

INSTITUTIONS - THE KEY TO DEVELOPMENT

Building Alliances to Empower the Rural Poor

Report on a GTZ-IFAD Forum
on 20 and 21 May 2003 in Berlin

Institutions – The Key to Development

**Building Alliances to Empower the Rural
Poor**

Editors: Keya Choudhury and Andreas Springer-Heinze

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Preface

Dr. Christoph Beier, GTZ, Director General, Planning and Development Department

The 25th anniversary of IFAD provides us with a good opportunity to reflect on rural institutions, our common views on this issue, and possible complementary experiences and functions on the part of our two institutions. Although both institutions have different mandates they have maintained very close working relations in various fields. One indication of the close relationship is a joint appointment coordinating cooperation and exchange of ideas; other opportunities for close cooperation and collaboration are in the field of rural finance and agricultural extension in the context of the Neuchâtel Initiative, where donor activities for agricultural extension are coordinated.

The topic we have chosen for our joint workshop - “Institutions - the key to development” - is more relevant than ever. We are happy that so many interested development practitioners have come to discuss in this workshop the issues of institutions, institutional reform and development and their dimensions. The documentation of the workshop can be considered a highly up-to-date presentation of the salient aspects of institutional development from a very practical perspective. At this point we would also like to thank colleagues from other institutions, such as BMZ, KfW, InWEnt, FAO, EDCPM, DLG, DGRV, various universities and other organisations, who joined us in the workshop and who have substantially contributed to its success.

Institutional reform is nothing new for us at GTZ – indeed, *institutional development* has been one of the GTZ's core tasks ever since it was founded. Initially, the focus was on individuals and grassroot level participation, while in the eighties the priority shifted to the development of organisations, in particular state organisations, in partner countries. In the early nineties, German Technical Cooperation, and hence the GTZ too, began to focus on the importance of political and institutional frameworks for development in general, and for the development and harnessing of existing and newly created capacities in particular. Most recently the focus on institutions has been made very explicit in the GTZ policy paper on capacity development. Indeed, we see a very strong overlap between institutional development and capacity development, with investment in capacity regarding:

- People
- Organisations
- Institutions and policies.

Institutional change has to be owned by people. It is their capacity that counts. We have now reached a new understanding of institutions. In a purist, new institutional economic understanding, institutions are seen only as the rules of the game or as the arrangements between players in the arena. Institutions are not equal organisations, but organisations are players. Among development practitioners the understanding has therefore slightly changed. We now understand institutions as organisations plus the rules of the game.

The relevance of the institutional dimension of German International Cooperation is also shown in the German Federal Ministry for Economic Cooperation and Development's five principles for bilateral cooperation. To be eligible for economic cooperation, partner countries are required to observe the following principles:

- Respect for human rights,
- Popular participation in political decision-making,
- The rule of law and legal security,
- A market-friendly and social economic order, and
- Development-oriented state action.

As is immediately obvious, all criteria in this list concern institutions. This means that we define development as institutional change, and – at the same time – make institutional change a condition or even a precondition for development cooperation. There is a strong nexus indeed at work here.

The question is how to achieve the ambitious task of bringing about institutional change, when we know that change processes need to be fully owned and driven by our partners to the extent that this becomes a precondition – while still basing the success criteria of our own efforts in cooperation on the very achievement of this institutional change. I think that we are realistic enough not to expect this precondition generally to be satisfied in our partner countries. We are accustomed to comprehending and implementing institutional change as a joint learning process. And we are also aware that the role of our advisers in this learning process is continuously changing. This again has an enormous effect on our own capacity and staff development. This has led us to the conclusion that more time needs to be allocated for supporting our partners within these processes than was formerly the case.

The workshop was structured into two main parts. Over the two days we looked at the issue of institutions from different perspectives, initially from the perspective of development practitioners in the first part of the workshop. In the second part, we discussed the question of institutional development at the broader level of policymakers, donor organisations and the interested public.

We hope that the results of our joint workshop will help create a wider common understanding of the key issues in rural development, and that they will improve our future activities in institutional development with the aim of empowering rural people and alleviating poverty.

Dr. Klemens van de Sand, IFAD, Assistant President, Planning and Development Department

Institutional change is not a new issue in development cooperation. 40 years ago the “promotion of pluralistic socio-political structures” was recognised as an important component of development cooperation, leading to the assignment of development tasks (and funds) to political foundations. The end of the cold war brought about a quantum leap in thinking, bringing institutional change into the mainstream of development – at least into the conceptual debate and the theory of development, though much less into the practices of development cooperation. At that time, at the beginning of the 1990s, we did not refer to institutions but rather talked about “framework conditions”. Criteria designed to analyse the “enabling conditions” were developed, with the aim of agreeing with our partners in developing countries on “positive measures” to address constraints in the enabling environment. We based our country strategies on these criteria, which in turn were derived from the fundamental human rights laid down in various UN conventions. Since then, we know and have accepted that institutional transformation in the context of poverty reduction and development is about ensuring peoples’ basic rights as individuals and as citizens. Thus, it is about providing equitable economic opportunities and political space for everybody, in particular for those who have little access to the economic and political system. This concept is nowadays captured in the programmatic term “pro-poor institutional change”.

IFAD’s policy agenda during the last couple of years has been characterised by the following aspects. Firstly, there is clearly a growing consensus both in IFAD and in other organisations, such as the German Federal Ministry for Economic Cooperation and Development (BMZ), GTZ and KfW, that institutions are as crucial to development and rural poverty reduction as the more obvious financial and natural resources. Secondly, it is widely acknowledged that investments in development are not sustainable without sound institutions. Thirdly, all agencies emphasise the fact that institutional development requires working with stakeholders and partners in order to increase the leverage of the poor by helping them to organise and empower themselves.

There is one conclusion drawn from the long history of institutional development that we all agree on in this conference: we are advancing, but this issue is by no means at an advanced stage. In fact, we need to learn much more about the ways and means of institutional development. We therefore need:

- a. To analyse the institutions relevant for the poor to overcome their poverty;
- b. To assess how best to promote pro-poor institutions in various sectors and specific local/national conditions;
- c. To develop methods to assess progress and its impact on institutional change – a challenge as daunting as the previous two.

Certainly IFAD, GTZ, KfW and other organisations represented in this workshop have extensive experience in building the capacities of rural organisations, and have learned many vital lessons. However, we have not been very systematic and deliberate in managing our knowledge so far, either in terms of sharing our experience, developing best practices or redefining our own policies in order to apply more comprehensive approaches to rural poverty reduction, such as building the rules of economic enterprise and enabling organisations that empower the poor.

As a result of this workshop, the participants have firmly committed themselves to future cooperation in various fields of institutional development. Thus, initial alliances have been built which now have to be put into place for the benefit of the rural poor.

In this respect, this interagency meeting has made a difference by “building alliances to empower the rural poor”. We have made a difference because we were candid and frank: we have talked about good practices – but with modesty; and about problems and constraints with intellectual honesty. Modesty and honesty are indeed essential elements in building partnerships, particularly in development cooperation!

Executive Summary

In order to discuss the potential of institution-building to combat poverty and contribute to one of the Millennium Development Goals, an interagency meeting was held on 20 to 21 May 2003 in Berlin on behalf of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the International Fund for Agricultural Development (IFAD).

The workshop consisted of two parts: firstly a technical consultation with experts in the field of institutional development, followed by a political debate (the “Policy Level Segment”) between the leaders of GTZ and IFAD and a high-ranking representative of BMZ.

The technical consultation started by clarifying the role and the potential of rural institutions in combating poverty. Subsequently, rural institutional issues were discussed in terms of their function of providing and regulating access to resources, such as land and water. Rural finance, technological innovation and the access to “voice”, which refers to the opportunity for poor people to participate in social and political life, were also examined. The discussions focused on the identification of the major issues, the problems and challenges and, finally, the options for cooperation in the specific fields.

IFAD, GTZ and the other participating organisations came to the following conclusions:

- There is a clear link between institutional structures and rural poverty.
- This link is most obvious in poor people’s lack of access to productive resources. The ability of the poor to access finance, technology, land and water as well as a political “voice” fundamentally relies on the institutional setting.
- Institutions are vital elements with regard to accountability and are therefore indispensable elements of good governance.
- A large degree of conceptual coherence between strategies in the different fields of access can be observed, e.g. the importance of membership organisations for developing rural, financial and other institutions.
- The participants agreed on the need to focus on the institutional dimension of rural poverty.

Concerning the actual development of improved rural institutions, all participating organisations can point to results that have been achieved; however, the fundamental challenge remains the same. There are sufficient options in terms of rural institutions, but progress in favour of the poor has been slow so far. The challenge is to achieve real and sustainable change. In development practice, the question of rural poverty needs to be more closely linked to institutional issues, and “inclusion” has to become the key word in the whole development process. This concept also needs to be introduced into policymaking processes.

During the second part of the workshop, the political debate, a common understanding was reached that in most developing countries, pro-poor growth depends on equitable access to

productive resources and increased investment in the rural economy. It was stated that policies have to become more pro-poor and address critical problems such as land tenure, market and price policies and the necessary reform of public sector service delivery. Policy also has to encourage economic growth, which is a necessary precondition for alleviating poverty. This means that a higher priority must be assigned to agriculture in order to provide the rural poor with essential opportunities. However, the Millennium Development Goals will not be reached without the active participation of the poor themselves. Development action should build on the potential of local people and encourage the development of ownership by local organisations. Institutional change has to be driven by the poor, who must simultaneously act as self-confident clients of public services, independent economic actors and citizens. Development agencies will have to build on existing institutions and leave it to the people themselves to find the best arrangements. Therefore, a key political message is to strengthen the voice of the poor, making them part of the solution. This requires adequate capacity in the hands of the poor which can empower local people and the organisations representing them to play an appropriate role.

As regards development policy, donor countries should envisage new directions in institutional development. This includes shifting from project support to process and programme support. German development cooperation is increasingly following this path by developing sector development programmes that address different levels simultaneously, i.e. individual change agents, public and private organisations as well as the political and legal framework conditions. It is widely recognised that the development of new institutions needs time to find a new equilibrium and requires a continued policy dialogue.

But the concern for rural poverty has an even wider scope: the global institutions governing trade, foreign direct investment and international relations affect the lives and livelihoods of the rural poor, but are largely beyond their reach. Therefore, the global institutional architecture needs to change if it is to respond effectively to the challenge of poverty. Advocating a greater poverty focus within official development assistance (ODA) agencies is another task that needs to be taken seriously. More cooperation between all those working to fight poverty is needed. The forum represents just one step in this direction.

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List of Abbreviations

BMZ	German Federal Ministry for Economic Cooperation and Development
CBO	Community-based organisation
CTA	Technical Centre for Agriculture and Rural Cooperation
DGRV	Deutscher Genossenschafts- und Raiffeisenverband eV (German Cooperative Association)
DIE	German Development Institute
DRS	Development of Rural Services
ECDPM	European Centre for Development Policy Management
E+Z	Entwicklung und Zusammenarbeit (Development and Cooperation)
FA	Financial assistance
FAO	Food and Agricultural Organization of the United Nations
FDI	Foreign direct investment
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HU Berlin	Humboldt University of Berlin
IFAD	International Fund for Agricultural Development
ILC	International Land Coalition
InWent	Internationale Weiterbildung und Entwicklung GmbH
KfW	Kreditanstalt für Wiederaufbau
MDG	Millennium Development Goal
NGO	Non-governmental organisation
ODA	Official development assistance
OPV	Open pollinating variety
PRSP	Poverty Reduction Strategy Paper
RF	Rural finance
RFO	Rural finance organisation
SLE	Seminar für ländliche Entwicklung
TA	Technical Assistance
UN	United Nations
ZEF	Center for Development Research

1 Background to the GTZ/ IFAD Forum

Rural institution-building aims at reducing poverty and is, at the same time, a precondition for sustainable development. It thus forms an important strategy enabling the implementation of internationally adopted agreements, in particular the Millennium Declaration, which includes the Millennium Development Goals (MDGs).

Rural institutional development can only be sustainable if it is properly integrated into policymaking processes. This calls for the formation of complementary partnerships and strategic alliances in order to ensure sustainable development and achieve significant poverty alleviation.

Furthermore, in an ever more interdependent and open world economic environment, the livelihoods of the rural poor are increasingly affected by rules and actors that go beyond their local and national spheres of influence. This means that people's capacity and institutions not only depend on local circumstances, but also have to take into account global players and framework conditions.

The issue of the development of rural institutions was the central topic of a round table discussion organized by IFAD on the occasion of its 25th anniversary. In order to follow up on this activity and to establish common ground for future cooperation, a discussion forum was held in Berlin from 20 to 21 May 2003 in order to debate further the potential impact of institutions on development. The conference concept was built upon the following assumptions:

Rural people in developing countries are poor because they lack secure access to productive assets, inputs and markets. This access is determined by informal rules and formal regulations or policies that are most often biased against the rural poor. Furthermore, the poor also lack the power or the voice to influence rules that affect their livelihoods.

To enable the poor to overcome their poverty, socio-economic, political, legislative and judiciary organisations are needed to help them influence the rules of access towards inclusiveness and security. Such an approach amounts to a turnaround in the political economy of development assistance, where the poor and their organisations need to become influential actors in their own right.

The Berlin meeting (GTZ/IFAD Forum) brought together a group of German bilateral organisations (BMZ, GTZ, KfW, INWENT), academics, NGOs and IFAD, a multilateral organisation of the UN, to exchange experience, analyses and lessons learned, and to define opportunities for enhanced strategic partnership. Such a strategic partnership will result in allocating official development assistance (ODA) more effectively, thereby enabling the poor and their organisations to influence the emergence of rules and regulations that will allow them to work their way out of poverty.

2 Introduction: Institutional Development and the Rural Poor

Three-quarters of the poor and hungry worldwide still live in rural areas. Taking this alarming fact into account, strategies to combat rural poverty will only be successful if they consider the following institutional conditions:

- The poor are active players and should be enabled to integrate their own potential into institutional change and development,
- Donor policies should support the creation of the necessary framework conditions for institutional change and development.

These issues will be addressed in the following chapters from the viewpoint of the German Federal Ministry for Economic Cooperation and Development (BMZ), GTZ and IFAD.

2.1 Strategies and Innovative Approaches to Institutional Development - How We Go about It

Dr. Christoph Kohlmeyer, German Federal Ministry for Economic Cooperation and Development (BMZ), Deputy Head of Rural Development and Food Security Division

The extent of poverty and hunger

We face alarming global figures of poverty and hunger: although the poverty rate has declined, from 29% in 1990 to 24% in 1998, nevertheless around 1.2 billion people live on less than 1 USD per day. 800 million people suffer from malnutrition and hunger despite abundant food availability, while 25,000 people die from starvation every day.

75% of the poor and the hungry live in rural areas; following current trends, the share of rural areas will not fall below 50% before 2035. The majority of the poor and hungry are women or children. According to current global trends, global food production is sufficient for the next twenty years. However, by 2050 food demand will have doubled, whereas the rate of available land and water resources will have declined significantly.

The role of agriculture in the development process

Developing countries are predominantly agrarian societies, in which agriculture is the primary driving force of economic and social development. Apart from the production of food, energy and raw materials, agriculture provides livelihoods and potential jobs for the rural population. In economic terms, agriculture contributes substantially to the gross domestic product, generates foreign exchange and is the source of capital formation.

Furthermore, agriculture also releases workforce for non-agricultural sectors and creates demand for non-agricultural goods and services.

Various lessons can be learned from the empirical evidence. In brief, it can generally be concluded that there is, on the one hand, a proportional relationship between economic growth and the benefit for the poor. On the other hand, “pro-poor growth” also requires the expansion of the rural economy, in particular in the primary and tertiary sectors. Finally, the pro-poor incidence of rural growth is highly dependent on equal access to productive resources such as land, human skills and capital.

Both the urban and rural poor gain from rural sector growth. By contrast, urban growth has adverse distributional effects within urban areas, which militate against the gains of the urban poor. Moreover, urban growth has no discernable impact on rural poverty.

Institutions in the development process

Society, if perceived as a social system, can be defined as a network of interrelated institutions with functional and structural dimensions. In functional terms, institutions are determined by the specific purpose of social interaction, whereas structurally, they perform along norms, social values, social rules and social roles, and form organisations applying the rules of the game. In other words, to achieve specific goals, people interact within institutions based on a specific value consensus and according to standardised behaviour patterns. Global food crop markets, local land tenure systems and rural households are typical examples of institutions. These are all structural components of societies; poverty itself is a product of society.

The development process is built on a process of institutional differentiation and specialisation within society. This involves changing the existing rules of the game and creating new organisations. Strategies to combat rural poverty must recognise that the poor are active players and part of the solution, and must also enhance institutional change, which enables the poor to develop their own productive potential.

Strategic elements for rural development

Rural development aims at promoting processes that encourage the development of people in rural areas at different levels (from the household to the global level), within the political, economic, social, and ecological dimension of development, and in a large number of fields (agriculture, food, education, health, environment, financial systems, trade, crafts, business and industry).

Therefore a system of methods, instruments and approaches has to be applied. This comprises policy coherence, policy dialogue, organisational development, advisory services and infrastructure measures.

The development of rural institutions should adhere to the following guiding principles:

- A comprehensive cross-sector plan;
- A wide-ranging systems approach;
- Process-oriented implementation;
- The living conditions of the rural population, which must be placed at the centre.

Action

Against the background outlined above, action is required in the social, economic, ecological and political contexts.

The main objective within the social dimension is to promote social change, with the aim of providing social security. This comprises:

- Conflict management, mediation and facilitating processes;
- Strengthening the capacity of rural local government;
- Strengthening the capacity of rural civil society organisations;
- Promoting gender-specific approaches;
- Reshaping social infrastructure and services;
- Safeguarding against social risks and vulnerability.

With the aim of redirecting investment towards rural economies, the major "pro-poor" leverage points within the economic dimension are:

- Land and agrarian reforms;
- The improvement of the rural infrastructure;
- Market and information systems;
- Financing rural development;
- Promoting diversification of agricultural and non-agricultural production;
- Capacity-building and organisational development.

