Rural Development and the Private Sector in Sub-Saharan Africa

Sida's Experiences and Approaches in the 1990s

Kjell Havnevik
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Sida EVALUATION 03/18

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Foreword

The present evaluation identifies and assesses Sida's approach to rural development in sub-Saharan Africa from a private sector development (PSD) perspective, with a particular focus on Ethiopia, Mozambique, Tanzania and Zambia. It finds that within Sida different perspectives on the role of PSD for poverty reduction co-exist, which suggests the lack of a coherent PSD approach. However, Sida support for rural development currently appears to experience a shift from a narrow focus on increasing supply and production at the micro level towards a broader, more market and private sector oriented approach.

This tendency is not clear-cut, however, and much work remains to be done, the evaluation concludes. More specifically, Sida has been weak in integrating socio-cultural aspects into its PSD approach, and in considering the necessary shifts from informal traditional institutions to formal institutions in order to promote the development of sustainable markets. Secondly, Sida is found to be weak in dealing with so-called framework factors – policy and institutional factors notably at the macro level – and in developing the important micro-macro linkages in its PSD approach to rural development.

This evaluation is the second in a series of evaluations of Sida's approach to PSD support. The first evaluation found that only a limited portion of Sida PSD support was directed towards the natural resources sector, in particular agriculture. This is surprising, since agriculture is crucial for generating income for large segments of the poor population. Besides, since the mid-1980s, deregulation in general and of agriculture in particular substantially changed the preconditions for rural development, and thereby also for development co-operation. It is against this background that the present evaluation of Sida's PSD approach within its support to rural development support was conceived.

The purpose of the evaluation is to contribute to Sida's organisational learning and policy development as regards support for PSD and rural development. Hence stakeholders from several departments within Sida have been closely involved in the evaluation process.

Stockholm, September 2003

Eva Lithman
Director
Department for Evaluation and Internal Audit

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Several people in Sweden, Europe, and Africa have contributed to the thinking behind and development of this report. For the team responsible for the report, the period of carrying out the field visits, interviews, discussions, and report writing has been intense and one of considerable learning. The report writing was divided into three phases – an inception report, a draft report, and a final report – and was carried out between August 2002 and February 2003.

The team is thankful for the support, ideas, and comments from many Sida and Swedish embassy staff in Stockholm, Dar es Salaam, and Nairobi. Eva Lövgren, Sida, UTV, provided us with the best possible framework for carrying out our work. She was in this endeavour strongly supported by Gun Eriksson Skoog. The Sida reference group for the evaluation and members of the Sida PSD working group provided valuable comments and insights of importance for the development of the report on many occasions. Sida staff at various departments such as the Department of Natural Resources and the Environment, the Department of Policy, and the Department for Infrastructure and Economic Cooperation (INEC) were helpful in providing material and background reports and gave generously of their time for comments and advice.

During the field visit in August and September 2002, Sida and Embassy staff in Dar es Salaam and Nairobi readily met with us to discuss relevant programmes and issues related to our task and assisted us in making contacts in programmes and ministries. Many researchers, bank officials, and government employees provided their time to inform us and discuss the complexities related to the role of the private sector in African rural development. We realised, after such discussions, that we were not the only ones who found the content of our study both challenging and difficult.

At our University – the Swedish University of Agricultural Sciences [SLU] in Uppsala – we are thankful for the support from staff at the Rural Development Centre (SLU Kontakt Landsbygd) and the Department of Rural Development Studies where the team leader is a professor and the team members are Ph.D. students in rural development studies. The evaluation has been an important opportunity for all of us to apply our long-term research insights and deepen our knowledge of PSD in rural Africa.

The team also appreciates highly the support and contribution to the Inception Report of the evaluation by Dr. Ian Christoplos, who due tounforeseen circumstances could not continue to work with the team. The team also strongly appreciates the assistance provided by Hanna Wetterstrand, student at SLU, whose collecting and systematising of background material for the study was of great help.

We are also thankful to Dr. Sunil Sinha of Emerging Market Economics, London, for his constructive comments and advice during the course of the work. Dr. Sinha was brought in to comment on both the Inception Report and the Draft Report and also contributed with comments in the very last stages of the work. His experience from PSD work and his valuable comments have done much to strengthen the outcome of our work and to connect it more strongly with the Emerging Markets Economics (EME) evaluation study commissioned at an earlier stage by Sida and which Dr. Sinha led.

Lastly, we would like to extend our thanks to the following persons in Sweden and Africa for assisting us at critical moments with advice, comments, and various types of support: Ulf Brangenfeldt and Kristina Bergman, Rural Development Centre, SLU; Lisbeth Larsson Lidén, Ann Margret Sveidqvist and Ph.D. students participating in the Lövstabruk seminar, the Department of Rural Development Studies, SLU; Lennart Wohlgemuth, Agneta Rodling, librarians and other staff at the Nordic Africa Institute, Uppsala; Torsten Andersson, Swedish Embassy, Lusaka, Zambia; Deborah Duveskog, FAO, Nairobi, Kenya; Göran Bergman, Swedish Embassy, Nairobi, Kenya; Bertil Odén and Sten Rylander, Swedish Embassy, Dar es Salaam, Tanzania; and Thorbjörn Öckerman, Orgut, Brian Cooksey, Tanzania Development Research Group (TADREG), and Samuel Wangwe, Economic and Social Research Foundation (ESRF), all in Dar es Salaam, Tanzania.

Uppsala, February 2003

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Abstract

The main purpose of this evaluation is to assess the extent to which Sida's support to rural development has adopted a private sector development (PSD) perspective during the 1990s. The findings and recommendations of the evaluation are to be specifically used in developing Sida's PSD approach. The focus of the study is on Sida's PSD interventions and approaches in rural sub-Saharan Africa, with a particular emphasis on Zambia, Mozambique, Tanzania and Ethiopia.

Qualitative methods, mainly interviews with Sida personnel and consultants, combined with an extensive review of Sida documentation are used to identify the varying Sida PSD perspectives and interventions. Findings from the interviews and document review are linked and analysed in relation to an analytical framework that examines changing conditions and preconditions for rural development.

The evaluation reveals that during the period, Sida has been able to enhance its PSD perspective in rural development interventions. However, Sida has been weak in integrating socio-cultural aspects and in developing micro-macro linkages in its PSD approach. Further work also remains to be done as regards Sida's understanding of how PSD may be supported in an integrated way and how markets best may serve the poor.

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Acronyms and Abbreviations

AoA	Agreement on Agriculture (WTO)
ACP	African, Caribbean, and Pacific
ACSI	Amhara Credit and Savings Institution
AGRICOM	(National Cereal Marketing Board, Mozambique)
AIDS	Acquired Immune Deficiency Syndrome
AMC	Agricultural Marketing Corporation
ARNS	Amhara National Regional State
BDS	Business Development Services CCM Chama cha Mapinduzi (Tanzania)
CMA	Crop and Marketing Authority (Zambia)
CSP	Country Strategy Process
DfID	Department for International Development (UK)
EEOA	Economic Expansion in Outlying Areas Programme
EGDI	Expert Group on Development Issues
EME	Emerging Markets Economics
ESRF	Economic and Social Research Foundation, Dar es Salaam
EU	European Union
FAO	Food and Agricultural Organisation, Rome
FCC	Fundo de Crédito Communitàrio
FCCN	Fundo de Crédito Communitàrio Nampula
FRA	Food Reserve Agency (Zambia)
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (Germany)
Ha	Hectare
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
ICM	Cereal Institute of Mozambique
ICO	International Coffee Organisation
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IFPRI	International Food Policy Research Institute, Washington D.C.

IIED	International Institute for Environmental Development, London
IMF	International Monetary Fund
INEC	Department for Infrastructure and Economic Cooperation
IRDP	Integrated Rural Development Programmes
ITR	Individualisation, Titling and Registration
JEC	Steering group, Malonda Programme (Mozambique)
LAMP	Land Management Programme (Tanzania)
MAFF	Ministry of Agriculture, Food and Fisheries (Zambia)
MBT	Micro Bankers Trust (Zambia)
MFI	Microfinance Institution
MMD	Movement for Multiparty Democracy (Zambia)
Mt	Metric tonne
NGO	Non-Governmental Organisation
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
PBS	Private Business Sector
PRA	Participatory Rural Appraisal
PROAGRI	Programme for Agricultural Sector Development (Mozambique)
PRSC	Poverty Reduction Strategy Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
REEF	Rural Economic Expansion Facility
RoSCA	Rotating Savings and Credit Association
SAP	Structural Adjustment Programme
SARDP	Swedish Amhara Rural Development Programme (Ethiopia)
SE	Small Enterprises
SLU	Swedish University of Agricultural Sciences, Uppsala
TADREG	Tanzania Development Research Group, Dar es Salaam
TASA	Tanzanian Agricultural Situation Analysis (Tanzania)
TCCIA	Tanzanian Chamber of Commerce and Industry and Agriculture
ToR	Terms of Reference
UNAIDS	Joint UN programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund

URT	United Republic of Tanzania
USD	US Dollars
UTV	Department for Evaluation and Internal Audit, Sida
VLW	Village Legal Worker
WB	World Bank
WDF	Woreda Development Fund (Ethiopia)
WTO	World Trade Organisation

Executive Summary

Agriculture and related activities are dominant economic activities in Sida's partner countries in sub-Saharan Africa. The agricultural sector in this region has during the 1990s been characterised by extensive deregulation. Small-holders and other groups involved in agriculture operate in a broad context of input and output markets on which they depend and to which they contribute to different degrees. Extensive state withdrawal has opened space and placed the responsibility for rural development on the private sector.

With this as a background, this evaluation seeks to assess to what extent and how changes in rural sub-Saharan Africa unfolding during the 1990s have influenced Sida's approach to rural development. In particular, the objective is to analyse Sida's approach to rural development from a private sector development (PSD) perspective.

To adapt PSD definitions to an African setting, the focus of the study will be on *changes in and potential for increased levels of commercialisation of production among a number of non-state production agents, for example private entrepreneurs and industries, individual small-holders, rural households, and groups of various kinds including co-operatives and communities.*

A three-step methodological approach of the evaluation is put forward, where we (i) identify, disaggregate, and deconstruct Sida's approach to PSD in rural areas, (ii) analyse strengths and weaknesses in the approach, and (iii) assess the approach against an empirically based analytical framework of relevance to the dynamics of PSD in African rural areas.

The evaluation starts by providing a broad overview of the changing conditions for PSD in Africa. Statistics showing trends in agricultural production and population dynamics are put forward. Issues related to the impact of the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) are integrated throughout the chapter where relevant. For the four countries in focus in the evaluation – Ethiopia, Mozambique, Tanzania, and Zambia – differences in agriculture-related developments emerge, with Zambia providing the bleakest experience. A major section deals with issues related to agricultural sector reform during the 1990s. Agricultural liberalisation and its implications for food, input, and export markets and the increasing volatility of prices for export products are addressed for sub-Saharan Africa in general; however, with a particular focus on the experiences from East and Southern Africa.

The changing conditions related to land tenure are brought out to provide an insight into the development over time, the complexities inherent in the problematic, and the differences between the four focus countries. The importance of socio-cultural aspects for understanding this theme emerges clearly. Another area of major importance for rural development and private sector dynamics is rural income diversification and the role of non-farm activities. This section discusses the embeddedness of market structures in Africa and analyses the reasons behind and the different paths of non-farm activities in different settings. It appears that the analysis of rural dynamics cannot be isolated to agriculture alone. Chapter 3 ends with a description and analysis of issues related to community empowerment and the state-peasant relationship. The withdrawal of the African state has not only provided more space for the private sector and the market to unfold, but also for communities, at least in some African countries, to organise themselves and enhance their influence over natural resource management.

An analysis of Sida's policy documents that are relevant for PSD and rural development reveals that there are three different narratives within Sida regarding the role of PSD in rural development. We distinguish between (i) the poverty/market narrative, seeing PSD as the engine of growth, and thus of poverty alleviation; (ii) the poverty/supply narrative, seeing PSD as having a more limited scope in poverty alleviation, whereas poor people have to be supported through more direct, targeted interventions that may require some market distortions; and (iii) the poverty/rights narrative, in which responsibilities need to be assigned to specific actors to achieve poverty alleviation, something that may be difficult considering private sector roles. These three narratives are not necessarily in conflict, or mutually exclusive, but may still be used in an idealised way to better understand the complexity of Sida's approach to rural development.

In addition to an analysis of policy documents of relevance to PSD, four different Sida-supported area-based programmes are studied. The programmes analysed include the Economic Expansion in Outlying Areas Programme (EEOA) in Zambia, the Malonda Programme in Mozambique, the Land Management Programme (LAMP) in Tanzania, and the Swedish Amhara Rural Development Programme (SARDP) in Ethiopia. These programmes contain particular features. SARDP integrates more components than other programmes, Malonda is the most highly market-oriented programme, LAMP is more focused on land issues than other programmes, and EEOA features particular methodological approaches. The scope of these four programmes, however, covers important aspects of Sida's approach. Hence, the selection allows for a study of changes in the Sida rural development portfolio over time.

Sida's approach to rural development is assessed against an analytical framework relating to how PSD takes place in complex socio-cultural contexts. This analytical framework caters to the socially embedded character of most African rural markets. It also emphasises the formalisation dynamics by which markets develop from an initial dependency on indigenous, mainly non-formal institutional set-ups into more formalised institutions, or into combinations of indigenous and formal institutions.

