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**Policy options and actions for expediting progress in
implementation: Rural Development**

Report of the Secretary-General

¹ E/CN.17/2009/1.

Summary

Reducing rural poverty is an important development challenge, since over one billion people live in rural areas and the majority of them are poor. Realizing this objective requires broad based investments

in rural areas that benefit entire communities and not only those who are engaged in agricultural activities. Rural development policies are likely to have more sustained impact if implemented in combination with community-based traditional knowledge. Joint policy actions by the Governments, International Community and NGOs in terms of providing access to water and sanitation services, development and rehabilitation of infrastructure and natural resources management have proven to be quite successful in reducing rural poverty. Enhancing the capacities of the rural population, through access to, education, skills development and the use of information and communications technologies, is important to sustain the impact of rural development programmes.

Contents

	<i>Paragraphs</i>	<i>Page</i>
I. Introduction	1 – 3	
II. Policies to Advance Rural Development	4 – 47	
A. Enhancing human and social capital	5 – 15	
B. Improving access to infrastructure	16 – 29	
C. Strengthening the agro-industrial base	30 – 34	
D. Promoting non-farming employment	35 – 40	
E. Natural resources management	41 – 47	
III. Strengthening the Enabling Environment for Implementation	48 – 62	
A. Decision-making	48 – 52	
B. Finance.	53 – 58	
C. Access to regional and global markets	59 – 62	
IV. The Way Forward	63 – 71	

I. Introduction

1. At its sixteenth session – the review session of the third implementation cycle 2008-2009 – the Commission on Sustainable Development (CSD) conducted an evaluation of progress achieved in the selected cluster of issues of “Agriculture, Rural Development, Land, Desertification, Drought and Africa,” as contained in Agenda 21, the Program for the Further Implementation of Agenda 21 and the Johannesburg Plan of Implementation. The Commission identified constraints and obstacles as well as new challenges and opportunities to implementation in the selected thematic cluster of issues.

2. At its seventeenth session – the policy session of its current implementation cycle – the Commission will take decisions on policy options and practical measures to expedite implementation in the selected cluster of issues. The Commission’s session will be preceded by its intergovernmental preparatory meeting that will prepare a draft negotiating document for consideration by the Commission.

3. The present report is a contribution to the discussions at the intergovernmental preparatory meeting on policy options and practical actions to expedite progress in rural development. It responds to the challenges and obstacles highlighted in the report of Commission’s 16th session. The cross-cutting issues, including the means of implementation, identified by the Commission at its eleventh session are addressed throughout the report. The report benefited from inputs received from UN Organizations, such as FAO, IFAD, UNEP, ILO, and the Regional Commissions; Major Groups; and from the information contained in a large number of publications released in 2008 on the various topics addressed in this report. The report should be read in conjunction with the Secretary General’s reports on agriculture, land, desertification, drought and Africa, which will also be before the commission’s intergovernmental preparatory meeting. Where necessary, cross-references are made to these reports.

II. Policies to Advance Rural Development

4. Global poverty is overwhelmingly rural, and will remain so in the foreseeable future. Three quarters of the extremely poor people in developing countries – over one billion people – live in rural areas and the majority of them are women. Development in rural areas that benefits entire communities and not only those who are engaged in agricultural activities is a major challenge. Meeting this challenge will require policies and measures on various fronts, including enhancing human and social capital, improving access to infrastructure, strengthening the agro-industrial base, promoting non-farming employment, and managing natural resources in a sustainable manner.

A. Enhancing human and social capital

6. Human and social capital is one of the most powerful tools in the fight against rural poverty and the promotion of sustainable development in rural areas. Expanding the attendance to school, minimizing early drop out of students, reducing adult illiteracy and gender inequality in education are essential in enhancing human and social capital. Increasing public investment in rural education is necessary to bridge the urban/rural education gap.

7. Investment in rural education is expected to generate a positive return on the income of rural households by strengthening their human capital. Linking educational activities to the specific needs of the rural community will improve their livelihoods and allow them to seize economic opportunities. FAO's Education for Rural People Initiative (ERP) aims to overcome the urban/rural gap in education, to increase access to and the quality of basic education for rural people, and to build awareness of rural education in the achievement of the Millennium Development Goals.

8. Based upon the experiences gained in the implementation of the United Nations Literacy Decade, 2003-2012 and FAO's ERP, successful initiatives focus on core skills and emphasize the usefulness of basic literacy in bolstering individual livelihoods across all demographics. Providing technical education aimed at strengthening skills in a range of crafts can serve as entry points to the formal job market for those with limited education. The implementation of entrepreneurial and vocational approaches to education can lead to faster payoffs, making them attractive opportunities for rural populations. Making training programs available to rural youth can improve their learning capabilities and encourage them to invest in their own communities. For example, sizeable youth enterprise development projects are about to be launched in Egypt and Syria. In Egypt, the focus is on promoting enterprise development among youth in mainly agro-processing and marketing activities in key high-value/organic agricultural export sectors. In Syria, the project will focus on promoting youth enterprise in agricultural marketing activities in a poor area of the country.²

9. Rural education benefits from the introduction of policies that promote increased interaction among research institutions, the private sector and the state. Investing in the redesign of educational curricula and schedules to meet local needs, employing qualified teaching staff and building schools in every community will have, in the long term, significant impacts on reducing rural poverty. Adapting educational curricula and schedules to local realities, e.g. indigenous cultures and beliefs, local agricultural practices and cropping season, would increase the willingness of rural people to accept and embrace them. Developing educational programmes that take into account issues that matter most to rural people will require that formal institutions interact with the broader rural community.