Sustainable social and economic development needs to build on the long-term perspective of ecological equilibrium. This requires simultaneous action within the environmental dimension of development, according to the following aspects:

- In order to guarantee long-term access to water, watershed management and the economic use of water have to be promoted.
- Concerning the scarce resource of soil, combating desertification and safeguarding soil fertility is of the utmost importance.
- Forest and nature reserves have to be established and management plans drawn up;
- For the sustainable use and protection of resources, environmental standards and norms have to be set and implemented, accompanied by efficient knowledge management.

- The cross-border nature of most eco-systems at stake requires enhanced efforts to promote regional integration.

At the political level, numerous processes have to be facilitated. Coherent policy frameworks will be achieved by:

- Reforming the role and function of the public sector;
- Increasing the efficiency and commitment of public organisations;
- Combating the causes of corruption and applying the principles of good governance;
- Putting into practice the principles of participation and development-oriented policies;
- Decentralising political and administrative structures;
- Redressing market, price and fiscal policies as well as priorities or public investment policy;
- Working within the context of committed Poverty Reduction Strategy Papers (PRSP).

Not least, donor policy plays a significant role in the creation of the necessary conditions for institutional change. Genuine rural development requires improved coherence within our own policy framework, more active policy dialogue with our partners, improved donor coordination, and impact monitoring of our own policy changes.

2.2 Strengthening Institutions in Rural Development – The GTZ Approach

Dr. Petra Mutlu, GTZ, Director Agriculture, Fisheries and Food Division, Planning and Development Department

In the context of the workshop's wider theme: "Institutions – The Key to Development: Building Alliances to Empower the Rural Poor", this paper concentrates on GTZ's experiences in institutional development within the area of agriculture and rural development.

For almost 30 years, GTZ has been providing technical cooperation (TC) on behalf of Germany. However, TC has never put technical aspects at the centre of policy. In fact, TC has always been understood as an effort to develop the abilities and capacity of target groups to make effective and efficient use of their resources. The focus was initially on individuals and groups, and later expanded to include organisations and higher levels of social organisations. In that sense, *capacity development* has been one of GTZ's core themes all along. Today, this principle is applied to all levels of the social and economic system, strengthening the capacity of individuals, of businesses and public organisations as well as the overall institutional structure of a country. Capacity development thus includes institutional change as an important component. In fact, it is possible to distinguish different aspects of capacity according to the level of aggregation, from individuals to the functioning of the public sector.

As regards the definition of “institutions”, we share the view that this should include both the *rules* governing social, economic and political life, as well as the *organisations* operating under these rules – and sometimes shaping them.

Poverty Reduction and Institutional Development

Poverty reduction has become the generally accepted objective of development cooperation. This is reflected in the Millennium Development Goals as well as in the German Government’s Action Plan 2015.

There is no need to dwell on the fact that poverty in most developing countries is first and foremost a rural phenomenon. Three-quarters of the world’s poor live in rural areas. They are disadvantaged in many respects. They receive less education, and they have to deal with an extremely weak infrastructure, be it in terms of roads, access to markets, fresh water, health, communication or agricultural services. Therefore, any strategy aimed at alleviating poverty must first of all concentrate on rural problems, although creating new and sustainable capacity under these conditions faces particularly difficult challenges.

How can a reduction in rural poverty be achieved?

In our perception, the development of institutional capacity takes place in two dimensions:

(a) with respect to the *rules*, i.e. the policies and institutional arrangements through which public goods are delivered and the access to resources is regulated. Capacity issues include efficient public administration and funding, the protection of common resources, law enforcement, and facilitation of access to productive resources.

(b) with respect to the *organisations*, i.e. the administrative units, services and businesses that actually create the economic and social benefits. Capacity resides in strong and stable self-help organisations and cooperatives, in well-performing service providers, in lean and efficient public sector agencies, and in a competitive private sector.

Both dimensions are clearly interlinked. For example, organisations are relevant because the needs of rural communities usually consist of not individual but collective needs, which can only be dealt with jointly. People thus have to become organised to articulate their demands and advocate their interests. The capacity of their organisation has to be strengthened so that they can eventually access resources.

On the other hand, such a development will only be possible if the legal and political conditions are in place for people to join organisations and to use them for lobbying and advocacy. The existing rules have to support self-organisation. Nevertheless, institutional rules do not always have to come first. The existence of a collective organisation also is a precondition for effectively influencing the policies and institutional arrangements that in turn determine the options of a farmers’ organisation.

Approaches to institutional development in rural areas

Applying this idea to institutional development in rural areas reveals a wide range of possibilities for action. Table 1 summarises some typical topics and intervention areas of rural institutional development, organised both according to the two dimensions mentioned above and to the levels of intervention.

An important level of action is the micro level, which typically constitutes a number of villages or communities up to the district level. Frequent institutional arrangements – i.e. rules - range from community land-use planning to community development in general. In recent years, decentralisation policies have provided an important platform for changing the rules of local decision-making. At the same time, GTZ supports community-based organisations by strengthening existing structures or encourages the setting up of such organisations, e.g. producer organisations or village groups for different purposes. The tasks of GTZ advisers at this level include the mobilisation of people and the training of local facilitators.

At the meso level, we increasingly find commodity supply chains as the organising principle or set of rules. Here, advisers moderate and prepare stakeholder conferences, link different partners and advise on regulations and standards. Correspondingly, organisational strengthening refers to professional or producer organisations or specialised service providers. Another option relevant for rural development at the meso level could be a watershed scheme, with upstream and downstream interest groups, or water user organisations and the corresponding arrangements for water management. Organisational capacity can also refer to networks.

At the macro level, the regulatory dimension is provided by the different fields of policymaking, the organisational dimension by ministries and other political actors. GTZ has a role to play here through policy advisory work and support for the implementation of reform processes. Interventions for organisational development include technical assistance to improve the efficiency of public organisations. Going from the national to the international level, the regulatory dimension becomes even more important, as we can see with the WTO II negotiations or the resolution of contentious standards on bio-safety or on genetically modified organisms (GMOs), for example.

Table 1 : Institutional Development Options in Rural Areas

	Micro level	Meso level	Macro level	International level
Creating institutional arrangements and policies	Local governance, village planning, land-use planning	Supply chains, access rules to resources and services	Policies for markets and natural resource use	International standards, WTO rules, conventions
Strengthening organisations	Farmer organisations	Professional organisations	Ministries of agriculture	Implementing agencies for conventions

The following cases provide examples of the application of this concept, concentrating on the micro and meso levels.

ANOC, Morocco

GTZ's cooperation with the Moroccan Sheep Breeder Association (ANOC = Association National Ovine et Caprine) provides a good example of the approach to building producer organisations. Right from the start, the focus was placed on internal organisational issues – i.e. the organisational development of the association as a whole, as well as the capacity of local member groups. Combining these two layers has proven very successful, as it has helped to develop the spirit of a cooperative organisation that is based on active membership.

Another strategy adopted by this project was to make the association attractive to its members, not only as a representative of their interests but as a genuine service organisation. Two kinds of services were introduced: (a) a profit-oriented unit for the commercial activities, which is operated purely as a private enterprise serving non-members as well as members; and (b) a small extension service for the member groups, paid for from the benefits of the commercial services. This helps to attract new members and broaden the base of the association, which in turn leads to greater turnover from the services delivered.

Although this may seem an approach that is purely directed towards organisational strengthening, it has also generated new ways of thinking in the sector at large. Showing that cooperation works at the farmer level has provided a great boost for entrepreneurial thinking (at both the organisational and individual member levels), and has greatly improved the understanding of the advantages of becoming independent of state-owned programmes.

Interestingly enough, both dimensions of institutional development can be found in this example. The organisational dimension is quite clear, as the partner for this project was just one organisation, and almost all activities were carried out in partnership. ANOC is becoming an ever-stronger producer association and is expanding its membership base. The dimension of rules and arrangements seems less obvious at first sight, but also plays a very important role. One aspect is the fact that the breeder association has taken over functions from the public sector, notably in the field of technical extension, but also in areas such as training, and even in the preparation of political decisions. It is fair to say that this development is very welcome in the Ministry of Agriculture, which already has difficulties in funding public services. However, one consequence is that it clearly shifts the balance between the state and civil society. Another point is the increasingly active role of ANOC in shaping the livestock sector. Today, research projects are carried out jointly between the association and the national research institute. Furthermore, the association makes the voice of breeders heard vis-à-vis the national government and at the regional level, when it comes to finding solutions for problems of marketing or of pasture degradation. Though these consequences are rather indirect, they do constitute a clear impact, and show how institutional change can be achieved.

BASED, South Africa

BASED, which stands for “Broadening Agricultural Services and Extension Delivery”, began operating in the Northern Province of South Africa, and is now operating nationally.

The project started at the village level by analysing needs and demands. It consciously looked for existing village and farmers groups and worked with them. Gradually building up from the bottom, the existing organisations formed an umbrella organisation at village level. The main function of this umbrella organisation was to coordinate community development, guaranteeing inclusiveness and demand aggregation.

A telling example of how BASED works is the case of the seed production sector. Farmer groups had been looking for new and better varieties for a long time, yet the commercial seed sector did not see the need for the production and supply of OPVs (open pollinating varieties). To address this problem, the project facilitated cooperation with a regional seed supply network and helped farmers multiply improved maize OPVs. The production was successful and the farmers (mainly women) started producing their own seeds, acquiring considerable skills and know-how in the process.

As a consequence, the demand for OPV seed in communal areas increased. Based on their initial success, producers were in a much better position to approach the public agricultural research centre (ARC) as well as the seed companies to expand the operation and involve professional service providers. BASED moderated the negotiations. Realising the market potential in the communal areas of the region, the seed companies finally started to take the demands of smallholders seriously and decided to enter this business. The farmers’ organisation is now a registered seed producer and cooperates with commercial companies in the marketing of OPV. ARC has taken up the function of maintaining the germplasm of locally adapted varieties. Extension officers in the region have succeeded in becoming official seed inspectors. The system has since grown ever further, and eventually village representatives were able to carry their demands to the national level.

Starting with individual village groups, BASED has not only assisted the formation of a farmer organisation, but through this development has also developed new linkages and rules of cooperation. The decisive factors were the increased capacity to articulate demands as well as openness to innovation. The role of BASED has moved from mobilising village change initially, to networking between different projects at the regional level, and eventually to becoming a platform for civil society, the private sector and the public sector. The example illustrates how institutional development can start out small at the village level but trigger much more broad-based change later on.

Conclusions

The experiences mentioned have changed our understanding of institutional development. In fact, institutional capacity-building is a matter of system change. Policies, institutional arrangements and organisational performance have to evolve in parallel. The lesson is that a comprehensive understanding of the potential for progress and of the dynamics in change processes is the key to success.

Another point is that local people have to determine the rhythm of change. GTZ does not impose any particular rules and organisational solutions, but rather facilitates the search for solutions. Even a minor intervention can be valuable and lasting if it comes at the right moment.

Finally, success lies in the empowerment of local people. Empowering poor people is a means of reducing poverty: self-confident people are better able to demand services and fight for access to those resources, a process which will lead them out of poverty. Yet even in the absence of immediate economic success, empowering poor people is valuable: from a democratic point of view, empowerment is an objective in itself, because participating in democratic processes represents a fundamental right and forms the basis for human development.

2.3 Institutional Transformation to Enable the Rural Poor to Overcome their Poverty

Thomas Elhaut, IFAD, Lead Economist, Programme Management Department
(Powerpoint presentation)



Institutions matter ... a lot !

They make all the difference. 75% of the poor are rural

- one dimension of rural poverty: institutional poverty
- access to productive assets, inputs, markets
- informal and formal rules - **institutions**:
 - reduce uncertainty and transaction costs,
 - determine choice set, feasibility, productivity and profitability of economic enterprise
 - define the incentive framework of an economy
- asymmetric access rules
- poor lack voice and power (cause and consequence of poverty)

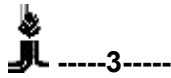
socio-economic, political, legislative and judiciary organisations



Recent Efforts in IFAD within comprehensive impact management approach

- 2 years of knowledge management - the beginning
- conceptual framework, case studies, thematic studies
- all sustainable livelihoods assets:
human, knowledge and technology, natural, physical, financial, social
- objective:
address core cause of poverty
 - elevate impact beyond people to impact on institutions
 - be deliberate on institutional transformation

- demonstrate that projects provide platform for institutional transformation
- institutional transformation an enabling condition for upscaling



The Oxbow Lakes Small Scale Fisheries Project, Bangladesh

Approach:

- change in role of government
- change in attribution of leases (issue of licences)
- from labourers to managers with LT leases: lake management groups, fish farming groups

Technology shift:

- control infrastructure
- stocking
- intensive carp polyculture

Investment:

- water control structures
- social services
- technical services
- financial services



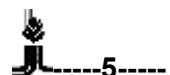
Project Benefits

Lake Fisheries on 22 lakes:

- 4467 beneficiaries (70% of target)
- 2503 lake fishermen (89%)
- 1322 fisheries related activities (67% women)
- income gains: **56% to 100%**

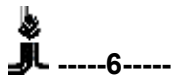
Fish farming

- 642 families (27% of target)
- 73 ponds (88% of total operated by women)
- income gains: 70% to 175%
- other benefits: health and clothing, tin roof, land, gold, goats and cows, dowry
- output 682 kg/ha (target: 700 kg; natural rate of rep. 250kg)
- 10 year leases (up to 50 years) firmly established
- other poor: miscellaneous fish; purchase at lake side at wholesale price
- lakes outside project area replicate approach



Transformation of Institutions at Macro-level

- Opportunity: New Fisheries Management Policy - open water fishing rights to genuine fishermen
- replication of policy to “closed” waterbodies
- in context of policy/institutional reforms



Transformation of Organisational Framework

	Previous	Current
Policy framework	<ul style="list-style-type: none"> - Democratisation, freedoms 	<ul style="list-style-type: none"> - Liberalisation (markets) - Localisation, decentralisation - Globalisation - Urbanisation
Role of the state	<ul style="list-style-type: none"> - Supplier of goods and services - Productive agent 	<ul style="list-style-type: none"> - Policy (disengaged from production) - Corrects policy failure - Public goods - Safety nets - Supplier of last resort
Pro-poor organisations	<ul style="list-style-type: none"> - ...for/with... - The poor are clients, users of services - Supply organisations, delivery of goods and services - The poor benefit 	<ul style="list-style-type: none"> - ...with/of... - The poor are citizens - The poor are producers, purchasers, of goods and services - The poor have a voice, participate - Emphasis on demand side Organisations - Access to markets: assets, inputs, products/services



Transformation of Meso and Micro-level Institutions

Lake Management Groups : enable men

Challenges:

- level of the lease fee
- floods
- former lease holders
- poachers
- adequacy of working capital (“lack of collateral”)
- group leadership and democratic decision making

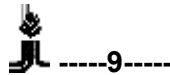


Transformation of Meso and Micro-level Institutions

Fish Farming Groups : enable women

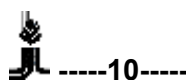
Challenges:

- business management: accounting and financial management
- group leadership
- lake management groups (especially after floods)
- elites, the former users of lake side government lands
- political patronage
- marketing
- revenue from marketing



Conclusion: Lessons Learnt (1)

- investments are crucial: infrastructure, technical services, social capital formation services
- new approach works - ready for up scaling:
 - shift of assets to the poor
 - benefits are high
- organisational design principles - organizational diagnosis, design and transformation is critical to influence rules:
 - inclusiveness
 - pluralism: choice (competition), voice, exit
 - build on traditional organizations, change existing organizations, add windows to – existing organizations, new organizations
 - learning curve
 - political economy of organizational transformation: interest groups, elites
- organisational transformation requires ex-ante pro-poor macro-policy, and this ex-post influences meso and micro-institutional transformation



Conclusion: Lessons Learnt (2)

- Institutional transformation is complex:
 - confirmation of analysis of **common pool resources** (Ostrom, Platteau, ...)
 - all rules of game theory (uncooperative games with information asymmetries) are pertinent: **position rules, boundary rules, authority rules, aggregation rules, scope rules, information rules, payoff rules**– best designers of the rules are the poor themselves (Ostrom), need to accommodate in our ODA processes
- risks must be identified and risk management institutions need to be developed:

- technical: floods
- risk for institutional failure/slippage, especially post-project
- confiscation: men, elites, ...
- local government accountability
- continuity of financial services
- continuity of organisational capacity building and assistance in protecting user rights
- long-term commitment: another 15 years (after 8 years of implementation).

3 Institutions Providing Poor People with Access to Resources

Secure and equitable access to assets such as land and water, technology, finance and other services as well as to markets is the key issue in seeking to reduce poverty and enhance rural development. The extent to which the rural poor benefit from local resources, generate income and improve their livelihood depends on the institutional arrangements regulating access. In the workshop, “institutions” were defined both as rules of access and distribution and as the economic, social or political organisations that operate according to these rules.

All problems of access are affected by institutional arrangements and finally relate back to social structure and political relations. Institutional change means the transformation of rules and the creation of organisations, thereby opening up new opportunities for poor people. Measures to bring about institutional change thus have to be embedded in a wider strategy of public investment, policy dialogue and advocacy. The process of transforming rural institutions should follow three principles: (a) to empower people to develop their full potential, (b) to give voice to the poor so that they can influence institutions and policies themselves, and (c) to make public policies more responsive to the needs of the poor.

The poor need to build capabilities to control the conditions that determine their livelihoods and, in particular, to gain access to economic opportunities, social services and infrastructure.

3.1 Institutional Aspects in Rural Poverty Alleviation – An Introduction

The workshop examined five different resource categories in which access is a particularly relevant issue.

Land, the first category, plays a significant role in various respects. First of all, land is the basis for agricultural production and provides collateral for credit markets. Land ownership grants social status and identity, whereas landlessness amounts to rural poverty. Insecure property rights are a major obstacle for sustainable land use and management. Furthermore, equitable and fair access to land can contribute to reducing social tension and conflicts.