Since the analytical framework is used as an evaluation tool – a norm by which programmes can be measured – the analytical framework should be seen as an ideal to strive for. In situations where the different factors in the framework are present and have the correct values, PSD is envisaged to take place.

Traditionally, Sida has been geared towards the raising of farm productivity in its rural development interventions. More recently, the direction has shifted towards a larger diversity in programme approaches, where decentralisation and market orientation have come to play more prominent roles. However, a majority of Sida's rural programme interventions still has increased farm productivity as a main objective, and a majority of interventions are still area based. Hence, if the selection represents emerging forms of intervention, there remains a bulk of programmes that are more "traditional" in their set-ups – i.e. area based – programmes with an emphasis on raising farm productivity.

The four programmes analysed in this study and the underlying policy documents describe an evolution in the way Sida has approached rural development during the 1990s. When the state withdrew in sub-Saharan Africa, Sida responded by putting more emphasis on the role of the private sector, market development, and a rights/livelihood approach. However, this change is not consistent. Interventions with limited market orientation have been initiated, even after ones that are more PSD oriented. This may depend on adjustments to local, regional, or national settings, but it might also be driven by other factors, such as individual or group interests or the way Sida is organised.

The response by Sida to the extensive deregulation that occurred during the 1990s can also be gauged by the extent to which Sida has found new, non-governmental, and private sector partners for the interventions it supports. Overall, the evaluation of the four programmes indicates that there has been a move, although uneven between programmes, towards supporting either non-governmental structures – including the private sector – or structures relying on governmental support rather than direct governmental interventions.

Our analysis of policies, narratives, and interventions on the ground indicates that there has been a gradual move within Sida toward a more comprehensive approach, to which all narratives contribute. In particular during the last few years, it appears that the various narratives are slowly losing ground. The study attempts to reflect, however, carefully, whether and how this may be linked to the more recent organisational changes within Sida, and in particular the transfer of responsibilities from Sida in Stockholm to Sida field stations in various co-operating countries.

Weaknesses in the Sida approach to rural development from a PSD perspective, applicable to most of the 1990s, include a general tendency to put insufficient emphasis on socio-cultural aspects and also to overlook the importance of the dynamic formalisation process by which a shift from indigenous to formal institutions is undertaken. Another weakness is the character of the links to national level interventions and policy dialogues. When a backlash in the national de-regulation processes occurred, most programmes were found to lack mechanisms for dealing with them.

On the basis of the above descriptions, analyses and findings, recommendations are put forward. They may hopefully help Sida develop further its on-going process of reflections, reorganisations, policies, and interventions in pursuit of poverty reduction and the role that PSD can play in such a context. These reflections also need to address the implications of Sida's increased role in the development dialogues at national levels. In addition, mechanisms through which Sida can co-operate with other stakeholders that are seriously pursuing poverty reduction need to be addressed. The recommendations in brief include the following:

1. We encourage Sida to continue the internal dialogue and learning process aimed at creating a coherent policy framework for PSD in agricultural and rural development.
2. We encourage Sida to shift its perceptions regarding area development programmes towards an approach that links interventions in geographically limited areas with national systems and with interventions at other administrative levels.
3. We recommend that Sida put more emphasis on the national policy dialogue, especially to build links between local experiences and national settings and to develop methods for identifying and addressing necessary preconditions for PSD in rural areas.
4. We advise Sida to follow closely, in co-operation with other Swedish authorities, developments in the international governance system, i.e. the various agreements and negotiations, and to develop capacity for assessing its implication for the preconditions and interventions related to PSD in the rural African context.

5. We recommend that Sida pay closer attention to existing framework factors for rural PSD interventions and support and, in particular, the socio-cultural aspects. We find that Sida is in need of better analyses of informal institutions and norms of relevance to and impact on market behaviour. Models are needed for moving from informal to formal institutions, including the transfer of certain aspects of trust and legitimacy.
6. We suggest that Sida take a comprehensive look into the issue of land tenure and the implications of the African land policy process for PSD development in rural areas. Land tenure emerges as an overarching issue where special competence may be needed.
7. We suggest that Sida undertake a comprehensive analysis of the role of the non-farm economic activities in rural areas. Methods and support need to be developed for encouraging increased dynamism in these activities.
8. We recommend that Sida, in its PSD in rural development work, shift from its predominant production/supply perspective to a livelihood perspective that also incorporates rights and market issues in a balanced way.
9. We advise Sida to look into the issue of which agents are the driving forces behind PSD in rural development. For the PSD process to generate momentum, it is critical to identify its social carriers. The issue relates to the role of the household, individual entrepreneurs, and communities/villages as a basis for PSD in rural development.
10. We advise Sida to develop a continuous learning process in how markets can be made to function for the poor.
11. We recommend that Sida enhance its ability to analyse particular markets regarding their potential/capacity to work for the poor. Such an analysis should be undertaken in all programme area settings and should include the capacity of markets to:
    - Facilitate access to assets by poor rural people
    - Improve the return on the assets of poor rural people
    - Cater to the consumption needs of poor rural people.
12. We suggest that Sida improve its capacity to identify market failures related to PSD in rural development and attempt to identify tools and methods to address such failures.

Chapter 1 Introduction

The major points of departure for this evaluation reflect dominant features of the African rural setting: (i) that the agricultural sector has been extensively deregulated in sub-Saharan Africa during the 1990s, (ii) that agriculture and related activities are the dominant economic activity in Sida's partner countries, and (iii) that small-holders and other groups involved in agriculture operate in a broad context of input and output markets on which they depend and to which they contribute to different degrees.

The main purpose of the evaluation is to assess to what extent and how these settings and conditions are reflected in the support to rural development and, based on this assessment, to provide forward looking recommendations. In this way we hope to assist in creating a common ground for understanding the current and potential roles of private sector development (PSD) in rural poverty alleviation.

The report is divided into eight chapters. Following the Introduction (Chapter 1), the methodological approach and methods of the evaluation are presented (Chapter 2). Chapter 3 provides an overview of the changing conditions for rural PSD in sub-Saharan Africa given the basic points of departure for the evaluation. Chapter 4 presents the development of the official, policy-level thinking within Sida in relation to the changing conditions. Chapter 5 provides an analytical framework for the evaluation, and Chapter 6 presents a description of four different Sida-supported rural development programmes. In Chapter 7 an assessment is made of policies and programmes against the analytical framework of the evaluation. Against this background, Chapter 8 presents recommendations for future Sida PSD support in African rural areas.

1.1 Definition of Private Sector Development

The evaluation team has engaged in discussions with Sida personnel and Swedish and African researchers, administrators, and practitioners on formulating a relevant definition of the private sector in the sub-Saharan African rural context. The Emerging Markets Economics (EME) evaluation (Sida Evaluation Report 01/14) follows the Organisation for

Economic Co-operation and Development (OECD) in defining the private business sector (PBS) as "*a basic organising principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk taking set activities in motion*".

On the basis of this definition, the EME evaluation defines PSD as

> the process by which the PBS moves along the path to becoming well functioning and PSD support as interventions aimed at the development of factors crucial to the development of a well-functioning PBS (ibid., p. 1).

Understanding African rural dynamics will, in our view, require a broader definition of PSD. The term *private sector development* as defined above may be unable to capture an understanding of rural dynamics because such dynamics might be linked to a broader range of forms of ownership and organisations than that usually interpreted as consisting of 'the private sector' per se.

The dynamics of African rural development might be connected with a general increase in the level of commercialisation of production in different productive activities, branches, or sectors. To capture the unfolding rural dynamics, several organising principles for economic activities will be included in the evaluation. *The focus will thus be more on the changes in and potential for increased levels of commercialisation of production among a number of non-state production agents, for example private entrepreneurs and industries, individual small-holders, rural households, and groups of various kinds including co-operatives and communities.* This broader definition of the private sector will hopefully also make the evaluation more relevant from a poverty reduction perspective.

PSD support thus involves measures that help to strengthen primarily non-state profitable production, whether within private or community spheres. It is not decisive in which sphere production takes place, rather that the activity yields more than the resource input. Moreover, PSD includes activities in both formal and informal sectors. This somewhat extended definition of PSD will enable the evaluation to capture multifaceted rural dynamics, which support rural incomes and poverty reduction, including distributional and gender aspects.

Chapter 2
Methodological Approach

The evaluation will follow the outline proposed in the Terms of Reference (ToR, Annex 1). It starts with an overview of the changing conditions for rural development in sub-Saharan Africa with an emphasis on a group of selected countries and goes on to answer the evaluation questions. On this basis, the evaluation assesses Sida's approach to PSD support in rural areas and finally provides recommendations.

A three-step approach will be needed to answer the evaluation questions and make the assessment.

- Identify, disaggregate, and deconstruct Sida's approach to PSD in rural areas.
- Analyse inconsistencies, strengths, and weaknesses in Sida's approach.
- Assess Sida's approach using an empirically based analytical framework that is relevant to the dynamics of PSD in rural areas.

Sources used for the first and second steps include Sida's policy and position papers, project documents, and interviews with Sida personnel and their partners.

The third step, an empirical/theoretical discussion, relates to the analytical framework derived through analysis of empirical material and theoretical reflection. Documents for building the historical overviews, including country-specific analyses, draw on prevailing research material and relevant Sida material as well as on more recent and targeted studies of certain sectors (for example land tenure, agricultural input supply, and human immunodeficiency virus/acquired immune deficiency syndrome [HIV/AIDS]). The overview covers the issues proposed in the ToR and focuses on the issues relevant to the selected interventions in more depth (see Annex 2 for criteria for selection of interventions).

The assessment comprises an analysis of how and to what extent the Sida rural development approach relates to the analytical framework for PSD in rural areas, presented in Chapter 5.

Our purpose is to discern lessons learnt and to discuss possible ways forward rather than to judge the quality of the interventions that have been undertaken. The evaluation aims to be empirically based and formative, in the sense that it assesses Sida's approaches to PSD in rural areas from a broad perspective where different narratives exist and hopefully may enrich each other.

Chapter 3
Changing Conditions for Private Sector Development in Africa

Several changes important for the promotion of rural commercial activities and the private sector occurred in sub-Saharan Africa during the 1990s. We will address the most salient ones below.

3.1 Trends in Agricultural Production and Population Dynamics

3.1.1 Agricultural and Economic Growth

The four countries in focus in our evaluation – Ethiopia, Mozambique, Tanzania, and Zambia – portray different trends as to the contribution of agriculture to the gross domestic product (GDP). In Ethiopia and Tanzania, the per cent contribution of agriculture to GDP has declined somewhat during the 1990s. The development trend in Mozambique is more marked and varied, increasing between 1991 and 1997 and declining rather strongly between 1997 and 2000. It is likely that part of this variation is related to climatic factors such as droughts and floods. As for Zambia, the contribution of agriculture actually increased during the 1990s. Notable for Zambia, and to some extent for Mozambique, is the relatively low level of the agricultural contribution to the GDP compared with Ethiopia and Tanzania and most other sub-Saharan African countries (see Table 1).

Table 1. The agricultural contribution to GDP (%)				
	1991	**1997**	**2000**	**2001**
Ethiopia	59.1	52.3	52.3	52.3
Mozambique	33.7	37.2	24.4	22
Tanzania	48.1	46.8	45	44.8
Zambia	17.4	18.7	22.3	22

Source: http://devdata.worldbank.org/, November 2002

The average annual growth in GDP per capita during the 1990s of the four countries varied markedly, although around low levels. Mozambique has recorded the highest average annual growth rate of the decade – 4.9 per cent – which reflects the end of a long internal struggle (Table 2). The impact of climate also strongly affected the growth in GDP per capita in individual years, as depicted in the figures for 2000 and 2001, which differ by 12 per cent. Ethiopia underwent an average growth in GDP per capita of 2.9 per cent through the 1990s but from very low levels. This increase has continued into the next decade. Tanzania recorded a GDP growth rate per capita of only 0.6 per cent during the 1990s, however, with some inconsistent improvements towards the end of the decade. The 3 per cent growth per capita seen in 2000 was maintained in 2001.

The average annual GDP per capita growth rate during the 1990s in Zambia was quite bleak – a decrease of 1.5 per cent. Zambia's average annual real GDP growth rate during the 1990s was just 0.4 per cent, far below that of the sub-Saharan average of 2.4% and one of the worst performances of an African country not at war (Country Profile, Zambia, 2002). This reflects the deep economic problems that the country has been going through after the collapse of the copper industry in the late 1970s. GDP growth per capita improved in 2000 – a 1.5 per cent growth rate – and increased to 3.1 per cent in 2001. It is too early to tell whether this reflects any sustainable recovery (see Table 2). The HIV/AIDS pandemic also has a profound impact on GDP growth, income, and poverty and it is estimated that the annual GDP growth per capita in the majority of the countries in the sub-Sahara has been reduced by 0.5-1.5 per cent as a direct result of HIV/AIDS (UNAIDS, November 2002).