10. Local rural populations need to be made aware of the economic benefits of formal and vocational education systems. In this regard, local media and radio and new information and communications technologies can play an instrumental role in raising awareness and expanding the knowledge base of rural communities. Although technology is a powerful tool, illiteracy

² *Knowledge and Skills for Development* by Paul Bennell, 2007

and lack of education severely limit their use by rural communities, making oral learning techniques and audio-visual approaches often more effective. Involving local people in the design of learning programmes may significantly contribute to their success. For example, the Government of Mali has established a national centre specialized in the production of audiovisual materials for learning - "Centre de Services de Production Audiovisuelle" (CESPA). Teaching the basic notions of technology is among the key aims of this initiative.³

11. The capacities of civil society organizations need to be tapped to create safety nets within communities in order to reduce vulnerability, improve individual rights and access to services, organize and operate community programs, enhance solidarity and community action, and strengthen participation in community management. The creation and support of local cooperatives, rural networks, rural producer groups, group-childcare associations, small union groups, local campaigns and social action forums have played a key role, in this regard. The potential for these groups to build local capacity and to provide basic services in rural areas should be further enhanced.

12. Addressing the various social, cultural and economic constraints that inhibit the full participation of vulnerable groups in the development and implementation of rural development programmes is important to promote grass-roots level development. Children, seniors, nomadic pastoralists, indigenous peoples, disabled people and people living in very remote and inhospitable areas, whose livelihoods are constantly threatened by land degradation, water scarcity, natural disasters and climate change, suffer most from lack of access to basic services and merit special attention. In such marginalized areas, reducing poverty would require innovative approaches such as linking isolated communities with distant markets, and include tapping into markets for ecosystem services, which those populations may be able to supply significantly⁴.

13. Because of the important role that women play in rural development, special policies and provisions are required to ensure that women retain control over important income-generating assets. Prospective cultural and sociological threats to women's access to and control over productive assets need to be carefully assessed and accounted for in the design and planning of interventions. The integration of women into many African farmers' organizations has gained new momentum. Decision-making and managerial responsibilities have been opened up for women, which in turn, has resulted in greater interests of women farmers in the policies and development programmes of these organizations.⁵

14. For the most vulnerable groups of society, social safety nets need to be provided, which could involve the distribution of food in the form of aid or at subsidized rates, cash transfers or

³ CESPA: Project for Community Video Mali, UNDP and FAO;

<http://www.unesco.org/education/educprog/lwf/doc/portfolio/case4.htm><http://www.unesco.org/education/educprog/lwf/doc/portfolio/case4.htm>

⁴ "Agriculture and Rural Development", DESA/DSD Discussion Paper, 2008

⁵ "Rural Women in A Changing World: Opportunities and Challenges," United Nations Division for the Advancement of Women and Department of Economic and Social Affairs, October 2008

other targeted programmes for making food or cash available to them. Establishing social protection mechanisms which would provide a minimum social floor may be considered. Women as agents of change could play an important role in implementing such targeted programmes and measures. In Bangladesh, food- and/or cash-based targeted programmes are increasingly used to reduce hunger and under nutrition and support human development. For example, the Food for Work programme ensures access to food for the extreme poor and vulnerable by providing employment while building infrastructure for rural development.⁶

15. Engaging with employers in social dialogues provides a good opportunity for rural workers to address the concerns of often excluded or marginalized groups such as smallholders, rural women and agricultural laborers. Such dialogues will ensure that rural producer's voice is brought to the fore to inform national and international policies. Freedom of association, the right to collective bargaining, elimination of discrimination at the workplace and the right to information are all essential preconditions for the effective engagement of vulnerable groups.

B. Improving access to infrastructure

16. Cost-effective, reliable, and affordable infrastructure services are critical for achieving sustainable development goals.⁷ According to a recent FAO study on rural income-generating activities in 15 countries in various regions, access to infrastructure is necessary for generating rural non-agriculture wage employment.⁸

Box 1

Providing multiple infrastructure services in Peru and Guatemala

In a recent study on the state of rural infrastructure in Latin America and the Caribbean, the case of Peru revealed that providing multiple infrastructure services can increase impact on rural household incomes. Cooperative interactions across multiple infrastructure services have resulted in a substantially greater impact as compared to the sum effect of each service taken individually. Each service builds on the other to produce a “multiplier effect”. Guatemala is promoting a territorial development model that will support broad-based improvement in rural competitiveness. Some selected departments, which have economic potential but high rates of indigenous poor, will have the opportunity to compete for funding for a bundle of technical, financial and infrastructure support services.

Source: “Infrastructure for Improved Rural Livelihoods,” *En Breve*, The World Bank, September 2006; <http://siteresources.worldbank.org/INTEN>

⁶ “Meeting the Challenge: A Mid-term Report on Achieving MDG-1 in Bangladesh,” ECOSOC, 2007

⁷ “World Bank Group Sustainable Infrastructure Action Plan, Fiscal Years 2009-2011”

⁸ *Rural Income Generating Activities: A Cross Country Comparison*, ESA Working Paper No. 07-16, May 2007, FAO

BREVE/Newsletters/21095568/Sep06_93_InfraRural_EN_NEW.pdf

17. Rural electrification greatly improves the lives of the rural poor. A positive impact of rural electrification on service provision comes from the greater willingness of health and education workers to stay in communities that have electricity. Some of the health benefits derived from rural electrification are: improvements to health facilities, better health from cleaner air as households reduce use of polluting fuels for cooking, lighting and heating and, improved health knowledge through increased access to television. , The main channels through which electrification may affect education are: by improving the quality of schools, either through the provision of electricity-dependent equipment, or increasing teacher quantity and quality; time allocation at home, with increased study time.