Access to land, land use and land ownership are ruled by traditional and modern institutions, including customary and codified land-use rights. Politics and the power of vested elites play an important role here.

Access to land is frequently closely linked to the issue of water access, as water scarcity is often a serious constraint on agricultural productivity and diminishes the value of the land. Therefore, regulating subsurface water rights and adopting new instruments in the water market can potentially partially substitute for land reform. Institutions that give poor people decision-making power over water assets contribute to sustainable poverty reduction.

Where pressure on land and water is great, natural resource degradation often reaches alarming levels. This is a major problem for the rural poor, who tend to live in environmentally

fragile zones. Many poor farmers face a choice between restoring the fertility of their small family plots or common village resources, or migrating to the cities.

Given that a large share of the rural poor live in fragile zones and run the risk of either further exploiting their resources or migrating to the cities, the need for appropriate technologies to improve and diversify income sources is obvious. Of course, any technical solution has to be adapted to the specific social, economic and ecological environment. Technology development requires appropriate research and advisory methods together with close cooperation with the rural poor.

In many cases, the use of improved technology presupposes the existence of a minimum working capital. The access to capital poses a major obstacle even if the amounts involved are small, as the poor lack the necessary collateral, and banks are usually not interested in getting involved. Therefore, assistance needs to focus on developing professional and responsive rural finance organisations, with a strong emphasis not just on providing credit but also on encouraging savings. An additional category of access that is of relevance to the poor is the product market. Income can only be increased sustainably if farmers are linked to markets. However, though important, this aspect was not treated in the discussion.

Instead, a fifth resource category was included, that in a way permeates all the other ones - political participation, or “voice”. The most intricate problem is the political marginalisation that accompanies poverty. Villagers are excluded from decisions over resources. The reform of public governance, especially administrative decentralisation, or the social organisation of the poor, are institutional changes that open a doorway for poor people to influence resource allocation.

Based on these five categories of resources, the workshop identified and discussed the major institutional issues affecting each of them, i.e. the challenges, problems and potential solutions that deserve the attention of development agencies. Many of the points that came up are, in fact, similar. They have to do with the problems of poor people themselves, their organisations, the way that public services operate, and the legal and political framework. Selected key issues that were discussed during the forum are summarised in Table 1. The table is structured according to the categories of resources. At the same time, it provides a basis for comparing institutional problems across these categories. Further details can be found in the individual working group reports.

Table 2: Key Institutional Issues according to resource categories

Key institutional issues						
Resource Category / Working Group	Capacity of the poor to articulate themselves at the local level	Capacity of the poor to articulate themselves as service clients	Rural organisations	Systems of service governance	Legal framework and policies	Donor strategies
Access to Finance		Mission drift of microfinance institutions towards abandoning the rural poor		Trader-farmer interlinked arrangements Involving agricultural development banks (ADBs) Reviewing the role of apex organisations and associations		
Access to Technology		Organisation of effective and inclusive articulation of needs		Supporting institutional change to ensure the accountability and responsiveness of research and extension Building supply capacity	Building regulatory and system support capacity	
Access to Land	Generating long-term gender access to land Linking local organisations and local administration		Strengthening community-based organisations Establishing national and sub-regional networks		Contradictory and overlapping legislation	Coherence of interventions of external donors
Access to Water	Building local capacity to manage water resources		Water user organisations	Water governance Integrated Water Resource Management (IWRM)		
Access to Voice	Fostering local partnerships					Monitoring of decentralisation

An interesting aspect of the table is that the poor appear both as citizens in rural areas and as service clients. As local citizens, people need to organise themselves to take control of their affairs, while as service clients, they need the ability to express their needs vis-à-vis the technical and financial organisations that are supposed to serve them.

Reforms and institutional arrangements at the meso level of financial, technological or irrigation service providers were discussed more intensively than the political and legislative points, which only came to the fore in the group discussing access to land.

The working groups discussed the problems and challenges in each case, identifying some examples of successful institutional arrangements and strategies. Based on this analysis, fields of potential cooperation between the agencies participating in the forum were identified. The following chapters report these results. Each chapter consists of an introduction to the topic followed by a summary of the working group's deliberations.

3.2 Access to Finance

3.2.1 Introduction

Henri Dommel, IFAD, Technical Advisor, Rural Finance

We have defined institutions as the rules of the game and the organisations that shape them and operate within them. In this context, one may consider institutional issues related to rural finance (RF) at three levels: the legal and regulatory framework, the institutional diversity of the RF organisations themselves, and some key aspects of their governance. These three dimensions are important for the following reasons: (i) the legal and regulatory framework determines to a large extent the rules of the game under which RF organisations operate; (ii) the great variety of those organisations' structures determines how financial services are extended to the rural poor, and finally (iii) governance directly impacts on the representation of the rural poor within those RF organisations, and on their ability to make themselves heard.

The place of the legal/ regulatory framework

When such a framework exists, the first question is whether it is appropriate and conducive to a flourishing RF industry, or whether it needs to be amended. Sometimes, existing laws may be an obstacle to the growth of RF organisations, for example when they put caps on interest rates or restrictions on non-collateral lending. National legislation may place financial cooperatives under the authority of the Ministry of Cooperatives, which could be an obstacle to their professionalisation and effective supervision. Conversely, an appropriate legal and regulatory framework may create a conducive environment for the emergence of a strong and vibrant rural finance industry, increase the confidence of the public in these institutions, and facilitate their effective supervision.

If there is no legal framework as yet, the critical issue is to understand when and how to promote its emergence. Examples exist where premature regulation of a microfinance industry has clearly hampered its growth and stifled innovation, as governments did not have the opportunity to gain sufficient knowledge and understanding of the specific characteristics of this industry. Encouraging a participatory process with all concerned stakeholders (government, RF organisations, donors, practitioners), and fostering lateral learning from other countries (especially central banks) that have experienced similar situations may prove very effective in supporting the emergence of an appropriate legal framework. GTZ and IFAD's cooperation with the AFRACA network has played and will continue to play an important role in encouraging an ongoing policy dialogue within and between countries, involving the full spectrum of financial institutions involved in rural finance as well as monetary and supervisory authorities.

The great diversity of rural finance organisations

The key challenge for IFAD (and other donors) has been to support the emergence and development of RF organisations adapted to their local contexts, with important outreach to the rural poor and strong prospects of sustainability. A striking characteristic of the rural finance industry is the great diversity of types of organisations that shape it. This is clearly reflected in the variety of organisations that IFAD has been funding: commercial or state-owned development banks, rural banks, financial cooperatives, financial service associations, NGOs, villages banks and other types of highly decentralised organisations. A concrete challenge faced by IFAD in this context has been to reconcile the twin objectives of promoting deep poverty outreach while encouraging financial sustainability. The manner in which these objectives are pursued also needs to be adapted to this great variety of contexts and organisational set-ups: measuring the sustainability of a self-help group/ bank linkage programme is quite different from assessing the viability of a stand-alone financial institution. IFAD and GTZ have been actively exchanging their mutual experiences with different types of organisations (for example in the case of the SHG/bank linkage model in Asia). We have also worked on developing coordinated conclusions on the way to support (or not support) certain models. This is the case for the issue of "when" and "how" to back reform processes within state-owned RF organisations, as was highlighted in the recent conference organised by GTZ on this subject in Sri Lanka in January 2003.

Governance and how to give a voice to the rural poor within rural finance Organisations

Governance refers to the "internal" rules of the game within RF organisations. Beyond the common narrow definition of governance as the relationship between management and supervision, this concept may be understood as the analysis of the decision-making power within an RF organisation, and how this power is exercised. In this respect, governance is intimately linked to the issue of participation of the rural poor in the life of the RF organisation, and how this participation translates into an effective impact on the decisions taken. We ought to recognise that the participation of the rural poor can take many different forms: participation in product design with the use of effective market or client satisfaction

surveys, participation in the actual management of the RF organisation, which can help reduce operating costs and can reach sustainability in sparsely populated areas, for example.

The participation of the rural poor to the Board of an RF organisation can also be considered as a way of preventing “mission drift” on the part of the organisation as it transforms itself into a commercial and private entity. It is also interesting to note that the governance structure in an RF organisation is often not a static choice, but reflects an iterative process, whereby the role of clients in the management and supervision structures may evolve over time, reflecting changing circumstances, a response to a specific crisis, or the need to adapt to rapid growth. The role of donors in such a context should however be to ensure that these RF organisations continue to meet the demand of the rural poor for simple, flexible and safe financial services.

3.2.2 Results of the Working Group

Thorsten Giehler, GTZ, Project Coordinator, Financial System Development

The working group included representatives from IFAD, GTZ, DGRV (German cooperative association) and independent consultants.

Institutional issues, problems and challenges were identified on different levels. The working group concluded that in relation to rural finance the “client/user” level is of major importance rather than the local governance level. However, particular weight was given to the rural organisational level.

The following problems were identified:

- The role of banking associations is still underestimated. Services should be provided to the whole sector rather than to particular institutions.
- The role of buyer/ supplier credit is still underestimated.
- The role of agricultural development banks in terms of financial service outreach is still underestimated. In many cases, small institutions such as NGOs or rural banks cannot provide long-term loans for agricultural investment.
- There is a risk that transforming institutions, i.e. from informal to formal institutions, might imply mission drift, leading them away from their initial objectives and target groups.

The major institutional issues and respective fields of cooperation are summarised in the following table:

Table 3: Institutional Issues and Areas of Cooperation Related to Rural Finance

Level	Institutional Issues	Areas of cooperation
Client/user level	<ul style="list-style-type: none"> • Stronger voice of the poor in RFOs (representation/management) • Participation in product design • Follow a strategy of trial and error – process approach • Donor strategies at local level to strengthen RFOs 	<ul style="list-style-type: none"> • Joint conceptual work on ownership structures and client representation • Study on "Mission Drift" (GTZ/IFAD/DGRV)
Rural organisations	<ul style="list-style-type: none"> • Promote a variety of institutional forms at local level • Strong RFOs • Business service providers at meso level • Institutional aspects of rural finance for the poorest of the poor • Supplier/buyer credit 	<ul style="list-style-type: none"> • Joint conceptual work on buyer/supplier credit (IFAD/GTZ) • Joint TA projects in the area of networks and associations (AFRACA, AFMIN, Latin America, GTZ/IFAD) • Joint TA/FA project (IFAD/GTZ) in the field • Joint review/self-help group linkage model in Asia
Legal framework/policies	<ul style="list-style-type: none"> • Change banking rules towards pro-poor policies • National financial regulations • Change the rules within RFOs • Macroeconomic policy issues 	<ul style="list-style-type: none"> • Consensus on the role of agricultural development banks • Lessons learnt from cooperation (IFAD/GTZ)
	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Joint memo on rural finance (IFAD/GTZ)

The table stresses that cooperation is particularly required concerning conceptual work if the institutional variety related to financial institutions is to be broadened. There was common understanding that InWEnt should be included in joint conceptual work in the future.

Cooperation between GTZ and IFAD faces the challenge of combining different approaches, i.e. those of Technical Assistance and Financial Assistance (TA-FA), and utilising the respective comparative advantages. Concerning future cooperation, there was consensus that the participating institutions should build upon synergies and should become involved in political work to a greater extent. Political engagement should be included in the proposed joint memorandum.

Further joint TA-FA projects need the involvement of both the regional/country representatives and the technical experts in each organisation. The proposal regarding joint TA-FA cooperation therefore has to be discussed within each organisation. A future example of a potential field for TA-FA cooperation should arise soon in India.

3.3 Access to Technology

3.3.1 Introduction

Dr. Paul Schütz, GTZ, Project Coordinator, Knowledge Systems in Rural Areas

Access to technology for rural people has in the past depended on public organisations such as agricultural extension services and agricultural research systems. However, those services were neither poverty nor oriented. In the following short introduction only some aspects of institutional development in the context of access to technology will be highlighted as a starting point for discussions in the workgroup.

Within the context of official development assistance efforts have become more focused on the issues of reducing poverty and social inequalities, sustainable use of natural resources and participatory development. This is also relevant for rural areas and both services can contribute to the achievement of these objectives. The refocusing of official development aid is accompanied by a number of institutional changes, such as decentralisation and the privatisation of services. Along with these political developments, new actors are entering the arena, while public spending on extension and research is shrinking. For the clients, this means in many cases that they have to contribute to the costs of service delivery with their own resources.

Other trends affecting access to technology are the efforts by many actors (donors) to make farming more market-oriented, and to link farmers to markets. This development has triggered the need for new services such as market information, quality standards and the grading or certification of production. In this context new forms of institutional arrangements are also evolving, such as supply chains, for example. Typical examples of commercial supply chains are those for coffee, cotton, cocoa and tea. Each chain is dominated by a marketing organisation, which dictates the institutional arrangements. Nevertheless, the institutional set-up of a supply chain can be considered as a development instrument. Examples can be found in the field of organic production. In development-oriented supply chains, producers need to be organised to voice their interests in the negotiations on the rules of the game. Of course, the producers in supply chains are naturally not the poorest of the poor, but are rather better equipped with resources. The example of the supply chain and the other new institutional arrangements show that there is a serious need for qualification in rural areas. Qualification in this context means the combination of non-formal and formal training and education for rural people to ensure the relevance of the learning process.

Dr. Klaus Klennert, InWEnt, Head of Division, Rural and Agricultural Development

Working on technology innovation as presented above requires institutions that, in the first place, need to take up and disseminate innovations, which in turn calls for a respective building of capacities.

In this context we can understand capacity “as the combination of human resources and institutions that permits countries to achieve their development goals.”

The Canadian CIDA defines capacity development as follows:

“Capacity Development refers to the approaches, strategies and methodologies used by a developing country and/or external stakeholders to improve performance at the individual, organisational, network/sector or broader system level or enabling environment.”

This is precisely the point at which organisations such as InWEnt enter the game with practice-oriented programmes, which are directed at experts, managers and decision-makers from all over the world, drawn from the fields of politics, public administration, business, industry and civil society.

Training and dialogue programmes represent the main instruments. Nevertheless, individuals form the central target group of the training measures. These measures not only aim at technical know-how, but also at individuals’ social competence, their methodological ability and their competence reflection.

By applying a multi-dimensional approach, the rural poor should be enabled to improve the capacity of their organisations, consequently leading to development-oriented change at the sector or national level.

The following list outlines activities carried out by InWEnt at the different levels, usually together with other national or international partners:

- Worldwide: international workshops and conferences, such as the forthcoming event on food aid, or training to promote the competence of developing countries to negotiate more effectively at the international level;
- Asia: training to raise the national ability to adjust the national standards of agricultural products to international safety standards;
- Sahel/West Africa: enabling local and regional multipliers to organisational and participatory approaches ensuring local management of natural resources;
- Cambodia, Laos, Vietnam: institutionalising participatory methods in strategies to reduce rural poverty.

The multi-dimensional approach will contribute to solving the primary challenge, namely to address and reach the rural poor. Many donor agencies have to go through government channels first, which creates difficulties when trying to reach the final target group.

Even if governmental agencies successfully reach the rural poor, there is generally a lack of knowledge of how to empower them.

3.3.2 Results of the Working Group

Gary Howe, IFAD, Director, East and Southern Africa Division

Development is both a product and producer of social relations, and technology (its production and access to it) is no less determined by the prevailing social institutions and the social organisations that underpin them. The question with regard to the rural poor's access to technology is simple: what sorts of social and institutional relations and capacities are likely to give rise to a situation in which they can access the technology they need to employ their resources better and increase income and improve food security?

To a large extent, access to new technology is dependent upon access to technology produced by the non-poor, often in specialised organisations. The first issue to be addressed is how the demand for technology is effectively articulated by the poor: demand needs to be organised if it is to be effective, and it must be inclusive if it is to elicit a response that is relevant to the poor. Support for the organisation of effective and inclusive demand is definitely not a trivial task. The first point is that communities are often heterogeneous in their technical demands – and that there is no simple, homogeneous “demand” for technology. Nor is the issue simply that of different agricultural activities and needs: for many, agriculture may not be the prime source of income. The second point is that many local decision-making systems are extremely disorganised, or are dominated by elites. While “community organisation” appears an attractive approach for developing a basis for articulating demand, the very nature of much existing community organisation involves non-inclusiveness, and it is usually the poor/poorest who are the most non-included.

While significant attention has been paid to the articulation of demand, rather less attention has been paid to making demand “effective”. The issue then is not only how or whether demand is expressed, but how demand is married to mechanisms of influence or control over supply institutions. These mechanisms will vary among institutions, but a critical dimension of control involves the material basis of the supply institutions. This is to some extent avoided when communities serve themselves (an option that should be supported in relevant areas), but it is a major issue with the development of specialised supply systems. In more concrete terms, the issue is how organised groups of poor people can exercise direct and indirect control over some of the resources used/coveted by supply institutions in order to exercise effective influence over their activities. This is pursued under a number of headings in cutting-edge programmes, through community assessment of supply services; greater participation of the poor in political processes controlling institutional budgets; and through market-based approaches where the suppliers are dependent upon the poor directly purchasing services. While all of these are promising and work to some extent while programme support is forthcoming, nevertheless they all struggle with a very fundamental paradox: effective supply to the poor requires them to have control over resources – yet, in the normal course of things, the poor are poor precisely because they do not control resources. This suggests that preoccupation with the technical competence of suppliers will

bear few concrete results for poor “users” until the fundamental question of their empowerment is resolved – and that this preoccupation may be counterproductive to the extent that it involves providing “independent” lines of finance to technology organisations and/or involves the development of a scientific discourse that users cannot themselves manage.

