal of subsidies and support for producers, strongly penalised the agricultural sector. Agricultural productivity and the capacity of the rural sector declined and the domestic and export markets stagnated. Painful economic adjustments (devaluation of CFA Franc, privatisation of government enterprises, liberalisation of the means of production) continued in the 1990s.

Alongside these economic conditions, an institutional framework was constructed that proved favourable to regionalisation and the action of NGOs. The sectoral programme of agricultural adjustment (PASA, 1994-5) reduced the role of public organisations, reformed the co-operative system, and transferred responsibility to peasant farmers. In March 1996 the Government of Senegal enacted a radical Law of Decentralisation transferring natural resource management, health, education, land tenure, sports and planning to regional assemblies. It was followed in November by elections for regional, rural and municipal councillors. The law was regarded as a revolutionary step towards local level empowerment for agricultural and natural resource management which would promote more productive and sustainable land use. Further radical laws followed that provided a judicial environment for NGOs and peasant organisations (*Loi sur les Groupements d'Intérêt Economique*), as well as the sectoral investment programme for the revival of agriculture (RAMMED, 1997-98) that provided a coherent framework for all agricultural activities.

Co-operation between NGOs, peasant organisations and the state began to improve in 1993 through the establishment of the National Council of Rural Dialogue and Co-operation (*Conseil National de Concertation et de Coopération des Ruraux*, CNCR). This was an initiative of the farmers, building on the Federation of Senegalese NGOs (FONGS, created in 1974), which represents rural movements in negotiations with the Government of Senegal and others on major questions of rural development. The CNCR is

comprised of member federations, including the national unions and federations of agricultural co-operatives, horticulturists, stockbreeders, fishers, women, forest operators and NGOs. The establishment of the CNCR was followed in 1995 by the Senegalese Association for the Promotion of Grass Roots Development (*Association sénégalaise pour la promotion du développement à la base, ASPRODEB*).

Since the mid-1990s, thanks to this blend of policy and institutions, it has been possible to develop strategies for rural economic revival at various scales, enabling the collaboration and the local initiatives featured in the 'islands of success'. For instance, the CNCR gave stakeholder groups power and influence, allowing women's experience of local development to play a leading role in reforming rural credit and policies for the promotion of women. The influence of women's groups was key in five out of six case studies.



Watering vegetable plot near St Louis, Senegal, with windmill in background which pumps water. (Photo: PANOS)

The policy reforms initiated by the Senegalese state offer an enabling framework for local development, in which external agencies play more of a support role rather than an implementing one. The existence of an appropriate legal framework has allowed peasant organisations to form, which have become increasingly competent and capable of 'doing more' in rural areas. The recent trend towards collaborative research and partnerships between NGOs, farmer organisations and the public agricultural research and development sector (such as ISRA – the Senegal Agricultural Research Institute) – a feature of many of the PTW-Senegal case studies – is a prerequisite for the spread of SARL in Senegal. There appear to be new opportunities for farmers, NGOs and professional bodies to influence more of the policy contents and processes in agriculture and local development.

Full report

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South Africa



The South African case study focused on the Free State Province, the country's agricultural heartland, in which 22% of the population live in two former homelands, comprising 2% of the land. The result of political and institutional change since the early 1990s is a dynamic policy environment. Such an environment hindered application of the PTW's effect-to-cause methodology.

The study therefore consisted of:

- A provincial baseline study of the livelihood strategies of emerging farmers, commercial farmers, peri-urban farmers, land reform beneficiaries, and farm workers
- Participatory action research in the Free State
- Literature reviews
- National and provincial surveys of stakeholder perspectives
- National and provincial policy overviews.

A study tour to Bolivia and Brazil was also arranged for PTW team members and government policy-makers.

Perspectives of sustainable agriculture

South African perceptions of agriculture cover both commercial and subsistence or small-scale farming, so sustainability adds a further degree of complexity. In the view of the Directorate of Agricultural Resource Conservation (DARC) of the national Department of Agriculture (DA), sustainable agriculture encompasses productivity, conservation, social factors and the need to combine modern and traditional methods. However, responses to the PTW surveys indicate that this policy position is not broadly accepted or understood. For example, there were differing views on whether 'commercial' and 'sustainable' agriculture are compatible.

The responses to the surveys were analysed to see whether sustainable agriculture was defined in terms of economic, ecological and/or social factors. Only a fifth of the Free State respondents showed a holistic interpretation of sustainable agriculture, compared to just over half in the national survey. This can be explained to some extent by the fact that Free State agriculture is dominated by large-scale, commercial producers, such as the commodity producers' organisation that focused almost exclusively on economics:

"Sustainable agriculture is a process where agricultural resources such as land and water are utilised in the production process to produce agricultural products at a profit while maintaining the production potential of the resources."