Table 2. Average annual GDP growth/capita and average annual agricultural growth 1981-2001

	Average Annual GDP Growth, per capita (%)				Average Annual Growth, Agriculture (%)			
	1981-1991	1991-2001	2000	2001	1981-1991	1991-2001	2000	2001
Ethiopia	-2.1	2.9	2.9	5.2	0.7	2.3	2.2	11.5
Mozambique	-0.1	4.9	-0.2	11.8	5.4	5.9	-10.3	14
Tanzania	-	0.6	3	2.9	-	3.4	3.4	5.4
Zambia	-0.3	-1.5	1.5	3.1	3.4	4.3	1.4	-2.4

Source: Compiled from http://devdata.worldbank.org/, November 2002

The growth in agriculture often correlates quite well with the overall growth in Africa. The average growth in agriculture in Ethiopia for the 1990s amounted to 2.3 per cent annually. Mozambique's average is nearly 6 per cent per year, however, with rather extreme fluctuations, as can be seen from the figures of 2000 and 2001, which vary by about 25 per cent. Tanzania had an annual average growth in agriculture of 3.4 per cent during the 1990s, with some indications that the growth rate increased towards the end of the decade.

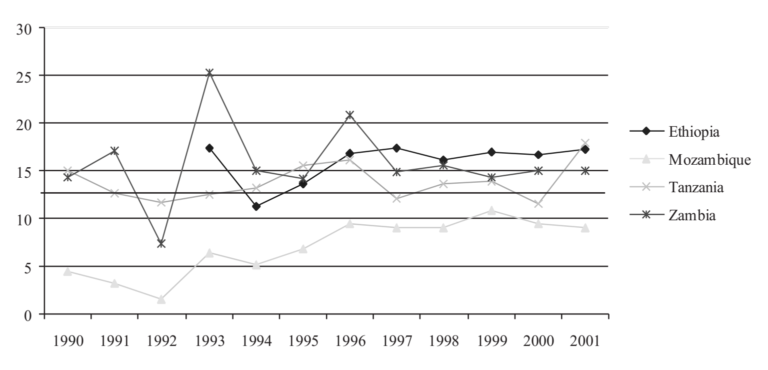
A further aggravating problem related to agricultural productivity is the increasing incidence of HIV/AIDS. In many African countries the HIV/AIDS pandemic has been reported to have the following consequences for the agricultural sector: (i) a reduction in land under cultivation as people are physically unable to work in the field; (ii) changes in cropping patterns as some families have been known to switch to less labour-intensive crops; (iii) a decline in the range of crops per household as AIDS-afflicted families reduce the number of crops under cultivation to one staple crop; (iv) a reduction in the ability to control pests through weeding and other inter-cultivation measures because of the shortage of labour; (v) a loss of agricultural knowledge and farm management skills because of the loss of one or both parents to AIDS; and (vi) a decline in livestock production as the urgent need for cash usually forces families to sell their animals (UNAIDS, November 2002 and Saasa, 2002). Since agriculture employs a large share of the labour force and accounts for the major portion of the GDP in many African countries, the effects of HIV/AIDS on this sector and for PSD in rural areas are very serious.

3.1.2 Agricultural Productivity

Statistics on the development of maize yields, hg/ha, the most important staple crop in most countries, indicate that the area productivity has been stagnant in all countries in focus except Mozambique, where rapid area productivity growth developed, in particular between 1992 and 1996 (see

Table 3). The stagnation in productivity beyond 1996 may indicate that the 1992-96 increases were related to post-conflict recovery. Maize production in metric tonnes (Mt) in all six countries during the 1990s has been quite irregular, indicating its dependence upon climatic factors. Whereas the production increase recorded in Mozambique is partly related to increases in yield, production increases in the other countries are mainly related to population growth and the expansion of food production into new land, most often creating deforestation and environmental problems. A scrutiny of the maize production data also reveals that the Kenyan and Zambian production of maize have stagnated and for periods in the 1990s actually been reduced.

Table 3. Maize yield per hectare (hg/ha) during the 1990s



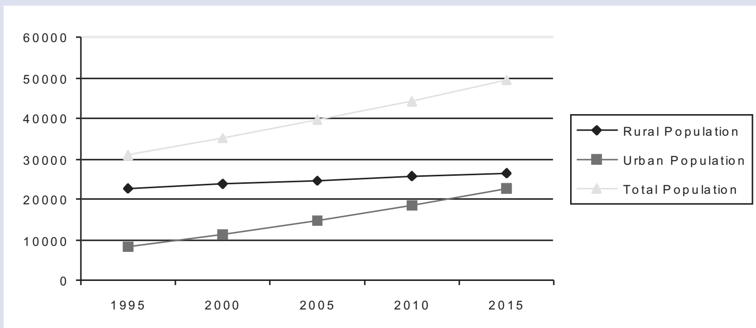
Source: Compiled from the FAOStat database November 2002

3.1.3 Population Dynamics

Statistics for estimating total population in the countries in this evaluation indicate continued growth (see Chapter 8, Table 5). The growth rate, however, is tending to decline and the mortality in different age groups will most likely change, in particular as an outcome of the spread of the HIV/AIDS pandemic. An estimated 25.3 million Africans were living with HIV/AIDS at the end of 2000. At that time, a further 17 million had already died of AIDS – over three times the number of AIDS deaths in the rest of the world. In, for example, Zambia the adult prevalence rates are as high as 20 per cent (UNAIDS, November 2002).

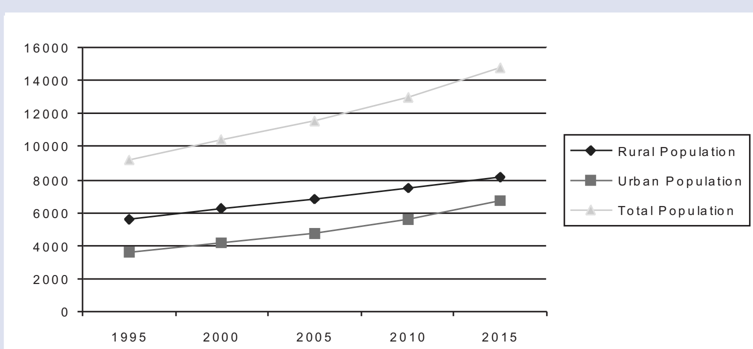
One prediction related to all countries is for the sizes of the rural and urban populations to converge toward the year 2015 (see Tables 4 and 5 for Figures on Tanzania and Zambia). Such a development places a high demand on developing markets to handle the increased flow of food that will be needed from rural to urban areas. The slow overall growth of agriculture and of the GDP per capita during the 1990s imply that there are important constraints on employment absorption in urban areas and on demand creation in rural areas. This is also reflected in the limited structural transformation of most sub-Saharan economies. In addition, this poses great challenges to the growth and commercialisation of non-agricultural economic activities and service provision.

Table 4. Estimated and projected rural/urban population dynamics in Tanzania 1995–2015 (inhabitants in 1000)



Source: Compiled from the FAOStat database November 2002

Table 5. Estimated and projected rural/urban population dynamics in Zambia 1995–2015 (inhabitants in 1000)



Source: Compiled from the FAOStat database November 2002

3.2 Agricultural Liberalisation

With the advent of the market paradigm in the early 1980s, a progressive dismantling of agricultural marketing, processing, and export systems ensued. The process first emerged as regards food crops with implementation from the mid-1980s into the 1990s, while the liberalisation of export crops began in the early 1990s (Gibbon et al., 1993). This move towards liberalisation was conducted in an international context. The promotion of market-oriented reforms – Structural Adjustment Programmes (SAPs) – came from the World Bank. The Bank has been working in tandem with the International Monetary Fund (IMF), which has been promoting macro-economic stabilisation interventions. All these interventions, however, came in the form of national economic policies.

The 1990s were, at the same time, characterised by international negotiations on agricultural trade, within the General Agreement on Tariff and Trade (GATT) and later the World Trade Organisation (WTO). Of particular importance is the WTO Agreement on Agriculture (AoA), concluded under the GATT Uruguay Round in 1994. Implementation began in 1995 and reforms are to be concluded within a 10-year period for developing countries. New negotiations for further agricultural liberalisation got started in early 2000, under article 20 of the AoA. These negotiations were incorporated in 2001 into the general WTO trade negotiations and should therefore be concluded before 1 January 2005 (http://www.wto.org). Of great importance for developing countries are also the Common Agricultural Policy of the European Union (EU) and the Cotonou trade agreement between the African, Caribbean, and Pacific (ACP) countries and the EU.

These recent and on-going trade negotiations are likely to have mixed effects on sub-Saharan African countries. The WTO AoA, through its tariff rate quotas and tariff reductions, may increase imports, but it may also open up somewhat greater opportunities for sub-Saharan African exports. At the same time, the Cotonou agreement will make the preferential export treatment of ACP countries relatively less beneficial for them. The net effect of these simultaneous moves is hard to predict. The reductions in direct support to agricultural production in the developed world will probably have repercussions on the imports to sub-Saharan Africa – which in turn will have different consequences for net importers and net exporters. The final consequences remain to be seen, but there are reasons to believe that the weak position held by sub-Saharan African countries in these negotiations will work to their detriment.

Agricultural market reform, as undertaken during the 1990s in sub-Saharan Africa, consisted of two basic elements: (i) rapid withdrawal of state regulations and (ii) gradual state disengagement from purchasing, processing, and exporting. As regards export crops, although crop purchasing was liberalised in some countries, export functions remained under state control (Shepard and Farolfi, 1999).

As regards food crops, both (i) and (ii) have been dominant in sub-Saharan Africa. This dominance applies with the exception of the management of strategic grain reserves and the limitation of external trade in food crops in a number of East and Southern African countries, including Kenya and Tanzania (Jayne and Jones, 1997). The major bulk of export crop liberalisation falls in the second category.

In the pre-reform period in Mozambique, parastatals had an important role to play in agricultural marketing. The National Cereal Marketing Board (AGRICOM) undertook much of the marketing in areas strongly affected by the war since the heavy risks and difficulties involved caused many private wholesalers and retailers to retract. Many rural trading shops were destroyed or abandoned. The main reason behind the abolishment of AGRICOM in 1994 was the heavy losses it had incurred while undertaking operations during the war. A body with the objective of undertaking food security reserve functions replaced it. This organisation was called the Mozambican Cereals Institute (ICM) and was also charged to provide crop conservation and to be a buyer of last resort. This body also incurred heavy losses, and its role was substantially reduced after only a few years of operation. Many private traders in the country were sceptical to a complete liberalisation of the market. They wanted to maintain a stable, secondary buyer to stabilise the system, because of the limited capitalisation of private traders.

In 1991, the agricultural sector in Zambia was liberalised, and the government has gradually withdrawn from direct involvement in input supplies and marketing of agricultural goods. Zambian mills were privatised, and the Zambian policy for guaranteeing the purchase of maize at fixed prices from producers and subsidising the sale to urban consumers was abandoned (Sano 1989 and Loxley 1990). The Zambian state, however, never totally withdrew from input supplies and marketing. During the 1990s, the Food Reserve Agency (FRA, which replaced the Namboard) continued to purchase and distribute large stocks of maize and fertiliser at subsidised prices. Although this action undercut private sector initiatives, it did help remote farmers to access markets and inputs. This type of state intervention mainly occurred during election years, when the FRA was "obliged" to lend maize and inputs to the Movement for Multiparty Democracy (MMD) politicians, who would then distribute these goods to the electorate (Country Profile Zambia, 2002).

In Zambia, the newly installed MMD government signalled in the 2002 budget that it would close down the FRA and establish a new crop and marketing authority (CMA). It is not yet clear what the government wants the CMA to do. The government of Zambia has, however, left the FRA in place for the moment, since the most pressing issue in 2002-2003 is to ensure that 4 million Zambians receive emergency food aid and necessary inputs for the forthcoming agricultural season.

Like Mozambique, Ethiopia has also emerged from a war situation and implemented what has been described as fairly standard structural adjustment reforms, as agreed with the World Bank and the IMF (Country Profile 2002, Ethiopia, p. 23). The government had already in 1987 liberalised grain marketing, reduced compulsory purchases by the Agricultural Marketing Corporation (AMC), and increased producer prices by 10 per cent. Since 1990 a near-total deregulation of agricultural marketing has taken place, and competition between merchants has resulted in improved farm-gate prices for grains. The revival of commercial agriculture since 1991 has, however, been slow. Privatisation of state farms has proven problematic, and other plantations, such as those in the Awash valley, face shortages of inputs.

The government has now lifted barriers to labour mobility and seasonal migration of farm labour may therefore reappear, but to what extent remains to be seen. The existing land tenure regime may have a retarding effect on social mobility (Atakilte, 2002). In the export crop sector, the state aims to limit itself to agricultural extension services. Private sector actors are supposed to take over. Since the beginning of deregulation, however, officially recorded volumes of coffee exports have fallen as drought and low international prices have had a negative effect on production (Country Profile Ethiopia, 2002, p. 29).

A number of policy measures have been undertaken to increase agricultural output and enhance food security in Ethiopia. Among these may be mentioned improved agricultural extension services, promotion of fertiliser use and a better early warning system for famine. Up to the 1990s, food production per capita fell steadily, leading up to a structural dependence on imports, much in the form of food aid. Good rains contributed to increased harvests in 2000 and 2001. In spite of this, about 5.2 million people were estimated to be in need of food aid during 2002, (Country Report Ethiopia, 2002).

