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ISSUE PAPERS

Addressing Long-Term Development Challenges From Short-Lived Interventions to Lasting Achievements

Introduction to the High-Level Policy Learning Programme (HLPLP)

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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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I am very pleased to mention that this HLPLP builds also upon the work of our colleague Materne Maetz, who coordinated and extensively contributed to shape the previous HLPLPs in 2007 and 2009, and on the precious suggestions of the previous participants.

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1 ADDRESSING LONG-TERM DEVELOPMENT CHALLENGES

The FAO High Level Policy Learning Programme (HLPLP) 2011 strives to strengthen capacities of influential stakeholders in policy processes to identify emerging issues affecting long-term development and possible ways forward in terms of new thinking and innovative ideas, and to translate ideas into evidence-based policy options and brining them into national policy processes.
The 2011 HLPLP focuses on selected long-term development perspectives, issues, ideas and policy options and is structured around some keywords such as: **Development, Challenges, Policy**, or **Lasting Achievements**. Let us start exploring some of them.

2 DEVELOPMENT DEFINED

In general terms, "development" is defined as "event constituting a new stage in a changing situation"[1] or the process of change per se. If not qualified, "development" is implicitly intended as something positive or desirable. When referring to a society or to a socio-economic system "development" usually means the improvement of the general situation of the system, or of some of its constituting elements. The development may occur due to some deliberate actions carried out by single agents or by some authority pre-ordered to achieve the improvement, e.g. private investment, in all their forms successful government policies targeted to specific developmental aims, and/or to favourable circumstances.

Considering this broad definition, "development" is a multi-dimensional concept by nature, because improvements of complex systems, as indeed socio-economic systems are, can occur in different parts or ways, at different speeds, and driven by different forces. Additionally, the development of one part of the system may be detrimental to the development other parts, giving rise to conflicting objectives and trade-offs. Consequently, promoting development is a holistic exercise and measuring development, i.e. determining whether and to what extent a system is developing, is intrinsically a multidimensional practice. This comes in opposition to the traditional way of measuring development with economic growth, an approach that considers an increase in a country's capacity to produce goods and services and the attainment of higher income levels in nominal or in real terms as the main purposes of development policy.

The issue of development has been studied by a number of economists and development practitioners. They have defined development, through the years, in several ways.

Irma Adelman for instance, contributed to shaping the concept of development by emphasizing redistribution before growth, education before industrialization, policies to boost "economic progress". She has been identified as proposing "earlier than others that economic growth should be replaced by poverty eradication as the major goal of development policy"[2] (Streeten, 1995). She moved beyond the idea of development as a mere push for industrialization and GDP growth, stressing the need for a sound

[1] Oxford English Dictionary. http://oxforddictionaries.com
[2] Streeten, P., 1995. The Selected Essays of Irma Adelman, Aldershot, England: Edward Elgar.

interrelationship between different aspects of economic and social life as a means[3] (Adelman, 1975): *"to provide the material basis for achieving these objectives and to establish the economic conditions for relaxing the other barriers to self-realization (access to education, work satisfaction, status, security, self-expression, and power)"*. The purpose of development is focusing on *"individual welfare [..], with full recognition of the non-material, human relations and intergenerational aspects of personal welfare"*. Claiming that no "X-factor" exists as a single cause of underdevelopment[4] (Adelman, 1999) and refusing the idea of any "simplicity-of-theory-and-policy" in the development framework, she maintained that leading policy advice should be more state-specific and stressed the importance of the correct sequences and packages to pursue development targets.

Amartya Sen, in his work "The concept of development" (1988), pointed out the mechanism through which economic growth and development interact, that being through a complex and multidirectional relationship: *"The close link between economic development and economic growth is simultaneously a matter of importance as well as a source of considerable confusion. There can scarcely be any doubt that, given other things, an expansion of opulence must make a contribution to the living conditions of the people in question.[..] The process of economic development cannot abstract from expanding the supply of food, clothing, housing, medical services, educational facilities, etc. and from transforming the productive structure of the economy, and these important and crucial changes are undoubtedly matters of economic growth. [..] Even though an expansion of GNP, given other things, should enhance the living conditions of people, and will typically expand the life expectancy figures of that country, there are many other variables that also influence the living conditions, and the concept of development cannot ignore the role of these other variables"*. The "average" positive relationship between growth and development emerges clearly. Different countries' experiences through time, however, show that there is no single recipe appropriate for all circumstances. This renders the relationship between growth and the development process particularly worthy of investigation.