18. In most countries, coverage is being increased by extending the grid to new communities rather than connecting the unconnected in already electrified villages. Once electricity arrives in a village, the connection charge is a hurdle that prevents the poor from connecting to the grid, even though the benefits they would derive would exceed the cost of supply.

19. In order to help defray the cost of electrification, micro home enterprises undertake economic activities, such as illustrated in the following examples: In Ghana, the woman of the household prepares snacks to be sold to people who come to her house to watch television in the evenings. In South Africa, households sell cold drinks and rent out refrigerator space.⁹

20. Countries with low coverage rates, which are now mostly in Africa, still have to make investments in generation, transmission, and distribution. Some countries in Asia and Latin America are reaching the limits of grid extension. Further increases in coverage require increasing connections in already electrified areas (intensive growth) rather than laying new lines (extensive growth), which requires instruments designed for that purpose, or off-grid schemes, which need design improvements if they are to be financially sustainable.

21. Lack of access to sustainable energy continues to be a major problem in rural areas. Reliance on traditional biomass fuels, for example, has a negative impact on competitiveness and sustainability of small agro-industrial enterprises. Promoting investing in renewable energy for rural development is urgently needed. The development and adoption of alternative sources of energy could be crucial for promoting sustainability and self-reliance. The production of biofuels requires careful consideration. (This issue is addressed in more detail in the Secretary-General's report on agriculture).

⁹ IEG/World Bank, *The Welfare Impact of Rural Electrification: A Reassessment of the Costs and Benefits*, 2008

Box 2

Lighting Africa

“Lighting Africa” addresses the lack of energy access by over 500 million people in sub-Saharan Africa. The initiative seeks to leverage expenditures on fuel-based lighting to accelerate the market of modern alternatives that offer users considerably more value for money. Efficient lighting technologies make it possible to offer energy services that are clean, efficient, safe and reliable at a cost that is comparable to typical expenditures on kerosene. The initiative aims at leveraging such technologies for off-grid applications by mitigating market barriers and engaging the global lighting industry, African businesses and entrepreneurs, governments and civil society.

Source: World Bank Group Sustainable Infrastructure Action Plan, 2009-2011; A joint World Bank – International Finance Corporation (IFC) initiative

22. Enhancing access to safe and adequate water and sanitation services is central to rural development to avoid high infant and maternal mortality rates due to waterborne diseases. An estimated 746 million rural dwellers are without improved drinking water supplies, compared to 137 million urban residents and, 7 out of 10 people in rural areas are without improved sanitation.¹⁰ Efforts to support the achievement of the MDGs in water and sanitation need to be scaled-up, by, for example, supporting decentralized community-managed approaches, building autonomous water boards for local operators, and improving performance of water utilities.

23. In Ghana, the Community Water and Sanitation Agency (CWSA) created in 1994 under the framework of the Ghana decentralization policy, became autonomous in 1998. The institution does not directly construct, operate, and maintain utilities for water supply and sanitation. Instead, its role is to coordinate the work of a number of actors which carry out the services in rural areas, including public sector organizations, local beneficiary communities, private sector organizations, and NGOs. The CWSA is also expected to ensure that financial support from development partners is effectively used and to provide rural areas and small towns with hygiene education. To carry out its tasks, the agency operates ten regional offices besides its head office in Accra.¹¹

¹⁰ “Progress on Drinking Water and Sanitation: Special Focus on Sanitation, Pre-publication Draft,” Unicef, World Health Organization

¹¹ Community Water and Sanitation Agency (CWSA) (August 2004). "[Strategic Investment Plan 2005 - 2015](#)" (PDF). p.9-11

24. Health services fall short of meeting the needs of the rural poor. The World Health Report 2008 identifies primary health care as a key policy concern in rural areas.¹² Primary health care requires teams of health professionals with specific and sophisticated biomedical and social skills; often, primary care in rural areas is delivered by using low-tech and poorly qualified staff. Facilities need to be established, staffed and sustained.. Improving funding of public health systems will lead to job creation, training, and recruitment of health professionals.

25. Rural subsistence farmers have turned out to be the most vulnerable population group when pandemics occur. In the case of the avian flu, rural people depend on poultry for livelihood and food and thus the health threat for this group has been compounded by the increasing tendency of human cases to occur in the absence of reported outbreaks in poultry. Without the warning signalled by the presence of dead or visibly ill poultry, rural people will not be aware of the need to take special precautions when handling, slaughtering, and preparing birds for consumption. In the case of malaria, the disease continues to devastate communities in developing countries, particularly in rural areas. In Africa, where the most lethal forms of malaria can be found, the disease takes the lives of 2,000 children a day. While malaria can be treated, people who survive the disease can suffer debilitating consequences, including mothers giving birth to babies with low birth weight and children developing severe anemia.¹³ Therefore, pro-poor health care policies need to be put in place.