According to Ponte (2002, p. 71), Tanzania has come a long way from the single channel marketing system of the pre-reform period. Strategies of resettlement, shortages in consumer goods, and restrictions on trade are fading from the agenda, even though the old system still has some repercussions, in particular as regards land tenure. A new paradigm has emerged within which the government's official discourse is to reject Ujamaa type policies and embrace liberalisation, privatisation, and participation. However, at the same time, an alternative interpretation is emerging, claiming that the liberalisation of export agriculture is not taking place to the extent claimed by the Tanzania state and donor agencies (Cooksey, 2003). Other lines of research also claim that the experiences of food and input market reform in East and Southern Africa are not as clear as proponents of liberalisation would like to think (Jayne et al., forthcoming).

3.2.1 Food Market Reforms

State controls on food crops such as maize and paddy/rice were widespread in sub-Saharan Africa prior to liberalisation. Apart from the advent of the market-based paradigm, other factors that fuelled liberalisation were the escalation of the costs of marketing boards due to pan-territorial pricing, inefficiencies and corruption in crop parastatals and marketing boards, and the growing role of the parallel, unofficial, and illegal marketing system (Maliyamkono and Bagachwa, 1990; Gibbon et al., 1993; and Ponte, 2002).

The food marketing reforms that were nearly universally adopted in sub-Saharan Africa included the removal of subsidies, the liberalisation of prices, quantity and geographical restrictions on trade, and the opening of domestic trade and processing to the private sector. Marketing boards have in general lost their marketing function, retaining responsibility for information dissemination and some regulatory functions.

The reforms in the food crop sector did not lead to a general increase in real producer prices. Only in 3 out of 14 investigated countries did Townsend (1999) find substantial and continuing increases. In most East and Southern Africa countries, real producer prices for food crops declined due to the high price levels set by the governments in the 1970s and 1980s to attain food self-sufficiency. However, wide discrepancies have emerged within countries. In remote areas not served by transport infrastructure, producer price declines have been dramatic following market liberalisation.

The main beneficiaries of the market liberalisation of food crops in East and Southern Africa have been the consumers, as the real prices of grain and grain meals have declined since the inception of the reforms. The private sector responded rapidly and came to dominate both the trading and processing of food crops, leading to high levels of competition and increased efficiency in these activities. This has led to a downward pressure on profit margins that has counteracted the negative effects of eliminating consumption subsidies (Jane and Jones, 1997).

The emergence of private actors in trading, however, has led to difficulties in overcoming high transportation and transaction costs. To circumvent the high transaction costs for obtaining market information in rural areas, many traders tend to rely on social, ethnic-based networks. Moreover, these traders act many times outside formal regulation, and many of them have difficulties in accessing financial services. Due to limited access to financial services and high transaction costs, the food crop sector remains risky, personalised, and cash based, with limited investment by private traders in transport and storage (Kherallah et al., 2000). A further problem is to establish the trust needed to develop trade over long distances, where it becomes necessary to deal with persons who are more or less unknown.

Food market liberalisation had important impacts on the regional pattern and composition of food production. For instance, in Tanzania, the more remote areas such as Rukwa, Ruvuma, Mbeya, and Iringa had during the pre-liberalisation period provided the major share of maize for the major urban markets (Rasmussen, 1986). With liberalisation these areas lost their share of the national grain market to the benefits of areas closer to Dar es Salaam or which had a better transport infrastructure (World Bank, 1994). This pattern was replicated in most countries with the advent of private traders. In parallel, what followed with liberalisation was a reduction in co-operative crop buying. For instance, in two rural districts in Tanzania (Singida and Morogoro), the share of private traders' crop buying increased rapidly between 1986/87 and 1994/95 whereas co-operative crop purchases dropped drastically. In the Morogoro district, co-operatives had disappeared from crop buying altogether by the mid-1990s, whereas the share of total crop purchases in the more remote area Songea declined from about 75 to 44 per cent between 1986/87 and 1994/95 (Ponte, 2002). The collapse of the co-operative movement is a general trend throughout sub-Saharan Africa and has had important implications for community co-operation. In some areas, new approaches to co-operation have emerged from below, but in most rural areas of East and Southern Africa, the demise of the co-operative movement has led to an institutional vacuum. It is this vacuum – at least in part – that many initiatives related to village- or community-based co-operation try to fill.

Although liberalisation has increased the commercialisation of rural life, the process has also meant rises in school fees, health fees, and prices of agricultural inputs – in general, a more expensive lifestyle. This in turn has impacted on the composition of crops grown in various areas. The trend has been from the cultivation of "slow crops" to one of "fast crops" – crops that have a short growing time and can be harvested several times a year – and from high input crops to low input crops. This was a response to the pressure to generate cash incomes to pay for higher expenses. The shifts in crops were not necessarily adapted to the agro-ecological environment and nutritional needs but to the ability of the crop to earn short-term cash (Ponte, 2002).

3.2.2 Market Reforms for Export Crops

While food markets were largely liberalised in the 1980s, substantial reforms in the export crop sector only emerged in the 1990s. The expectation that currency devaluations would raise the prices of export crops in domestic currency terms at the producer level was only partially fulfilled. It happened only in cases where the effects of changes in the exchange rate were not captured at intermediary levels, as they were in Tanzania, Uganda, and Zimbabwe. By the end of the 1999/2000 agricultural seasons, market reforms had been undertaken in most export crop markets in sub-Saharan Africa. Important exceptions were coffee in Kenya and cotton and cocoa in some West African countries (Ponte, 2002). Townsend (1998) reports that from the period 1989/90 to 1996/97 the production and sale of export crops in Africa grew by 30 per cent in volume, equal to an annual growth rate of 3.8 per cent, which exceeds the estimated 3 per cent annual population growth in the region.

Market liberalisation has, in general, led to more rapid payments and an increasing share of the export price going to producers across countries and crops. However, there is a growing concern about the deteriorating quality of crops, which counteracts the trend of increasing shares of export prices being paid to producers (Akyiama, 2001; Shepherd and Farolfi, 1999; and Ponte and Fold 2001). In Uganda, the quality of the coffee has lately been recovering and in Kenya, where the market continues to be controlled by the private sector, quality began to improve during the second half of the 1990s.

As for cotton, ginneries have been privatised in many countries. In Uganda, this happened during the last half of the 1990s with support from multilateral donors. By late 1997, out of 31 ginneries, 27 were operated by the private sector, and a few new ones had been established by the private sector (Shepherd and Farolfi, 1999). In Tanzania, liberalisation of the cotton market created a relatively high level of competition in ginning. In three regions in and around the Lake Victoria zone, about two-thirds of a total of 30 ginneries were either privately operated or joint ventures. Of these, four were multinationals (Gibbon, 1999). Most of the private ginneries were, in addition, newly established.

The impacts of the reforms in the agricultural export sector also have a spatial dimension, especially in countries where parastatals have applied pan-territorial pricing systems (for example in Zambia, Tanzania, and Mozambique). Farm households in remote rural areas are likely to be worse off than they were before the reforms, while farmers living close to harbours and international airports are expected to experience higher gains in exports (Kherallah et al., 2000).

3.2.3 Input Market Reforms – the Case of Fertiliser

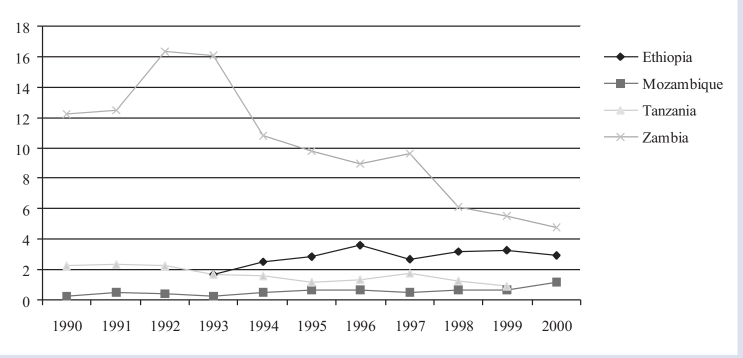
Major changes occurred in perceptions about the role of the private sector in agricultural input provision and marketing in the 1980s and 1990s. These came from two directions. Perhaps the greatest driving force was pragmatic. With the financial viability of parastatals becoming less and less credible in the 1980s, there was no other way forward than to abandon cost control systems such as pan-territorial pricing and the subsidising of farm inputs. This realisation occurred with the growing acceptance of economic models that saw unhindered markets as the best guarantee that clients will be able to access the services they require at an appropriate cost. Decisions were taken to provide space for the private sector so that proper markets could develop. This change has been taking place at different speeds in a number of countries in sub-Saharan Africa.

Throughout the 1980s, but in particular in the 1990s, parastatal input and seasonal credit supply organisations have been scaled down or abolished in most sub-Saharan African countries. In general, input liberalisation has been associated with higher farm-gate input prices in real terms, reduced access to credit facilities for input purchases and, in remote areas, market failure in input distribution (Gibbon, 1999; Ponte, 2001 and 2002).

In Zambia the pan-territorial prices and subsidies on fertilisers were eliminated in 1993-1995 and in Tanzania fertiliser subsides were reduced from 70 per cent to zero between 1990-1994. In Ethiopia, although fertiliser subsidies have been phased out, the government still plays a major role, through provision of inputs on credits to millions of small-holder farmers (Kherallah et al., 2000). In Zambia and Tanzania the fertiliser-maize price ratio has increased substantially after market reforms, while in Ethiopia the fertiliser-maize price ratio has fallen (ibid.).

As a result of increased fertiliser prices, the use of fertiliser has declined in many sub-Saharan countries. Statistics for fertiliser consumption per rural inhabitant indicate decreasing consumption in Zambia and Tanzania during the 1990s. In Zambia, fertiliser consumption per capita has continued to fall substantially from 16.3 kg/rural inhabitant in 1992 to as low as 4.8 kg/rural inhabitant in 2000. Of the remaining countries, Ethiopia and Mozambique show a slight increase in fertiliser consumption levels from 1990 onwards. Fertiliser consumption per capita in Mozambique, although increasing during the 1990s, still remains one of the lowest in the sub-Saharan Africa, with an average consumption of 1.2 kg/ rural inhabitant in 2000 (see Table 6).

Table 6. Fertiliser use per rural inhabitant (kg/capita/year), 1990-2000



Source: Compiled from the FAOStat database November 2002

Input distribution through the free market is the most common situation in sub-Saharan Africa following liberalisation (Shepherd and Farolfi, 1999). Such a situation leaves input distribution to market forces, and in some cases it can also involve measures and incentives for private traders to enter the area of input supply. However, as indicated earlier, recent tendencies towards renewed state involvement have been detected (Cooksey, 2003 and Jayne et al., forthcoming).

The success or failure of private traders in providing inputs at reasonable prices depends on geographical location as well as on which of three possible situations of "free market" supply of inputs applies. According to Ponte (2002, p. 29-30), these situations include (i) one characterised by independent input traders; (ii) one in which the agent buying the crop also provides the inputs, but on a cash basis; and (iii) one which involves a specific institutional arrangement for market provision of inputs. In such a setting, crop traders externalise input provision through participation in so-called voucher schemes. One such scheme for coffee was relatively successful in Tanzania a few years after its inception in 1997, but in recent years such schemes have run into problems due to low international coffee prices. There is a widespread impression that the liberalisation of the fertiliser market in sub-Saharan Africa has had an adverse impact on fertiliser use (Kherallah et al., 2000, p. 3.61; Shepherd and Farolfi, 1999; Ponte, 2002, p. 35; Townsend, 1999, p. 93).

3.2.4 External Markets and Volatility of Prices

During the 1990s, agriculture is also earning decreasing amounts of foreign exchange in sub-Saharan Africa, due to continuing deterioration in the terms of trade of the most important African export crops – coffee, cocoa, tea, and tobacco. African export revenues from coffee and cocoa in per cent of total revenues declined from 48 per cent in 1980-89 to 33 per cent in 1990-97. During the same period, the share of traditional African export crops (which in addition include cotton, sugar, and rubber) sank from 74 to 70 per cent. Hence, the 1990s has not only seen export diversification within traditional crops but also the emergence of non-traditional export crops, such as fruits, cut flowers, and vegetables (Ponte, 2002).

Overall, however, African producers have not been able to capture the new market niches in the northern countries associated with changing consumption patterns. This is mainly due to weak institutional capacities (Ponte, 2002). To the extent that non-traditional exporters have been able to benefit from increasing external demand, these operations tend to be controlled by foreign-owned companies or by non-African minorities (Dolan et al., 1999; Jaffee and Morton, 1995; and Matondi, 2001). Northern supermarket chains are also becoming important factors in the demand for fresh vegetables. However, increasingly they source such products from their own estates or other large-scale commercial farms, rather than from small-holder producers (Dolan et al., 1999 and Ponte, 2002).

The dismantling of the International Coffee Organisation (ICO) in 1989 led to major changes in the international coffee market. The average real indicator price for 1990-1993 was only 42 per cent of that of the final four years of existence of the ICO (Gilbert, 1998). In addition, the volatility of coffee prices has increased. While the monthly price variability in coffee during the period 1981-1989 was 15 per cent, it increased to 37 per cent in 1990-1997 and 43 per cent in 1998-2000 (ibid. and Ponte, 2002). During the 1990s, the price fluctuations in coffee were coupled with a dramatic increase in speculative activities around coffee, manifested in an increase in the ratio of coffee traded in the futures market to the physical market of 4:1 in 1980 to 11:1 in 1990 (van Dijk et al., 1998). The increased price volatility affects in particular small-holder producers and small-scale private traders in producing countries (Gilbert, 1998). Coffee is but one example of the increased volatility of market prices in the 1990s, which affects countries like Kenya, Tanzania, and Ethiopia strongly.