A pragmatic and holistic definition of development has also been proposed by **Joseph Stiglitz**, who also focuses his contributions on the different strategies of development to attain a '"successful" process. Stiglitz (1998)[5] defined development as *"a transformation of society, a movement from traditional relations, traditional ways of thinking, traditional ways of dealing with health and education, traditional methods of production, to more "modern" ways*"[6]. Since development is a matter of transformation of the whole society, it should be addressed to all components of society, including the private sector, the state (public sector), the community, the family and the individual.

[3] Adelman, I., 1975. Development Economics--A Reassessment of Goals, *The American Economic Review, Vol. 65, No. 2.*
[4] Adelman, I. 1999. *Fallacies in Development Theory and Their Implications for Policy,* WP no 887, Dept of Agriculture and Resource Economics and Policy, University of California at Berkeley.
[5] Stiglitz, J., 1998. *Towards a New Paradigm for Development: Strategies, Policies, and Processes,* Prebisch Lecture at UNCTAD, Geneva October 19, 1998

3 WHAT TO DEVELOP: DIMENSIONS OF DEVELOPMENT

Even though we have defined the development of a socio-economic system as a holistic exercise, i.e. as an all-encompassing endeavour, for the practical purposes of policy making and development management, the focus of the agents working towards development is almost always targeted on selected parts or features of the system. To this end, it can be useful to qualify "development", referring to its specific dimensions. Below is an attempt to further define some of these different aspects of development:

- **Economic development:** the improvement in the way endowments, goods and services are used within (or by) the system to generate new goods and services, leading to increased consumption and/or investment possibilities to the members of the system.
- **Human development**: a "people-centred" development, where the focus is put on the improvement of the various dimensions affecting the well-being of individuals and their relationships with the society (health, education, entitlements, capabilities, empowerment etc.)
- **Sustainable development**: a development that considers the long term perspectives of the socio-economic system, to ensure that improvements occurring in the short run will not be detrimental to the future status or the development potential of the system, i.e. will be "sustainable" on environmental, social, financial etc. grounds.
- **Territorial development**: the development of a specific region (space) achievable by exploiting the specific socio-economic, environmental and institutional potential of the area, and its relationships with external subjects.
- **Institutional development:** development of rules, mechanisms, processes and cultural norms (formal, informal, cultural or customary) pertaining to the management of affairs of collective relevance, e.g. rules guaranteeing government effectiveness, transparency and accountability, equal level of freedom, secure property rights and prevention from appropriation. Institutional development aims at achieving "good governance"[7] .

4 "DEVELOPED" VERSUS "DEVELOPING"

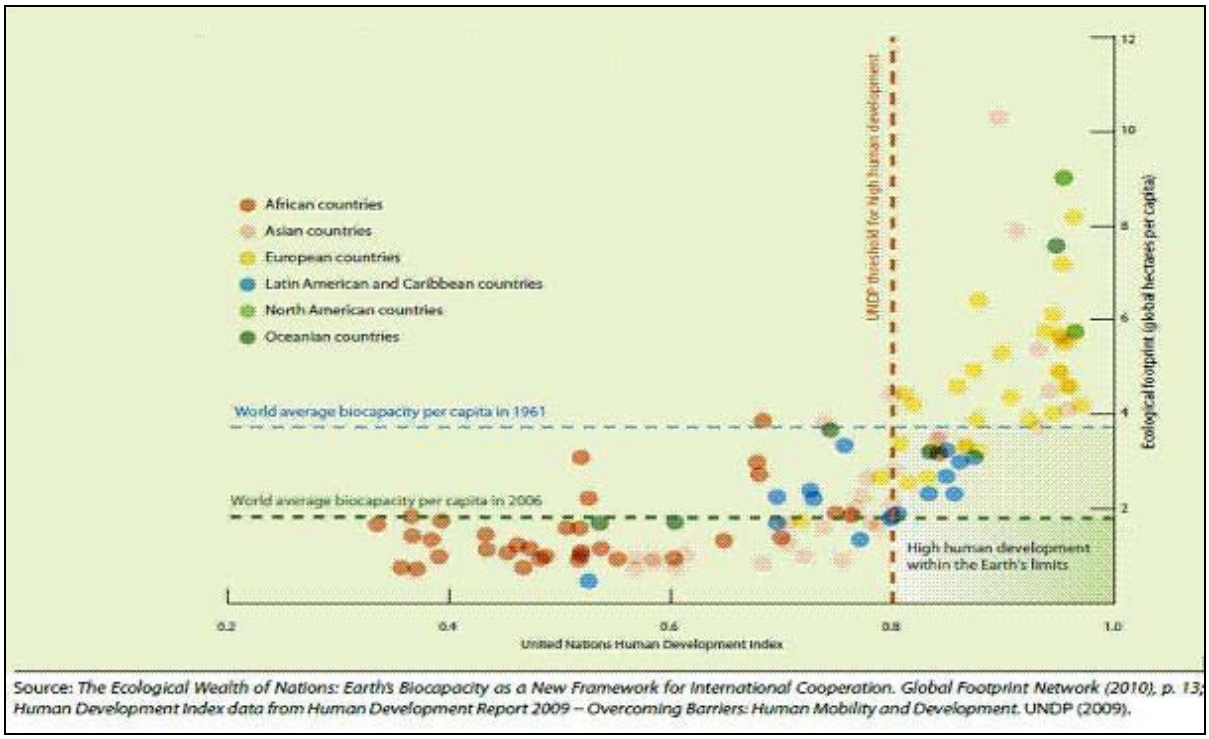
In this programme, we intentionally avoid, to the extent possible, the standard classification of the "development stage" of a country based on its income level; we assume that every country is "developing" because it continuously puts in place "deliberate actions" to "achieve improvements" in the socio-economic system[8]. Instead