26. For example, in Iran, the success of the Primary Health Care system was partly due to institutional changes within the national health system which resulted in its decentralization and more active involvement of local communities, at both province and sub-provincial levels, in the allocation of resources and administration of services. Under the decentralized system, the University of Medical Sciences and Health Services (UMSHS) became responsible for training, recruitment and deployment of all health manpower employed by the government as well as the planning, establishment and administration of all health service deliver points. Being located in the capital city of the province, the UMSHSs were closer to and more responsive to the health needs of the rural communities of various provinces.¹⁴

27. Maintenance of transportation and roads requires significant investments to ensure that they remain reliable and that the movement of people and goods also remains uninterrupted. Initiatives need to focus on extending rural access to all-weather roads as well as on increasing diversification of transport modes including rail, ports, airports and design of multi-modal transport and logistics operations. Policies need to aim, among others, at building capacity in urban transportation administration and regulation, enhancing the role and quality of affordable passenger and freight transport services through financing mechanisms, facilitating involvement of the private sector to deliver public services, managing the demand for private

¹² “World Health Report 2008,” World Health Organization, http://www.who.int/whr/2008/whr08_en.pdf

¹³ WHO, Avian influenza: assessing the pandemic threat, 2008.

¹⁴ The International Bank for Reconstruction and Development / The World Bank: Primary Health Care and the Rural Poor in the Islamic Republic of Iran, 2004.

car travel, bringing in new technologies and recognizing the importance and needs of pedestrians, and non-motorized forms of transportation.

Box 3

Road Conservation in El Salvador

In 2000, the Government of El Salvador created the Road Conservation Fund (FOVIAL). Its budget, which totaled US\$65 million in 2005, is derived entirely from a US\$0.20 per gallon gasoline tax. Though this revenue can fluctuate depending on gasoline consumption levels, it flows directly to FOVIAL and cannot be appropriated for other fiscal purposes. To get the maximum value out of these funds, FOVIAL performs all road maintenance activities through private contractors and around 98 per cent of the agency's budget is therefore devoted to maintenance work. FOVIAL has become an example of how an autonomous public agency effectively functions, and citizens can see that the 20-cent tax they pay for each gallon of gas is well spent – they can see the results on the streets. ”

Source: “A Smoother Road,” IDB America, 11 November 2008, <http://www.iadb.org/idbamerica/index.cfm?thisid=4013>

28. Information and communication technologies (ICTs) hold great potential for rural development. However, issues such as , electricity, literacy and telecommunications content need to be addressed before the majority of people living in rural areas can significantly benefit from ICTs . In the case of rural entrepreneurs and small-scale farmers, ICTs have proven useful by improving access to rural financial services and facilitating access to market information. For example, in Niger cell phones have had an impact on price dispersion for markets that are farther away, and for those that are linked by poor-quality roads. Traders in cell phone markets were better able to respond to surpluses and shortages, thereby allocating grains more efficiently across markets and dampening the price differences.¹⁵

29. While access to ICT services remains key, the convergence of business models, regulatory approaches, and the mainstreaming of ICTs across economic sectors have become increasingly important, too. The diffusion of ICTs is expected to have a direct impact on poverty alleviation through growth generation and better integration of the underserved populations into the economy. New areas of intervention could include closing the urban-rural divide, expanding access; developing the local IT industry, and enhancing public service delivery through technical and financial assistance.

¹⁵ “Can You Hear Me Now?” How Cell Phones are Transforming Markets in Sub-Saharan Africa,” Center for Global Development, October 2008

Box 4

ICTs Strengthen Capacities in Latin America and the Caribbean

FIDAMERICA has the objective of strengthening local capacities of poor rural communities and improving their quality of life. The system has used ICTs to assist the rural communities in accessing agricultural, market and technical information and improving access to financial systems. It offers facilities for knowledge and information exchange through electronic conferencing, e-mail, databases and web sites. To date, FIDAMERICA has 41 projects and programmes in the region and involves about 3600 community organisations and 500,000 families.

Source: IFAD, <http://www.fidamerica.cl>

C. Strengthening the agro-industrial base

30. Agriculture remains the main pillar of poverty reduction in rural areas. It is key to food security and provides employment and income-generating opportunities to the rural labor force, especially women. A more productive and competitive agricultural sector is a necessary component in meeting the Millennium Declaration goals of halving poverty and hunger by 2015. It requires policies and measures to improve soil and water conservation, reforming land tenure systems, subsistence farming practices, improved access to markets and capital inputs, reducing transportation costs, and responding to challenges of climate change. There is need to forge partnerships between governments, formal and informal institutions, and the private sector to meet the level of investments required to make the agricultural sector more productive and competitive. (See Secretary-General's report on agriculture).

31. Market-oriented farming and small and medium-scale agro-enterprise development may promote competitive rural agro-industries and foster growth. These industries would greatly benefit from local and traditional knowledge combined with the latest science and technology. Similarly, agricultural research and extension services and access to appropriate and affordable technologies could be expanded to increase agricultural productivity.

32. Improved access to regional and international markets offers farmers the opportunity to sell agricultural surplus production and to buy needed farming inputs. Private partnerships and government support can facilitate greater access to markets. In the case of private partnerships, rural work needs to be properly compensated and ethical labor standards adhered to. Corporate accountability measures may be put in place where public-private investments and partnerships are concerned.

33. It is crucial that the Sustainable Agriculture and Rural Development (SARD) balances the social, economic and environmental aspects of development while providing durable

employment, sufficient income and decent working conditions for all those engaged in agricultural production.¹⁶ Farmers may benefit from innovative incentives for sustainable land management; for more information on this, please refer to the Secretary General's report on land. When possible, organic farming methods may be promoted in order to facilitate sustainable production practices. Because indigenous foods are often key elements of a nutritionally balanced diet, the importance of preserving these foods need to be stressed.