In the pre-liberalisation era, stockholding was important for international commodity markets and strongly related to market power in non-perishable agricultural markets. Through stockholding, producing countries were able to sustain a high level of prices, and processors and retailers could minimise risks of non-availability of specific commodities in the short and medium term. With the introduction of liberalisation, stockholding has been avoided by all actors, and public pressure on supply in producer countries has been difficult to achieve in view of the liberalisation of domestic markets (Ponte, 2002). What remains of stockholding in sub-Saharan Africa is basically for the purpose of meeting food security concerns. As a result of the limited extent of storage and stockholding, cereal grain prices in sub-Saharan Africa remain highly volatile compared to in other developing countries (Kherallah et al., 2000).

3.3 Changing Conditions in Land Tenure

The dominant role of the African state in the pre-liberalisation period also emerged in its treatment of land issues. Major resettlement schemes which implied radical land reforms were implemented in several countries during the 1970s, for example in the Ujamaa/-villagisation in Tanzania, in the peasant associations in Ethiopia (with the advent of the Mengistu regime), and in Aldeais Comunais in Mozambique. In Kenya, the introduction of individualisation of land emerged during the colonial period in the 1950s. The land reforms aimed not only to create new institutional structures that could promote structural change and increase agriculture productivity but also to increase political control of rural areas. However, in different ways these reforms came to affect the stability of customary-based land ownership systems.

In most countries of Africa, land was held through customary ownership systems. Land was not owned but held in custody for future generations, and land was continuously redistributed within families. Most of the land ownership systems were patrilineal, leaving women with weaker and mainly usufruct rights. Such land ownership, management, and distribution reflected traditions and norms in African societies aimed at securing livelihoods for all family and clan members.

With rapidly growing rural populations, in particular in highly productive areas, tensions over access, control, and use of land intensified. With structural adjustment and the weakening of the African state, these tensions could not be contained and demands for new land policies increased from small-holders, from the private sector that wished secure property rights to invest in land, and from donor organisations that saw a resolve of the land issue as a precondition for access to assets among poor people and increased agricultural productivity. The problematic around the land questions reflects perspectives based in different socio-cultural contexts. It is also strongly related to gender issues and human rights aspects. By investigating the different theoretical positions on land tenure, the complexity of the issue is revealed.

3.3.1 Different Theoretical Positions

One strand of economic literature claims that land titling or fully developed property rights is the only way to restore the growth potential of African agriculture subject to high population growth and increasing commercialisation of agriculture (see Platteau, 1996, and references therein). The emphasis is on the positive effects that fully developed property rights will have on resource allocation, capital accumulation, and land conservation. Reduced uncertainty as to land transactions will make it easier to transfer land to more dynamic farmers and excessive fragmentation and sub-division encouraged by the customary ownership systems will be avoided. With titles, land could also be easily used as collateral for securing credits. In Kenya, the individualisation, titling, and registration (ITR) approach was inspired by the British colonial state's so-called "Swynnerton plan", which focused on the intensification of African agriculture in the country (Kanyinga, 1997). Kenya embarked upon extensive land registration schemes in the 1950s, which were carried over in the post-colonial period.

Few African countries have followed the ITR path. Based on this, another strand of theoretical reflection raises doubts about the effectiveness of land titling as a means to enhance agricultural growth and to increase the security of tenure (Bruce, 1993; Bruce and Mighot-Adholla, 1994; Cornia, 1994; Place and Hazell, 1992 and Platteau, 1995 and 1996). This position states that land registration, on the contrary, increases insecurity for vulnerable parts of the population; it does not activate the land market, and if it does, it is mainly for speculative reasons. Land registration does not bring about a reversal in land fragmentation, nor does it improve land allocations. Neither does land registration improve small-holder's access to credit in significant ways, and there is no significant correlation between land titling and increased agricultural yields.

Research from Ghana, Rwanda, and Uganda shows that no systematic evidence can be found for households with complete transfer rights of their lands to take more loans or invest more in land than households with less developed property rights (Place and Hazell, 1992). The policy implication is not that land registration is incorrect, but rather that it needs to be accompanied by other types of reforms that can break down the various constraints working on African agriculture, for example the lack of sustainable technological packages; a weakly developed infrastructure, including rural roads; and poor input delivery systems, output marketing systems, and extension services. The withdrawal of the state and the opening up for the private sector to engage itself in these areas has not led to any significant overall improvement, although exceptions exist.

A subsequent position, developed in response to the earlier ones, argues that explanations that refer only to the non-tenurial constraints on African agricultural development are unconvincing because they overlook the poor fit of private property rights to current realities in African rural settings (Platteau, 1996). This position argues that (i) tenure regimes in Africa are already evolving towards individualised ownership (Department for International Development [DfID], 2002); (ii) land purchases represent primarily attractive investment opportunities for high-income groups, which may not imply the effective use of land; (iii) in customary tenure systems, access to land is embedded in social relations, norms, and traditions and is associated with symbolic meanings. In such a context, the sales value of land will exceed economic-based value calculations, implying that land cannot readily be transferred from less to more productive agents; and (iv) the cost of maintaining a proper land registry of comprehensive land titling programmes is very high. This has caused land holdings, such as in Kenya, to be largely unregistered (Green, 1987, Platteau, 1995; Kanyinga, 1997; DfID, 2002).

DfID's recent review of African experiences shows that the replacement of customary land ownership systems with the ITR system has generally failed, one major reason being that it is culturally and socially inappropriate. Further, it is confirmed that land registers have been difficult to maintain and that customary norms and practices have shown remarkable persistence as a basis for land allocation, transfer, and inheritance. The introduction of ITR has often been found to have undermined established multiple and subsidiary rights, for example those of women and weaker groups, while consolidating those of registered owners (DfID, 2002). With women being the main suppliers of food to the household and feeding of the children, individual food or nutrition security can be endangered and poverty deepened through lack of access to land by weaker groups.

3.3.2 Land Policy, Natural Resource Management and Gender

Since the early 1990s a process of elaborating land policies has unfolded in many sub-Saharan African countries, including the ones in focus in this evaluation. A number of new tenure reforms are under way, aiming to recognise and in some cases formalise established customary rights. In many cases, these new initiatives centre around development of new and decentralised agencies through which both local communities and traditional leaders are involved together with government officials in the management of land, land rights, and land conflicts. In some countries, this takes place alongside the devolution of authority and responsibility for common property in terms of natural resources, such as forests and wildlife, to the community level (DfID, 2002; Wily et al., 2000; Wily, 2002).

This development ties in with the on-going decentralisation processes in sub-Saharan African countries such as Mozambique, Tanzania, and Uganda and a number of West African countries. Such policies increasingly argue for empowerment and participation by the local population in the management of resources, and the opening of space for the private sector as well. This development reflects a growing acknowledgement that rural people themselves must be involved if the management of natural resources is to be conducted in a sustainable fashion. On the other hand, the state no longer has the capacity, competence, or outreach to undertake the management of such resources itself.

Alongside the increasing emphasis on community-based approaches to natural resource management, arguments have been raised for issuing community or collective titles to villages to protect their land from external intervention (Baland and Platteau, 1996). This idea can be found in different forms, for example the concept of associative collective ownership rights in the Ethiopian debate and the creation of village land titles in Tanzania (Dessalegn, 1994; Presidential Land Commission, 1994; URT, 1999b).

What seems to emerge from these experiences and on-going discussions is the need for tenure security, rather than one specific idea of which form of ownership is the best. In the Ethiopian context, for example, a relatively strong state has intervened alongside the regional states to bring about land redistributions. This has created continuous insecurity on the part of the peasants as to the status of the land they till (Yeraswork, 1995; Dessalegn, 1994; Atakilte, 2002). Arising from this context, demands from small-holders imply that only individual titles, protected by constitutional rights, will be sufficient to create tenure security. The situation in many of Ethiopia's regions is such that the extent of the land redistributions has led to a growing number of small-holder farms becoming economically unviable.

Some positive reviews have emerged on the content of the Tanzanian Land Acts of 1999 due to their concern for women rights to land (Rwebangira, 1999 and 2000) and their position that customary rights of occupancy in every respect should be regarded to have equal status with a granted right of occupancy (URT, 1999b, 18 [1]). However, the process of adjudication to provide villagers with a certificate of customary right of occupancy is so cumbersome and complex that it is not likely to be managed at the village level in the foreseeable future (URT, 1999b; Rwebangira, 1999; Shivji, 1999; Havnevik and Hårsmar, 1999). The Tanzanian Land Acts became operational on 1 May 2001. The complexity of their implementation is reflected in the fact that a villager, to request a title to his or her customary land plot, must fill in more than 30 forms (Sundet, personal communication, August 2002; Ohlsson, 2002, p. 16).

As to gender issues, the land policy processes in sub-Saharan Africa are claimed not to conform to the equal rights perspective of universal human rights. This argument is also linked to the issue that incomplete rights for women are holding them back in subsistence production, not allowing them to make use of their organisational skills and knowledge to contribute to enhanced agricultural productivity (Rwebangira, 1996, p. 2; Manji, 1998). The Presidential Land Commission in Tanzania, on its side, argued that it aims "to integrate the gender question within the larger land tenure reform, to modernise tradition in a democratic direction rather than impose modernisation from above by statutory compulsion" (Presidential Land Commission 1994, Vol. I, and Shivji, 1998, p. 90).

In Zambia access to land and security of tenure through customary systems is generally not considered to be a major problem. The Zambian government has tried to make it easier to convert customary tenure into title deeds through the latest land act (Land Act No. 29 of 1995). The process is still very cumbersome, and so far very little land has been converted. The process is also controversial, since it threatens the interest of traditional leaders. The newly installed MMD government has signalled fresh efforts to privatise land to increase the number of commercial farming blocks. It is assumed that the land policy changes will create better conditions for a market-based economy. It is argued that a transition from customary tenure towards individual titling will increase employment opportunities, diversify incomes, and draw small-holders into national economic life, thereby opening economic and social prospects.

Critics argue that the Land Act of 1995 targets foreign and national investors as the primary beneficiaries, often to the detriment of the rural poor (Reed, 2001). Moreover, title deeds are generally not considered to be a necessary collateral for securing credits for small-holders since commercial lenders do not want to serve such small farm plot-holders in most cases (James et al., 2002). There is probably an element of truth in both these perspectives, as some rural families will gain new economic benefits and access to material goods, while small-holders and rural communities might lose control over their resources.

Experiences in Tanzania, Ethiopia, and Kenya imply that attempts to reform customary ownership systems through resettlement and privatisation have created more problems than they have resolved, implying that small-holders and rural people still feel insecure about their land rights. In Ethiopia, a strong state enforces continuous land redistributions to address poverty and marginalisation, but with adverse effects on agricultural productivity. In Tanzania, the complexities that emerged in relation to land tenure from villagisation in the 1970s have remained unresolved by the state. The new land laws of 1999 are in place, but the complexities of grasping their content and bringing about their implementation are severe. In Kenya, contrary to expectations, the incidences of land disputes increased after reforms aimed to privatise land were introduced (Green, 1987 and Platteau, 1995). Zambia, where no major land tenure reforms have been instituted, seems to be the country most spared from land-related disputes.

What emerges from this review of the land question in the relevant countries is that land tenure is still embedded in the socio-cultural context and that the various reforms that have been undertaken have had the effect of complicating the situation and even made the rights to land more uncertain for most categories of stakeholders.

3.4 Income Diversification and Non-Farm Activities

Due to high risks, uncertainty, lack of access to assets, and in general the malfunctioning of a number of different markets, economic actors in rural Africa have to a large extent diversified their income sources. Without going into detailed explanations as to why people diversify, we will dwell on some issues of relevance to this topic.

The setting in which we discuss non-farm economic activities is one in which agriculture is still dominant in the rural areas. Agriculture contributes on average 30 per cent of the total GDP in sub-Saharan Africa, and more than 40 per cent in one-third of the countries. Agribusiness, which depends on agricultural growth, contributes an additional 20 per cent of the GDP (World Bank, 2002, p. 19). More importantly, however, the economic linkages between agriculture and non-farm economic activities are very strong. Increased incomes from agricultural growth translate into increased demand for non-farm products, such as kerosene, processed foods, health care, transport services, and building materials.

Other linkages between agricultural growth and growth in non-farm economic activities include:

- Rising labour productivity in agriculture, which increases food supplies and releases farm family workers for other economic activities.
- Increased farm incomes, which release capital for investments in non-farm activities.

- A need for more input and services such as fertilisers, machinery, credit, marketing, and processing as cultivation becomes more intensified (Haggblade et al., 2002, p. 4f).

Hence, it is relevant and important to treat the two sectors together, as we are attempting to do in this study.

3.4.1 Embedded Character and Functioning of Markets

As to the functioning of markets, an anomaly in the Mozambique context was found in the pricing system. Formally, agricultural prices were liberalised in the early 1990s, but efforts to disseminate price information did not function in a proper way since the government continued to publish minimum prices. Because of fears of continued inflation, minimum producer prices were set at a high level in late 1995. However, good harvests and the subsequent discontinuation of purchases from international food relief organisations made producer prices fall. Market prices were thus substantially below officially published minimum prices. Fearing difficulties – either with the government or with the producers – most traders were reluctant to buy, and much marketing got stalled. At the end of 1996, substantial stocks of crops remained in the hands of producers (Tickner, 1997, p. 5).