[7] "Governance is the exercise of political, economic or administrative authority in the management of a country's affairs. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences" (UNDP, 2002)

[8] This is also in line with the statement of United Nations (section "Standard Country or Area Codes for Statistical Use") that affirms: "the designations "developed" and developing" are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process" (*http://unstats.un.org/unsd/methods/m49/m49.htm*). In addition "there is no established convention for the designation of "developed" and "developing" countries or areas in the United Nations system" (*http://unstats.un.org/unsd/methods/m49/m49regin.htm#ftnc*).

of using the traditional dichotomy of "developed" as opposed to "developing" countries, we prefer to specifically address the issue we are analyzing. For instance, if our purpose is to separate countries based on their economic (not development) achievements we speak about "lower income" or "higher income" countries, while to qualify their main production structure we directly refer to the "industrialized" and "less industrialized", and so on. As development is a multidimensional concept and included includes many aspects; this implies that different countries have their specific challenges to be faced. The conceptual weakness of this dichotomy may be apparent when looking at figure 1, which plots the development achievements as represented by the UNDP Human Development Index (HDI) and the ecological foot-print. Clearly, selected countries with high HDI present also an unsustainable ecological foot-print, while many other countries with a sustainable foot-print present undesirably low levels of the HDI.

Figure 1. Human development index versus ecological footprint



Source: *The Ecological Wealth of Nations: Earth's Biocapacity as a New Framework for International Cooperation. Global Footprint Network (2010), p. 13; Human Development Index data from Human Development Report 2009 – Overcoming Barriers: Human Mobility and Development.* UNDP (2009).

5 (PUBLIC) POLICY DEFINED

Public policies represent tools in the hands of decision makers to promote development. In general terms a public policy can be defined as "an intervention of a public authority aimed at affecting the normal course of events".

More specifically, it can be seen "*as a statement by government, at whatever level, of what it intends to do about a public problem. Policy is interpreted and implemented by*

public and private actors who have different interpretations of problems, solutions and their own motivations."[9]

Different policies influence normal course of events in different ways, e.g. by:

- **directly supplying goods, services or providing purchasing power** (e.g. the supply of public or merit goods: transport services, information, health care services - including drugs and screening; supporting the income of poor households etc.)
- **promoting/encouraging/supporting actions of economic agents** (e.g. policy measures to stimulate the adoption of new technologies, promotion of export products, supporting employment in a specific sector);
- **imposing/enforcing** (e.g. vaccinations, waste water treatment, appropriate disposal of hazardous wastes etc.);
- **saving/preserving** (e.g. sustainable agricultural techniques like the rotation of cultures, soil fertility etc.);
- **banning** (e.g. the use of certain types of pesticides, selected imports or exports);
- **discouraging** (e.g. ususstainable production practices, excessive energy use etc)

Policies (interventions, actions) aim at achieving the desired objectives, through the utilization of **policy instruments** (socio-economic variables under the control of the policy maker).

Policies are revealed through texts, practices, symbols, and discourses that define and deliver values including goods and services as well as regulations, income, status, and other positively or negatively valued attributes.[10]

6 DEVELOPMENT PARADIGMS

Policy makers at national and international level have since ever thought that some actions (or even refraining from carrying out any action) were required to promote positive changes.

However, During different time periods and based on different circumstances both national governments and the international development community have privileged specific ways of achieving development, adhering to specific "**development paradigms**".i.e. to a defined (codified, recognizable) modality to achieve development comprising:

a. a "**vision**" regarding the future state of a socio-economic system, articulated by means of a hierarchy of objectives (by time dimension: immediate, short, medium long run; by order of priority: vital, important, secondary...)
b. Selected **assumptions** regarding the way a socio-economic system "works" (cause-effect relationships, variables which are under the control of decision makers...)
c. A set of **policies** (interventions, actions) aimed at achieving the desired objectives, through the utilization of policy instruments (socio-economic variables under the control of the policy maker).

