

## RURAL DEVELOPMENT

*There is now a much greater appreciation of the important role agriculture plays in national development strategies. This has been amplified by the recent dramatic increase in food prices (and consequent social instability) and the impacts of the current economic and jobs crisis. The predominance of agriculture in poorer economies suggests that strong growth in agriculture is critical for fostering overall economic growth, greater economic diversification and value adding. This approach has been most recently recognized in the July 2009 G8 statement.*

### 1. RESIST PROTECTIONIST IMPULSES

---

- ▶ The main *protection* that producers and rural enterprises and their workers need is the security that economies remain open and that opportunities to grow and develop existing and new commercial relationships across borders will not be closed off.

#### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Avoid export restrictions and/or price controls which are blunt instruments to ensure food security in domestic markets and resulted in exacerbating the food crisis in 2008.
- ▶ Provide support for farms and rural enterprises in low income countries to move beyond local, typically low income, markets into richer and larger urban markets, on national or international scales.

This policy brief is part of a series which the IOE has developed to assist Employers' Organisations (EOs) in their policy discussions with governments and other stakeholders on crisis recovery measures and strategies and additionally to help EOs in the provision of guidance to their own members. The policy briefs are based on the employer input into the Global Jobs Pact (GJP) which was developed during the 2009 International Labour Conference as a global and collective crisis response by ILO constituents. The Pact is fully supported by employers. The IOE has prepared a specific Guide to the GJP for its members. This Guide, along with the Pact itself and other information relevant to crisis recovery plans is available on the "Global Jobs Crisis" response section of the IOE website.

## 2. INVEST IN AGRICULTURE

---

### *POLICY RECOMMENDATIONS & CONSIDERATIONS*

- ▶ Promote a comprehensive approach to agricultural development such as domestic policy reforms, support for input provision (e.g. seeds, fertilisers); agricultural finance; demand-driven research etc.
- ▶ Increase national investment in agriculture in developing countries (many developing countries only invest a fraction of what developed countries do in agricultural R&D).
- ▶ Link more effectively production areas with markets. This will require support to be provided both for export infrastructure and for small-scale rural infrastructure.
- ▶ Provide farmers with more options to grow produce. Focus on productivity increases, including through new technologies.

## 3. TARGET NEW MARKETS

---

*Consumer demands and market and trade liberalization have opened new niches and specialized markets for agricultural produce, offering farmers an opportunity to diversify into high value, high-quality items.*

### *POLICY RECOMMENDATIONS & CONSIDERATIONS*

- ▶ Target growth in high-value markets for domestic consumption, which in 2008 were the fastest-growing agricultural markets in most developing countries (expanding up to 6–7% a year, led by livestock products and horticulture *World Bank 2008*).
- ▶ Expand markets for high-value products—especially horticulture, cut flowers, organic products, poultry, fish and dairy— which offer an opportunity to diversify farming systems and develop a competitive and labour-intensive smallholder sector.
- ▶ Promote the provision, through supply chains, of market information for small scale producers in developing countries.

- ▶ Provide mechanisms to assist small scale producers in gaining the benefits of cooperative scale-raising actions such as through bulk buying, sharing of facilities, training, credit access, and reduce transaction costs in markets.
- ▶ Scale up assistance and information provision to producers to assist with food quality and safety standards and government-implemented trade regulations.

## 4. IMPROVE THE ENVIRONMENT FOR AGRI-CHAIN DEVELOPMENT

---

### *POLICY RECOMMENDATIONS & CONSIDERATIONS*

- ▶ Organize platforms for public and private actors to exchange information on bottlenecks in cross-border agricultural trade.
- ▶ Formulate and implement policies (e.g. product and production standards, codes of conduct) to stimulate cross-border agri-chain development
- ▶ Invest in transportation, communication and electricity.
- ▶ Offer incentives for sustainable use of production resources.
- ▶ Offer subsidies or co-financing options for high-risk investments.
- ▶ Establish and enforce commercial codes that include property rights and fair and expeditious judicial processes for resolving contract disputes.
- ▶ Ensure the availability of information and statistics (production, price, industry) to facilitate market activity and to monitor market progress.

## 5. ACCESS TO FINANCE

---

*An essential component of rural development, both agriculture and non-farm economic activity is access to demand-led financial products. Individuals in rural communities need access to affordable financial services that will allow them to make deposits, transfer funds, access insurance and make investments.*

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Promote an approach based on the provision of demand-led financial services, including savings and deposit facilities and lending for both on-farm and off-farm, or non-farm, rural enterprises.
- ▶ Ensure access to rural financial services and products that can help individuals manage risk and plan for the future (such as crop failures, drought, business risks, and seasonal slumps).
- ▶ Promote and support Microfinance Institutions (MFIs) which generally lend relatively small sums of money to people to start developing profitable business. Many of these businesses then serve local needs which are currently more stable than export markets.

## 6. INVEST IN RURAL INFRASTRUCTURE

---

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Invest in infrastructure projects that can create jobs while building a foundation for future productivity and growth, increase competitiveness of developing countries and create cross-border and cross-regional interconnectivity.
- ▶ Ensure that rural infrastructure e.g. water and irrigation systems, energy supply, Information systems, roads, market information, telecommunications (information about what people want, at what price, and who can supply it) is sufficient to facilitate growth strategies.
- ▶ Invest in local infrastructure and services to enable (often remote) rural suppliers access domestic markets.

- ▶ Promote awareness of the multiplier effects of infrastructure developments. An improvement in rural road quantity and quality lowers travel time and reduces transport costs which in turn lowers others costs.
- ▶ Promote strong rural-urban linkages which facilitate the flow of resources to where they have the largest net economic and social benefits.

## 7. ENSURE RESPECT FOR PROPERTY RIGHTS

---

*Most people in rural areas work in families, not in companies and if they do not have the legal mechanisms available to companies and corporations, they cannot formally do business with anyone outside their own families or limited circles of acquaintances.*

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Promote where necessary a broad long-term programme of property rights reform, encompassing additional elements such as improvements in the land registry, collateral registry and access to the courts.
- ▶ Ensure solutions are sustainable – the key objective is to enable assets to remain formal. If the formal cost of selling the property is high, titles will lapse by being traded informally.

## 8. PROMOTE NON-FARM ECONOMIC ACTIVITY

---

*Non- farm based work is vital to engendering sustainable rural development strategies.*

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Promote a more comprehensive approach to rural development for developing countries that entails a shift to high-value agriculture, decentralization of non-farm economic activity to rural areas, increased economic activity and provision of assistance to help move people out of agriculture.
- ▶ Seek to maximise the multiplier effects from non farm activities with linkages to agriculture and natural resources (e.g. infrastructure, rural services and tourism).