Other important factors influencing the function of market mechanisms are indigenous norms. One example of their importance is illustrated by an event in which GTZ workers tried to bring producers and traders together on a marketing day in Manica province. It turned out that producers wanted to agree on the prices before the event. At the time, market prices for maize lay in the range of 500-1000 Mt/kg, but producers nevertheless demanded 4500 Mt/kg. An offer of 2000 Mt/kg was given, but rejected by the producers. No "marketing day" was realised on that occasion (ibid., p. 22). Other examples illuminate the failure of disseminating price information. When blackboards were introduced in some market places, the information was simply rubbed off. In other instances, price information systems were simply not used. In spite of this, other observations note that prices in certain markets have been kept unexpectedly stable (ibid., p. 6).

Furthermore, when itinerant traders arrive in a village, they first contact the village administrative head to negotiate one single price for the whole village. This is because the villagers prefer to avoid social conflict. It also happens that traders bypass villages rather than negotiate if they find such a single price unacceptable. Generally, there are strong social attitudes against the open market bargaining that is taken for granted by neo-classical economics as a part of any market. (ibid., p. 21 f).

In an analysis of the functioning of various markets in the Tanzanian context – the dagaa, prawn, cotton, and cashew markets – all were found to be in a dynamic phase following liberalisation (Gibbon, 1997 and 1999; Havnevik and Hårsmar, 1999, pp. 59-73). All were faced with an underlying threat of depletion of the natural resources on which they were based, and production output from period to period was uncertain. When it came to institutional conditions, however, the markets were strikingly different. In some markets, the practice of "tying" was found, implying that the producer is connected to a certain owner of production capital, and therefore, bound to deliver the production, or a share of it, to the capital owner. This practice is analogous to the practice of sharecropping in agriculture. The practice of tying was found to be prevalent in the prawn and Nile perch sector, while it was retarded in the dagaa market and absent in cotton and cashew cultivation.

Tying was found to be a way of internalising risk aversion into the production system. Another mechanism for addressing uncertainty is to apply an extensive accumulation pattern. This implies that investments are channelled to activities outside the relevant sector and not in a manner that aims directly at raising productivity. Another possibility is that an extensive accumulation pattern is a culturally based practice prevalent in many parts of sub-Saharan Africa. If we understand tying as a tool for market control, as suggested by Gibbon (1997), we see that some market control is exercised through the primary co-operative societies of Tanzania. A fundamental distrust of the major group of traders – those of Indian origin – also exists in this market. This factor might have contributed to the slow development of new trading habits and patterns, including the distribution of inputs. This is also in line with the finding of Kristiansen, who investigated trade and markets from the entrepreneurial point of view (Havnevik and Hårsmar, 1999; pp. 72-73; Gibbon, 1997; Seppälä, 1998a; Tillmar, 2002; and Kristiansen, 2002c, p. 11).

The examples given above are illustrations of the socially embedded character of many African rural markets.

3.4.2 Non-Farm Activities

The embeddedness discussed above is also apparent in the increasingly complementary nature of farm and non-farm activities. A major debate is currently focusing on issues such as the factors driving income diversification and the effects of diversification on the accumulation of resources, on income levels, and on income distribution. It is not yet clear what impact diversification has on poverty reduction, even though it seems to provide a more even distribution of income over the year and in many settings is working as a risk-reducing strategy for poor people (See, for example Reardon, several writings; Haggblade, Hazell and Reardon, 2002; Bryceson, 2000; Havnevik and Hårsmar, 1999).

In a review of 25 different case studies on rural non-farm incomes in sub-Saharan Africa between the mid-1970s and the early 1990s, Reardon concludes that on average 45 per cent of incomes came from non-farm activities. Some uncertainty remains as regards the evolution over time, but some of the case studies point to increasing non-farm shares during the last two-three decades. These studies furthermore show that non-farm incomes are unequally distributed between rural households. Upper income strata households have much higher shares of non-farm incomes in total incomes than poorer households. The former households also have higher absolute non-farm earnings. On average, the share of non-farm income in total income is twice as high in the upper tercile of households compared to the lower tercile (Reardon, 1997, p. 737).

When discussing non-farm activities, we are referring to activities that are undertaken outside the farm. This implies that many activities may still be agriculturally related, for example in the form of processing farm produce and commerce. Furthermore, we are not differentiating between local non-farm activities and migration. Hence, on-farm activities may be handicrafts as well as industrial production, commerce, and services and may be dependent on local natural resources as well as imported or otherwise traded goods.

The more important non-farm activities are mining and mineral processing, forestry, fishing, and other natural resource-based activities. Another non-farm activity of growing importance is tourism. During 1985-1999, the number of tourists visiting Africa grew by an average of 7.5 per cent annually. This was a faster rate of growth than the world average, and only Asia and the Pacific could match this increase. Africa's share of the world market in tourism increased from 3 to 4 per cent during this period. The countries that profit the most from tourism are countries with beaches, significant wildlife resources, and large groups of former citizens living abroad (World Bank, 2002, p. 19).

Reasons for diversification of income sources into non-farm activities may vary in different settings. Generally, in resource poor areas and among poor people, diversification tends to be a strategy for reducing risks. In areas with good agro-climatic conditions, and among better-off strata, it may also be a strategy for obtaining access to more lucrative activities or to source capital for further investments in agriculture (Barrett and Reardon, 2000, p. 11; Reardon, Delgado, and Matlon, 1992).

One interpretation of the tendency towards increasing diversification is that a process of de-peasantisation is unfolding (Bryceson, 1999). Another interpretation is that diversification has always formed part of peasant strategies in sub-Saharan Africa and may not necessarily lead to a process of de-peasantisation. On average, there is a positive relationship between income level and share of non-farm incomes in total income in sub-Saharan Africa. The more well-off households are undertaking non-farm activities – including more lucrative ones – to a larger extent. This is in contrast with the picture in Asia and much of Latin America where observations indicate that poor and more well-off households are undertaking more non-farm activities, whereas households in the middle are concentrating more on farm work. Factors that may help explain the African pattern of diversification are the relative scarcity of low-barrier-to-entry jobs, underdeveloped labour markets, the prevalence of traditional production techniques in agriculture, a relatively equal land distribution, low population density, weak infrastructures, and high entry barriers to investment in capital-intensive economic activities (Reardon et al., 2000, p. 15f).

The case of Asia and large parts of Latin America may, on the other hand, be explained by their more developed rural labour markets based on a higher population density, a good infrastructure, and a dynamic agricultural sector. In such settings, it may be easier for poor people to find labour-intensive jobs that have few or low entry barriers. When agriculture becomes more dynamic, other opportunities tend to open up. Hence, there is an important interplay between agricultural development and the development of non-farm economic activities. In sub-Saharan African settings, it is clear that income diversification into non-farm activities cannot be satisfactorily explained by differences in risk aversion between different individuals or groups. People face constraints and incentives that differ widely depending on income level (Barrett et al., 2000, p. 5).

These relations imply that non-farm earnings in sub-Saharan Africa commonly are redistributed in a regressive way. This has also been established by studies measuring the Gini coefficient for non-farm incomes as opposed to total incomes. Hence, non-farm activities seem generally to increase inequality in rural areas. Prior wealth appears to be an important factor determining the capacity to diversify into non-farm activities (Reardon, 1997, p. 743).

There is, however, an interesting exception to this general picture. In good agro-climatic zones, non-farm activities do not tend to increase the unequal distribution of incomes. It appears as if poor people have better access to labour-intensive employment and jobs that require little start-up capital or education in such areas. The share of local non-farm incomes as opposed to migratory incomes is also much larger in these areas. The importance of the interplay between dynamic agricultural sectors and non-farm economic activities is thus further underlined. Spin-off employment from agriculture tends to imply larger shares for services and commerce in these benevolent agro-climatic areas (ibid., pp. 739, 741f).

These latter statements need to be qualified, however. A study using empirical material from Kenya, Rwanda, and the Ivory Coast found nearly the opposite result to the case studies referred to above. First, income diversification was generally much higher in the worst agro-climatic case, Kenya, than in the best, the Ivory Coast, with Rwanda in between. Secondly, poor households were diversifying much less than better-off households in the Ivory Coast (Barrett et al., 2000, p. 18f). Since the Ivory Coast represents the best agro-climatic zone of the cases in this study, the outcomes are in contradiction with earlier studies. A tentative conclusion may be that a dynamic agricultural performance is not a sufficient precondition for non-farm activities to reduce income differences. The presence of low-barriers-to-entry-jobs is thus not guaranteed, even if a dynamic agriculture exists.

Another issue raised by studies on rural non-farm activities is the role of households, as opposed to individuals. Larger households diversify their income sources more than smaller households. They simply have more labour available (Reardon, 1997, p. 743). When household members undertake different activities, however, it is not evident that this contributes to the household economy. In areas with on-going individualisation processes, there is a growing tendency for people to retain their non-farm earnings on an individual basis (Hårsmar, 2002, fieldwork in Ghana and Burkina Faso). This raises question as to the appropriateness of the household as a basic unit of analysis, and it also raises questions about intra-household distribution. The relevance of the household as a basic unit of analysis has also been questioned in gender studies.

In sum, non-farm rural economic activities appear to be of increasing importance in sub-Saharan Africa, although this is not a new feature (Havnevik, 1993). Such activities already make up almost half of the total rural incomes on average – a share that is probably increasing – and there are important interlinkages between agriculture and non-farm developments. In terms of policy advice, this translates into a need for seeking strategies that treat both areas in an integrated way (World Bank, 2002). Hence, supporting the development of non-farm activities in isolation is not a solution. Since non-farm activities tend to increase income differences in sub-Saharan Africa, it is also vital to favour an increase in poor people's access to assets that allow them to overcome entry barriers to non-farm employment (IFAD, 2001).

3.5 Community Empowerment and State-Peasant Relationships

Although the process of deregulation and liberalisation provided new opportunities for rural inhabitants and entrepreneurs, problems resulting from this process became internationally recognised. A growing concern for poverty eradication, democratisation, and the inclusion and participation by rural people in civic life and productive activities led international institutions, donors, and non-governmental organisations (NGOs) to more strongly emphasise the participation and empowerment of local people and communities. This was also spurred by the emergence of rights-based approaches that introduced stronger political advocacy elements into what had previously often been a relatively technocratic discourse on development co-operation (see also Section 4.1).

Two important features supported this process during the 1990s. In most African countries, the process of democratisation was intertwined with the decentralisation of decision-making and resources from the central state to lower administrative levels. This has been paralleled in many cases by the right to taxation on a local level. A major problem with this shift, however, is the lack of administrative capacity at lower administrative levels. This problem affects many of the Sida Programmes evaluated in this study as well. To make this enormous project of decentralisation succeed, systematic and long-term capacity building and a build-up of human resources are required. An additional problem that is emerging is where local authorities – in their eagerness to improve their financial situation – increase taxes and fees on local trade. This has hindered the unfolding of potential entrepreneurship. Delgado and Minot (2000) have shown that the total tax burden borne by most export producers in Tanzania did not significantly decrease during the reform period since the decline in price taxation by parastatals was accompanied by a decentralisation of taxing authority from central authorities and a proliferation of taxes at local levels.

Another interesting feature of the 1990s is the strengthening of rural communities in some African countries. The most progress in this area has probably been made in Uganda and Tanzania where villages are guided by laws and regulation that provide some opportunities for local autonomy and self-governance. In other countries, such as Ethiopia and Mozambique, the autonomy of local organisational structures is still uncertain and often leads to distrust towards them on the part of local farmers and entrepreneurs.

For many categories of rural people, including small-holders, labourers, and private entrepreneurs, frequent changes in government administration vis-à-vis rural areas have led to uncertainties and insecurity.

Research in various rural African settings indicates that rural people continue to rely on relationships within the family and the larger clan as safety nets for times of uncertainty (Berry, 1993; Seppälä, 1998a; Havnevik and Hårsmar, 1999). Hence their own investments often aim to secure or renew reciprocity in relationships in the face of otherwise deteriorating social structures. This may imply that some resources circulate horizontally through networks and between economic, political, or cultural spheres and are not invested for economic accumulation.

Relations in rural areas, in the absence of renewed growth, are also reflected in an increasing distrust beyond the family/clan level that obstructs trade contacts and contracts and the creation of a viable business climate. Transactions in such settings can most often not be characterised by a shift in ownership through mutual exchange without involvement of other kinds of relations between the parties. Transactions are, rather, influenced by personalised relations and other aspects that might weaken the development of a well-functioning market (Kristiansen, June 2002; Tillmar, 2002).

Thus the feasibility for creating and enabling an environment for PSD is dependent upon a given context. This is particularly important in areas where conflict and the absence or weakness of regulatory frameworks and civil authorities made it possible for the private sector to develop illicit enterprises and create monopolies. Private entrepreneurs may be able to develop their own exploitative forms of coherence between political, economic, and cultural spheres, including the exploitation of market niches based on local comparative advantages.