[9] Birkland, Thomas, 2010. *An Introduction to the Policy Process: Theories, Concepts, and Models of Public Policy Making.* M E Sharpe Inc; 3 edition
[10] Schneider, A., and Ingram, H., 1997. *Policy Design for Democracy*. University of Kansas Press.

The emphasis given to the different "ingredients", both in the literature and in the development practice of the international development community, reflects the different visions regarding that what matters in the development of a socio-economic system; there is no consensus as to which type of development is desirable and how it is best achieved. To gain a better understanding of development and development processes, it may prove useful to attempt to disentangle them by analyzing the main mutual cause-effect relationships.

To look more systematically into development processes, we identify development "achievements", i.e. desirable development "objectives", and development "instruments", i.e. the means of policy makers to achieve development targets.

However, the complexity of the development concept per se, due to its multidimensional nature, the diversity of countries and country experiences, the different overlapping thoughts and related actions carried out at national, regional and international level make it difficult to investigate development processes.

In addition, existing cross-linkages and feedback effects associated to development "ingredients" and development achievements, may not always render it possible to operate such a separation. Indeed, often a development ingredient is also an achievement, and the same achievement clearly contributes to generate further development (e.g., effective institutions, educational attainment and improved health conditions are both instruments for development and development achievements.
Furthermore, other factors, to some extent "uncontrollable" by decision makers, such as endowments, level of well-being achieved so far, geographic location, geo-political and geo-strategic influences, dimensions, degree of social/ethnic homogeneity etc boost of hinder development processes.

Given all the above, identifying an exhaustive set of "development paradigms" adopted in the past and currently being adopted to develop socio-economic systems is an almost impossible endeavour. Nevertheless, it is particularly important, in the light of emerging global development issues such as the overuse of exhaustible energy sources, carbon emissions and climate change, recurrent food crises, the general social and political instability of entire regions, widespread inequalities and persistent poverty and food security, to assess past processes and design-redesign ongoing/future ones to find new perspectives for development processes and related policies.

7 ANALYZING ECONOMIC SYSTEMS AND THEIR ADJUSTMENTS TO POLICIES AND SHOCKS

Identifying and describing the fundamental relationships among the constituting elements of an economic system is a pre-requisite for understanding how this system evolves and adjusts to stimuli coming from external shocks or policy measures. Any kind of economic analysis, to generate new knowledge and to be functional to decision making processes, should consider the causal links between a shock, whether policy-induced or generated by other external factors, and the modifications likely to occur in the economic system.

External shocks and policy measures affect a socio-economic system by modifying the behaviour of economic agents, whether they are producers, consumers or suppliers of factor services, such as workers, investors or renters. To understand how external shocks and policy measures modify the behaviour and relations among different economic agents within an economic system and to obtain analytical results relevant for decision making in policy processes, it is worth: 1) exploring the structure of a socio-economic system; 2) identifying "entry points" of the different policy measures and other shocks into the economic system; and 3) modelling the economic system and the causal relationships linking policies-shock to impacts.