In both surveys, the element most likely to be omitted was the social sphere. The exceptions were mainly from the NGO sector, who laid more emphasis

on rural development and systems thinking. For example a black, female farmer, replied “*A sustainable approach also needs to be balanced with people’s commitment. Sustainable agriculture is about individuals controlling their own sustainable food production.*” Both the national survey and the literature review found that sustainable agriculture alone could not be the economic saviour of the rural areas, but that it would be fundamental in defining the framework for integrated long term rural development.

Policy and the viability of small-scale farming

In post-apartheid South Africa, agricultural viability is still largely assessed against the standards of large-scale, white, commercial farming. The existing agricultural extension services, training facilities and materials, inputs, credit, rural infrastructure and marketing systems are perceived as inappropriate for small-scale farmers. Resistance to shifting resources towards the new smallholders and land reform beneficiaries is expressed in terms of not tampering with national food security, and there is a mindset that poor people living on the land cause degradation.

The government is beginning to realise that the smallholder sector is not attractive enough to private sector investment and that something more is required. Emerging farmers were particularly hit by the emphasis on global competitiveness in the national policy of Growth, Employment and Redistribution. Nor can they rely on traditional knowledge as do the smallholders of neighbouring countries, as much has been lost.

On paper, the Ministry for Agriculture and Land Affairs recognises that small-scale agriculture is viable (see <http://www.nda.agric.za>), but active intervention and a change in the mindset of service providers and research and training institutions is required. It is not clear how this will be done within current government resource constraints, but a start is for government to develop partnerships with the private sector, NGOs and farmer organisations. Creative opportunities for smallholders to exploit opportunities provided by the globalising market should be explored and supported, such as those afforded by fair trade schemes.

How land reform beneficiaries experience policy

It is fair to say that the future stability of the rural areas depends on the success of land reform. By 1998, about 1 million ha of land had been redistributed, much of it to deskilled former farm workers. South African land reform consists of tenure reform, redistribution and restitution, and both the latter involve settlement of people on returned or newly acquired land. Without the active support of commercial agriculture it is unlikely that there will be much progress with sustainable agriculture, as many producers begin without capital or skills for farming. By itself, land ownership does not constitute a livelihood.

Many land reform beneficiaries find themselves with restricted markets because they are shut out of national or international markets and are producing unwanted commodities because of inadequate market research. Where large markets exist, the problem is meeting demand with a lack of suitable equipment to increase yields. Those new farmers who operate in large groups find that frequent disagreements hamper their progress. Many farmers also showed a lack of understanding of the impact of their agricultural practices on the environment.

Support services need to move away from purely technical approaches to farming and play a role in promoting and supporting robust user-groups and in re-training deskilled farmers in appropriate farming techniques. The new policies place strong emphasis on people's empowerment, sustainable livelihoods and equitable rural development, but this is difficult to implement. Things that went wrong with such policies include:

- Political pressure for rapid results, and failing to allow enough time for institutional transformation
- The strong disciplinary approach of and poor co-ordination among government departments
- The perception by many in government that agriculture is a large-scale, high-tech activity, rather than a means for rural development
- The poor commitment of the private sector to the aims of the land redistribution and the new role for agriculture

For land reform and agrarian change to achieve their stated objectives, policy-makers and their implementing organisations need to become more aware of the elements contributing to SARLs.

Success with Land Reform Through Equity

To date, the achievements of land reform in South Africa are mixed. Too many projects fail to produce livelihoods, while tenures are not yet secure everywhere. One response is the number of share equity schemes where farmers and workers are combining their efforts to improve farm productivity and the sustainability of the farming sector. They constitute a developing partnership between government, commercial agriculture and resource-poor land users, where farm workers use their land acquisition grants to buy into a partnership with a commercial farmer. This means that existing farming operations can be re-capitalised, while access to land and assets for workers is increased.

One such promising scheme is at Whitehall Farms in the Western Cape, where grapes and high value deciduous and citrus fruit are grown. For some years, Whitehall Farms has been progressive in terms of investment in human capital, and has enjoyed very good labour relations. Now, the management has encouraged the workers on the farm to purchase fifty per cent equity in

the farming operation, using borrowed capital. The loans are secured through bonds on the property.

The farm has received many awards for productivity, establishing it as an industry leader. Evaluations have suggested that significant increases in productivity might be attributed to the scheme, as there have been substantial changes in the attitude, commitment and work intensity of workers. Interestingly, despite the fact that the scheme did not arise as a worker initiative, no participants in the evaluation expressed concern about lack of involvement in conceiving the scheme. If the key components of development are income levels, education and participation, Whitehall Farms scheme is a success, and the dreams of employees of owning a business or a house may be realised as their capital grows.