In post-conflict countries or situations, the danger of creating perverse incentives through aid resource flows is considerable, but so are pressures for rapid rehabilitation (for example, Rwanda). The absence of state institutions has in many cases encouraged a high level of optimism regarding the role of the private sector in filling the gap in rural investment and service provision. Those receiving support have not always been most suited, either with respect to transparency or the political implications of providing support to certain actors. The need for better assessment of the impact of development assistance on local conflicts has been increasingly noted in recent years.

3.6 Conclusions

The deregulations and reforms in sub-Saharan Africa have led to continuous changes in the conditions facing the state, the communities, and the private sector. Some of these changes represent obstacles for productive and commercial developments – some constitute opportunities.

Much of the deregulation and reforms of the 1990s have aimed at improving conditions for the private and commercial sector to develop. The expected outcomes have, however, only slowly materialised. One important reason seems to be that state structures have not been able to respond to the needs of PSD for an enabling environment, nor have they developed appropriate regulatory structures and capacities. This is partly related to the slow process of divesting many tasks from the state that it took upon itself in the 1960s and 1970s. Politicians and bureaucrats have been ambivalent about letting go of their control of productive activities and service sector deliveries. This may stem partly from an unwillingness to give up their economic benefits and power and partly from fear of the weakening basic services to the rural populations. It could also be based on ethnic considerations, a fear that liberalisation could play into the hands of certain population groups that might lead to increased inequality and tension in society.

In the fertiliser market, liberalisation seems to have had an adverse impact on agricultural productivity. Here, distance may play a negative role, possibly due to high transportation costs. Distance may also have a negative impact in the sense that small-scale traders have difficulties in developing the necessary trust and overcoming the high transaction costs that are inherent in long-distance trading.

Indications from the overview presented above show that there might be a series of interrelated factors that need to be addressed for private and commercial activities to develop in rural areas. This also relates to the problems of access to the markets of developed countries for their agricultural produce.

Our reflections as regards the points of departure of the evaluation and the changing framework for rural development during the 1990s indicate the need to further investigate areas that are relevant for potential commercial and private sector dynamics in the rural areas. Particular emphasis will be put on understanding how and to what extent Sida's policy approaches have taken a PSD perspective on rural development during the 1990s.

Chapter 4
Sida's Policy Approaches to Private Sector Development in Rural Areas

A number of Sida policies, position papers, and so on since the early 1990s have a bearing on poverty, rural development, and the private sector in Africa. We have chosen to focus on three major policy areas of relevance for PSD in rural areas: poverty, rural development, and PSD position and policy papers. The documents treated were chosen on the basis of two criteria: recency and widest possible coverage of the 1990s. Recency was applied because of the need to be up to date with on-going discussions and reflections within Sida. Coverage of the 1990s was applied since changes during this decade are the focus of the study, according to its ToR.

Sida's policy development has taken place in the context of changes on a global level. The salient features of the global power, strategy, and policy aspects since the early 1990s have included various elements. From the early 1990s, emphasis was put on democratisation, in the form of multi-party political systems in developing countries, including Africa (Gibbon et al., 1992; Bangura 1992; Mkandawire, 1996; and Olukoshi, 1998). Linked to this initiative was a demand for adherence to universal human rights and poverty alleviation. This was in particular the case in sub-Saharan Africa where poverty deepened during the 1990s in the face of a lack of broad-based growth (World Bank, 1990 and 2001; Havnevik and Sandström, 2000). Poverty in the African context was also basically seen as a rural phenomenon, which implied an increased emphasis on rural development issues (World Bank, 1997 and 2002; IFAD, 2001).

Another important policy change in the African context was introduced, which emphasised that renewed economic growth would only emerge in Africa through the creation of an enabling environment for the private sector (World Bank, 1989). It was not until the late 1990s that serious reflection – on strategy and policy work – on the role of the private sector in African rural development was taken up.

A third and more recent shift reflecting the changing strategy and policy climate is the concern to tie economic reforms more directly to poverty reduction through the Poverty Reduction Strategy Papers (PRSPs). This development only emerged towards the end of the 1990s (Eurodad, 2002). The PRSP process is aimed at addressing weaknesses related to participation, ownership, and poverty orientation in the World Bank/IMF driven Structural Adjustment Programmes of the 1980s and 1990s. The objective is for the PRSP process to be developed by the African governments themselves in close consultation with various stakeholders, including rural people. The PRSP process is also an entry point for debt reduction through the heavily indebted poor country (HIPC) initiative. Four African countries – Uganda, Burkina Faso, Tanzania, and Mozambique – have advanced far in this process.

The PRSP process also involves consultation and dialogue between African governments, the International Financial Institutions, and donors. This process aims at a further concretisation of poverty alleviation strategies and an implementation schedule in the form of a Poverty Reduction Strategy Credit (PRSC). As such, this dialogue also enters into issues and perspectives of strong relevance for rural development and the role of the private sector. Sida desk officers in the respective African countries take part in and contribute to the dialogue around PRSP and PRSC.

Since the PRSP and PRSC processes have been given a prominent role in the planning of the country's development, and have received strong support from the donor community and international financial institutions (IFIs), its outcome is bound to impact on donor policies and strategies as well. For example, issues that have emerged in the Tanzanian PRSP/PRSC processes are the need to realign efforts towards poverty reduction by international partners to reflect PRSP priorities and, in particular, to channel such resources in the context of sector-wide strategies (URT, 2000, p. 2-3).

The active involvement in PRSP/PRSC dialogues also reflects the Swedish government's desire to strengthen their partnership with co-operating African countries (Wangwe, 1998). The Swedish involvement in the dialogues at the national level has in recent years been spurred by the gradual transfer of the responsibilities for the planning of development co-operation, implementation, and decision-making from Sida in Stockholm to the Development Co-operation units at Swedish embassies. Such transfers of responsibility started recently but are being expanded over time. The transfer to the Tanzanian embassy was effected in 1999, to Mozambique and South Africa in 2002, and to Zambia in early 2003. Such a transfer runs parallel to a build-up in Sida competence in these countries according with the Sida field vision strategy. This competence build-up in the field provides for a more active role in the national dialogue in various African countries. Such changes represent increasing challenges to the organisational structure of Sida, in particular the relationship between Sida, Stockholm, and the various embassies to which the responsibilities for co-operation have been transferred. It also represents a challenge to the direction and content of development co-operation, including Sida's policy process.

4.1 Sida Analysis and Approach Regarding Development and Poverty Reduction

The major objective guiding Sida's activities is poverty reduction. The Swedish government and Sida have issued a number of White Papers and studies that relate to this theme and that have been used as a basis for the poverty reduction strategy (for example, see Regeringens skrivelser 1997/98, p. 122; Afrika i förändring. En förnyad svensk Afrika politik inför 2000-talet. Stockholm; Lindahl and Karlström 2000; and SOU 2001, p. 96, Globkom).

Sida itself regards poverty reduction as an integral part of the development process, understood as "a sustainable process of enhanced freedom, well being and dignity of all people within an equitable and secure society" (Sida, July 2002). Sida's reflections on poverty reduction focus in important ways on the role of development co-operation to "support partners in their efforts to create conditions for development and poverty reduction" (ibid., pp. 3 and 5). However, the partner countries shall be owners of the efforts and the strengthening of partner country capacities for exercising ownership is considered one of Sida's main tasks.

Poverty is manifested in terms of hunger, ill health, domestic violence, and denial of dignity, and the condition has its own dynamics, creating vicious or virtuous circles. Lack of power and opportunities and insecurity are key facets of such circles and the interaction between them can perpetuate poverty. The dimensions of poverty are related to lack of access to such things as money and adequate incomes, land, and safety nets. The democratic or human rights aspect of poverty analysis is also seen as key to poverty reduction and is considered to be as important as the material one. Lack of rights and power often makes it difficult to obtain material resources (ibid., pp. 3-4). Poverty is defined as "fundamentally, as a situation where lack of material resources interacts with lack of power and choice" (ibid., p. 13).

Poverty is also considered to be context specific, i.e. its features and causes may differ between various political, economic, and socio-cultural situations (ibid., p. 4). This implies that few areas of intervention are excluded a priori from support – it is the specific situation that will decide, not the label of the intervention (ibid., p. 6).

As regards development programmes and projects, there is a need to analyse the contextual setting of poverty reducing interventions that are stated to be of three major types: (i) general structural approaches aiming at underpinning pro-poor growth, for example support for democracy and good governance, including the fight against corruption, the promotion of macro-economic stability, and increased accountability and transparency; (ii) indirect or inclusive actions for broad groups, including sector-wide approaches geared to sectors important to the poor, for example education, rural development, and small scale enterprises; and (iii) direct interventions that target specific groups or categories of people, including for example safety nets, intensive works programmes, and support to refugees and civil society organisations.

Whereas (i) relates to concerns for the preconditions and framework factors related to poverty reduction and development at the national level, (ii) and (iii) refer to the processes through which poverty can be reduced. Preconditions are also discussed in relation to the need for a functioning domestic economy that requires the development of institutional and legal frameworks, investment in physical infrastructure and sufficient policy predictability and belief in the future. It is further stated that doing away with obstacles to free and equal access to international markets and unfair trade practices are preconditions for the effective integration of developing countries in the global economy (ibid., pp. 9-10).

The main link between freedom from material poverty and economic growth is stated to be increases in employment and labour productivity. Accordingly, enhancing the capacity of the economy to generate employment and strengthening the poor "to access these opportunities are crucial to achieve freedom from poverty" (ibid., p. 16). Agriculture is seen to provide the economic basis for the majority of the poor, hence, "equitable access and secure property and user rights to land are crucial to pro-poor growth" (ibid., p. 17). Although these issues are relevant to PSD, they are not mentioned specifically.

The overall approach to poverty reduction that emerges in the Sida policy draft for poverty reduction converges on rights of access to assets that can help poor people exit from poverty. The rights approach is closely linked to the various human rights and their fulfilment is seen to be part of a democratic development process: "The forces behind and leading to reduced poverty and increased democracy reinforce each other" (ibid., p. 3).

Sida's approach to poverty reduction emphasises national ownership of poverty strategies be nationally owned and that primary stakeholders at all levels participate, that capacity building takes place in both partner countries, that processes ensure that poor people participate, and that inclusive communication and information take place regarding decisions concerning development initiatives (ibid., p. 28).

Important elements of the approach are the policy dialogue and the country strategy process. The dialogue is envisaged as a continuous exchange and negotiation aiming at a common platform. A country where the dialogue probably has come the furthest is Tanzania, where a number of issues have been added to the dialogue (Odén, 2002). The country strategy process (CSP) is seen as the most important instrument governing Sweden's development co-operation. Country programming should primarily build on "partner country strategic frameworks and planning instruments". It is crucial that they are firmly based on a poverty reduction approach (ibid., p. 30). The country analysis constitutes part of the CSP and is the key to a poverty-focused strategy, whereas the country strategy in itself reflects the issues and problems identified in the country analysis. A poverty analysis will be the instrument Sida employs to decide the content and directions of its approach to poverty reduction in a particular country and to decide whether programme and project interventions should emphasise general structural approaches, indirect and inclusive actions, or targeted interventions (ibid., p. 33).

4.2 Sida's Policy for Support to Private Sector Development

An important input into the Sida policy process concerning PSD is the EME report (Sida Evaluation Report 01/14). This work is fundamental regarding definitions and the development of an analytical framework for PSD. The achievements of this report also comprise a thorough description and analysis of the role of PSD support in Sida interventions. The discussions as regards to what extent Sida is working with multi-level interventions and how Sida is learning from experiences are examples of areas treated in the EME report. This study is, in our view, an important step in the PSD policy process underway within Sida.

In the present evaluation, we have chosen to concentrate on factors – in particular the factor "social cultural context" – that are raised in the EME conceptual framework but have tended to be overlooked in its subsequent analysis. In our own analysis we have also tried to look more into the reception within Sida of the EME report analysis, rather than to repeat its analysis.

Sida's internal policy process for support to PSD was initiated in May 2002 based on a project directive by the general director of Sida (Sida, May 2002). A reference group and a working group were established, the former with wide participation from various Sida departments. The objective of the process was, using Sida's poverty reduction strategy, to develop a policy for PSD that had a general bearing on development co-operation and involved all departments in Sida. The working group has consulted a number of studies and documents related to PSD, and the principles and perspectives proposed for the future development of PSD policy within Sida are closely related to the proposals of the "EME Evaluation on PSD" (Sida Evaluation Report 01/14). The working group's proposals include the following elements (Diskussionsunderlag, 2002, p. 15):

PSD comprises support activities from the micro to the macro level aiming at eliminating obstacles to functioning markets. PSD is thus multi-dimensional in its character, implying that all departments of Sida should command the skills needed to analyse their activities from a PSD perspective and that Sida organise its PSD work across departments.

Required changes in policies and institutions will require long-term engagement and process orientation, and there is a need to analyse political and social factors by employing relevant methodological approaches.

In terms of priorities, the suggestions are that Sida's PSD policy primarily shall focus on the economic dimension of poverty reduction because economic growth is seen as the most important link between Sida's PSD support and poverty reduction (Diskussionsunderlag, 2002, p. 4). Emphasis on the importance of economic aspects is also exemplified by the argument that the PSD policy, with a basis in the Sida poverty strategy, shall focus on the strong connections between the material situation of poor people and other dimensions of poverty, for example social development, human rights/democracy, peace/conflict, gender, and the environment as well as the close connection between these dimensions during the development process (ibid.).