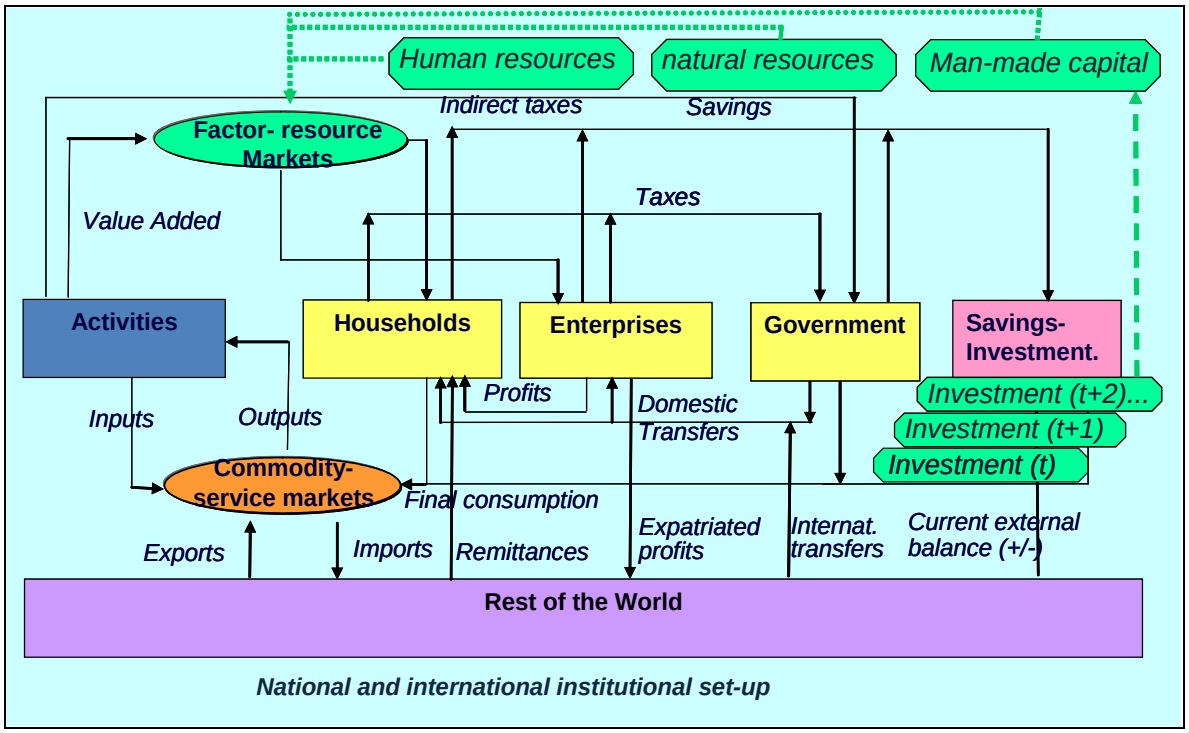
8 STRUCTURE OF A SOCIO-ECONOMIC SYSTEM

A socio-economic system can be seen as a set of elements, mutually linked by means of physical flows (flows of goods and services) and countervailing flows of payments, flowing in the opposite direction. The System of National Accounts of the United Nations (SNA UN)[11], a standard approach for national accounts adopted by almost all countries, identifies some basic elements of a socio-economic system. For each of these, inflows and outflows of payments (income and expenditure, respectively) are recorded on two-side balancing accounts for each period (usually a year). These elements comprise:

a. **Commodities:** Goods and services produced, purchased, sold and consumed by various economic agents within an economic system. Commodities are exchanges on commodity markets where supply and demand meets;
b. **Activities:** Economic sectors (industries) which produce commodities by using other commodities (intermediate consumption), factor services;
c. **Factors:** Services provided by economic agents for activities such as labour, land and capital services; remunerated by payments such as wages, rents, interests, profits.
d. **Institutions**: Economic agents such as households, enterprises and the government. They are classified as "private" institutions (households, enterprises) and "public" (the government). Private institutions provide factor services to activities, and to other institutions, by supplying them on factor markets. Private institutions are remunerated with payments for factor services, which constitute their income. Institutions consume final consumption goods and services, whose payments constitute their expenditure. The part of income not spent is saved. The government, as a public institution, collects taxes from other institutions (direct taxes) and activities (indirect taxes). It transfers money to other institutions and activities (public transfers) and directly provides selected services (defence, justice etc.).

[11] United Nations, Statistical Division, 1993: System of National Accounts. *http://unstats.un.org/unsd/sna1993/toctop.asp*

Figure 2: Elements of a socio-economic system and their mutual linkages



a. **Savings-Investment**. This account keeps track of the savings (income not spent) of the institutions and of the demand for investment goods. This account acts as a peculiar "institution" which receives the income not spent from the other institutions (their savings) and allocates it to purchase investment goods. In addition, this account may receive savings from the Rest of the World (RoW) or may "invest" lending money to the RoW.

b. **"Rest of the World" (RoW).** This is an account that keeps track of the transactions between the domestic agents and the economic agents outside the economic system, i.e. the rest of the world. The inflows of this account comprise payments for imports; payments for services provided by foreign agents to the national economy; such as immigrants into the country, expatriation of earnings of foreign corporations and transfers from domestic institutions to foreign institutions. The outflows comprise payments for exports, remittances of emigrants and transfers from foreign to domestic institutions[12].

[12] In the SNA, the RoW and S-I accounts are used to square up the two-side, balanced accounts system. The balance of the RoW account in a given period represents the deficit or surplus of the RoW towards the country in that period. If it shows a deficit, this implies a surplus in the current external balance of the country, i.e. the RoW received more money from the country than it paid. The balance is then transferred to the Savings-Investment account as an "investment of the country" abroad. In this case, the country is a net lender to the RoW. If the RoW account shows a surplus, this implies that the RoW received less money from the country than it paid out. The balance is then transferred to the Savings-Investment account as a "foreign savings". In this case, the country is a net borrower from the RoW. Note that being this a two-side, balanced accounting system, once all the other accounts balance, the deficit-surplus of the RoW account exactly matches the surplus-deficit of the S-I account.