Nonetheless, the question of the response capacity of suppliers is a critical one – and one which is often neglected today because of the focus on demand issues. The working group in some senses skirted this issue. On the one hand, it emphasised the need to increase demand among users based on better education, while on the other, it emphasised the need for soft skills among service suppliers. Perhaps the only meaningful conclusion reached was that supply capacity is essential, and that the top-down, monolithic approach of the past is no longer viable – not only because this rarely reflects the perceived needs of farmers (and especially poor farmers), but also because demand is much more varied and changing today than ever before. Behind this evasion lies a truly fundamental question: are the technology systems that have been created for Africa (in particular) truly part of the future, or is there a real need to “think out of the box”, and come up with a very different approach in which the system emerges out of the capacity of users to finance a broad range of solutions to different questions?

While the viability and utility of some traditional public technology supply systems is at issue (at least as unique and complete solutions), there was general consensus that public policy and spending will play an important role in developing a basis for improving the access of the rural poor to relevant technology for agricultural production. Policy and investment affect who gets what – a particularly important issue for the poor, who, by definition, have little control of *private* wealth. The specific problem in developing a more supportive public policy and investment climate is, of course, that much policy and investment in the past has responded to the needs of non-poor groups, both rural and urban – and that this is deeply rooted in prevailing systems of governance.

The working group clearly understood that the issue of the emergence of technology systems that concretely respond to the needs of the poor is anchored in much more generic issues of social organisation, influence and public sector accountability – and that this affects not only the question of access to existing technology, but also what sort of technology is produced or is available. In this context, it was evident that successful efforts to bring about positive change in the sector will be closely linked to broader processes of change in governance and resource control at all levels of society.

This is a daunting proposition, but one that also invites reflection upon a simple reality. The formal system of technology development and access, which is so difficult to change because of its social “embeddedness”, might not, in fact, represent the critical technology system for the rural poor. Very many of the rural poor in Africa, for example, have very little direct contact with formal technology systems. They get their technology from different sources – from other farmers, from input suppliers (not least through the technology embedded in products) and from traders. This reality suggests that, in parallel to the effort to change formal systems, it is much more important to understand these informal systems – which *may* be more susceptible to concrete and immediate improvement. The issue is somewhat similar to an issue in rural finance, where the focus is on more or less formal

systems – even though the majority of the poor have no direct contact with these, yet *do* participate in a myriad of informal systems and institutions. At the very least, we should be looking to work on both sides of the formal-informal fence – looking for symbiotic linkages without forcedly subsuming the informal into the formal.

These concerns are both timely and extremely practical. In Central America, major revisions of formal systems have taken place, prompting the exploration of more diversified, demand-based approaches. The same is very much on the agenda in Africa, where the parlous state of the traditional public systems has contributed to a substantial rethink of what exactly effective pro-poor technology systems should look like. The working group established three areas for immediate collaboration in developing a common understanding of the issues of technology development *as they relate to the needs of the rural poor*.

- sharing of experience, and higher levels of coordination as regards ongoing field operations;
- more active support for the broader process of reflection (through the Neuchâtel Initiative) on experience in the area of user-controlled financing of technology services; and
- support for a Neuchâtel Initiative-linked activity, focusing on the development of farmer learning platforms.

The institutions represented in the working group (official German development, academics, the EU and IFAD) have strong individual interests in the issue of technology and the underlying institutional questions. They recognise that more could be accomplished by closer collaboration as the *pro-poor* dimension of technology is addressed. However, these organisational interests are secondary to a much broader development, which is the emergence of greater emphasis on donor coordination and national ownership in the context of the MDGs, PRSPs and Sector-wide Programmes. In future, operations will necessarily be much more coordinated in broad multi-donor programmes. The issue, however, is whether those programmes are well-informed with regard to key institutional programmes – and whether they succeed in looking at the world of technology as it really is (as opposed to how it is very often narrowly defined in terms of a handful of formal institutions). In these crucial areas, the working group mapped out some key issues. The ability of the participating institutions to push the envelope of knowledge, and to share this with national stakeholders, will have a significant influence on the evolution of technology systems that are of use to the poor – in a sector in which accomplishments have often been disappointingly disproportionate to the resources expended.

The challenges, key institutional issues and potential fields of cooperation as identified by the working group are summarised in the following table:

Table 4: Challenges, key institutional issues and potential fields of cooperation concerning technology innovation

Challenge	Key Institutional Issues	Potential Areas of Cooperation
Organisation of an effective and inclusive articulation of needs	<ul style="list-style-type: none"> • Community heterogeneity • Disorganised decision-making process at local level • Many existing decision systems are not inclusive • Local elite dominance 	Good calibration (valuable differences should lead to joint approaches)
Supporting institutional change for accountability and responsiveness	<ul style="list-style-type: none"> • Financial control • Community “self-service” • Purchasing capacity for market-based supply • Performance-based allocation system 	Neuchâtel joint stocktaking of user control and financing (networking)
Building supply capacity <ul style="list-style-type: none"> • Farmer • Public sector • CBOs/NGOs 	<ul style="list-style-type: none"> • Coordination of types of suppliers around key supply issue • Enhance farmers’ knowledge of alternatives • Invest in farmers’ organisations – capacity for self-service and/or direction of other suppliers – how? • Public sector – <ul style="list-style-type: none"> • Soft competencies • Communication skills • Client awareness • Knowledge community 	Input/support New programmes on farmer learning platforms (Neuchâtel Initiative ¹ , Uganda, Kenya, Tanzania)
Building regulatory and support capacity	<ul style="list-style-type: none"> • Poor farmers marginalised in national policy • Policy regulation must reflect internal and external technical requirements (global trade) • Weak representation of the poor in national and international systems 	

¹ The Neuchâtel Initiative (NI) brings together an informal group of bilateral and multilateral donor agencies, namely the cooperation agencies of Germany (GTZ), America (USAID), Britain (DFID), Denmark (Danida), France (CF), Sweden (Sida), Switzerland (SDC) and Holland (DGIS), as well as representatives of the FAO, IFAD, the European Commission, the CTA and the World Bank. The initiative aims at improving donor coordination and developing a shared vision on how to address the challenges and changes facing agricultural extension in sub-Saharan Africa.

3.4 Access to Land

3.4.1 Introduction

Bruce Moore, International Land Coalition, Coordinator

In many countries, the issue of improving the secure access of the poor to land touches on fundamental inequalities in rural communities. However, as difficult as it may be, there is a growing body of knowledge, international opinion and global agreements that secure access to land is fundamental to reducing rural poverty, stimulating rural economic growth and protecting the natural resource base on which current and future generations depend.

Where there have been improvements in the levels of secure access to land and related productive factors, there have also been:

- Reduced levels of food insecurity;
- Income gains;
- Safety net effects;
- Investment effects;
- Income distribution effects stimulating wider economic growth;
- Reduced levels of conflict;
- Physical quality of life effects measurable by such indicators as improved levels of nutrition, sanitation and educational participation of children; and
- Adoption of more sustainable resource practices.

Secure access also provides important social and political benefits that are essential to long-term well-being, including enhanced identity, greater opportunities to participate and hope for the future.

Some recent studies, as reported in the World Bank's Policy Research Report "Land Policy for Growth and Poverty Reduction", a process to which both the International Land Coalition and GTZ were active contributors, note that:

- Democracy usually occurs much later in countries dominated by large landlords compared to those that rely on smallholder production;
- High land concentrations reduce the incentives for the provision of public goods and services;
- The total surplus production to be derived from land and associated public goods tends to increase with greater equality in the asset distribution;
- Communities with more egalitarian land access are characterised by higher levels of collective action;
- Public provision of property rights prevents resource dissipation by providing both security (less resources required to protect rights) and incentives to invest in its productive potential;
- Women's control over assets affects households' spending patterns; and
- Attention to women's land rights is particularly warranted where women are the main cultivators and where adult mortality is high, especially due to HIV/AIDS.

While land is necessary, it is not a sufficient condition for empowering the rural poor. Land issues must be linked to related access issues such as water, financial services, technology, capacity-building and markets, and should be addressed within the local territorial realities and relationships where decisions and changes must occur.

The revitalisation of the rural development agenda has put more emphasis on access to productive resources, devolution and local management of natural resources, and the extension and strengthening of partnerships with the institutions of civil society, which are all seen as ways to ensure participation and sustainability.

This revival envisions a new emphasis on resource rights and institutions: on the organisations (community-based organisations, rural workers, women's groups, indigenous peoples, fisherfolk, producer associations) that mediate the access of the poor to assets, financial services, technologies and markets, and on the rules (laws, customs and administrative practices) that determine whether the poor benefit from such access.

The paradox is that while the goal is to foster institutional change to help the poor acquire land and other assets, most institutions, including the state, tend to be controlled by the powerful non-poor. In many cases, those who control one institution also control others. For instance, even after land redistribution, the large farmer may continue to have better access than the ex-landless labourer to production, credit, information and marketing networks, as well as the capacity to diffuse and insure against risk. A question for us to discuss is: can the poor and weak use, transform and benefit from institutions that were initially controlled by the rich and powerful, and are run mainly in their interest? What alternative or countervailing

institutions need to be established or strengthened to advance and protect the access needs of the poor to productive resources and related upstream and downstream services?

There are many aspects for the working groups to consider, some of which have been cited, while others have been implied. The working group could consider the following issues:

- Are or can land markets, including land purchase markets, leasing, renting, contract farming improve the secure access to land on the part of landless people?
- What methods have been and are now most promising for improving secure access?
- Are land markets of benefit to smallholders and those with tenure security? If so, how?
- How can women's access be improved?
- How can access to factor markets be improved – financial services, technology, markets? Does land provide real collateral for smallholders? If not, what can be done?
- How can the capacity of government institutions and line agencies be improved?
- How can rural peoples' organisations be strengthened, and how can their collective power be built to represent and protect the resource rights of the rural poor?
- What are the most effective ways to mediate inheritance and ownership of land in places where the incidence of HIV/AIDs is high?
- How can governments, civil society and the intergovernmental community keep land on the agenda and build global commitments for action?

Finally, what kinds of structures could be established within countries for all stakeholders (government, civil society, the landed class and external partners and donors) that will enable greater coherence to be built on how land issues are approached and supported, as well as providing a venue where the areas of conflict and difficulty can be negotiated?

3.4.2 Results of the Working Group

Christian Graefen, GTZ, Political Advisor, Sector of Agriculture, Fisheries and Food

As a consequence of the demise of the Soviet Union in the early 1990s, many socialist economies that directly or indirectly depended on the former Soviet Union faced the challenges of privatisation and decollectivisation in line with land reforms and agrarian reforms.² This led to a redistribution of land, which does not necessarily mean that the rural

² 'Land reform' and 'agrarian reform' are often used interchangeably. However, agrarian reform also includes improvements in both land tenure and agricultural organisation. Agrarian reforms go beyond redistribution: they should also support other rural development measures, such as the improvement of farm credit, the setting up

poor were able to take advantage of this political change. However, positive examples exist in other regions, i.e. in Kerala, India, or in the Philippines, where donors are now supporting non-market policies.

Against this background, the institutional issues and potential fields of cooperation were discussed in this working group.

After a detailed discussion of the institutional issues affecting the different levels³, the working group identified the following issues of major importance and interest:

- Build linkages between local organisations and local administrations (local governance);
- Strengthen community-based organisations (rural organisations);
- Build national networks and sub-regional information and experience exchange networks (professional associations);
- Develop strategies to guarantee long-term gender access to land (rural organisations);
- Avoid contradicting and overlapping legislation (legal framework and policies);
- Achieve coherence in external donor interventions (donors).

In order to foster the cooperation between local organisations and local administrations, decentralised management is highly recommended for West Africa. The conference on “Rural land tenure and sustainable development in the Sahel and West Africa (PRAIA+9)”, to be held in Bamako, Mali, from 17 to 21 November 2003, will deliver a platform to enhance further cooperation.

Both IFAD and GTZ, as well as the International Land Coalition, can draw on outstanding experiences concerning the strengthening of community-based organisations (CBOs). However, cross-border exchange of experts on CBOs with the aim of sharing knowledge on the latter in Southeast Africa, Southern Africa and Latin America can complement the results that have already been achieved.

State networks and sub-regional networks have already been set up through LandNet Africa⁴, the Central European Land Knowledge Center (CELK, Hungary)⁵, and might continue to be established in the future (Land Net Asia).

of cooperatives for farm-input supply and marketing, and extension services to facilitate the productive use of the land reallocated (see <http://www.landweb.org/LandReformAnalysis.htm>).

³ In addition to the given structure (levels of public governance, rural organisations and legal framework and policies), the working group introduced the levels of markets and donors.

⁴ LandNet Africa is a network on land tenure and land policy issues in Africa. It was established during a regional workshop in Addis Ababa, Ethiopia, in January 2000.

The central question, namely how to generate gender-based access to land, could not be fully answered. However, there was consensus that women's land rights should be strongly advocated in the future.

Concerning legal frameworks and the implementation of legislation related to the access to land, joint policy formulation as well as harmonised legislation is required. Furthermore, guidelines for the transposition of provisions of international legally-binding legislation (conventions) into national legislation have to be developed. The World Bank, European Commission and FAO can support the harmonisation and implementation of such legislation.

Both IFAD and GTZ have gained interesting experience in providing legal advice to agrarian reform beneficiaries in the Philippines and India, for example. Legal defence funds are of particular interest, as they constitute a critical instrument in the overall land reform process. The Land Coalition will avail itself of this experience and lessons learnt, additionally with the aim of replicating and probably duplicating similar efforts.

External donors should be coherent in their interventions. Therefore, alliances for donor cooperation, which have to be streamlined in respective fora and round table discussions, have to be built. Donor activities should be checked against one another at the UN Committee on Programs.

⁵ The Center was established to address real property rights and land market development matters in Hungary and the other seven central and eastern European countries who will join the EU in May 2004. Its key tasks comprise information gathering, knowledge management and dissemination of information.

Table 5: Issues and Fields of Cooperation Concerning Access to Land

Level	Issues		Areas of Cooperation
	Main Issues	Subordinate Issues	
Local governance	Strengthen local organisations/peoples' organisations	Build linkage between local organisations and administrations	Decentralised land management in West Africa Praia +9, Nouakchott, October 2003
		Kinship is critical for access to land: work with traditional institutions Work with grassroots movements Empower women to improve access to resources	
		Link people to the market	
		Competing institutions (customary, modern/decentralised) on the same level	
	Securing access to collateral		
	Local experts are a scarce resource	Capacity-building, Master Study Programmes; Special Training Programmes	
Rural Organisations	National networks of poor people's organisations - solidarity Organise people to face risk Strong civil society	Strengthen community-based organisations	Exchange of knowledge and CBO experts (Southeast Africa, Southern Africa, Central and South America)
		Networks on national and regional levels	LandNet Africa, CELK (Hungary), LandNet Asia
		Gender access to land	Advocacy in women's land rights
		Protection of functional customary systems	
		Producer organisations Niche markets Certification of products	
Legal framework and policies	How to influence macro-economic policies?	Obligations and duties on land; land (use) enforcement	
	Compliance with existing agreements at international level	Contradictory and overlapping law	Legal counselling, legal defence funds Joint policy formulation (World Bank, FAO, European Commission) Extract guidelines of conventions and international conferences for national legislation
Markets	Redistribution of land	Land valuation as a basis for a functioning land market	
	Market-based mechanisms to enhance access to land	Support of rental markets with long leasing periods	
	Role of the state in service provision Private surveyors		

Level	Issues		Areas of Cooperation
	Main Issues	Subordinate Issues	
Donors	Coherence of intervention of external donors	Round tables, fora	Alliance on donor cooperation (competition of ideas and pilots) UN Committee on Programs

3.5 Access to Water

“Water is a human right”

UN 2002

3.5.1 Introduction

Dr. Thomas Selzer, KfW, Africa and Latin America Division

One of the key messages brought forward at the International Conference on Freshwater (2001) in Bonn was the need to recognise the basic right of all people to have access to water and to redress the present imbalances by supporting the unserved poor in gaining such access. Therefore the need to formulate adequate policies and apply suitable instruments remains a major challenge. A regulatory framework must therefore be defined within which communities, CBOs, the private sector and other stakeholders should develop solutions on a local level. New solutions related to access to water necessarily have to be linked to the development, protection and improvement of water resources while, at the same time, do recognise the contribution that informed and empowered communities can make to water protection demand management and drought-proofing.

The overarching issues related to access to water can be summarised as follows:

- Transboundary agreements
- Integrated Water Resources Planning & Management to address competition for water
- Formalisation of water rights Private Sector Participation
- Law for the decentralisation of responsibilities
- Reform of governmental organisations.

In order to address the issues above and find sustainable solutions that can guarantee fair, equitable and sustainable access to water, certain problems and challenges have to be faced at different levels. The following list provides an overview of the issues, problems and challenges at the levels of the legal framework, decentralisation, rural organisations and donors:

1. Legal Framework

Problems and Challenges

- Integrated planning and interministerial coordination
- User conflicts between agriculture, industry and households

- Fear of making tough decisions
- Enforcement of rules and regulations
- Exclusion of the Poor.

2. Decentralisation/Local Governance

Issues

- Transfer of water management, maintenance, investment responsibilities
- Involvement of local NGOs and private sector.*Problems and Challenges*
- Clear rules and regulations for operation and maintenance
- Enforcement of rules and regulations
- Better governance at the local level (accountability, transparency)
- Better preparation for new roles.

3. Rural Organisations

Issues

- Water user organisations
- Water Boards - including households and industry
- NGOs/the private sector as a service supplier.*Problems and Challenges*Hijacking by rural elites
- Exclusion of women
- Exclusion of the land-less/ultra-poor.

4. The role of outsiders/donors

Issues

- Support “champions of reform”
- Support the preparation of regulatory frameworks for reform
- Transboundary agreements
- Increase the participation of women

- Improve the representation and access of the poor. *Problems and Challenges*
- Commitment to policy dialogue
- Coordination among donors
- Poverty analysis, targeting and social impact monitoring
- Sufficient support for institutional development (govt. agencies/ WUA).

3.5.2 Results of the working group

Dr. Rudolph Cleveringa, IFAD, Technical Advisor, Irrigation

In view of the complex and multifaceted resource that is water, the following fundamental questions have to be clarified: which kind of water has to be available, for whom, and for which purpose(s)?

