



**Ministerial Review of Progress in the Implementation of the 2003 ECOSOC  
Ministerial Declaration on Promoting an Integrated Approach to Rural  
Development in Developing Countries for Poverty Eradication and  
Sustainable Development**

**ECOSOC Panel on Follow-up to the 2003 Ministerial Declaration  
on Rural Development**

**Perspectives on Rural Development**

**An FAO Contribution**

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**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS**

## **Perspectives on Rural Development An FAO Contribution**

FAO welcomes the decision by ECOSOC members to hold a ministerial review of progress in the implementation of the 2003 Ministerial Declaration as part of the official proceedings of the 2005 High-Level Segment of ECOSOC.

It is not an exaggeration to say that the battle to achieve the MDGs, in particular MDG1 on poverty and hunger reduction will be lost or won in the rural areas of the developing countries. Globally, extreme poverty continues to be a rural phenomenon despite increasing urbanization. Of the world's 1.1 billion extremely poor people, 75 percent live in rural areas and depend on agriculture, forestry, fisheries and related activities for survival. The promotion of rural development in a sustainable way increases employment opportunities in rural areas, reduces regional income disparities, stems pre-mature rural-urban migration, and ultimately reduces poverty at its very source.

A spatially balanced development is a desirable objective in many societies. Development of rural areas may contribute to the preservation of the rural landscape, the protection of indigenous cultures and traditions. A vibrant rural economic space offers employment and income diversification possibilities to agricultural households thus assisting them in reducing income variability. Rural societies often also serve as a social buffer for the urban poor in periods of economic crisis or social urban unrest.

The many attributes and potential contributions of a vibrant rural space have not, in most cases been recognized. Public policies and investments in developing countries have historically favoured industrial, urban and service sectors at the expense of agricultural and other rural sector development. Within the agriculture sector the high potential areas and lowlands have received greater attention than the highlands and drylands where large numbers of the poor live. This can exacerbate competition and conflicts over access to land, water and biological resources further accentuating extreme poverty and hunger. There is evidence however, that public investments in these marginal lands can have a particularly high payoff in terms of poverty and hunger reduction.

A consensus on the importance of rural development and on agriculture as its driving force seems to be forming among national governments, bilateral donors, multilateral institutions and organizations of the Civil Society. The focus of the development agenda on poverty, hunger and the Millennium Development Goals has brought the role of agriculture and rural development to the fore. Most of the multilateral development banks have now rural strategies in place. In 2003, the Evian summit of the Group of Eight strongly reaffirmed the importance of agriculture in poverty reduction and support to agriculture as a crucial instrument of official development assistance. In 2003, in Maputo, Mozambique, the heads of State and Government of the African Union committed to increase the share of their budgetary resources to agricultural and rural development to 10 percent within 5 years. Several bilateral donors have likewise adjusted their development cooperation policies to place stronger emphasis on agricultural and rural development.

However, this consensus has still to be matched by adequate action which will drastically reverse past trends in development assistance for agriculture and the rural space. The past 20 years have witnessed a steep decline in the availability of public resources for agriculture and rural development. Between 1983-1987 and 1998-2000, the annual average ODA allocations for agriculture in the least-developed and other low-income countries fell by 57 percent from USD 5.14 billion (2002 prices) to USD 2.22 billion. Lending from international financial institutions followed a similar pattern, although there are encouraging signs that things are changing. It is also imperative that developing countries take measures to increase the flow of their own public resources for investments in rural areas.

There will be significant challenges to agriculture and the rural areas of developing countries in the years to come. Food needs to be produced for a growing and increasingly urbanized population while maintaining the integrity of the ecosystem and the productivity of natural resources.

Farmers and rural people have to deal with the rapid transformation of food systems already underway. Its principal characteristics are the vertical integration and concentration of the food industry (trading, processing, manufacturing) and the spread of modern forms of retail (super and hypermarkets). Global food chains are expanding rapidly in developing countries. Supermarkets for example now control 50-60 percent of the food retail sector in Latin America and are expanding rapidly in Africa.

Modern agrifood chains apply international commercial standards to their procurement practices. Their expansion is characterized by the diffusion of rigid private standards for food quality and safety which pose a formidable challenge to smaller agricultural producers and food processors. “Modernization” of food systems therefore presents smallholders with opportunities to participate in dynamic markets but also a threat of marginalization.

In general, production systems (including smallholder agriculture) will face the challenge of adapting to these rapid changes, and the effects will be felt in the entire rural space. The danger is that exit from agriculture occurs faster than employment opportunities are created in rural areas or elsewhere given labour market imperfections.

There is no unique rural development model. Strategies for rural development are bound to differ by level of socioeconomic development, natural resource endowments, the nature of the agricultural sector, the institutional structure. However, a number of general principles can be identified:

- **Use bottom-up and participatory approaches.** Local institutions, managed by and accountable to local people and communities, are needed. Local capacity building and skill development are key elements to the empowerment of poor people. Legal and property rights and access to resources must be enhanced, especially for vulnerable groups such as women and indigenous people. Strengthening the political voice and leverage of rural people is an essential precondition especially in urban dominated political establishments.