c. **Stock of man-made capital.** The investment of each period, net of depreciation, cumulates and constitutes the stock of man-made capital. This consists of all assets built in production processes in different periods of time, whose services are available to feed production processes in each period. Owners of man-made capital receive payments for the services provided by their capital goods as profits (remuneration linked to the economic results of the activity in which the capital good is utilised) or rents (fixed remuneration per unit of capital, e.g. rents).

d. **Human resources (human capital).** This is the set of human beings available to provide working services to production processes. Labour services provided in each period are remunerated through salaries and wages. Investment in human capital leads to improved skills, through e.g. education and professional training or to increased labour services available through e.g. mobilization of idle human resources (increase of the active people).

e. **Natural resource stock**. This refers to the set of existing natural resources that allow production processes to take place and human existence in general (land, water, ores, oil, air, sunlight, forests, fish and wild animal stock etc.). Owners of natural resources are remunerated through rents. Some natural resources are public goods by nature (e.g. air, sunlight) and are left unremunerated. Exhaustible resources provide goods and services through destocking and consuming the existing stock of goods. Non-exhaustible resources (e.g. sunlight) provide services without (virtually) altering the available stock of resources. Renewable resources provide goods and services without net destocking if they are used at a "sustainable" rate, i.e. if the utilisation rate does not exceed the regeneration rate.

These elements and the flows of income interlinking them are represented in Figure 1. Arrows represent flows of payments, normally occurring in monetary terms within a specified period. Countervailing flows of goods and services (physical flows) occurring in the opposite direction are not represented, except for the services provided through the stock of existing man-made, human and natural resource capital (dotted green arrows). Investment in different periods cumulates to generate man-made capital (dashed green arrow).

9 IDENTIFYING ENTRY POINTS OF POLICIES AND SHOCKS INTO AN ECONOMIC SYSTEM

Development policies affect an economic system through the use of policy instruments, i.e. variables or sets of variables directly under control of decision makers. Also non policy-led external shocks, such as shifts of exogenous international prices or exogenous technological changes, enter the economic system through the direct modification of selected variables affecting the behaviour of economic agents. Different policy measures mostly adopted to stimulate development or react to external shocks such as a) price policies; b) macro-economic policies; c) public investment policies, are normally implemented through the use of different policy instruments, i.e. socio-economic variables directly or indirectly under the control of the policy makers.

Price policies, i.e. policies aimed at directly shifting the relative prices of one good or a set of goods with respect to the others are generally implemented through:

a. ***Domestic Indirect Taxes and subsidies.*** They directly affect relative domestic prices. Instruments used comprise diversified Value Added Tax (VAT) rates, exemptions and deductibility, taxes or subsidies on specific activities or commodities (excises).

b. ***International trade Taxes, tariffs and quantitative-qualitative restrictions*.** They influence prices and quantities of competing products imported into or exported from the country. Instruments used comprise diversified tariffs or quotas on imports and subsidies on exports.

c. **Direct controls and interventions.** They consist of direct government regulations of prices, marketing margins or production choices and can create excess supply or demand at administered prices to benefit either consumers or producers**.** Examples comprise policy measures such as controls on basic foods such as cereals, dairy products etc, and purchase of selected harvests at above the market prices.

Macroeconomic policies are economy-wide interventions affecting macro-economic aggregates and balances and potentially affecting all agents and commodities. They comprise:

a. ***Monetary and credit policies,*** affecting the overall supply of money, the level of domestic prices and related inflation, the interest rate and the availability of credit in the economic system, and through them, the level and composition of the production in the short run.

b. General fiscal policies, affecting the overall level of government deficit/surplus, as it results from the application of specific sectoral or commodity incentive-disincentive fiscal measures but also by setting the general level of income taxes. Fiscal policies directly affect: households through taxes on income and deductible value added taxes; activities, through taxes on production and factor use; and enterprises, through taxes on profits.

c. Foreign exchange rate policies, i.e. policies affecting the domestic price of one unit of foreign currency, affecting in turn the relative prices of foreign versus domestic commodities.

d. Factor and resource management policies, which directly affect the remuneration of factors (land, labour, capital etc) Examples: minimum wage policies; support to negotiations between employers and workers, policies affecting land rental rates and/or land availability such as subsidised sales of state-owned land, issue of licenses for natural resource use, etc.

Public investment policies, which affect the existing capital stock. They can affect various groups of agents – producers, traders, and consumers – differently, as they may be specific to the areas where the investment occurs and/or to segments of specific value chains. However, if their volume is important, they may affect the whole economic system via cross-sectoral linkages, factor use and other spillovers. These comprise:

a. ***Public investment in infrastructure*.** This includes the construction of essential capital assets such as roads, ports, and irrigation networks; provision of transport facilities; collection centres and storage deposits, communication and energy

networks, etc. These interventions are likely to raise returns to producers or lower their production costs, with possible advantages also to consumers**.**

b. ***Public investment in human capital*.** This consists of government expenditure to improve knowledge and skills of producers and consumers**.** Examples comprise: investments in schools, training and extension centres but also improved health care facilities to ease participation to education and production processes.