34. Livestock contributes to rural livelihoods, employment and poverty relief and is a vital source of financial capital for the poor. In developing countries, livestock accounts for one third of the value of agricultural output, and globally it accounts for half. Studies of household poverty dynamics have shown that many families that escape poverty do so by diversifying their farm income, primarily by acquiring livestock. Physical and institutional infrastructure need to respond to the great potential of livestock acquisition in combating rural poverty. The acquisition of livestock may also help balance the diet of rural individuals by adding much needed protein and nourishment. Investments in livestock acquisition therefore need to be supported, though the possible negative environmental and public health impacts of intensive livestock production systems need to be highlighted.

D. Promoting non-farming employment

35. Agricultural diversification may function as a strategy for households to manage risk, including risks associated with climate change, and overcome market deficiencies. There is evidence that agricultural development has greater impact on rural poverty reduction if complemented by non-farm growth. Farmers who combine conventional farming with innovative rural enterprises have enjoyed higher incomes and safer livelihoods than farmers relying on conventional farming and/or waged labor alone. In most countries, non-farming activities account for 30 to 50 per cent of income in rural areas.¹⁷ Although greater reliance on non-farm sources of income is associated with greater wealth and thus increasing income disparities, this wealth generation is a step toward poverty reduction in rural areas.¹⁸ In India, women's self-help groups (SHGs) significantly contribute to improving the living conditions of poor households and the surrounding environment by creating "Kitchen Gardens", where women cultivate fruits, flowers and vegetables around their homes for consumption and sale.¹⁹

36. Increases in labor productivity help promote decent, productive and remunerative rural employment and enable the poor to earn a living wage. New industries need to be supported to create new jobs and income opportunities outside the agricultural sector. Diversification of rural economies may include food-related, transport-related, mining, construction, tourism, handicrafts, manufacturing, commerce, finance and service industries. The development of

¹⁶ "Why Agriculture Still Matters," in *ILO: World Employment Report 2004-05*, (Geneva, ILO)

¹⁷ *World Development Report 2008: Agriculture for Development*, p. 203

¹⁸ *Rural Income Generating Activities: A Cross Country Comparison*, ESA Working Paper No. 07-16, May 2007, FAO

¹⁹ "Making a Difference in Asia and the Pacific," IFAD, Issue 19: January/February 2008, page 11

household enterprises has proven to be a promising rural poverty reduction strategy for equitable income growth and decent work across all farming systems and should be further promoted.²⁰ By promoting employment intensive economic growth, diversification of rural economies and the improvement of human resources through skills development, national policies and programmes will have a significant impact in reducing rural poverty. Income-generating and job-creating policies and measures should give special attention to young people, who constitute the bulk of migrants to urban areas.

37. Sustainable tourism is becoming a valuable supplement to both non-farming activity as well as sustainable natural resource management. Joint management of parks and other valuable ecosystems that traverse national boundaries provides the potential for international cooperation. Communal land conservancies have proven to be an effective approach to wildlife-based tourism and are to be encouraged. The World Tourism Organization has undertaken many economic activities to strengthen the livelihoods of the poor living in rural areas, including through their active participation in the tourism sector. Activities include, among others employment in tourism enterprises; supply of goods and services to tourism enterprises; direct sales of goods and services to visitors; and tax or levy on tourism or profits with proceeds benefiting them. Investments in infrastructure stimulated by tourism also benefiting the poor in the locality, directly or through support to other sectors.²¹

Box 5

Global Partnership for Sustainable Tourism

In October 2008, the Global Partnership for Sustainable Tourism Criteria (GSTC Partnership) was launched at the World Conservation Congress. The new criteria – based on thousands of best practices culled from existing standards currently in use around the world – were developed to offer a common framework to guide the emerging practice of sustainable tourism and to help businesses, consumers, governments, non-governmental organizations and education institutions to ensure that tourism helps, rather than harms, local communities and the environment.

Source: World Tourism Organization: First-Ever Global Sustainable Tourism Criteria, Barcelona, Spain, 6 October 2008. The Global Partnership is an alliance of the Rainforest Alliance, the United Nations Environment Program (UNEP), the United Nations Foundation, and the United Nations World Tourism Organization (UNWTO).

²⁰ See the ILO's Decent Work Forum Number 29: "Should and Could the State Offer Employment Guarantees?" 18 September 2008

²¹ *Sustainable Tourism – Eliminating Poverty*, The World Tourism Organization, <http://www.unwto.org/step/mechanisms/en/ms.php>

38. Non-farming activities require a minimum level of infrastructure, which is still largely missing in many rural areas. Improved educational infrastructure, combined with enhanced access to water, energy and roads can improve the capacity of rural people to fully participate in non-farm activities and value chains. Moreover, improved education will enable rural people to compete in urban settings.

39. Policies that enhance literacy enhance the ability of rural people to compete both in urban areas as well as in rural non-farming industries. In this regard, the potential for skill-based and vocational education programs to draw faster yields for local communities requires special attention. The creation and maintenance of social protection systems is important in supporting workers that have been temporarily displaced.

40. Data collection, synthesis and analysis help promote understanding of the potential of non-farming activities in poverty reduction. Important data on non-farming activities may be collected in order to assess regional and global trends in this respect and determine how various forms of non-farming activities may be contributing to increasing income in rural areas. In light of the relative newness of the non-farming dimension of rural development, data remains limited.²²

E. Natural resources management

41. Agriculture is by far the biggest water user, accounting worldwide for about 70 percent of all withdrawals, with industry using some 21 percent and domestic (municipal) about 10 percent. FAO projects that by 2030, one in five developing countries will be suffering actual or impending water scarcity. Rainfed and irrigated agriculture will play a key role in ensuring food security for everybody. Better water management and improved technologies are needed to achieve “more crop per drop”.²³ (This issue is addressed in more detail in the SG Report on Agriculture).