- **Follow an integral approach:** A rural development strategy should account for the diversity of the rural economy; the multiple sources of household income (farm and non-farm income, migration remittances, social transfers); the links between the rural space and the urban areas. While in most poor countries and country regions agriculture constitutes the basis of the rural economy, increasing emphasis needs to be placed on promoting diversification towards rural non-farm activities and value-added production, and in strengthening productive capacities of micro, small and medium enterprises. The rural space should also be seen in its interactions with urban agglomerations (small towns, cities) and the flows of population, labour, commodities, services and funds which take place among them.
- **Implement a twin track approach to rural poverty and hunger reduction:** A balanced approach is needed between support to productive activities and social investments. The twin-track approach combines two sets of measures: (a) policies, programmes and investments to address the immediate needs of poor and hungry (social safety nets, conditional or unconditional cash transfers, food and nutrition programmes) with (b) improvements of the performance of the rural productive sectors. For the poorest areas of the world, improving the productivity of smallholder agriculture is an essential component of a rural development strategy which aims at moving large numbers of people out of poverty and hunger in a short period of time.
- **Implement policies with potential to improve productivity for many activities simultaneously.** The dispersion and multiplicity of economic activities in the rural space and the multiple sources of income of the rural poor, call for policies, investments and institutional reforms which are beneficial to a wide range of sub-sectors and facilitate private sector initiative and private investment. They include the removal of unnecessary restrictions to private investments (redundant permits and bureaucratic procedures, corruption, unclear and contradictory regulations). Actions must also include the provision of general infrastructures such as roads and communications.
- **Ensure equitable and secure access to assets:** traditional supply-side policies should be combined with enhanced access to productive assets, especially land and water as well as to appropriate technologies, support services, and capacity-building in their use. . Providing more equitable and secure access to land to the poor and landless, especially women, returnees and Internally Displaced Persons in post-conflicts settings requires changes in policies, legislation and institutions (both formal and informal). Action is needed at the national level and by local communities to improve land access, land tenure security and land administration.
- **Make PRSPs more inclusive in addressing food security and rural development:** Nationally-owned Poverty Reduction Strategies are becoming principal national tools for poverty reduction and the achievement of the MDGs. PRSPs express the mutual accountability framework between Government, partners and civil society. However, the implementation of the PRSPs in many countries still lack proper focus on food security and concrete measures to realize the potential of rural and agricultural sectors in reducing poverty. Within PRSPs there is often an imbalance in favour of social sectors at the

expense of productive ones and a dearth of emphasis on market regulation and business support measures. The result is insufficient budgetary allocations and policy/programme support to rural development

- **Strengthen institutional structures to conform to an integral approach to rural development.** The dilution of institutional responsibilities for rural development is often a major obstacle in the implementation of an integrated rural strategy. In too many countries, the rural space is the home of many and the responsibility of no-one. Addressing this lacunae means the creation of cross-cutting horizontal institutions at all levels. Also, there is often a disconnect among various “stages” in the poverty reduction effort: poverty diagnosis, government priority setting, public actions, response of external partners. Often public institutions do not adapt at the proper speed to rapid changes occurring in the rural space. One potential advantage of decentralisation is the promise of making institutions more agile and more responsive to the needs of rural areas.
- **Assist smallholder farmers to face new challenges:** There is an urgent need to retool research and extension systems so that they assist farmers (especially smallholders) to enter and compete in dynamic markets both at domestic (such as supermarket chains) and international levels. Farmers and processors need to build capacity to comply with food safety and quality standards. Facilitating the organization of smallholders around common business interests strengthens their bargaining power when dealing with large buyers, guarantees volume, reduces transactions costs in input acquisition, transport and marketing services and facilitates the flow of information.
- **Provide incentives for broad-based employment in rural areas:** The extent to which labour-intensive technologies are used in agriculture and other rural activities depend on the relative input prices. Subsidies to labour-saving technologies such as mechanization and agrochemicals work against employment creation and should be avoided. At the same time, labour saving technologies should be promoted in situations such as : alleviating the burden to women, or overcoming labour shortages in AIDS-affected communities. In situations of local labour surpluses, net rural employment creation can also be achieved by public works programmes.

In conclusion, rural development will be essential in meeting the Millennium Development Goal on poverty and hunger, which, in turn will greatly contribute to the achievement of other MDGs. The particular challenge will be to meet MDG 1 while contributing substantially to the achievement of MDG 7 on sustainability and not at the expense of irreversible damage to the world's resources and the environment. In general, promoting rural development should take into consideration and capitalize upon the synergies which are inherent in the goals. This will increase the efficiency and effectiveness of our common efforts.

## FAO and Rural Development

**FAO is strongly committed to assisting member governments in implementing the 2003 Ministerial Declaration on Rural Development through (\*):**

- **Promoting decentralization processes** and devolution of responsibilities to local institutions. FAO assists in ensuring that these processes are accompanied by the allocation of legal rights and adequate resources to local stakeholders to enable meaningful governance and poverty alleviation.
- **Building institutions** that foster farmers' and rural people's organizations and strengthen their capacity to participate, at decentralized levels of governance, and to negotiate access to sustainable livelihoods.
- **Strengthening local institutional capacities for disaster preparedness**, prevention and long-term sustainable development in high-risk areas.
- **Enhancing economic and social growth** via development of sustainable, affordable systems of access to land and land tenure security.
- **Laying the foundation for sustainable peace** by reconstructing land tenure and land administration arrangements in post-conflict and emergency situations.

Following a proposal by Brazil, FAO will convene in March 2006 an International Conference on Agrarian Reform and Rural Development, with the objective of learning from and sharing national experiences, and promoting concrete actions on the application of best policies, strategies and practices.

(\*). More specific FAO activities are included in the background paper that was prepared for this Ministerial review.