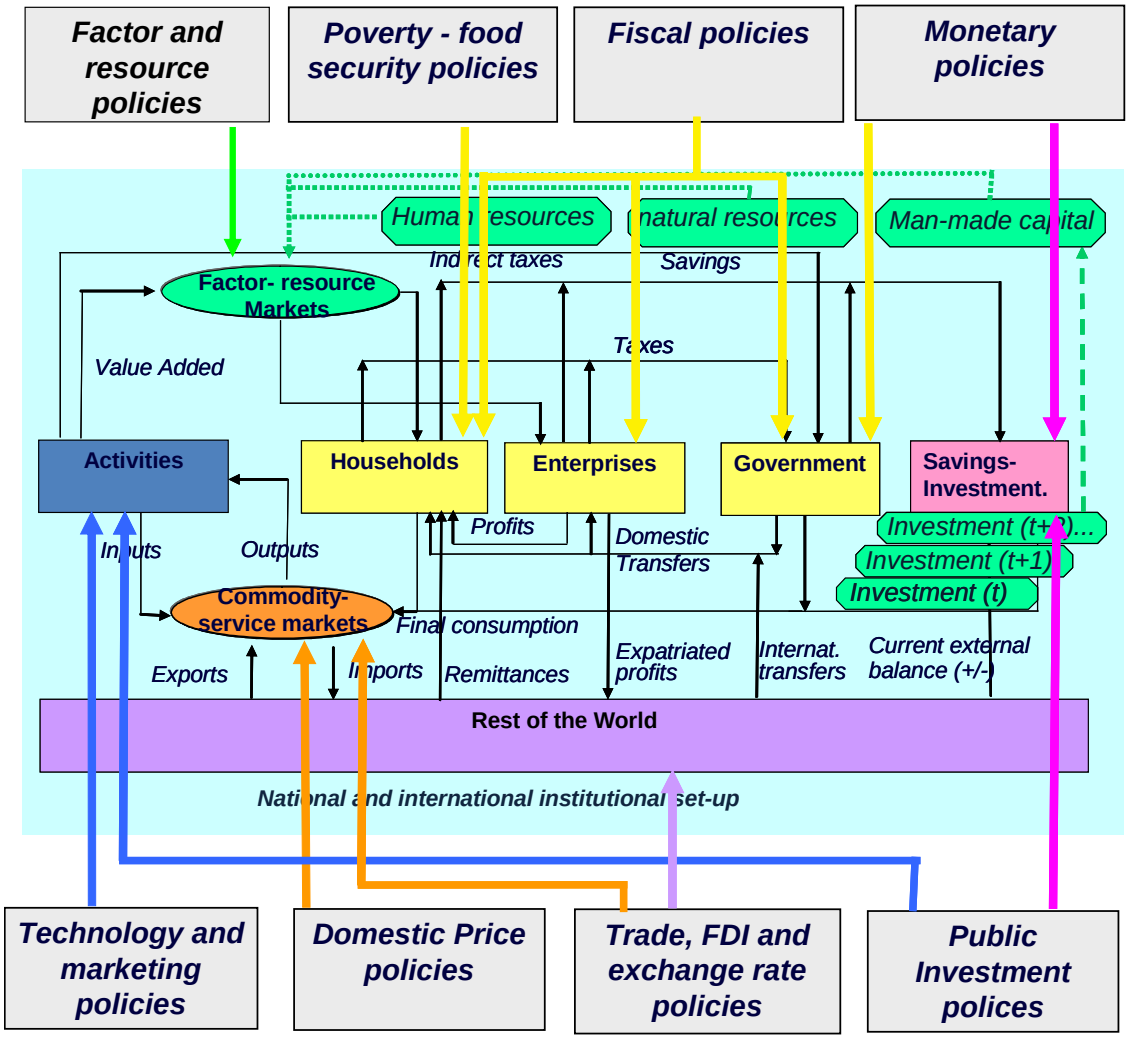
c. ***Public investment in research and technology*.** This is related to research in new production technologies, aiming at improving productivity and sustainability and identifying new products. Examples include better water control; energy-saving and carbon-reducing production processes, development of drugs, development and provision of technological breakthroughs, etc.

In addition to the above types of policies, a specific set of policies refers to **direct poverty alleviation and food security**. This aims to directly and immediately provide food (or entitlements to food) and/or increase the well-being of the most in-need people.