42. Secure and equitable access to and sustainable use of natural resources are central to rural development. Well-defined, secure, and transferable rights to land contribute to social stability and avoid potential conflicts over land and water use. Policies and measures aimed at the sustainable management and use of natural resources need to address land degradation, drought, desertification and climate change. Equally important are policies and measures to reduce and control rural to urban migration, as uncontrolled migration poses challenge to sustainable land use planning and management and may lead to reduced food production in some countries.²⁴

²² FAO and IFAD have joined forces in data collection and synthesis, and FAO’s Rural Income Generating Activities: A Cross Country Comparison is among the first documents to rigorously analyze rural non-farming activities.

²³ FAO, *World Agriculture towards 2015-2030*, 2003.

²⁴For more policies related to land, please see the Secretary General’s reports on “Land,” “Drought” and “Desertification,” respectively.

43. In managing natural resources, modern technologies may be combined with traditional and indigenous knowledge. Sharing of traditional and indigenous knowledge between and among local communities assists in the dissemination of best practices on natural resources management in rural areas.

44. It is estimated that 1.6 billion people globally rely heavily on forest resources for their livelihoods. Adherence to sustainable forest management principles and practices is fundamental to the successful implementation of pro-poor programmes in rural areas. Regions with developing economies continue to lose forest area and lack adequate institutions to reverse this trend. Also, appropriate aquaculture management requires stronger regulatory frameworks and institutions as well as aquaculture-specific legislation. Awareness needs to be heightened regarding the role of aquaculture in rural development and its potential impact on food security and poverty alleviation.

Box 6

Enhancing the Livelihoods of Teak Farmers in Indonesia

In 2007, The Center for International Forest Research (CIFOR) launched a four year research project designed to enhance the livelihoods of Javanese teak farmers in Indonesia. CIFOR's efforts aim to improve teak farming techniques, establish micro-finance schemes, educate farmers on marketing strategies and make teak farming profitable and sustainable for small scale farmers living below the poverty line. The results will also support the local certification process and inform policy at a local, regional and national level. Seven villages throughout Gunung Kidul were selected as project sites.

Source: "From Conservation to Innovation: Building Capacity for Smallholder Teak Farmers in Central Java," Center for International Forest Research, October 21, 2008, http://www.cifor.cgiar.org/Highlights/teak_java.htm

45. Participation of local communities and stakeholders in decision-making on the protection and management of natural resources helps ensure that they are exploited in a sustainable manner. By establishing structures to share information, consolidate concerns and gather local data, rural people's interests may be taken into account and their decisions may be better-informed. Adequate policies need to be put in place that will protect poor rural communities and their livelihoods.

46. Poor people in rural areas are most vulnerable to the effects of climate change. Climate change is already imposing economic losses and food insecurity due to greater number of crop failures and livestock death. According to a recent study of thousands of farmers in 11 African countries, farmers are planting different crop varieties, changing planting dates and adapting

practices to shorter growing seasons.²⁵ However, for the vast majority worldwide, no changes in agricultural patterns have been registered and severe limitations may be imposed on future potential gains from agriculture. Including adaptation strategies in rural development policies is a first step towards enabling farmers to cope with climate change.

47. Governments (as well as donors and international organizations) need to fully integrate issues relating to the scarcity of water, land and energy into their governance and economic analysis activities. Within the specific context of the global food crisis, an essential element of this would be to build a much more comprehensive picture of the overall natural resources footprint and of the sustainability of the production and consumption of different foods (and the use of cropland more generally) in order to assess, for example, the quantity of water required in the production of a specific crop.

III. Strengthening the Enabling Environment for Implementation

A. Decision-making

48. Rural development needs to be mainstreamed in national development frameworks and poverty reduction strategies. Policy decisions to advance rural development should be participatory and involve all stakeholders in their implementation. Ensuring that the views of minorities are taken into account and that the voices of the most vulnerable in society are heard may greatly facilitate the successful implementation of such policies.

49. Government agencies that deal with rural development could foster community-based enterprises and develop new skills that emphasize service delivery and shared decision-making with local institutions. This will require that government agencies become more service-oriented. Burgeoning rural enterprises may benefit from a variety of support services sponsored by governments, donors and NGOs, including business development and marketing support and microfinance programs. Thus, governments are encouraged to provide long-term and integrated enterprise support.

²⁵ “Food Energy and Climate: A New Equation,” *FAO at Work*, 2007-2008

Box 7**Increasing Women's Participation in Decision-Making in Malaysia**

The Women's Candidacy Initiative (WCI) seeks to increase the number and influence of women in decision-making positions throughout Malaysia. The WCI grew out of the recognition that the political participation of women at every level of decision-making is vital to advance and uphold the rights of women and to better represent their concerns. Through talks, trainings and media interviews, the WCI seeks to enhance Malaysia's democratic process and bring politics into the hands of all people.

50. Reducing rural poverty is greatly influenced by national institutional frameworks that can be made more favorable for the economic activities and social needs of the rural poor. Strong and effective local and national rural institutions will create trust and encourage savings and investments by rural populations. By establishing institutional frameworks that provide greater participation of rural populations in decision-making and offer legal certainty and dispute settlement structure, social cohesion and stability in rural areas can only be further enhanced.²⁶

51. To compete against larger industries and urban constituencies and to gain access to larger markets, small rural enterprises could benefit from having their local officials advocating their concerns more effectively and making sure policies and regulations treat them fairly. Legislative reforms could realign incentives for rural representatives and increase their accountability downward to their rural constituents.