The discussions in the working group exclusively addressed irrigation water (blue water). Rain-based water (green water), industrial water, wastewater (grey water) and domestic water were acknowledged⁶ as being of prime importance to rural poverty reduction, but could not be considered due to time limitations. However, for most of the poor rural user group constituents, the “colour” of the water is less important than the fact of whether or not they have access to it.

Following the schedule presented in the introduction, the WG prioritised the institutional issues and potentials of rural organisations. The three suggested aggregation levels (i.e. micro, meso, macro) were combined with a complementary view on governance issues that cuts across all three institutional levels (e.g. policy dialogue is not restricted to governments, but equally involves municipal/district and civil society levels). Current problems and challenges related to access to water were prioritised using a “hit-and-stick” method. The results of this are outlined in the following table:

Table 6: Prioritised Institutional Issues and Potentials for Improvement Related to Access to Water

Prioritised Institutional Issues	Potential for Improvement	Examples of Success Stories
Integrated water resources management (IWRM)	<ul style="list-style-type: none"> Multi-stakeholder, multi-sectoral Water Master Plans Multi-step, bottom-up/ top-down sandwich through Watershed Development Boards ensuring feedback from and to poor end users and non-poor, non-rural consumers Participatory poverty analysis and livelihood assessments + proper advocacy Ombudsman anchored in IWRM processes 	<ul style="list-style-type: none"> Water Sector Master Plan-Tunisia/KfW, IFAD/GEF Niger, Inner Delta-Mali/IFAD, Nubian Sandstone Aquifer-Libya/multi-donor <p>Rural livelihoods assessments-Yemen, Sudan, Cambodia/IFAD</p>
Water governance	<ul style="list-style-type: none"> Sustainable funding and responsibility transfer mechanisms tried and institutionalised Institutional analysis of service 	<ul style="list-style-type: none"> Paid environmental services-RUPES Asia/IFAD Performance-based allocation system-IFAD

⁶ The concept of virtual water for rural poverty reduction and water governance was touched upon but not discussed in detail.

Prioritised Institutional Issues	Potential for Improvement	Examples of Success Stories
	provision systems, including <ul style="list-style-type: none"> • Underlying incentives • Property rights • 'Principal agent' problem 	<ul style="list-style-type: none"> • Service orientation concepts in Andean countries-GTZ • Water Boards-Egypt/KfW • HH Water Supply-Tanzania/GFA-KfW
(Local) Capacity-building	<ul style="list-style-type: none"> • Clear definition of rules and responsibilities between all stakeholders (accountability and transparency) • Local capacity-building for (traditional) water conflict mitigation/arbitration incorporated 	<ul style="list-style-type: none"> • Madagascar-IFAD • China-IFAD • Andean Countries-GTZ/IFAD • Zimbabwe-IFAD
Water user organisations	<ul style="list-style-type: none"> • Safeguarding pro-poor interests against highjacked access to assets • Water-user associations (WUAs), where applicable, to be based upon existing socio-communal structures • WUA/farmer-led R&D and extension in pro-poor technologies and capacity-building 	<ul style="list-style-type: none"> • Gender mainstreaming-IFAD/GTZ • Democratisation • Many cases, not common denominator • Farmer field schools-FAO/IFAD

On the basis of the detailed discussions sketched out above, the working group identified some generic fields of cooperation between the participating institutions, including GTZ⁷. Generally these fields cover the exchange of institutional profiles and the exchange of knowledge and lessons learned. This will be achieved by the following means:

- Matching for institutions' best fit and synergies;
- Document-sharing;
- Mainstreaming and intensifying networks;
- Exchanging consultants' rosters;
- Learning from joint reviews;
- Piloting the peer review approach;
- Sharing and establishing best practices.

⁷ The scheduled GTZ representative, Dr. Walter Huppert, attended IWMI's Steering Committee.

Concluding the WG's efforts on Water Governance to Empower the Rural Poor, the following overarching pro-poor and rural issues were presented:

- Water: a freely tradable commodity ;
- Water scarcity and conflict;
- Water: an inclusive concept;
- Water: courts and arbitration, customary/national law and enforcement;
- Water: a donor freeze on investment in irrigation calls for further self-mobilisation and self-empowerment on the part of the poor;
- Water: a hijacked poor-peoples' asset by the WTO and liberalisation/privatisation issues
- Water allocation to double local food production to meet world demand;
- Water: adequate rules of the game have to be introduced, safeguarding the allocation to rural livelihoods;
- Water: a livelihood support element linked to land and natural resource governance and stewardship;
- Water: the rural poor should not be blamed for spoiling the urban consumers' party;
- Water: return transfer mechanisms and water literacy
- Water: from 'crop to drop' for commodity production, to 'job per drop' for the unemployed rural poor, and to "shop for drop" for improved water governance.

Concluding remark: Only by building alliances, synergies and partnerships can we contribute in a more relevant, efficient and replicable way to solve the challenges of water governance and to empower the rural poor to overcome poverty.

3.6 Access to Voice: Issues of Democratic Decentralisation

3.6.1 Introduction

Albrecht Stockmayer, GTZ, Head of the Governance-Gender Team

The challenge for rural institutions

Issues concerning the rural poor do not play a prominent role on the agenda of decentralisation reforms. This is neither new nor surprising. Decentralisation reforms have always been initiated from the centre. Rural areas, and especially the rural poor, have no say in the design or the implementation of reforms. Movements and politicians in need of their votes claim to represent their interests. But in only the rarest of instances have they been engaged in creating enabling conditions for the poor to represent themselves and make their voices heard on those levels where reform decisions are taken.

From a decentralised perspective, rural (regional) development *projects* in the past often had as their stated intention and objective to improve the welfare of the rural poor. They did so by catering to demands for infrastructure, for know-how and, more generally, for services to improve rural production and living conditions. However, for obvious reasons these demands were not made by the rural poor themselves, but instead interpreted on their behalf by urban and district centres and brought to the attention of the central level. Furthermore, projects did not lead to greater mobilisation of the rural poor in looking after their own interests, i.e. by raising their voice in managing their affairs.

As the title of this contribution, we have chosen "Access to Voice". We suggest that without sustainable mobilisation or stimulating the rural poor to defend their own interests, they will not be able to gain a voice that can help them develop their institutions and manage their own affairs. This by no means implies that decentralisers have any lessons to teach to those that are specialising in rural institutions for the rural poor. The title is instead intended to emphasise an approach that decentralisers consider relevant in seeking to improve the fate of the poor living in rural areas. At the same time, the title also describes a crosscutting theme that should be considered by all actors in this area.

Alternatively, we could have called this contribution "Building rural constituencies", which would have underlined the fact that this type of programme needs to be driven by robust interests. Moreover, it would have emphasised the political link that is indispensable between centres of power and the rural poor.

Subsidiarity

We have selected three issues that can help illustrate this message. These issues are linked to the three levels of decision-making: the local, meso and central levels. Their common

denominator is implementing subsidiarity, i.e. the principle of taking public tasks and authority closest to the citizens and their organisations and to the level of the public sector where they can be handled by those immediately concerned and interested. But why exactly is decentralisation important to the development of living conditions for the rural poor?

Without exception, decentralisation reforms are initiated and managed by central level institutions. Central level interests own this process, at least during the initial stages. Later on, reforms will flourish only to the extent that newly empowered actors on the sub-national level are ready to take over. Nevertheless, their constituents are unlikely to be the local poor but rather urban provincial ‘elites’. They hold local economic resources, are able to express themselves and are actual or potential alliance partners for power groups at the central level.

The link to decentralisation is more on the philosophical level: Decentralisation reforms, as the European experience teaches us, are driven by the principle of subsidiarity. It is at the same time a principle for good government – tasks should be handled at the lowest possible public sector level – and is directly related to the values underlying the *Grundgesetz* or the organisation of powers in the European Union that puts human beings at the centre of attention. Yet, addressing the demands of the rural poor does not imply that we choose as the relevant impact level the individual consumer of* public service. Rather, our attention should lie where principles are applied and those services are produced that the poor and their organisations can use to improve their living conditions.

It is certainly not an easy task to isolate those issues in decentralisation that are essential for reducing poverty in rural areas. Many of our main areas of work, such as local central financial relations, organising the management of decentralised tasks, rules for local public employees or legislative-executive relations on sub-national levels all have a definitive impact on the poor. These areas need to be addressed to produce results for the poor. They are, however, neither specifically related to their problems, nor do they contribute to solving the problem of how the poor can take part in the reform process and claim their part in the decentralisation reforms and their results.

Inclusive participation by the rural poor

The issues selected here all deal with the aspects of how to create conditions enabling the poor to exercise their voice and thus share in the management of decentralised powers. When looking at the influence the poor may exert on institutions effective in rural areas, we consider the rural poor not primarily as clients of public or private services, but as citizens. We also look at the poor as members of service organisations (or associations) when it comes to taking part in their governance. However, only when we look at all three potential roles do we understand the task and the challenge faced by programmes that seek to empower the rural poor.

The first issue, inclusive participation, takes its starting point from a situation that has often been observed but rarely documented. More recently, it has been referred to as “inadvertent” decentralisation, meaning that the public sector authorities, especially on the central level,

have run out of resources to be transferred to areas that are considered by them to be politically and economically marginal.⁸ Donors active in rural development encounter a vacuum as far as services and political attention by the central level is concerned. Organisations have either left or are standing idle, as resource transfers from the central level are insufficient to sustain significant operations.

In this situation, donors are tempted to assist the poor to “reconquer” these rural institutions. However, they encounter a number of risks when doing so: (1) they have to integrate formal institutions – usually the ones that had formerly been established by the centre and then abandoned – as well as existing informal institutions of a local or regional origin; (2) they need to reach a sound solution that delineates central and sub-national authorities to avoid conflicts of authority. Finally, in calling for the participation of the rural poor to mount new operations, donors run the risk of choosing arbitrarily between groups with varying sources and degrees of legitimacy that only in their complex combination represent the rural poor’s interests. We therefore need to develop and apply approaches and techniques that help to take into account and understand formal and informal institutions alike. In addition, when we develop new institutional set-ups, we need to see to it that freshly created, territorially defined organisations can be related – positively or negatively – to existing – mostly functionally defined – rural organisations in order to avoid creating unnecessary competition.

Sustainable participation

On the second, the meso level, we believe one of the most important issues for the rural poor at present is to be able to make their voice heard when implementing PRSPs. This would include other pro-poor programmes of a similar kind. There are two main reasons for choosing this issue.

PRSPs are mostly already agreed and ratified, although some still need ratification. The negotiation processes, involving donors and recipient governments, are difficult even for central actors and organisations. The chance that pro-poor groups could exercise an institutional influence on these negotiations appears remote. On the other hand, implementation in rural areas will have a decisive impact on the living conditions of the poor. And GTZ is particularly well-placed to support the implementation of programmes that are sector wide-by nature, as these programmes need to take into consideration the tasks and responsibilities that have been handed down to the sub-national levels as well as the practices that are commonly followed on these levels. IFAD appears to be a significant partner in so doing as its focus is on the rural level; however, it has little influence on the PRSP process proper.

When addressing issues of implementation support, the problem of where to define the level of impact needs to be tackled. We should not get involved in an ideological battle between those that champion the “local poor” and those that prefer to restrict themselves to their partners, the rural decentralised institutions. The latter argue that impacts should be

⁸ Also referred to as ‘decentralisation by default’; see e.g. Dele Olowu (2001), p.23.

measured on the level of results these partners achieve and their impacts. While some of these programmes define the individual poor person or household as their impact level, IFAD and GTZ in combination should be well placed to give their main attention to the impacts of PRSP on those institutions that have the greatest potential to respond to the expectations of the poor, with the impact being measured on the district and provincial levels.

GTZ is familiar with both levels. While our advisors understand their task as “taking effects down to the rural poor”, their immediate partners are rural decentralised institutions. It is there where impacts for the poor are generated, and it is on this impact level that we can realistically document and measure benefits that the poor can avail themselves of.

Effective participation

The third issue – which is particularly relevant to the macro or policy and framework levels – addresses the question of how to make participation more effective. This is a tricky issue because many actors believe that “scaling up” is the measure of choice. Their aim is to create new public space for the rural poor on the central level. In doing so they leapfrog other levels, including their institutions and actors.

While this aim expresses best the intentions of the stakeholders, the real objective should arguably be to better manage pro-poor policies across state levels. This would add legitimacy to structures and institutions that have been weakened by prolonged disuse.

In the past, driven to a large extent by the example of social investment funds, there was a tendency to discard rules and the mostly informal structures of the rural sector altogether. These were – often rightly – considered by outsiders to be politically biased and often obsolete or simply inoperative. NGOs were selected, and at times created and spoon-fed, that would take over the tasks originally designed for public sector organisations. Their institutional framework was a completely new scheme which superseded the old order.

These NGOs were, of course, not embedded in the web of rural institutions and institutions of other levels that influences policymaking and programme design. With the help of their donor masters these NGOs took their message to the next levels. This required them to fit themselves on every level into existing frameworks, a difficult task that was quickly abandoned. In the end, they created new space for policymaking for the local poor only to the extent that donors would be present at their side as well as support them on their way to duplicating the old institutional framework. As a consequence, the lessons embodied in the “old” institutional set-up were lost; the sometimes intricate web of power relations characterising institutions on various levels and sectors of decision-making was replaced, and new lines of hierarchy on the institutional map were drawn that corresponded first and foremost to donor interests.

Opportunities

The preceding issues were formulated keeping in mind characteristic problems of the rural poor that are typically encountered when designing and assisting in the implementation of decentralisation reform programmes and their external support.

Other areas of current work may of course also be of interest to rural development. Some of the burning issues or “construction sites” are listed here as opportunities:

- Decentralisation in critical settings (inter alia conflicts, corruption);
- Local government capacity assessments and asymmetric decentralisation ;
- Obligatory functions and minimum service standards;
- Operationalising the link between decentralisation and poverty;
- Decentralisation and gender orientation.

One area of permanent concern, for instance, is the transfer of powers and resources to sub-national levels, subject to proof of sufficient capacity that these powers will be used to benefit the people. The ‘benevolent’ view of central authorities has invariably been that lower levels lack capacity and that transfers will have to be piecemeal at best in order to avoid creating bottlenecks or opportunities for wasting public monies. What the central level unsurprisingly tends to disregard are the consequences of “asymmetries” in decentralisation designs for the performance and the legitimacy of newly established institutional frameworks. Decentralisation is conceived as a reproduction of the structures and services of the central level, which leaves the sub-national constituents no space to design their own systems of standards of service or of responsiveness to public sector structures. There are of course some nationwide standards that need to be uniform. But these standards – in the logic of decentralisation – need to be the exception and not the rule.

The dilemma for the rural poor is apparent: as rural elites may be more likely to discriminate against them than central elites who are distant and are not competing for the same resources, they are inclined to set and implement standards that are unfavourable to them. Yet these standards are the result of a process that may lead to their gaining some power in other fora to make their voice heard and, in the final instance, to firmly put themselves on the map of powers and interests in the region or on a national scale.

Risks

There are many risks associated with decentralisation reform programmes, in common with every major public programme. We will not address this problem here since the nature and occurrence of these risks has no direct relation to the rural poor.

What is of particular interest to them, however, is the design of programmes that are intended for their benefit. When designing these programmes, we should keep in mind the lessons taught by aid effectiveness studies on governance. These studies have very

forcefully made the point that programmes applying textbook solutions, treating governance as an engineering problem, or focusing on mechanistic interventions with quantitative or quantifiable targets run the risk of remaining ineffective. These approaches tend to overlook the social and political phenomena, local circumstances and local ownership of institutional development. They ignore soft issues since they present insurmountable problems for the type of intervention favoured.

It is here where GTZ Technical Cooperation (TC) comes into its own. The type of cooperative project management and the nature of capacity development TC is able to offer appears particularly appropriate to the situation at hand. The technocratic approach is a result of the inability to react and respond in a permanent and gradual manner to specific conditions. Social and political phenomena and local circumstances can hardly be captured by documents that are destined for decision-making by lenders and therefore not capable of guiding a project during times of abrupt changes and often fundamental reform. As Wunsch (2001, p.286) noted in his overview of Africa, building institutions that work effectively and reliably has not worked well in the past because authority and resources are captured, but also because processes are flawed.

3.6.2 Results of the Working Group

Mohamed Beavogui, IFAD, Director, West and Central Africa Division

In a first step, the working group developed a common understanding of the notion of access to voice. Furthermore, the means of improving the decision-making of the rural poor were discussed and the critical concerns related to access to voice identified. The various issues were ranked according to their priority, and current problems and challenges were identified. Based on this interaction, coupled with reference to some concrete and practical examples, the groups suggested key areas for field cooperation between IFAD and GTZ in relation to the two top priority issues.

“Fostering decentralisation” and “promoting local development” emerged as the two major ways of improving the “access of the rural poor to voice”. Even if these two aspects are closely interlinked, decentralisation is an important dimension in local development, though it only refers to the “transfer of resources and decision-making from the central to the local government levels”, whereas local development involves a higher level of interaction between local government, deconcentrated administration, private sector and civil society organisations.

While the decentralisation of government activities was recognised as a major component of the institutional reforms advocated by many donor agencies, it was equally established that the grassroots perspective (i.e. of citizens and community organisations, etc.) is often missing, thus resulting in a truncated decentralisation process, and sometimes in a centralisation of decision-making at the intermediate district and/or regional level. As a consequence, such “distorted” processes may further marginalise the poor, and generate more corruption at local levels in comparison to the traditional ruling structures at the village level.

The conclusion of this first round of discussions was that there is a need to (i) more successfully devise specific decentralisation strategies that reflect the perspective of the grassroots and the rural poor; (ii) to foster inclusive pro-poor processes, and (iii) to improve the monitoring of the impact of decentralisation reforms.