The range of policy measures listed above, as well as non-policy induced exogenous shocks affecting the same variables, have direct and immediate impacts on different parts of a socio-economic system. For example, trade and exchange rate policies directly affect imports and exports of goods and services by shifting domestic prices in relation to international ones. Investment and natural resource management policies may have direct impacts on production processes due to their capacities to shift the relative costs and productivity of various inputs and factors. The same may apply to specific technology and marketing policies; the latter particularly affecting the downstream segments of value chains. Factor policies may affect both agricultural and industrial sectors as well as the purchasing power of factor owners. In addition, as mentioned above, some policy measures, such as poverty alleviation or emergency policies may directly affect poverty and/or food security in both rural and urban areas. Figure 2 summarises the ways in which different policies directly affect specific parts of a socio-economic system.

In addition to the type of policies described above and visualized in figure 3, “institutional policies”, i.e. policies explicitly aimed at building and supporting institutions play a crucial role in the development of socio-economic systems. Among these polices, we can mention all the interventions aimed at ensuring the proper working of markets, including policies aimed at addressing negotiating power asymmetries between counterparts in labour markets, policies and regulations ensuring the sustainable use of the natural resource base, policies which reinforce institutions deputed to the enforcement of laws and regulations, consensus building, empowerment, conflict solving etc. Even if the changes in the quantity and quality of services generated by the implementation of these policies are difficult to assess in quantitative terms, they largely contribute to improve the overall functioning of the socio-economic system by, for instance, smoothing the relationships among social groups, reducing transaction costs among economic counterparts, positively shaping the relationships among citizens and public powers.

Figure 3: Different types of policies-shocks and their entry points in the socio-economic system



10 HLPLP 2011: CONCEPTUAL UNDERPINNINGS

FAO is working, together with selected countries, to assess current and emerging paradigms and related policies with the aim of designing better policies for long term sustainable development and inclusive growth. In this work, some key features of development processes of socio-economic systems emerge, such as:

a. **Multi-dimensionality of development.** "Development" is a multi-dimensional concept by nature, because any improvement of complex systems, as indeed actual socio-economic systems are, can occur in different parts, in different ways, at different speeds and driven by different forces. In addition, the development of one part of the system may be detrimental to the development of other parts, giving rise to differing objectives (trade-offs) and conflicts.

Consequently, promoting and measuring development, i.e. determining whether and quantifying the extent to which a system is developing, are intrinsically multidimensional exercises, impinging on economic, human, territorial, and environmental dimensions.

b. **Cross-sectoral interdependencies**. A socio-economic system is a set of interconnected elements. Inducing changes in one part of the system affects to a greater or lesser extent all the other parts. For instance, changes in factors' availability, allocation, remuneration or mobility affect the entire economic system. Labour, capital, land, as well as natural resources, are used by different sectors which compete for their use. Factors move from one sector to another according to, among other things, the capacity of the different sectors to remunerate them. The development of one sector attracts certain factors, e.g. capital, and releases others, e.g. labour, affecting the factor use in all the other sectors. For these reasons, cross-cutting development objectives such as food security and poverty reduction, as well as "inclusive" economic growth are better achieved by adopting a holistic view of the socio-economic system, rather than through isolated sectoral approaches.

c. **Macro-micro interdependencies**. Development actions should consider that, on the one hand, individual choices and welfare depend on macro factors such as system's endowments, fiscal legislation, infrastructure, institutions and "macro" prices. On the other hand, macro variables are influenced by aggregated individual choices. For instance, the purchasing power of households and their entitlements to food depend on the employment and entrepreneurial opportunities in different parts of the economy, as well as in different geographic locations (e.g. rural versus urban areas).

d. **Transnational interdependencies.** Countries do not develop in a vacuum. The developmental achievements of a country can be beneficial or detrimental to the development of other countries. Migrations, geo-strategic influences, foreign investment, technology and innovation diffusion, environmental externalities, and international trade are some of the channels through which development processes in one country can "contaminate" other countries.

e. **Long term time-span of development processes**. Development processes require a long-term vision and lasting action. Emergency actions may relieve direct and severe consequences of contingent crises, but usually focus on "symptoms" of development-related "diseases", rather than on "diseases" per se. By way of consequence, immediate development issues need to be framed in a long-term vision for effective and lasting solutions to be found

f. **Global constraints to development.** Given the limited amount of resources globally available, development processes heavily based on exhaustible resources (non-renewable energy, metals, primary forest...) or the unsustainable use of renewable ones (land, water, clean air), are destined to face resource constraints, generate large undesirable side-effects. Local and/or international conflicts generated by the need to gain control over scarce resources are also the almost unavoidable consequence of such development options.

These aspects of development processes have been considered to build the conceptual framework of the High-Level Policy Learning programme.

11 FURTHER READINGS

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