52. National governments have the responsibility to ensure that rural enterprises are not held back by business practices or regulations and tax structures that puts them at a disadvantage. At the regional and international level, policies aimed at ensuring fair trade should be promoted to enhance access of developing countries to regional and global markets, in particular agricultural markets

B. Finance

53. The development of a sustainable financial sector in rural areas faces many challenges but may provide the foundation for increased investment and income opportunities to rural and agriculture households and businesses. Although many governments have made efforts to invest in rural development, current global investment trends are unfavorable to meeting existing financial needs. Development banks and agencies usually assert that public

²⁶ "Transforming Rural Institutions in order to reach the MDGs", IFAD, 2003

intervention in rural financial markets has been detrimental to their sound development,²⁷ but do acknowledge the role of government in strengthening the regulatory and institutional infrastructure to support the development of financial markets in rural areas.

54. At the national level, geographic dispersion of financial institutions needs to be addressed to reach the more remote and less densely populated rural areas. Moreover, the diversity of rural areas and needs of clients requires a wide array of financial institutions, from formal to informal ones, which are able to meet specific needs. Financing opportunities like micro-credit facilities, cooperatives, and carbon financing (e.g. through Clean Development Mechanism) may be explored and broadened. Micro-credit and micro-finance could be supported in order to increase access to cash, credit and savings in remote areas; providers may include cooperatives, government sources and/or the private sector.

55. Informal finance of various types plays an important role in rural markets, as do self-help financial organizations and other sources of non-bank rural financial services. These include short-term finance from pawnshops, remittances and rural traders and agribusinesses. Remittances constitute the third growing form of finance for the rural poor and a potential source of investment capital for rural enterprises. The World Bank estimates that in 2007 internal and cross-border migrants from the developing world sent US\$239 billion back to their home countries. The International Fund for Agricultural development estimates that 80-90 per cent of such remittances are spent meeting basic needs such as food, shelter, health care, and other necessities.²⁸ With guidance and incentives, remittances could become a more well directed and potent source of local investment finance.

56. Establishing financial services such as savings accounts in rural communities to encourage long-term investment of remittance funds and promoting more service providers within the remittance sector so that transfer costs continue to decrease are among the options to better harness the potential of remittances for rural development .

²⁷ Fernando, N.A. and Moyes, R.T., "Moving towards inclusive rural financial markets in Central Asia," in Lamberte, M.B. et al., *Beyond Microfinance – Building Inclusive Rural Financial Markets in Central Asia*, Asian Development Bank, 2006

²⁸ *World Resources 2008, Roots of Resilience: Growing the Wealth of the Poor*

Box 8

The Creation of a Financing Facility for Remittances in Spain

Spain's Financing Facility for Remittances (FFR-2008) is a US\$13 million facility that aims to reduce the transaction costs of remittances, develop institutional partnerships, bank the 'unbanked' rural population and promote innovative remittance and financial services and productive rural investment of migrant capital in the countries of origin. Through a competitive process, the FFR awards eligible institutions grant financing of up to US\$250,000 per project. One of the key objectives of this initiative is to link remittances to financial services and products in rural areas.

Source: A partnership among The Consultative Group to Assist the Poor, the European Commission, the Government of Luxembourg, IDB, Spain's Ministry of Foreign Affairs and Cooperation, IFAD and the United Nations Capital Development Fund

57. Agricultural and food security policies that encourage investment in rural areas and support rural livelihoods should be developed and supported. These policies may be linked with government services to support the knowledge, rights, investments, integration, re-entry and networks of their citizens living abroad. Such policies have proven to be helpful for managing migration, improving the livelihoods of migrants and their families and reducing rural poverty. Conservation Agriculture and integrated/mixed crop and livestock farming are such systems that may achieve greater profitability of agriculture for producers, assured supply and better-quality food for consumers, and greater and sustainable livelihood opportunities to raise standards of living broadly and equitably. As a source of financial security the acquisition of livestock may be promoted. Insurance options for farms, herds and crops may be explored in order to protect against natural disasters to which rural people are particularly vulnerable.

58. Public-private partnerships have proven to be important in rural development and the mobilization of resources, including financial resources. However, with no tracking mechanism for evaluation, it is difficult to assess their value added. Therefore, it would be advisable to create a system to track financial flows of public-private partnerships in the area of rural development, similar to existing ones for ODA and other sources of capital flows in other sectors. By doing so, transparency and accountability will be enhanced and socially responsible business practices will be encouraged.

C. Access to regional and global markets

59. Globalization has created unprecedented growth in global markets and opportunities for prosperity. However, currently 1.2 billion people still live in extreme poverty, which is partially determined by constraints to their ability to participate in national, regional, and global

markets. Access of the rural poor to markets can be a powerful tool to reduce poverty and fuel economic growth. .²⁹

60. In addition to constraints relating to human capital and infrastructure, there are structural constraints that prevent the rural poor from participating in the markets, which include overly restrictive legal frameworks concerning the registration of farmer institutions, lack of legal frameworks for contract enforcement, excessive licensing requirements for traders, and divergent standards for product quality. Agricultural goods from developing countries face trade barriers that make products produced by the poor artificially expensive and thus less competitive. In view of these constraints, the World Bank Development Report 2009 proposes regional integration as a mechanism to increase local capacity and improve access to markets and suppliers.³⁰ Improved market access for the rural poor rests on integrating development planning with development assistance as well as trade and investment policies in order to encourage investments in remote rural areas and the people that live within them. These investments may be used to help the rural poor overcome physical and capacity constraints. Policy and regulatory constraints to market access as outlined above likewise need to be addressed urgently.