Cases such as Whitehall Farms show national policy facilitating rather than driving a transition to SARLs. Similar schemes could play a role in land reform, as land ownership is effectively redistributed without subdivision into potentially sub-economic units. Equity sharing does not provide an instant solution to problems in a farming business; the underlying fundamentals of an enterprise must be sound. Where high levels of conflict exist, lengthy intervention would be required to build understanding before discussion of a share scheme. Even at Whitehall, where labour relations were excellent, a considerable investment of time was required to build mutual trust. Nonetheless, equity-sharing can lead to increased income and empowerment for farm-workers, and hence to rural development.

Sugar cane outgrower schemes

Every year, some 21 million tons of sugar cane are grown in South Africa by around 2 000 larger-scale farmers and 56 000 registered smaller-scale growers. Of the latter, more than 33 000, who are unable to raise capital because of the land tenure system, take advantage of loans financed by the sugar industry as part of innovative outgrower schemes. Small-scale sugar cane production is currently generating nearly R500 million per year for small-scale farming communities, and independent research has highlighted the value of outgrower schemes to local economic development.

The needs of small growers for training in cane husbandry is taken care of by SASEX, the Sugar Association's Experimental Station, which has developed training programmes for them, including those who are unable to afford more sophisticated guidance. There is also the Small Grower Development Trust, established with industry and donor funds, which provides institutional training for small-scale growers. Cane growers of every size are members of the SA Cane Growers Association, through 43 member organisations. Local Grower Councils in each sugar mill area represent both the large and small-scale growing sectors in equal numbers. These institutions enable growers to highlight their needs and hence targeted training programmes can be developed.

The sugar industry has been criticised for its unsustainable practices, but an environmental management plan incorporating 14 Local Environment Committees has recently been put in place to promote environmentally friendly cane farming practices. Given the number of households affected by outgrowers' schemes, they provide valuable lessons for future initiatives.

Rural Animation Officers

Part of the transformation of the Free State Department of Agriculture (DoA) was the introduction of the Rural Animation Officer (RAO) initiative. It was based on the policy framework of the Reconstruction and Development Programme (especially the basic principle of participatory, people centred development) and the Agriculture White Paper (including the new definitions of farmers, sustainable agriculture and agricultural technology, research extension and training). The intention was to appoint 90 RAOs; one in each of the rural towns of the Free State to facilitate a link between the clients and the DoA, as well as with other departments, and resource and service providers.

RAOs 'animate' communities, generating enthusiasm and capacity for sustainable development through joint learning. Their main functions are to assist in group formation and to feed client information to the DoA to assist in its transformation. RAOs were to be chosen from the many community organisers from the struggle years and needed a minimum standard eight qualification. The plan was for them to work alongside extension officers, and be accountable to both the Department and the communities. The initiative highlighted the situation of resource-poor farmers, introduced the Department to participatory extension approaches, and shifted the focus of the Free State DoA to the new clients. However the concept proved too radical for the Department to adopt and use efficiently in transforming its services and improving delivery.

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Thailand



The Thailand case study was co-ordinated by the Multiple Cropping Centre (MCC) at Chiang Mai University, in the north of the country. A multidisciplinary team comprising a cropping systems specialist (Dr Phrek Gypmantasiri), a marketing specialist (Dr Aree Wiboonpongse) and an economist (Dr Songsak Sriboonchitta) led the work.

The methodology included:

- On-farm adaptive research with highland Karen rice farmers, hill slope agroforestry niche farmers, and lowland cash crop farmers
- Econometric analysis of the main government policies affecting sustainable agricultural practices, including price, input and credit policies
- Analysis of four different marketing systems, eg. contract and group marketing and cottage food processing industries.

The detailed research on marketing systems is a special feature of the Thai study among the PTW research projects.

Thai agricultural policy is a mix of pro-agribusiness and pro-poor elements. The government encourages farmer/private sector partnerships to promote high quality, value-added products for export. Part of the 6th National Economic and Social Development Plan (1987-1991) was a 'Four-Sector Co-operation Plan to Develop Agriculture and Agro-industry' for industrial firms, farmers, and financial institutions to work together. After the 1997-98 financial crisis and the intervention of the King of Thailand, food security and economic self-reliance received high priority in the 8th Plan and sustainable agriculture was included for the first time.