In terms of methodology for impact monitoring, the working group hinted at some key features, including the need (i) to develop and further promote participatory methodologies for impact measurement; (ii) to mainstream impact monitoring within the institutional processes (as part of the incentive and management system); (iii) to elaborate mechanisms to measure qualitative impact; and (iv) to link impact to the MDGs.

A second discussion round addressed the issue of “fostering local development”. Local development results from the interaction between the major social agents at the local level (i.e. the public and private sectors, and community and civil society organisations) To promote effective local development, there is a need to develop specific institutional delivery processes for public goods (through public sector institutions) versus private goods (through private sector institutions), while simultaneously establishing structural fora for local partnership. The latter would aim at developing horizontal links between the various institutional sectors, government and people’s organisations (i.e. community organisations, trade associations and the civil society). Such fora would also contribute to creating a local environment that is conducive to the efficient management of common resources, the effective delivery of public and private goods, efficient market functioning, and fostering of the creativity and the initiative of local people. In operational terms, the working group emphasised the need to develop coherent local institutional processes for planning and budgeting (i.e. a composite annual work plan and budget) based on the development priorities of the grassroots institutions and citizens.

Finally, the WG suggested some key areas for action and cooperation between GTZ and IFAD for the two top priorities – the monitoring of decentralisation reforms, and fostering partnership (see the table below).

Table 7: Issues, Problems and Potential Fields of Cooperation Concerning Access to Voice

Priority Issues	Current Problems and Challenges	Suggested Fields of Cooperation
Monitoring of decentralisation impact, distinguishing between: <ul style="list-style-type: none"> • Impact on the rural poor; • Impact on institutions catering for the rural poor 	<ul style="list-style-type: none"> • Agencies are not performing well in poverty monitoring • Need to promote participatory impact monitoring by the rural poor • Mainstream impact monitoring within institutional processes • Develop/use CCD indicators related to MDGs • Develop qualitative impact measurement 	<ul style="list-style-type: none"> • IFAD to invite GTZ and others to collaborate and network on impact monitoring • GTZ and IFAD to collaborate on monitoring of PRSP and implementation of pro-poor programmes • GTZ and IFAD to build partnership to support civil rights and citizenship for the rural poor
Fostering local partnership	<ul style="list-style-type: none"> • Need to develop structural fora for local partnership • Need to improve horizontal links • Need to define a public policy space for the rural poor with: <ul style="list-style-type: none"> • Urban/rural alliances • Social movements • Churches, unions • Locally-based parties • Build on the potential of local partners (local knowledge, initiative, creativity, etc.) • Make programmes more effective in both social and economic terms • Promote conflict management tools and approaches 	<ul style="list-style-type: none"> • GTZ and IFAD to collaborate on CDD projects and approaches in WCA • Strengthen ongoing in-country collaboration, as in Benin and Cameroon • GTZ and IFAD to publish on their experience in CDD

3.7 The potential for new partnerships

During the group work, the participants identified numerous possibilities for future cooperation in the different fields, many of which are quite specific or relate to ongoing initiatives. Besides, it was agreed to generally intensify cooperation in all of the resource categories that were discussed.

The particular fields of cooperation differ in the degree of intensity and in their targets. The most basic form of cooperation that all agencies are willing to engage in is to enhance the exchange of knowledge and to intensify networking. Beyond the mere exchange of ideas, some groups are interested in joint conceptual work and the development of approaches and methods which could lead to joint advocacy for new ideas concerning institutional change. A field that holds great promise is practical collaboration in the field of monitoring and evaluation, e.g. the monitoring of the implementation of poverty reduction strategies together with national partners.

Coordinated field action is considered to be another option. Although this is the most demanding form of cooperation, proof can already be offered in the case of the AFRACA network in rural finance. In each of these fields, participants came up with ideas for concrete action. However, most of them still need to be worked out in practice.

Generally there is a huge stock of knowledge that has to be translated into action on the ground. Therefore the debate has to be widened to include other colleagues in the participating organisations. Each organisation is asked to screen further possibilities for collaboration.

In a next step, priorities have to be set to arrive at concrete commitments.

4 “Power to the Rural Poor” - Policy Statements

One of the central messages of the workshop was the fact that the livelihoods of the poor are increasingly affected by rules and actors at the global level. This in turn calls for the responsibility of global actors to establish rules and institutions in favour of the poor. In line with this challenge, the results of the technical level segment were presented to a broader audience including policymakers. In addition to these findings, new directions of rural institution building were indicated by Lennart Båge, President of IFAD, by Wolfgang Schmitt, Managing Director of GTZ and Hans-Peter Schipulle, Deputy Director General of BMZ.

IFAD, BMZ and GTZ can look back on extensive experience in the fields of capacity-building and institutional building, and have developed mechanisms and approaches to meet the demands of partner countries. The challenge of future cooperation was summarised by Prof. Manfred Zeller and Bruce Moore.

4.1 Rural Institutions – The New Direction

4.1.1 Statement by Mr. Lennart Båge, President, International Fund for Agricultural Development (IFAD)

Ladies and Gentlemen,

At the Millennium Summit three years ago, world leaders committed to halving the proportion of people living in extreme poverty by 2015. The so-called Millennium Development Goals are now the internationally recognised and legitimate framework for action.

The Zedillo Report to the Monterrey Conference and the World Bank have provided just two of the more authoritative estimates of the resources necessary to achieve the Millennium Development Goals. These estimates put the total ODA requirement at over USD 100 billion. This means an additional USD 50 billion a year is necessary – which represents a doubling of the level of aid being provided today.

The 2002 Monterrey consensus reaffirmed this need for more resources. It also signalled a reversal of declining ODA trends, within a broader development finance framework that mobilises domestic resources, foreign direct investment, debt relief and trade.

With the commitments made at Monterrey, ODA is expected to increase by USD 16 billion in real terms by 2006, to a level of about USD 68 billion. This will bring ODA to the level of just 0.26% of OECD GDP. In 2002, ODA already increased by 4.8% to USD 57 billion.

Better overseas development assistance (ODA)

The Monterrey Consensus has a second and equally compelling dimension: the need to do better. The estimates of resource requirements stress that more ODA resources alone will not guarantee that the Millennium Development Goals are achieved. We also need to use resources more effectively.

The **first** way that we can more effectively use ODA is to ensure that current and future ODA investment is more targeted towards poverty reduction. Of the 1.2 billion poor, 75%, some 900 million, live in rural areas and depend on agriculture and related activities for their livelihoods. So, if we are to achieve the Millennium Development Goals, we must make an impact on rural poverty. And in most poor countries, agriculture is the main economic sector; the largest employer and job creator; and the biggest export earner. We also know from our own history – the 19th century if we come from Europe or the US, and the 20th century if we come from Japan or the miracle economies in South-East Asia, or China in the last 20 years – that reforms in the agricultural sector are the foundation for overall economic development and poverty reduction. Often-dramatic progress in agriculture translated into increased productivity typically generates increased production, incomes, savings, investments and demand for goods and services, thereby creating the virtuous circle of development. This is particularly important for the poor, institutionally weak developing countries, where broad-based agricultural development brings welfare gains and equity to large sections of the population – in a way that single-source commodities such as oil or diamonds rarely achieve.

Every dollar of increase in agricultural production generates more than two dollars for the national economy according to the most recent studies, and every 1% rise in agricultural productivity cuts poverty by six-tenths of one percent. However, despite the obvious relevance of investments in rural and agricultural development to overall development and poverty reduction, the share of overseas development assistance that is allocated to agriculture and the rural sector is steadily falling, not rising. In fact, it has declined by nearly half since 1988. Today only 8% of developing countries' total overseas development assistance is spent on agriculture. This has to change if we are to reach the MDG of halving world poverty by 2015.

For us to meet these needs, we need to argue for greater attention on the part of developing country governments regarding the centrality of agriculture for national development. The OECD countries have to reverse the declining trend in ODA funding for agriculture. Fortunately, we are now starting to see examples of this: Canada has just announced a plan to increase five-fold its spending on agricultural development in developing countries; USAID is also reversing the declining trend; European countries are revising their policies; while the G8 countries are also taking an interest. This represents a good beginning – but more must follow.

The **second** way to use ODA more effectively is to rethink our approaches to rural development.

The World Bank rightly stresses the importance of sound macroeconomic and pro-poor social policies and institutions. However, in IFAD's experience, this is not enough. While countries have focused on macroeconomic and sectoral policy reforms that secure stability

and growth, with the support of the Bretton Woods institutions, there is ample need and scope for improving microeconomic institutions for poverty reduction.

As you have been discussing over the past two days, the key factors for rural development are:

- Firstly, secure access to assets, in particular to land and water. Smallholders often have only customary rights to land and no irrigation and thus depend on erratic rainfall. Water is an increasing problem.
- Secondly, markets to buy and sell. We need to go beyond subsistence farming and make it possible for the poor to have greater access to markets.
- Thirdly, access to finance and access to opportunities to save and borrow and not be at the mercy of village moneylenders. Microfinance is one successful approach in this field.
- Fourthly, access to technology and research that responds to the problems of the poor.
- Fifthly, access to accountable and non-corrupt institutions. The poor need effective political representation, more bargaining power and organisations that represent their interests. Institutions and organisations must be for, of, and by the poor.

Individually, the rural poor cannot get their voices heard to change these rules. And in those limited cases where organisations of the poor exist, their power needs to be strengthened.

Clearly, socio-economic, political, legislative and judiciary institutions matter considerably at the national and at the decentralised level.

Effective rural poverty reduction therefore depends on the transformation of asymmetric rules and ineffective organisations into systems that enhance both fairness and the inclusion of small producers, not least women.

IFAD's mission is to enable rural poor people to overcome poverty themselves, by strengthening the capacity of the rural poor and their organisations to influence institutions that determine their livelihoods.

Empowerment will enable poor rural people to overcome poverty. This constitutes a change in the approach to development assistance, a paradigm shift in which the poor become citizens and the principal participants, or, to put it differently, subjects in the process and not just the objects of others' charity.

The effectiveness with which resources, including ODA, can be translated into poverty reduction will depend on the success in developing these kinds of institutional frameworks at the country and local levels.

Development cooperation must ensure that investment in institutional capacity-building creates room for the voice of the poor and, more radically, empowers them to influence institutions that affect their livelihoods, i.e. to help them achieve genuine democratisation.

However, these demands also call for a transformation of ODA institutions in terms of both rules and organisation.

The rules that govern ODA are being adapted to fit the new paradigm. The basic elements of the new rules consist in setting measurable goals, developing strategies to meet them and being results-oriented.

Today's ODA goals are largely reflected in the Millennium Development Goals. For the first time in the history of ODA, there is broad consensus on the goals that drive development strategies and policies. This we need to build on.

This unity of goals creates the opportunity for a unified strategy. The Poverty Reduction Strategy Papers are evolving into a leading framework for ODA action. This puts developing countries, their governments and their people at the centre of strategy development, resource prioritisation and strategy implementation.

Democratisation, decentralisation and participation are also evolving as standards for development planning processes. Donor harmonisation with the aim of achieving reduced ODA transaction costs can make an important contribution.

ODA resources in support of such strategies are increasingly focused on results, not only in terms of the number of people that escape poverty, but also in terms of institutional or policy change at the country level.

The international financial institutions are in the process of adopting performance-based allocation systems.

Projects, if properly designed, together with programme aid and sector support, can offer a platform for policy dialogue, institutional transformation and improvements in performance.

The changing rules of the game need to be matched by organisational change.

ODA organisations, multilaterals and bilaterals need to play their roles in ways that complement and leverage foreign direct investment (FDI: remittances which, at USD 100 billion a year, are twice as large as ODA) and trade to achieve poverty reduction.

Strategic complementarity means that we are changing the internal features of our ODA organisations. ODA partnership means defining joint ODA strategies, bringing together various forms of co-financing, sharing experience and learning lessons together to allow the scaling up of successful innovations.

We must simply do our business differently. This means changing our operating and reporting systems, as well as our organisational and budget structures.

ODA organisations also need to improve the quality of their presence where action for change is happening – in the countries themselves. The need to develop an in-country presence, and to work more closely with the poor and the organisations and governments that represent them at the local level, is a prerequisite for the successful enforcement of the emerging ODA rules.

In an increasingly globalised, interdependent and open world economic environment, the livelihoods of poor rural people are increasingly affected by rules and actors that are beyond local and national spheres of influence. To create environments in which rural poverty can be overcome, rural poor people and their governments must have a say in defining such institutions and their governance.

From this perspective, it is a cause for concern that WTO members were unable to meet the March 2003 deadline for agreeing on modalities that would ensure reductions in support and protection in agriculture, which is so vital for the world's poorest people. This compromised the momentum required to secure the success of the September Cancun meeting.

More and more donor countries now acknowledge that while ODA is important, it is the full effect of all policies and resource flows on poverty that counts. My own country, Sweden, has just put a bill before Parliament on Sweden's Policy for Global Development which tries to establish a broad framework of policies in trade, environment, agriculture, migration and development cooperation in which ODA is only one component.

It is interesting to note that the Centre for Global Development recently launched a Commitment to Development Index that ranks OECD countries on the basis of their commitment to a combination of aid, trade, environment, investment, migration and peace-keeping, and the coherence of that commitment. This first attempt to measure coherence in OECD policies has many flaws, but it does represent an important step that will help us focus on the total resources for development in an integrated, and hopefully more coherent and pro-poor, manner.

Nevertheless, the poor do need effective institutions that provide broader equity and rule of law. The global nature of the world economy is not, however, matched by global institutions. The UN family provides an institutional framework for global security and equity for small and poor countries. It is however unfortunate that, at the time we most need them, such existing global institutions are under great stress. Development actors need to join hands to establish pro-poor rules at the global level. And the global organisational architecture needs to accommodate the voices of the rural poor and the governments that represent them.

Conclusion

In conclusion, if we are to reach the Millennium Development Goals by 2015, we need to increase the efficiency of development finance. We need to do more, with more resources of all types, including ODA. ODA is being augmented by debt relief, and is increasingly being complemented by FDI and remittances. Freer trade offers significant potential benefits.

We need to do better, to create institutions with more influence that are driven by the poor themselves as citizens, participants and producers.

Giving a voice to the poor and empowering their organisations will help ensure that resources lead to growth that sustains poverty reduction.

However, there are also institutions beyond the country level that affect their lives, and over which their influence is limited. Empowering the poor and their governments to influence the rules of access and the organisations that govern ODA, FDI, remittances and trade must be a priority, in order to encourage a greater focus on poverty.

The transformation of ODA institutions is quietly taking place. We need to accelerate this process and work in the context of the broadest possible partnership.

4.1.2 Statement by Mr. Wolfgang Schmitt, Managing Director, GTZ

Ladies and Gentlemen,

When I was asked to honour the occasion of IFAD's 25th anniversary with a joint workshop on "Institutions – The Key to Development: Building Alliances to Empower the Rural Poor" here in Berlin, I was happy to actively participate in this event. In my presentation today I would like to focus on our specific GTZ perspective by raising the following issues:

- How has our perception of institutions changed in the past decades?
- How do we go about institutional development?
- What specific assets can we offer to our alliance partners?

In answering these questions I shall try to be honest in looking at our efforts, stating where and why we may not have been successful. I shall also give a few examples of where we think we are on the right track.

How has our perception of institutions changed in the past decades?

Institutional and Capacity Development has been one of the GTZ's core tasks ever since it was founded. Initially, the focus was on building the technical skills of individuals, while in the eighties the priority shifted to the development of organisations, in particular state organisations, in partner countries. In the early nineties, German Technical Cooperation, and hence the GTZ too, began to focus on the importance of political and institutional frameworks for development in general, and for the development and harnessing of existing and newly created capacities in particular.

So institutional development per se is nothing new to us and we have always seen institutional development very closely linked with capacity development.

We need to be more cautious and build on local capacities

What we have learnt in the past decades is that we need to be more cautious with the issue of institutional development. Often, we were not fully aware of the existing traditional institutions and insufficiently sensitive to observe how they develop in the process of economic, social or political change. With the external perspective development agents necessarily take, we may have easily underestimated the dynamics of endogenous change owned by the local people. Another difficulty is the time horizon: institutional change is a secular process that takes time, while we are generally required to produce results within a period of only a few years. But an assessment of institutional change in Africa adopting a four to five year perspective may show only marginal improvements, whereas a comparison

with the state of institutional development 20 or 30 years back makes it clear how profound a transformation has taken place.

When we support institutional development and the change processes that go with it, we have to be conscious that certain preconditions have to be fulfilled, and in addition we have to exert more patience.

Let me give you a short example of what I mean. In Mauritania we have been supporting new arrangements on land use between pastoral and sedentary farmers. Our interventions concentrated on participatory land-use planning with different local populations in a very participatory way. We organised stakeholder meetings and round table discussions with representatives of the various interest groups. At the same time we supported the drafting of new regulations on access to land and land use. Nevertheless, there was no general acceptance of the new institutional arrangements. Only when the new rules were issued in a traditional format similar to the way the customary law of this country - the Koran – is printed and bound, were the new institutional arrangements eventually accepted by all stakeholders. This very short summary of a complex issue simply highlights the fact that in such processes we sometimes have to use existing and accepted ways of agreeing and communicating.

During the eighties we started concentrating on state organisations in order to make them more efficient and allow individuals in these organisations to apply their skills. Again, we were impatient and soon became disappointed with the slow speed of change in state organisations, declared them to be hopeless, and started to modify the institutional and legal frame conditions to prepare the private sector to come in and do everything better. The so-called Washington Consensus, which symbolises the beginning of the structural adjustment programmes in many countries, is the effective label for that period. We have private service organisations too weak to provide service because of inadequate legal framework and support conditions.

When we push forward for institutional change we may ask too much from our partners and the people involved in the development process. We tend to be too ambitious and at the same time overly naive concerning change processes. The lesson is: never underestimate the resistance of local people towards institutional changes that are not fully owned by them! Our efforts as a development agency have to concentrate on the potential of local people and their own organisations and institutional arrangements which have evolved at their level.