Box 9

Market Integration for Small Island Developing States

Small island developing states (SIDS) face a great risk of marginalization in the global economy because of their small size, remoteness from large markets, and vulnerability to economic and natural shocks. And with their fragile ecosystems, they are highly vulnerable to domestic pollution and rising seas. One effort to deal with the special problems of SIDS is the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), a nonreciprocal trade agreement for which Australia and New Zealand offer duty free, unrestricted, or concessional access for almost all products originating from the countries of the Pacific Islands Forum. Thus far, the clothing, textiles and footwear industry has been a major beneficiary.

Source: The World Development Report 2009, World Bank, Chapter 9, p. 273

61. Regional economic and trade agreements have been negotiated broadly to foster improved conditions for economic growth and stability worldwide. The regulation of agricultural trade should be improved to reduce constraints on the growth of commerce among the rural poor. Too many agricultural investments fail because they concentrate on increasing production but neglect to identify potential markets or the lack of them. This is why it is

²⁹ ECOSOC High Level Segment on Market Access for Agricultural and Rural Development, 2003

³⁰ *The World Development Report 2009*, World Bank

important to consider all elements in the production continuum – from planning to processing, to sale.³¹

62. Extensive research shows clear links between trade liberalization and global economic growth. Some of this research concludes that developing countries would benefit from removing their agricultural protections and subsidies regardless of reciprocal market access reforms in developed countries.

IV. The Way Forward

63. Analysis of the preceding sections has pointed out several critical areas requiring urgent attention with the objectives to reduce rural poverty, stimulate growth in rural economies, and preserve the natural resource base. This section highlights these areas together with the range of policies and actions that can help in achieving these objectives.

64. Coherence and consistency among different elements/components of the rural development strategy in line with the principles of sustainable development would result in greater complementarities to advance the rural development agenda. An institutional framework that offer rural populations a greater voice in decision-making, in dispute settlements, and improved access to assets and to the services that can raise the productivity of these assets has often been considered the plausible model to promote implementation of rural development programs.

65. Rural areas are particularly vulnerable to the effects of climate change in the form of water availability that affects agricultural production systems and other social services affecting productive capacities of rural population. Such adversities affect even more those populations located in very remote and inhospitable environments, and represent the poorest of the poor. Enhancing their resilience and capacities should receive a priority in any rural development strategy. This will require implementation of programs with focus on adaptation, disaster risk reduction, protecting watersheds and creating economic opportunities in rural economies, including strong local-level institutions with capacities in planning and implementing integrated rural development programs.

66. Building human and social capital is vital for meeting the basic needs of rural populations and securing long-term sustainability of investments made in rural development. This can be achieved by implementing programs and projects aimed at addressing the education and health needs of women, children, seniors, nomadic pastoralists, indigenous people, disabled people and people living in rural areas, particularly those located in very remote areas. Also, programs aimed at eradicating illiteracy through adult literacy programs, and educational programs that are closely tied to knowledge and technology transfer need to be pursued concurrently. Providing access to information and communication technologies and

³¹ “What Meets the Eye: Images of Rural Poverty,” IFAD, October 2007

strengthening capacities in utilizing these technologies will be crucial in sustaining the impact of these programs.

67. Achieving gender equality is important to accelerate sustainable rural development. Women make up a substantial majority of the agricultural workforce and therefore, providing safety nets for them is vital to sustain both, the agricultural production systems and, the rural family structure. In addition, mainstreaming gender issues into national development plans and poverty reduction strategies and giving them ownership of assets and equal access to economic resources can help achieving gender-balanced growth in rural areas.

68. The current rural poverty trends will be difficult to reverse without providing cost-effective, reliable and affordable infrastructure for safe drinking water, basic sanitation, rural electrification, clean and affordable modern energy sources, health services, transportation and roads, and, information and communication technologies. Development of infrastructure will allow the rural workers to participate in agricultural value chains by producing, storing, protecting, refining and transporting goods, as well as by enabling them to add value to products and communicate with other segments of the chain.

69. Rural livelihoods could be better sustained if policies guiding the exploitation and use of natural resources address the dual challenges of resource conservation and poverty reduction. Therefore, investments in agricultural productivity need to be accompanied by an integrated and holistic management of natural resources with particular attention to soils, watersheds, and biodiversity. Increasing agricultural productivity will require, *inter-alia*, strengthening farmers' capacities in agricultural production and marketing systems, adapting appropriate technologies, promoting market-based incentives, and efficient management of land and water resources. Having an access to domestic, inter-regional and international markets and trade can lead to further fostering of growth in rural areas.

70. Alternative livelihoods options that do not depend on agriculture, yet provide sustainable income opportunities, need to be promoted. Such opportunities may be encouraged especially in industries dealing with: agribusiness and food, transport, tourism, and handicrafts, among others. Other options may include provision of credit facilities to small farmers and entrepreneurs through formal and non-formal sources. It has proven to be successful in many countries for creating economic opportunities and stimulating growth in rural areas. Providing incentives to encourage long-term investment of remittance funds is another option.

71. Investing in rural development in general and rural infrastructure in particular will require mobilizing public and private resources to compensate for the massive underinvestment that has taken place over the past two decades. Investments should first target small producers of food, especially in sub-Saharan Africa. Meeting infrastructure needs will require massive investments for which national budgets will have to be supplemented by development partners. Greater investments in rural infrastructure will reduce migration to urban areas and encourage rural-urban linkages by ensuring that cities have dependable supplies of food and natural resources, and rural populations could explore economic expansion in urban markets.