Public-private initiatives: farmers' organisations

The 6th Plan included a quality and productivity programme for fruit trees such as mango. At the time, almost all mango production in Thailand was for the domestic market and farmers lacked production know-how and management skills. As production increased the average price declined, and in 1992, 30 farmers from Chiang Mai started the Early Season Farmer Group. To escape the price squeeze, they began early season production with an export cultivar of mango, with dedicated support from government officers.

By 1998, the membership had increased to 105 and their gross margin per hectare was around 12 times higher than typical for the area. This was achieved through improved crop management, including the use of a



Potato production in San Sai, Chaing Mai province, Thailand.
(Photo: P. Gypmantasiri)

flowering stimulant, better fertiliser and improved pest and disease control. As a group, the farmers had the collective bargaining power to reduce input prices and raise selling prices. As other similar schemes start, the price is likely to decline again but the group have demonstrated their capability to diversify and rapidly adjust to market conditions.

There is a long history of cooperation between the Society of Longan Growers, the Thai Society of Fruit and Vegetable Exporters and government officers. With export liberalisation, government intervention changed focus from setting a minimum export price to expanding demand by helping farmers produce dried longans. Generous government credit led to the revitalisation of existing co-operatives to Dried Longan co-ops, which were enabled to get the drying equipment and grading services needed for a quality product. Producing the dried product helps to stabilise prices and provides a more continuous labour pattern throughout the year. Over the last five years, the co-ops have managed to maintain their prices in spite of an increase in production of 44%.

Contract farming

Agricultural policy in Thailand emphasises the promotion of value-added, high quality products for export, but requires large capital investment and technical skill. Contract farming is seen as a promising approach to achieve this goal. The efforts of local officers in Chiang Mai Province in co-ordinating contracts between firms and farmers has allowed contract farming of potatoes to become established and supported the right conditions for trust between firms and farmers. Contract farming has helped promote the

production of quality products in assured quantities. However, it required at least 30 years for the development of the modern formal contract in Northern Thailand.

A case study on contract farming was based in the rice-growing San Sai district, where sandy loam soil and good irrigation facilities provide a niche for cool season potato cultivation. Smallholders in the region developed an intensive but apparently sustainable rice and potato system, without government extension support. The submerged conditions of the rice agro-ecosystem helps control the incidence of potato nematode infestation.

In Thailand, potatoes for processing are all grown under contract between the food processing companies and the growers under the jurisdiction of the district agriculture extension offices. The companies provide inputs such as imported potato tuber seed and agrochemicals on credit. The processing companies pay a guaranteed price at 6.50 Baht/kg (\$0.18/kg) on the potatoes, from which any credit is deducted. There is low risk all around, with a ready market, a fixed price and low production risks for experienced growers. The contract production arrangement allows farmers to sell to the open market as well as to processors. Growers deliver about 80% of farm production to contractors, with the remainder sold to non-contracted buyers at around 12 Baht/kg. Hence the small and resource-poor farmers who make up the majority of the farm labour force are provided with flexible production options permitting stable and high incomes.

All potato growers in the San Sai district also produce cooking potatoes, selling exclusively to the domestic market under free market conditions. Farmer organisations have very successfully managed prices through controlling the seed supply. To plant cooking potatoes, a farmer has to be a member of the Potato Growers Co-operative to have guaranteed access to imported tuber seed, or to pay a higher seed price under bidding. Co-op members receive enough of the Spunta variety to plant one rai (0.16 ha), which they do by hand. To cut down on labour costs, the farmers have adopted a labour exchange system. A 90-day crop can produce 25-28 t/ha of the Spunta variety, under optimum growing conditions. In the 1997 and 1998 season, farmers could get a minimum price of 10 Baht/kg, and in the 1999 season, the agreed price between the free traders and farmers was 12 Baht/kg, which is 90 per cent higher than the contract price for processing potatoes. If they can secure a market before the season, growers prefer to plant the cooking variety.

District empowerment in Thailand

The Thai government policy of decentralisation and local empowerment was enacted in December 1994 with the establishment of the Tambon Administration Organisation (TAO) through the Tambon Council Act. Various decision-making on development planning, conflict management and

resource generation and management was devolved to the sub-district level of the 7000 Tambons in Thailand. Members of TAOs are elected from the local community, and the chairperson of the TAO is generally a politically active and influential community leader. A TAO can deal directly with government institutions for support services such as credit, information, and inputs for development projects. Since their inception, TAOs throughout the country have concentrated their efforts on building up infrastructure such as roads and water supply. Some Tambons, for instance villages in the remotest highland areas, are ineligible to set up TAOs.