Face the constraints of the rural world

The discussions of the last one and a half days have looked at institutional change for rural development. You have looked at this topic from various angles and probably learnt a lot by exchanging experiences and examples. When we all consider the reduction of poverty as our main objective, we are aware that poverty is mainly rural. Three-quarters of the poor live in rural areas, where we also find the weakest infrastructure, be it roads, schools, communications or health facilities. Unfortunately this is also true for the institutional setting. At the individual level the capacity of deprived people in rural areas to articulate their needs is usually weaker than in the cities, as well as their opportunities to build groups or become organised to fight for their common interests.

All the considerations that I have spelled out so far apply to the situation in rural areas, and have to be taken even more seriously: Traditional institutions are more important, change is slower, and the investment in institution-building may be even more expensive and time-consuming. At the same time, rural areas do have one advantage – they are further away from the power centre and often under less control. Although resources are scarce, institutions are weak and people in remote rural areas may have greater freedom to organise themselves with a little external support.

We need to encourage the use of freedom that comes with institutional reform

One lesson which comes out of our early experiences and which holds true today, more than ever, is the fact that individuals play a decisive role in institutional change processes. We have learnt from Amartya Sen that we have to facilitate the use of local potential and the degree of freedom our partners may have but are not immediately able to realise. We have to encourage local decision-makers to utilise their potential and take ownership of the process.

For example, let us assume a District Commissioner in a remote Chilean province who has been waiting for three years for approval from central government to build a local school. The province strongly needs more local schools, has sufficient resources to build such schools, as well as the technical capacity to do so. Should we not simply encourage the District Commissioner to take a decision and build the school without central approval? In this context, institutional development may mean encouraging principal agents to use their degree of freedom and make use of the available resources to furnish their province with better educational coverage, thereby setting an example for others.

To summarise my remarks concerning the first question, we can conclude that our interpretation of institutional development has changed constantly over the past decades. We have been too ambitious and naive at the same time. We have overstretched our local partners with our own severe time constraints, and we have not sufficiently built on local potential or encouraged the development of ownership by our local partners.

How do we go about institutional development?

The GTZ has, based on the experiences of the past decades, developed a policy paper on institutional and capacity development. The strong overlap between institutional development and capacity development is re-emphasised in this policy paper. The policy is based on the five criteria set by our Federal Ministry for Economic Cooperation and Development. These five criteria are: respect for human rights, popular participation in political decision-making, the rule of law and legal certainty, a market-friendly and social economic order, and development-oriented state action.

Let me briefly highlight the central ideas of this policy.

The GTZ sees *institutional and capacity development* as the process of strengthening the abilities or capacities of individuals, organisations and societies to make effective and

efficient use of resources, in order to achieve their own goals on a sustainable basis. Even more important, as an agency for Technical Cooperation, we consider this as an investment for sustainable development by investing in:

- People as the major agent for change and development,
- Organisations, and
- Institutions and policies

Investments of this sort boost the performance capacity of individuals, organisations and societies by modifying the resources, structures and rules of play that affect the way tasks are performed. Investments like these benefit not only today's generation, but also future ones too. They are therefore a precondition for sustainable development and at the same time make a direct contribution towards it. For the GTZ, investments in people and institutions in particular are value-oriented.

The GTZ sees *institutional and capacity development* as a change process. Change processes can be within a state, civil society or the private sector, as well as processes that focus on shaping cooperation between them.

In order to meet the complex demands inherent in such change processes, we base our interventions on a systemic approach comprising all three levels (people, organisations and institutions), which are strongly interdependent with a long-term perspective which, at the same time, allows flexible measures based on an impact orientation which considers change processes as learning processes. We encourage our partners to consciously enter into a second learning loop process. In the first loop they learn how to do things, and in the second they reflect on how they learnt and what facilitated this learning. Thus they become in a position to shape their learning circles based on new institutional arrangements. Consequently, the ownership of such change processes is with our partners. We facilitate endogenous change processes where our partners show willingness to assume responsibility, make their own inputs and independently continue and refine the innovations achieved.

Seconded experts are one of the important instruments of German Technical Cooperation. The GTZ is well aware of the sensitivity needed when seconding experts. There is, of course, a risk that ownership of the institutional development effort will be weakened. For this reason, the GTZ seconds experts in three scenarios in particular: 1. when no suitable experts are available in the partner country to perform a task. Seconded advisors are then called on to support the partner and help the latter use and develop its potentials in line with its own objectives. They provide knowledge, experience and systems from other contexts and bring these into line with local conditions, but they also help the partner to mobilise and develop local knowledge. 2. When internal conflict and disputes point to the need for a neutral facilitator. 3. When the success of development measures requires an ongoing, long-term dialogue about values and the economic order. This competence is a crucial criterion when selecting seconded experts.

What specific assets can we offer to our alliance partners?

Now we are in the 21st century, the era of globalisation, we realise that no development organisation can single-handedly address the challenge of poverty successfully. We recognise the need for intensive donor coordination and collaboration. We have passed from the Washington Consensus to the Millennium Development Goals, and now all donor organisations have poverty reduction as their main development objective. The specific German Action Programme 2015 points in the same direction. We are now experiencing a new method of cooperation. At the moment collaboration in the drafting of the PRSP is strong (although here it seems that the partner country is not always really in the driver's seat), as it also is in the implementation of sector-wide programmes with basket funding. In these new types of collaboration and alliances to reduce poverty in our partner countries, it seems logical to build on the specific strengths of each collaboration partner.

We, as the GTZ, can bring a number of assets to such partnerships that will enrich alliances for institutional development and poverty alleviation. Our understanding of Technical Cooperation has greatly changed. We still second advisers for development programmes to our partner countries as mentioned above, but today we also represent facilitation competence at all levels. Our mode of operation is currently undergoing major reorientation. We no longer implement projects that focus on single technical aspects, but are instead building development programmes based on sector concepts that have been agreed on with our partners. In such sector development programmes, we are now consciously concentrating on all three levels, individuals as change agents, organisations, and the political and legal frame conditions. Thus in place of good but isolated efforts, we now find coordinated synergies that seek to facilitate institutional development on all three levels.

For broad-based development alliances we have certain specific assets, our very strong competence in facilitation and process orientation, and our in-depth knowledge both of the specific conditions on all three levels, and of the impact of policy decisions. These assets are complemented by sector knowledge, regional knowledge and social competence in dealing with our stakeholders.

Through this new understanding of Technical Cooperation and our specific competences, we believe we are an attractive partner for such alliances, and that this new type of cooperation will yield new quality and impacts in institutional development towards the reduction of global poverty.

4.1.3 Statement by Dr. Hans-Peter Schipulle, BMZ, Deputy Director General, Global and Sectoral Issues

Ladies and Gentlemen.

Some two-thirds of the poor in developing countries live in rural areas, while urban poverty is equally on the increase. The figures are well known to us: 1.2 billion people sustain their lives on the basis of a purchasing power of less than 1 US dollar a day – well, power, in this context, is certainly a somewhat misleading expression.

These dramatic facts are strong indicators that the major challenges in fighting poverty effectively lie in the conditions of rural livelihoods. It is a confirmed fact that economic and social development and growth processes on a large scale have to start where the majority of poor people find their sources of income, social security and dignity – that is, in rural areas, villages and small towns.

Experience from the last four decades clearly indicates that sustained poverty reduction in most developing economies can only be achieved on the basis of agricultural and rural development. Urbanisation and industrial development depend in their early development phase on the agricultural sector. The growth of agricultural productivity is a key to poverty reduction. Education, health and agricultural innovation are important levers that public investment can apply to ensure poverty reduction.

But this only works where there are three basic preconditions for agricultural policy: firstly, a tenure system that allows a balanced distribution of land rent and offers security for farm management; secondly, an agricultural price and market policy that allows sufficient innovation and investment incentives; and thirdly, an innovation policy that transmits the results of applied agricultural research into broad social practice.

This analysis, as per leading agricultural economists, is convincing and carries some clear messages. However, during the last decade, we have actually seen a dramatic decline in public and private investment in agriculture and rural space. Donor contributions are no exception to this development. These trends need to be reversed.

Rural poverty is a complex and multifaceted problem – let me indicate some of its elements:

Rural areas have suffered from severe economic disincentives, such as overvalued exchange rates, distorted world markets for food commodities, and high taxation of agricultural inputs and products.

The rural poor are locked into low productivity activities because they lack sufficient access to markets, technologies and services. This results in low incomes and low consumption.

Rural poverty is particularly persistent where there are large inequalities in the ownership of and access to productive assets such as land, capital and rural infrastructure.

Poor health, education and nutrition status limit human capabilities and the ability to work productively.

The vicious cycle of low productivity, low incomes and the degradation of natural resources adds to the decline of economic potential in rural areas.

The rural poor are moreover exposed to numerous risks including manmade and natural disasters, pests, diseases, and economic shocks.

Finally, the rural poor have much less political influence than the more vocal, visible and organised urban populations. The result is that their needs are often ignored in government policymaking.

Strategies to combat rural poverty must tackle these fundamental problems. As the scope and character of these problems show, their solution lies less in standalone projects, even if these are successful in their limited sphere of influence. In addition, the complex multisectoral and area-based rural development projects of the past did not produce the desired impacts on poverty reduction. Recognising that rural poverty reduction requires coordinated action in several sectors, encompassing structural change from the local to the global level, it is evident that our striving for more effective solutions has to deal with the institutional dimensions of development.

The World Bank Development Report of 2002 provides quite a useful description of what is meant by institutions in this context: "Institutions are rules, enforcement mechanisms, and organizations. Distinct from policies, which are the goals and desired outcomes, institutions are the rules, including behavioral norms, by which agents interact – and the organizations that implement the rules and codes of conduct to achieve desired outcomes. Policies affect which institutions evolve - but institutions too affect which policies are adopted. Institutional structure affects behavior. But behavior may also change within existing institutional structures [...]"

We need to understand institutions as the structural components of societies, whereby poverty is a product of society. The numerous causes of poverty are rooted in economic and social deficits, lack of access to resources, limited opportunities, inequitable power structures, poor governance, lack of gender equality and other forms of discrimination. In the fight against poverty, institutions matter the most, because they represent the rules of the game. And to a large extent they predetermine who comes first and who comes last. Reducing poverty on a lasting basis therefore requires institutional change.

The poor are both players and part of the solution. Their creativity and capabilities are essential components in the fight against poverty. Self-help, self organisation and participation on the part of poor women and men are the fundamental principles of poverty reduction. Poverty reduction means institutional change - changing the rules of the game in such a way that the poor are able to develop their own productive and creative potential.

New directions

The German Government has taken up this challenge. The so-called 'Programme of Action 2015' describes the government's contribution towards the millennium goal of halving extreme poverty worldwide by the year 2015. The programme shows that a broad and comprehensive approach is needed. It describes ten priority areas in which the German Government is acting. These include improving the economic opportunities of the poor, strengthening their political participation, and fostering social protection. Institutional structures must be improved at three levels for the benefit of the poor: globally, in our partner countries, and in Germany itself.

The importance of coherent institutional change and the need to deal with it simultaneously at various levels can be best illustrated by the example of agricultural markets and institutional requirements in the rural economic and social system.

Since the Uruguay round, most developing countries have largely liberalised their tariff regimes, while industrial countries have made only very timid progress in removing their own agricultural subsidies. World markets thus remain distorted: heavily dumped world market prices combined with free import conditions in developing countries leads to much lower urban food demand from domestic producers. The consequences of this are a loss of purchasing power, withdrawal of private investments and weaker competition, followed by less public investment in rural areas and a further deterioration in rural economic and social services and infrastructure.

Unbalanced liberalisation in agricultural trade thus prevents efficient poverty reduction. The global system of agricultural trade needs to be profoundly reformed in order to create the necessary conditions which will make it worthwhile once more to invest in the agriculture-based economies of developing countries.

Germany, both as a donor and as an actor in this system or 'institution' of global agricultural trade, is now moving in new directions by:

- undertaking regular talks on policy coherence between the ministries in charge of development cooperation, agriculture and trade,
- conducting advocacy among EU Member States and in the G8 Group for the economic interests of developing countries in the context of the ongoing reform of the Common Agricultural Policy,
- sponsoring studies and analytical work on the impact of our agricultural policy and of future reform options,
- supporting broad-based reflections on a possible 'development box' in the WTO agreement and, last not least,
- assisting experts and delegations from developing countries in defending their interests in WTO negotiations and in various panels.

But even if industrial countries agree on essential reforms during the forthcoming WTO negotiations, the opportunity to reduce rural poverty will remain untapped if national governments do not succeed in reforming their own policies. They must redirect public and private investment flows into agricultural production and the rural economy. Necessary reforms have to address:

- transparent and just legal systems; measures to install good governance, decentralisation of and participation in political decision-making; deconcentration of public service delivery, an undistorted agricultural market and price policy which improves small farmers' prospects; land tenure regulations, which guarantee equitable access to land and long-term security of property or tenure; and
- client-oriented agricultural research and extension systems; rural finance systems; upgraded social services in education, health, and social security; and a functioning physical infrastructure.

In short: sustained poverty reduction needs structures in each country to be conducive to development. It is the responsibility of each country to create such structures.

However, development cooperation can give effective support to countries' efforts to undergo genuine pro-poor institutional change.

Let me briefly elaborate on some of the major problems and necessary new directions, based on past experience.

In the past, the merit of structural adjustment programmes was in assisting countries to adjust public expenditure and to liberalise government-controlled production and market organisation. However, in most cases, the institutional aspect of reforms was largely forgotten. Budget cuts were lopsided and were mostly felt in rural areas. Millions of dollars were spent on reorganising public administrations, while emerging civil society organisations were left to their own devices. Rural institutions particularly need assistance now as a result of this past lack of attention.

From the donor perspective, this means new directions should be pursued, as follows:

- A shift from project support to process and programme support;
- Patience and recognition that institutions need time to find a new equilibrium;
- Conflict prevention and moderation;
- A genuine policy dialogue.

New tools need to be sponsored, such as organisational development, mediation and conflict management.

Let me conclude: there is widespread recognition that economic growth is a necessary precondition for alleviating the plight of poverty. There is also ample empirical evidence that in most developing countries, pro-poor growth depends on the importance given to equitable

access to productive resources and to increased investment in the rural economy. This, however, is only possible if rural institutions undergo the necessary changes towards achieving increased performance by a process of differentiation and specialisation, and by allowing the rural poor to play their role according to terms that they have determined by themselves.

Thank you.

4.2 Rural Institutions – A Road Map for Cooperation

Prof. Dr. M. Zeller, Professor and Director of the Institute of Rural Development, University of Göttingen

This forum organized by GTZ and IFAD on the role of institutions is rooted in an important concern. The concern is that not only access to markets but also institutions matter for poverty reduction. Pro-poor institutional innovation and transformation is therefore at the heart of the strategy to achieve the Millennium Development Goals.

In my brief contribution to this valuable forum, I would like to elaborate on two points: the role of institutions in poverty reduction, and the role of science and action-research/experimentation in the transformation or creation of pro-poor institutions.

Why do institutions matter for poverty reduction? Allow me to go back a little bit in the history of social sciences to address this question. Adam Smith talked about the 'invisible hand' that would steer the market forces of demand and supply. Karl Marx was among the first who - in an analytical fashion - showed that the rules of access matter for poverty reduction, and that rules of access (i.e. institutions) are biased towards the wealthy. He deduced that unless the rules of access and the power structure are changed, the poor will not receive a fair remuneration for their labour. But mainstream neoclassical economics ignored his writings for almost a 100 years. To fit institutions into neoclassical thinking, the efficiency theory of institutional change (for example advocated by Demsetz in 1967) pretended that in a dynamic environment socially efficient institutions will emerge and inefficient institutions will vanish – again, perhaps by some invisible hand. If this efficiency theory of institutional change were true, of course, we would not be here today. Not until Oliver Williamson and Douglas North and other institutional economists – beginning in the mid-eighties - was this efficiency hypothesis genuinely questioned. To quote Douglas North: "institutions are not necessarily or even usually created to be socially efficient; rather they are created to serve the interests of those with the bargaining power to devise new rules".

In hindsight, progress in the social sciences has been rather slow. And as our scientific knowledge influences to a great extent the policy strategies that are taken, our past knowledge gap has created huge social costs. Learning from history is important, and one of the lessons we may take home is that a closer working relationship between social science, development practitioners and the poor may avoid future mistakes, or at the least, allow us to learn more efficiently from our failures.

This forum has addressed the issue of pro-poor institutions head on, with working groups on water, finance, land, decentralisation, and on strengthening the voice of the poor to enable them to take part in negotiations to transform existing institutions or form new ones. Institutions matter because they define the rules of the game, the rules of access to knowledge, capital, land, water and other productive assets. This forum has focused on institutions for the provision of productive assets – emphasising the capacity of the poor for self-help. Nevertheless, we are well aware that institutions also matter in the provision of social assistance and social services - be they formal or informal. Analytically speaking,

institutions matter because they may increase or decrease transaction costs for certain or all parts of society in accessing markets, assets, and knowledge.

Institution-building with and by the poor is a difficult and longer-term process with an inbuilt possibility of failure. This forum has recognised that communities themselves have their own power structures that are not easily overcome. In fact, institutional change is often gradual, and requires negotiation and compromises among different stakeholders. Strengthening the voice of the poor through collective action and through representation of the poor at various decision levels is the key to success. And we need to realise that building and maintaining institutions requires resources and time by the poor. In addition, for self-help institutions to be sustainable in the long run, their benefits must outweigh their costs. With the aim of avoiding an oversupply of ill-adapted institutions, then self-help, ownership, responsibility and cost-sharing by the poor must be key principles in striving to create pro-poor institutions.

In order to reduce the risks of failure, and to better learn from failures, I suggest that development organisations should work closer together with social science researchers to gain better understanding of the constraints that the poor face as well as the process and outcomes of institutional change. Making mistakes is of course unavoidable. But what we need to strive for is a more efficient generation and management of knowledge in development practice.