Each TAO receives an annual budget of Baht 3 million (~US\$10 000) for community development from the central government. The TAOs also collect certain fees and taxes for the Tambon development fund, meaning that their financial resources are different. The TAOs in the lowlands, with their high agricultural potential, are better off than those in the highlands, and so have greater bargaining power when dealing with external private investors. The ethnic hill tribe communities are less powerful and always find difficulties in getting their message across to the authorities. These excluded and less privileged communities have to seek support from academics and the local NGOs to voice their hardships, such as the loss of their land use rights, access to community forest, and citizenship.

Production or marketing groups within a Tambon can build strong farmer organisation and become very effective in dealing with government authorities or local politicians. The TAO initiative has great potential for rural development if the organisations can formulate their own action plans on sustainable agriculture and then seek support from the Ministry of Agriculture and Co-operatives for them.

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Australia

Rural Australia is in a crisis of declining farm numbers (numbers having halved between 1962 and 1996), low profitability, an ageing farm population and a highly degraded natural resource base.

The regional level (usually smaller than a state or territory but larger than a local government area) is seen as key to addressing these problems. Firstly, interventions must be on a landscape and community scale to be responsive and deal with regional diversity; secondly, the region is also the nexus of the three tiers of government (commonwealth, state and local government). Regional-scale initiatives, which have flourished since the 1980s, suffer from a lack of environment-economy integration, a lack of sharing in regional experiences, and confusion about what regionalism is all about.

The Integrated Regional Development Project was funded by the Department of Transport and Regional Development, and implemented by Greening Australia in association with the Australian Local Government Association. The objectives of the project were to conduct action learning with regional organisations, to learn from regional case studies, to share learning with regional actors and policy-makers, and to enhance the capacity of regional organisations to integrate. Methodologies included background research, regional case studies, a 'resource kit' (*see below*) and state workshops, which resulted in a final report (*see below*).

The Integrated Regional Development Project project analysed the present context of Sustainable Regional Development (SRD) within the changing institutional landscape (including drivers of globalisation) and themes of governance, process, power and time, and pointed to critical issues for SRD, including:

- Understanding the implications of sustainable development – there is a need for deeper understanding about sustainability
- Developing and managing supportive institutional arrangements – the allocation of roles and responsibilities both between different spheres of government and between government and Regional Organisations (ROs) is often unclear
- Devolving responsibility and power – often governments devolve responsibilities to ROS without devolving authority or budgets
- Enhancing the capacity of regional organisations – most ROs lack the capacity to meet the demands and challenges of SRD
- Improving coordination
- Enabling participation
- Improving knowledge systems
- Improving processes of adaptive management and social learning

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Section 3

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Appendix 1

Glossary

Capital assets

Assets upon which individuals draw upon to build their livelihoods. These ‘capitals’ give people the capability not only to *meet needs*, but also to *enhance capabilities* to make a living meaningfully and challenge the structures under which one makes a living (see Bebbington, 1999). The livelihoods framework employed by the UK Department for International Development (DFID) distinguishes between natural, social, human, physical and financial capital (Carney, 1998). Other researchers prefer an analysis that includes cultural (Bebbington, 1999) or political capitals.

Clientalism

Patron-client relationships as exchange relationship between unequals *“involving a largely instrumental friendship in which an individual of higher economic status (patron) uses his own influence and resources to provide protection or benefits or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services to the patron.”* Clientalism is a response by client groups to certain conditions of vulnerability and insecurity. These include: (i) the control of key resources, such as land and employment, by one particular group in society; (ii) the inhibition of organisation and cooperative mobilisation by the client group to gain access to the resources controlled by the patron group; and (iii) the absence of defined criteria for allocating and exchanging resources and, in their place, private and personalistic criteria. (Scott 1972; Clapham 1982).

Civil society

Comprises the private domain which exists in the space between (a) the state and its various apparatuses, and (b) the economy and its various expressions. It is based on the concept of the responsible freedom of individuals.

Contract farming

An agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined priced (Eaton and Shepherd, 2001).

Cultural capital

The set of cultural practices made possible (or constrained) by the patterns of *co-residence* and *tradition*. Cultural capital is empowering by enabling forms

of action and resistance that the other four types of capital would not, alone, make possible. It can also be the basis for the maintenance and enhancement of each of the other types of capital (after Bebbington, 1999). This linkage to *place* and *residence* is a more specific definition of cultural capital than that of Pierre Bourdieu which refers to the capital residing in society as a whole.

Decentralisation

The devolution of central state assets and powers to local or private decision-making bodies: representative local government, non-state organisations (NGOs, cooperatives, associations etc.) or private individuals and corporations (Ribot, 1999). It recognises (a) local governments as the third tier of state, and (b) the principle that local bodies are elected, not appointed.

Entitlements

Commodities over which a person can establish ownership and command. A family's entitlement is determined by *endowment* or *assets* (ownership over productive resources such as land or labour power; and wealth that commands a price in the market), *production possibilities* influenced by availability and use of technology and knowledge; and *exchange conditions*, i.e. the ability to sell and buy goods and the determination of relative prices of different products. (Sen, 1981-1999).

Globalisation

The interlocking of local, regional and national markets into a worldwide system. Globalisation is premised on the capacity and freedom of capital to move rapidly into an international market of money and commodities, unconstrained by geographical boundaries, and facilitated by trade liberalisation and international agreements on trade. Globalisation brings a growing interdependence between areas and activities that are geographically distant from each other. The principles of globalisation are that competition spurs innovation, raises productivity and lowers prices; that the division of labour allows specialisation, which raises productivity and lowers prices; and that larger production units have greater division of labour and specialisation, and greater benefits.

Governance

The structures and processes adopted by society to enable its affairs to be managed, and its goals to be defined and achieved (Dore and Woodhill). Governance is thus the *constitutive* side of politics, which focuses on the basic 'rules of the game' that determine behavioural conduct and action – *who sets the rules, when, and how* (after Mitlin, and UNDP).

Institutions

Organisations, laws and patterns of behaviour that underpin the way a society functions (Dore and Woodhill). Land tenure rules and other rules regulating access, use and control over natural resources are examples of institutions. Institutions are administered by organisations, but institutions are not organisations.

Livelihoods

A livelihood comprises the capabilities, assets (both material and social) and activities required for a means of living. A livelihood is considered sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base. To view rural development as farmers moving out of poverty through exploiting natural resources (natural capital) to maximise financial capital, is to misread livelihood strategies and therefore misunderstand agricultural and rural policy. **Livelihoods frameworks** have assisted this and other studies to describe how, under conditions of scarce natural capital and financial resources, rural people effectively engage with the spheres of the *state* and of the *market* in order to defend, gain access to or accumulate resources.

Multifunctional agriculture

Refers to the functions of agriculture beyond the production of food and fibre, including food security, environmental sustainability, social and economic wellbeing and development.

NGO

Non-Governmental Organisation – an institution outside of the public (government) sector, ranging from profit-driven private enterprise to self-help (grassroots) membership organisations.

Organisations

Groups of individuals bound by some common purpose to achieve objectives.

Participation

Power sharing in decision-making (Donnelly-Roark in Ribot, 1999)

Peasant agriculture

A broad term generally taken to mean farming that *combines subsistence with commodity production* based around family labour, with surpluses extracted by dominant state and/or market structures.

Policy

Policies are *purposive settled courses of action* adopted and followed by a government, institution, body or individual. Policy has *process*, in the form of policy-making, implementing and reviewing, and it has *content*, in the form of policy statements and policy instruments. Public policies are *undertaken by the state* (governments and their employees), *or by other institutions* (such as voluntary organisations), *with an avowedly public purpose* (based on Websters Dictionary, Mayers and Bass, 1999, and Macintosh, 1992).

Political capital

The power to influence public policy, grounded in knowledge, political skills, attitudes, closeness to power and personal resources (Schugurensky, 2000).

Producer organisations

Cooperatives and other economic organisations formed to negotiate with the market, replacing the peasant unions and other political structures by which rural people negotiate with the state. Members organise themselves with the objective of improving producers' income, via production, marketing and local processing activities. The term Economic Interest Groups (EIGs) is found in the francophone literature and Campesino Economic Organisations (OECs) in the Spanish literature.

Rent Seeking

Manipulation of the economic environment for financial income which is not matched by corresponding labour or investment. Rent seeking constitutes a form of *political* behaviour which can be described as lobbying superior regulatory bodies. Rent seeking is also an *economic* form of behaviour which aims at avoiding competitive or market pressure in order to bring about price distortions in one's own interest in the political sphere. One example of such an activity is forming cartels. As resources are consumed in rent seeking which are then no longer available for productive activities, rent seeking involves heavy social costs (Renger 2000).

Social capital

Resources that actors may access through social ties. Social capital is a broad term encompassing *the norms and networks facilitating collective action for mutual benefit* (Woolcock, 1998; Bebbington, 1999). Social capital is built on horizontal social relationships based on trust and the readiness to engage in reciprocal action (UNDP). The World Bank uses a broad definition as defined by Grootaert (1997) as "*the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development.*"

Stakeholders

Stakeholders are actor categories, and sometimes groups, defined by activity, by rights, or by organisation (Rocheleau, 1994). Stakeholders are found at all levels, from the household to the international community.