Bruce H. Moore, Coordinator, International Land Coalition

Our view is that access to land, as with access to resources more broadly, is not so much a technical matter as a social and political challenge. Access to land touches upon fundamental inequalities in rural communities. As such, the land issue is often mired in conflicts. A road map for cooperation is an opportunity to work together both strategically and operationally, to:

1. Improve our conceptual understanding by supporting the replication and scaling up of CSO experiences;
2. Create new political spaces within countries for an inclusive process for policy development and operational decision-making – meaning the creation of platforms for dialogue and negotiation;
3. Strengthen the institutions of the poor and those that can help the poor to mediate their access to resources;
4. Support conflict mediation and arbitration processes;
5. Ensure that women's access to land is given particular attention;
6. Recognise the role of formal and informal systems of tenure security, respecting the fact that neo-liberal models and market mechanisms are neither appropriate nor a panacea in many contexts.

These are some of the areas where a roadmap can create synergies. They resonate well with the other dimensions of required access by the poor to water, finance, technology and decentralised decision-making.

5. Annex

5.1 Programme

**INSTITUTIONS – THE KEY TO DEVELOPMENT:
BUILDING ALLIANCES TO EMPOWER THE RURAL POOR**

**GTZ - IFAD Forum
Berlin, 20-21 May 2003**

**Venue: GTZ House, Reichpietschufer 20, 10785 Berlin
Tel: (0049) 030 – 726140; www.gtz.de/berlin/**

TUESDAY, 20 May 2003

8:00 to 9:00 Registration of participants

9:00 to 9:30 Opening of the conference

- Welcome of participants
- Dr. C. Beier, GTZ, Director General, Planning and Development Department
- Dr. K. van de Sand, IFAD, Assistant President, Programme Management Department
- Explanation of the conference structure
Dr. A. Springer-Heinze, GTZ, Conference facilitator

9:30 to 10:30 Strategies and innovative approaches to institutional development – How we go about it

- Dr. Christoph Kohlmeyer, BMZ, Deputy Head of Rural Development and Food Security Division
- Dr. P. Mutlu, GTZ, Director of Agriculture, Fisheries and Food Division, Planning and Development Department
- Thomas Elhaut, IFAD, Lead Economist, Programme Management Department

Discussion

10:30 to 11:00 Coffee break

11:00 to 12:30 Introductory presentations on institutional aspects in five selected topics, clarification of concepts (5 min. each):

(1) Rural finance

IFAD: Henri Dommel, Technical Advisor; Rural Finance

(2) Technology innovation

GTZ: Dr. Paul Schütz, Project Coordinator, Knowledge Systems in Rural Areas

InWEnt: Dr. Klaus Klennert, Head of Division, Rural and Agricultural Development, Development Management

(3) Access to land

International Land Coalition, ILC: Bruce Moore, Coordinator, and Jochen Donner, Deutsche Welthungerhilfe and Member of ILC

(4) Access to water

KfW: Thomas Selzer, Senior Project Manager, Division of Water Resources and Solid Waste – North Africa, Africa and Latin America Department

(5) Access to voice / Decentralisation

GTZ: Dr. Albrecht Stockmayer, Head of Governance - Gender Team, Division State and Democracy, Planning and Development Department

Discussion

12:30 to 13:30 Lunch break

13:30 to 18:00 Group work (five topics)

19:00 Evening reception

Wednesday, 21 May 2003

- 9:00 to 10:45 Presentation of group work to plenary**
Rapporteurs:
(1) Rural finance: Mr. Thorsten Giehler, GTZ
(2) Technology innovation: Mr. Gary Howe, IFAD
(3) Access to land: Mr. Christian Gräfen, GTZ
(4) Access to water: Mr. Rudolph Cleveringa, IFAD
(5) Access to voice/decentralisation: Mr. Mohamed Beavogui, IFAD
Discussion
- 10:45 to 11:00 Coffee break**
- 11:00 to 12:00 Offers and expectations towards partnership**
Facilitated exchange
- 12:00 to 12:30 Conclusion, summary of outcome, follow-up, closing remarks**
Mr. Gary Howe, IFAD
Dr. C. Beier, GTZ
- 12:30 Lunch break**

POLICY LEVEL SEGMENT

POWER TO THE RURAL POOR – WHY INSTITUTIONS MATTER

- 15:00 to 15:45 Rural institutions – the new direction**
Mr. Lennart Båge, President of IFAD
Mr. Wolfgang Schmitt, Managing Director of GTZ
Dr. Hans-Peter Schipulle, Deputy Director General, Global and Sectoral Issues, BMZ
- 15:45 – 16:15 Discussion**
- 16:15 – 16:45 Rural institutions – a road map for cooperation**
▪ Report on the outcome of the first part of the Forum

(20.5.2003 and 21.5.2003 a.m.) by Dr. C. Beier, GTZ

- Prof. Dr. M. Zeller, Director of the Institute of Rural Development, University of Göttingen
- International Land Coalition, *nn*

16:45 – 17:15 **Discussion** facilitated by Dr. K. van de Sand, IFAD

17:15 **Closing of the conference**

Mr. L. Båge, President of IFAD

Mr. W. Schmitt, Managing Director, GTZ

Farewell coffee

5.2 List of Participants (registered as of 18.5.2003)

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5.3 Capacity Development for Sustainable Development - A Core Task of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

Capacity development has been one of the GTZ's core tasks ever since it was founded. Initially, the focus was on building the technical skills of individuals, while in the eighties the priority shifted to the development of organisations, particularly state organisations, in partner countries. In the early nineties, German Technical Cooperation, and hence the GTZ too, began to focus on the importance of political and institutional frameworks for development in general, and for the development and harnessing of existing and newly created capacities in particular. With the adoption of the "five most important internal framework conditions for development" (the "five BMZ criteria")⁹ and the introduction of what came to be known as "positive measures"¹⁰ by the German **Federal Ministry for Economic Cooperation and Development (BMZ)**, the shaping of political and institutional framework conditions became an integral part of the GTZ's mandate. Over a period of almost thirty years, the GTZ has gained a wealth of knowledge and experience in this field, has been able to develop its own advisory competencies and has devised a flexible, demand-driven range of services.

The GTZ's definition of *capacity development* is based both on the development policy of the German Government and on accepted standards in international cooperation. The GTZ not only takes its own experience into account; it also draws on the experience of other bilateral and multilateral organisations, as laid out in numerous evaluation reports, as well as on scientific studies, which have proven to be very valuable contributions to the debate on the concept. By integrating these findings into a *capacity development* approach geared to implementation, the aim is consistently to enhance the day-to-day work of the GTZ in this field. The major guidelines are laid out below.

⁹ The BMZ criteria (BMZ, 1998) are as follows: respect for human rights, popular participation in political decision-making, the rule of law and legal certainty, a market-friendly and social economic order, and development-oriented state action.

¹⁰ These are development cooperation projects "which are directly geared to improving the human rights situation, involving the people in the political process, and creating democratic structures in line with the rule of law" (BMZ, 1994).

Capacity Development – An Investment for Sustainable Development

The GTZ sees *capacity development* as a process of strengthening the abilities or capacities of individuals, organisations and societies to make an effective and efficient use of resources, in order to achieve their own goals on a sustainable basis. This is done by **investing** in:

- **People:** This dimension of *capacity development* primarily looks at how to develop human resources and to use them within society. It comprises the transfer of knowledge, experience, skills and values, behavioural changes, the development of cooperation and communication systems, and ways of enhancing the opportunities of individuals to participate in political, economic and social life.
- **Organisations:** The aim is to boost organisational output through training and upgrading for the members of the organisation, the establishment of management and incentive systems, the development of an organisational and management culture, the improvement of work processes, and the extension of task-related organisational networks.
- **Institutions and policies:** This includes the development of democratic, rule-of-law institutions as well as the social and ecological market economy, the improvement of the legal and administrative framework for the activities of individuals and organisations, the gearing of state actions (policies) to development, and the promotion of cooperation between the state, the private sector and civil society.¹¹

Investments of this sort boost the performance capacity of individuals, organisations and societies by modifying the resources, structures and rules of play that affect the way tasks are performed. Investments like these benefit not only today's generation, but also future ones too. They are therefore a precondition for sustainable development and at the same time make a direct contribution towards it. They also help implement the international conventions and agreements adopted by the international community with a view to achieving sustainable development and reducing poverty – especially the Millennium Declaration (including the Millennium Development Goals – MDGs), the Declaration of the International Conference on Financing for Development in Monterrey (the “Monterrey Consensus”) and the Declaration and Programme of Action adopted at the World Summit held in Johannesburg in 2002.

¹¹ "Good" institutions and policies have a dual function. Firstly, the performance capacity of a society – its capacity to raise the standard of living of its people - depends largely on the quality (i.e. the stability and the efficiency) of its institutions and policies. Secondly, the capacity of individuals and organisations to act effectively and efficiently on a sustainable basis depends not only on their own situation (available resources), but also on the quality of the institutional and socio-economic environment in which they act. A "good" institutional and socio-economic environment thus acts as an "enabler". It enables individuals and organisations to act effectively and efficiently on a sustainable basis, and promotes their performance capacity.

The GTZ sees *capacity development* as a change process at the level of individuals, organisations and framework conditions (institutions and policies). These can be change processes within a state, civil society or the private sector, as well as processes that focus on shaping cooperation between them. For the GTZ, *capacity development* is both an end in itself and the means to an end, and indeed a specific procedure. As the **means to an end**, it lays the foundations needed to realise development policy objectives. As a **procedure**, it emphasises the role and the intercultural competence of advisors as enablers, catalysts and facilitators. As an **end in itself**, it focuses on responsible citizens and effective organisations with the competencies required to play an active part in shaping the future of their country and enhancing their own well-being.

For the GTZ, investments in people and institutions in particular are value-oriented, because these activities go hand in hand with the fundamental values and principles of state structures as these are understood in Germany and continental Europe: the concept of a democratic state based on the rule of law (Rechtsstaat), with a social and ecological market economy, and specific criteria for good governance (transparency, accountability, participation, freedom from corruption, etc.). The specific shape that these visions take on must be tailored to existing systems in the partner country in question. In its advisory services, the GTZ, in dialogue with its partners, helps adapt policy visions to bring them into line with the situation on the ground.

Capacity Development – A Task for Partners

Within the scope of projects supported by the GTZ on behalf of the BMZ, *capacity development* is a task performed by the GTZ in cooperation with its partners within the framework of the national development strategy of the country in question. This includes efforts to meet the complex demands made of both partners during a change process such as this – in terms of principles and methods. These are primarily the following:

- **Systemic approach:** *Capacity development* requires a systemic approach. Although traditional *capacity development* strategies put the emphasis on strengthening the performance capability of individuals and organisations, experience indicates that, depending on the situation, these kinds of measures must include moves to upgrade institutions and policies (because of their dual function). At the same time, the structural adjustment programmes of the eighties and nineties have shown that improved political and institutional frameworks alone cannot make a significant contribution to boosting the performance capability of individuals, organisations and societies, unless they are accompanied by *capacity development* measures at the micro level.
- **Long-term, flexible measures:** *Capacity development* needs a long-term, consistent approach that must not be sacrificed to short-term measures and the rapid dissemination of success stories. Firstly, capacities can only be built gradually over a period of time, and these capacities can themselves quickly deteriorate if they are not maintained and utilised. Since policies the world over tend to be geared towards short-term interests and pursue short-term goals and changing priorities, effective *capacity development* approaches must offer a way of dealing with this dilemma productively. The GTZ thus

takes a flexible approach and tries to cooperate with a wide variety of executing structures, and seeks to provide particular support to those organisations in a network that are willing to invest in *capacity development*. In addition, the GTZ always tries to realign its *capacity development* activities to meet the short-term goals and changing priorities of both the German Government and the government of the partner country.

- **Good project design:** An effective contribution to developing endogenous capacities in the partner country presupposes a systematic reflection by both partners about the planned change process. When preparing projects, the GTZ performs *capacity assessments* with its partners in order to identify and assess the various dimensions of *capacity development*. The following questions must be answered: Where are there *capacity gaps*? What sort of interventions can be used to close these gaps? How can these interventions be strategically managed and incorporated into the national development strategies?
- **Impact orientation:** *Capacity development* focuses on the question of how a project changes people, organisations and societies, and what incentives it creates for participants to maintain these impacts in the long term. Indicators must be used at all levels to quantify improved performance or the achievement of results (performance and results indicators) or to assess the inputs in terms of their effectiveness in supporting particular performance improvements or the achievement of results. In the final analysis, the impacts of *capacity development* activities must be measured at the level of the ultimate beneficiaries (target group level), because they are the ones who are intended to benefit from the improved performance, resources and framework conditions.
- **Help towards self-help:** In principle, the GTZ's *capacity development* inputs are designed to encourage the efforts of individuals, organisations and societies to resolve problems independently and to achieve their objectives. They should take the form of help towards self-help rather than replacing the independent efforts of local partners. The latter should not be released from their responsibilities; instead, endogenous change processes should be strengthened. This help towards self-help is all the more effective if local potential in the partner country is used (the principle of minimum intervention). In practice, however, we often find situations in which the partner is willing to assume responsibility, but capacity gaps prevent it from doing so. To ensure the long-term success of *capacity development* measures, the GTZ must be willing in such situations to assume the functions of its partners in the sense of partnership co-responsibility, parallel to the establishment of endogenous capacities.
- **Ownership and participation:** *Capacity development* is an endogenous change process in countries cooperating with German Technical Cooperation, and must be initiated and steered by local partners. Their willingness to assume responsibility, to make their own inputs and to independently continue and refine the innovations achieved is vital if change processes are to be effective and sustainable, and is a key demand made of GTZ counterparts. The more actively the target groups participate in defining the goals and measures, and the greater their determination to assume ownership of the changes to be made (i.e. the more closely they identify with the measures and the greater their willingness to continue these under their own responsibility), the more successful change processes will be. It is largely the

responsibility of the partner organisations to ensure that this is the case. The GTZ is responsible for advising partners on the clarification and assumption of any new roles and fields of responsibility, in order to realise ownership and participation at all levels.

The GTZ's Service Package

In the narrower sense, the services offered by the GTZ to support one or more dimensions of *capacity development* in partner countries include:

- participatory *capacity assessments* within the framework of project preparations and implementation;
- support in setting up monitoring and evaluation systems;
- technical outfitting of participating partner organisations;
- counterpart training;
- sector-specific and organisational advisory services;
- promotion of cooperation between the state, the private sector and civil society;
- advisory services in the interests of improving the legal and administrative framework within which the promoted tasks can be performed efficiently and sustainably;
- the shaping of all projects in line with the demands of professional change management, which appropriately integrates the above services into a change process.¹²

Capacity development in the narrow sense of the term is the task of all GTZ projects and programmes. In the broader sense, the GTZ's inputs in the field of *capacity development* include:

- helping to shape the general political and institutional frameworks in line with the "five BMZ criteria";
- providing inputs to strengthen the performance capacity of the state, to empower civil society and to promote the private sector;
- promoting access to education services.

¹² The framework and the quality standards for the design and management of change processes are laid down in the GTZ guidelines on *Veränderungsmanagement in Beratungsprozessen der GTZ* ("Change Management in GTZ Consulting Processes").

In many partner countries, the GTZ's inputs in the field of HIV/AIDS prevention and control are making an increasingly important contribution to *capacity development*, since they help retain the human resources base and uphold the operations of important organisations and institutions in the partner country.

There can be no doubt that the promotion of *capacity development* is less a predefined "package" than a procedure in which the role and intercultural competence of the consultant are crucial. The *capacity development* approach demands that the GTZ can at any time account for the impacts of its work at both the intervention and national levels, internally and externally. In order to do so, the GTZ has at its disposal a new computer-assisted evaluation tool known as **e-Val**.

Capacity Development, Gender Equality and Poverty Alleviation

In highly fragmented societies, general *capacity development* measures can have a relatively disadvantageous impact on women, ethnic minorities and low-income groups. The marginal status of these groups within society means that they are denied adequate access to the services that they require. General *capacity development* measures must therefore be complemented by target group-specific activities in order to provide underprivileged groups with special promotion. German Technical Cooperation has taken account of this by making gender equality and poverty alleviation cross-cutting issues. This means that *capacity development* measures implemented within the framework of GTZ projects must be analysed, planned and monitored on a target group-specific basis in terms of their impact on women, ethnic minorities and poor population groups too.

Capacity Development and Seconded Experts

Seconded experts are one of the most important instruments of German Technical Cooperation. In connection with *capacity development* in particular, the GTZ considers this instrument advantageous for three reasons: 1. The assignment of a seconded expert generally goes hand in hand with a transfer of know-how and experience. 2. In TC projects in the fields of organisational, institutional and political advice in particular, seconded experts are a vital element in their success. An ongoing, objective dialogue between in-country partners is essential because of the nature of the projects (e.g. open results; the need for regular, context-based adjustment of measures; flexible mandates; and value orientation). Projects of this type can only be successful if all participants accept the need for partnership and continually negotiate and balance their interests, roles and responsibilities within the scope of an organised dialogue. 3. Ownership, participation and the ability to manage projects and programmes (including programme aid in the form of budget assistance, basket financing, etc.) cannot be presumed from the outset, although this would be desirable. The GTZ thus has the task of strengthening the consensus and competence in-country through an organised dialogue and through *capacity development*.

The GTZ is well aware of the sensitivity needed when seconding experts. There is, of course, a risk that ownership of the project by the recipient will be weakened, that qualified local staff from the partner organisation will be recruited to work elsewhere, and that the development

of endogenous capacities in the partner country will be obstructed. For this reason, the GTZ seconds experts in three scenarios in particular: 1. When no suitable experts are available in the partner country to perform a task. Seconded advisors are called on to support the partner and help the partner side use and develop its potentials in line with its own objectives. They provide knowledge, experience and systems from other contexts and bring these into line with local conditions, but they also help the partner to mobilise and develop local knowledge. 2. When internal conflict and disputes point to the need for a neutral facilitator. 3. When the success of development measures requires an ongoing, long-term dialogue about values and the economic order. This competence is a crucial criterion when selecting seconded experts.

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