Sustainable agriculture

Sustainable agriculture is defined in this study as an agriculture that:

- incorporates biological processes such as nutrient cycling and pest-predator relationships
- optimises the use of external and non-renewable inputs
- encourages full participation of producers and consumers in problem solving and innovation
- ensures more equitable access to entitlements
- makes full use of local knowledge
- diversifies the production system
- increases self-reliance
- has strong links to the local rural economy

Ever since the concept of SARL (Sustainable agriculture and rural livelihoods) was coined in 1991-2, there has always been ambiguity about whether it applied to industrialised countries. The sustainability debate in the North has held its focus on reduced environmental impact of agricultural production practices much longer than its equivalent in the South, even while a crisis of historic proportions swept through some American and European agricultural heartlands in the late 1990s.

Value Chain

A Value Chain is an integrated customer-oriented chain controlling the *supply chain* from product concept through consumer purchases, continually measured for profitability and customer relationships. Value chains are collaborative relationships amongst suppliers, retailers, manufacturers, sales agencies, customers and consumers to create growth of profitable business and cost efficiency gains through speed in decision-making that is generated from the integration of common goals, vision and resource-sharing initiatives. The term can be equivalent to *commodity chains*, but we have used *value chain* to avoid confusion with the trading only of commodities such as feedgrains rather than value-added items such as fresh fruits and vegetables.

Value Chain Analysis

The use of structured design methods to define information related to the activities performed by all partners across the entire industry supply chain. Value chain analysis has its theoretical roots in *demand* orientations informed by neoclassical economics and the notion of the sovereign

consumer, as compared to the *supply* orientation and the notion of the exploited worker identified with political economy. But value chain analysis and political economy agree that market power (the ability to concentrate capital) along the agri-food chain is achieved through the management and control of *information*.¹⁰²

¹⁰² See I. Farquhar and A. Smith (1994). Deep SARD / Surface SARD. NGO Background Paper. Available at http://www.csdngo.org/csdngo/agriculture/agr_deep_SARD.htm

Appendix 2

'Islands of Success' researched in the Policies That Work Project

Country	'Islands' of Success	Local partner
Bolivia (Caquiaviri and Irupana municipalities)	<ul style="list-style-type: none"> • The <i>Ley de Participación Popular</i> (Law for Popular Participation) and other policy reforms 	Diego Muñoz
Brazil (Rebouças municipality)	<ul style="list-style-type: none"> • Rebouças municipal government (Paraná State) 	AS-PTA
India (Gujarat)	<ul style="list-style-type: none"> • Indian Watershed Development Programme 	Development Support Centre (DSC)
India (Virudhunagar District, Tamil Nadu)	<ul style="list-style-type: none"> • 'Nalla Uzhavadaï' farmers • Three crop case studies • Villur Tank Rehabilitation Project 	SPEECH
Kenya (National)	<ul style="list-style-type: none"> • Mwaa Tebere district • Kajiado district • Nyandarua district • Thika district 	Tegemeo Institute of Egerton University
Pakistan (Northern Mountains)	<ul style="list-style-type: none"> • Aga Khan Rural Support Programme (AKRSP) • PATA Integrated Agricultural Development Project, Malakand • Kalam Integrated Development Project • Malakand Fruit and Vegetable Development Project 	IUCN

continued over.../

Country	'Islands' of Success	Local partner
Senegal (Groundnut Basin - Niayes zone, and River Region)	<ul style="list-style-type: none"> • Family gardens (tokeurs) in Keur Sidy Mbengue (Louga) • Production of quality seeds in Baback (Thiès) • Restoration of soil fertility and plant protection in Ndof (Fatick) • Management of natural resources on the Thiambène Till plateau • Management of natural resources on the Tatène plateau • Irrigated production systems in Boundoum 	Rodale Institute and Green Senegal
South Africa (Free State)	<ul style="list-style-type: none"> • Various 	Khanya
Thailand (Chiang Mai Province)	<ul style="list-style-type: none"> • Sustainable livelihoods of the Karen community • Conservation hill farming practices: Miang • Sustainable intensification of the rice-potato system • Contract farming • Off-season production in response to market and production risks • Group marketing • The cottage food industry 	Multiple Cropping Center, Chiang Mai University
Australia (National)	<ul style="list-style-type: none"> • Sustainable Regional Development Programme 	Greening Australia

Appendix 3 Associated material available from the 'Policies That Work' project

Australia

Dore J and Woodhill, J (1999). *Sustainable Regional Development: Final Report: an Australia-wide study of regionalism highlighting efforts to improve the community, economy and environment*. Greening Australia Ltd., Canberra.

Dore J, Keating C, Woodhill J and Ellis K (2000). *Sustainable regional Development (SRD) Kit*. Greening Australia Ltd., Canberra.

Policies That Work 'Think Pieces'

Bebbington, A (1999). *Capitals and Capabilities: A framework for analysing peasant viability, rural livelihoods and poverty in the Andes*. IIED, London.

Cameron, J (1999). *Trivial Pursuits? Reconciling sustainable rural development and the global economic institutions*, IIED, London.

Farquhar, I (1999). *The Other Side of the Mountain: the impact of Europe's Common Agricultural Policy on sustainable agriculture in the South*. IIED, London. (French version: Farquhar, I (1999) *De l'autre côté de la montagne: l'impact de la Politique Agricole Commune Européenne sur le Sud*. IIED London)

Vorley, W (2002) *The Chains of Agriculture*. IIED, London

Literature survey

Guijt, WJ (1996). *Policies that work for sustainable agriculture and regenerating rural economies: A Literature Review*. SARLs-IIED.

Methodology review

Guijt, WJ (1996). *Policies that work for sustainable agriculture and regenerating rural economies: Some methodological considerations*. SARLs-IIED.

IIED's Forestry Policy That Works project

No. 1. Changing Perspectives on Forest Policy. Javed Ahmed and Fawaf Mahmood.

No. 2. Loggers, Donors and Resource Owners: Papua New Guinea Country Study. Colin Filer with Nikhil Sekhran.

No. 3. Joint Forest Management: policy, practice and prospects: India Country Study. Arvind Khare, Madhu Sarin, NC Saxena, Subhabrata Palit, Seema Bathla, Farhad Vanya and M Satynaarayana.

- No. 4. Falling into Place: Ghana Country Study. Nii Ashie Kotey, Johnny Francois, JGK Owusu, Raphael Yeboah, Kojo S Amanor and Lawrence Antwi.
- No. 5. Contesting Inequality in Access to Forests: Zimbabwe Country Study.
- No. 6. Making Space for Better Forestry: Costa Rica Country Study.
- No. 7. Policy that Works for Forests and People: Overview Report. James Mayers and Stephen Bass.
- No. 8. Climate Change Mitigation by Forestry: a review of international initiatives. Marc Stuart and Pedro Moura-Costa.
- No. 9. Entering the Fray. International forest policy processes: an NGO perspective on their effectiveness. William E. Mankin.
- No. 10. Participation in the Caribbean: a review of Grenada's Forest Policy Process. Steve Bass.
- No. 11. Lessons from Malawi's National Forestry Programme. James Mayers, John Ngalande, Pippa Bird and Bright Sibale.

The joint IIED and IDS research project *Institutionalising participation in natural resource management*

Bainbridge V, Foerster S, Pasteur K, Pimbert M, Pratt G and Arroyo IY (2000). *Transforming bureaucracies: institutionalising participation and people centred processes in natural resource management – an annotated bibliography*. IIED, London.



Policies that Work for Sustainable Agriculture and Regenerating Rural Economies

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See also **The Gatekeeper Series** which aims to highlight key topics in the field of sustainable agriculture and resource management. Each paper reviews a selected issue of contemporary importance and draws preliminary conclusions for development that are particularly relevant for policy-makers, researchers and planners. References are provided to important sources and background material.

Website: www.iied.org/agri/gatekeep.html



PUBLICATIONS



Participatory learning and action has been adopted by SARL programme as a collective term to describe the growing body of participatory approaches and methodologies. Established in 1988 and formally known as RRA notes, the principal aim of the periodical 'Notes on Participatory Learning and Action' is to enable practitioners of participatory methodologies throughout the world to share their field experiences, conceptual reflections and methodological innovations.

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Policies that work for sustainable agriculture and regenerating rural economies series

There are enough examples world-wide to suggest that agriculture which is pro-sustainability and pro-people is working. We now understand the concept of 'sustainable' agriculture is not confined within the farm boundary, but has strong links (and a potential to be a dynamic force within) a wider rural economy. So, 'sustainable agriculture' not only contributes to greater agricultural production, but also environmental regeneration and local economic development.

IIED's Sustainable Agriculture and Rural Livelihoods Programme has undertaken collaborative research to look at 'Policies that work for sustainable agriculture and regenerating rural economies'. The overall objective of this research is to understand the policy contexts and instruments that can promote sustainable agriculture and social change. This has been done in high, medium and low income countries in both South and North. 'Success stories' have been identified and the policy environment that has permitted these to emerge has been investigated. Are there lessons we can learn from these 'islands of success' that will help us turn islands into continents?

This synthesis report provides the contextual and conceptual background to this programme of research, and explores themes which cut across the country case studies. It includes a series of recommendations for 're-governing' local, national and international institutions in favour of small scale agriculture.

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