The definition of this "economic dimension" is not crystal clear, but judging from factors that are listed in the document, it has to do with market mechanisms, a stable macro-economic environment, non-distortive incentive systems, good governance, and an openness for trade and investments. Mention is also made of the need for applying clusters of factors and multidisciplinary, multi-sectoral approaches (ibid., p. 4f).

A general hypothesis presented in the document is that farmers are business people in the sense that they are dependent on prices and the availability of inputs, on prices and the supply of their own products, and on prices and access to capital, among other things (ibid., p. 8).

The paper also makes reference to the donor group on small enterprises (SE), which during the last years has come to change its views and priorities in relation to support to SEs. The new approach, the Business Development Services (BDS) paradigm, argues that traditional public- and NGO-subsidised support is an unsustainable way to promote SEs.

Direct subvention of individual SEs should be avoided, and instead development co-operation should aim at stimulating the development of markets for business services. The ultimate objective is thus seen to be the sustainable operation through the market of SEs, as both BDS providers and SEs demand their services. Government and development assistance should support facilitators in a transition phase to help BDS providers and SEs become sustainable (Diskussionsunderlag, 2002, p. 5; Committee of Donor Agencies for Small Enterprise Development, 2001).

4.3 Sida's Experience and Approach to Rural Development Since the Early 1990s

A review of Sida's experiences and approaches as regards rural development was made in 1999 by Sida's department for Natural Resources and the Environment, resulting in a position paper (Sida, May 1999). In addition, a number of sector papers have been produced and evaluations been carried out more recently, for example Sida Studies in Evaluation 00/4 on poverty reduction, sustainability, and learning. The evaluation also covers programmes in Asia and Latin America. Since the position paper synthesises most of the development approaches in the 1990s, we have chosen to base our analysis on this document.

Two basic points of departure emerge from the Sida approach: it shall be based on the needs and priorities of the people of the country and it shall strive to promote growth in the productive sectors in the rural areas. Growth is seen as a prerequisite for improving the welfare of rural people.

Sida's support to other countries during the 1990s has increasingly focused on the sustainable management of natural resources in a poverty context. The lessons learnt are important and can be summarised as follows: (i) The socio-cultural context must be understood at an initial stage and followed up regularly; (ii) support activities should start on a small scale; (iii) one overall objective should be sustainable increases in production; (iv) sufficient time must be allowed for support or project activities, but they should have a termination point; (v) projects or support activities should be part of a national programme, including pilot programmes; (vi) a prerequisite for support activities is a positive national policy, which also embraces the local level; (vii) an important prerequisite, as well as an important objective, is to build up local capacity (Sida, May 1999).

In the discussion of current trends and issues, the position paper places strong emphasis on gender equality and increased equality between groups in society as a precondition for poverty reduction (ibid., pp. 15-16). The "bottom-up" perspective is clearly spelled out (ibid., p. 14).

The focus on poverty emerges in various ways, and to strengthen its profile in this matter, "Sida has chosen during recent years to gradually focus its support on areas which are of low potential from the natural resources perspective, which often have little rainfall and therefore difficult conditions for cultivation, and which have a high proportion of very poor households" (ibid., pp. 17 and 20). Sida Studies in Evaluation 00/4, however, claims that none of the programmes assessed had poverty reduction as a main and clearly stated objective (Sida Studies in Evaluation 00/4, p. 15).

The government is basically assigned a role as facilitator, which among other things implies bringing about reforms that can create security for people, for example the right to own the land they cultivate. Without such rules, it is argued, it will be "difficult to maintain an economical use of natural resources" (Sida, May 1999, pp. 10, 18).

The role of the private sector is given limited attention. It enters in the discussion on decentralisation of the public sector, which is seen as a revitalisation of the rural areas and the growth of small towns. Important in this respect is the promotion of small industries, trade, and the informal sector to create job opportunities outside of agriculture (ibid., p. 18). Sida, it is argued, should also be able to support non-public institutions more explicitly than before, in their work of building civil society in the rural areas. "These institutions can be farming co-operatives, NGOs, interest and sector organisations, or private companies in the trade and service sectors" (ibid., p. 21). The private sector is also seen to have a role in relation to the productive rural activities. "Energetic political action is needed as well as an increase in resources both from the public and the private sector to make it possible to achieve the growth in production which is necessary to reduce the need of imports and thereby reduce poverty" (ibid., p.17).

Elements that should permeate Sida's future work on rural development in the natural resource sector include: poverty, people focus, gender equality, sustainable management of natural resources, support for diversification of productive activities and for increased employment outside of agriculture, concentration but within a holistic perspective, full local support by involving and developing local institutions and organisations, support for favourable political intentions and sound macro/sector policies (ibid., p. 21).

Rules and regulations based on sound national and local level policies emerge as important aspects of both experiences and concerns for future rural development support. The importance of local institutions also emerges clearly, although the lessons learnt relating to the socio-cultural context were not taken into consideration when preparing the prescriptions for future work. The focus on the need to support, develop, and involve local institutions and organisations could, however, be seen to contain a socio-cultural element. Resources should be channelled to fuel diversification of productive activities in rural areas, including rural industrialisation. The lesson learnt about the importance of starting on a small scale seems to have been overlooked in the perspectives for the future.

It seems that there are important lessons to be learnt concerning the need for preconditions or framework factors for rural development to be in place before support activities are initiated. This relates both to trust and the decisive role of sound national and local policy environments. In reflections on future work in rural development, the emphasis on framework factors is weak, if present at all. The focus seems mostly to be on initiating and supporting processes aiming at defined objectives. The concentration of support is placed on communities and institutions, rather than the family or actor level. Neither is the actor level seen to be important in the summing up of lessons learnt.

4.4 Discussion: Three Narratives

Based on analyses of the above position and policy papers and on interviews with Sida personnel and Sida consultants, we have discerned three major narratives within Sida towards PSD. They can be roughly summarised as follows:

1. The poverty/market narrative

PSD is the engine of growth, and thus also of poverty alleviation. Furthermore, the poor suffer disproportionately from weakly functioning markets due to their particularly high transaction costs. Sida's main channel for poverty alleviation is to reduce market failure and transaction costs through institutional and governance reform. Traditional development projects tend to distort markets and should therefore be treated with caution. We have labelled this the poverty/market narrative.

2. The poverty/supply narrative

PSD is very important, but is mostly driven by the private sector itself and Sida's role should be relatively limited. Donors need to provide assistance to enable the poor to take advantage of market opportunities. In the process, some market distortions may be unavoidable because the value of directly helping the poor is greater as they will otherwise lose out to large-scale or more powerful actors. Furthermore, for many services, such as credit or inputs, there is no functioning market that can be distorted. We have coined this the market/supply narrative.

3. The poverty/rights narrative

Poverty alleviation is about human rights, and the largest obstacle to promoting a rights-based agenda is the prevailing imbalance of power. A rights-based agenda requires the assignment of responsibilities among specific individuals and actors, something that is difficult to do when considering private sector roles. PSD may be seen to be of indirect importance for enhancing agricultural productivity, but the sector is not specifically targeted to have an important role in this context. We have called this the poverty/rights perspective.

The first of these narratives effectively sees PSD as a normative objective in itself and emphasises the functioning of markets. The other two view the private sector as part of the production context (narrative two) or the political economic context (narrative three). In these two latter narratives, PSD may be one of many means of (or occasionally even an obstacle to) achieving the objectives for poverty alleviation.

These narratives influence Sida's internal processes. Their influence is partly in terms of how Sida "thinks", but also in different sets of prevailing concrete incentives for PSD. Some parts of Sida are structured around project implementation. Others have moved more rapidly toward sectoral approaches and participation in PRSPs and other national policy fora, where a high level of engagement on issues such as these is taken for granted. We will frame our analyses in an understanding of the influence of such factors.

Chapter 5
Analytical Framework

Generally, the trend of state withdrawal from the field of rural development in sub-Saharan Africa during the 1990s left the private sector the space and responsibility to take on a larger role in input and output markets. This shift in the basic principle of organisation implies that markets need to emerge to replace administrative systems, as well as to fill vacuums. Furthermore, markets need to be accessible to the poor. As we have seen, Sida has in its official thinking responded to these changes by trying to adapt its policies. To better understand how PSD may develop in rural areas and how it may help reduce poverty, we will develop an analytical framework for PSD that can be used as an evaluation norm. That is, it will be framed in a normative way, where the factors that are included ought to take on certain values if PSD is to be able to take place. The framework could be phrased differently, if intended for other purposes. Here, however, we treat it as an ideal situation – how things ought to be if PSD is to be nurtured. It is against this ideal situation that we will later assess the Sida approach in relation to PSD in the 1990s.

Economic growth as a necessary precondition for poverty reduction is seen as a fundamental relationship. However, to what extent poverty is reduced by economic growth differs; there are different *poverty elasticities* to economic growth in different settings. A study by Ravaillon and Datt (1999) concerning poverty elasticities in Indian states as measured over a period of 35 years reveals that farm and non-farm sectors have important linkages and that initial conditions determine the extent to which non-farm economic activities reduce poverty.

Using statistics from 20 different household surveys covering the period 1960/1961 to 1993/1994, Ravaillon and Datt found that poverty reductions emerge through higher average farm yields, higher state development spending, higher non-farm output, and lower inflation. However, amongst these four factors it is only non-farm output that reduces poverty in different proportions, i.e. that shows different poverty elasticities. Hence, growth in the non-farm sector may reduce poverty to a larger or smaller extent in different settings. When it comes to higher farm yields, however, higher development spending, and lower inflation, it is the pure rate of change that matters; for example higher agricultural growth reduces poverty in equal proportion in all states.

Non-farm economic activities normally carry higher earnings than farm activities. However, to access these higher earnings, farm workers or peasants need to pay a price. This may take the form of migration, higher consumption spending in urban areas or wherever the non-farm incomes may be earned, or higher investments in education. Ravaillon and Datt found better initial conditions in rural areas in terms of (i) farm productivity, (ii) smaller differences in living standards as compared to urban areas, and (iii) better basic education. All these factors help non-farm poverty elasticity to grow. Basic education is especially important. About two-thirds of the explained difference in elasticities is attributed to the initial differences in literacy alone (Ravaillon and Datt, 1999, p. 19).

Hence, in order for growth to reduce poverty in situations where poor people are highly represented in the farm sector, initial levels of literacy and of agricultural productivity should be as high as possible. Furthermore, differences in living conditions between rural and urban areas should also be as low as possible. If so, poor people are better able to move into non-farm activities, through which poverty reduction effects may be substantial. Hence, there are clear linkages between the farm and non-farm sectors, and the relative levels of productivity in these sectors are important for poverty reduction. We have in Section 3.4 noted important differences in the patterns of non-farm versus farm incomes in sub-Saharan Africa as compared with Asia. However, the results of Ravaillon and Datt may still have a bearing in an African context, given that entry barriers to non-farm activities can be assumed to be high in rural sub-Saharan Africa. The factors Ravaillon and Datt treat are exactly the kind of factors that may help people overcome these entry barriers.

Therefore any analytical framework for PSD aiming at poverty reduction in African rural areas needs to deal with farm and non-farm sectors in a comprehensive way. A team of researchers from Oxford Policy Management (OPM) has, on behalf of the British development ministry, DfID, undertaken a further look at the literature on what constitutes pro-poor growth. According to OPM, it is difficult to define pro-poor markets since their ability to benefit the poor is generally linked to country, sector, and institution-specific settings. A more constructive approach is therefore to focus on the functioning of particular markets, to discern how market failures are dealt with, to what extent markets are segmented, and thus to what extent poor people are included in or excluded from the markets. It is not certain that markets are working for the poor just because they work efficiently. Market efficiency concerns the price mechanism, that is, the ability of markets to balance supply and demand and to cater for allocative efficiency. Efficient markets are a necessary but insufficient condition for market-led poverty reduction, since market failures also exist (public goods, externalities, adverse market power, asymmetric information, and high transaction costs). Market interventions are needed to cater for market failures. Moreover, markets are closely bound to social contexts and may thus reinforce unequal power relationships. One common source of exclusion of the poor is market segmentation, where entry barriers play an essential role. To be poor often means that one has little to offer the market. Many markets are hard to enter from such a starting position (DfID, 2000, p. 4).

What then is needed, given well functioning markets, to include the poor? According to OPM, three questions are essential to address:

1. Do markets facilitate poor people's access to human, financial, social, physical, and natural assets? Markets may facilitate this to a certain extent, but when great inequalities exist in terms of resource or power allocation, more political interventions are needed.
2. Do markets exist that cater for the consumption needs of poor people? Food markets need to be accessible, efficient, and predictable. Without the satisfaction of basic needs, the participation in any market is hindered.
3. Are markets capable of improving the returns of poor people on their assets? Are they able to increase their productivity, and are they able to manage risk to reduce their vulnerability?

For our purposes, we extend the questions posed by OPM to identify factors that become concepts in the left-hand column of our analytical framework illustrated below.

First, the need for access to assets (1) may be extended into a need for *framework factors* that also include the predictability and well-balanced role of the state. People having access to assets depend on the ability of the state to respect, create, and enforce clear and fair rules and on its ability to pursue stability and predictability through its policies.

The merging of the second question (2) above and the basic efficiency of markets has been termed *market mechanisms*. It is a concept that captures basic features of functioning markets, that is the functioning of the price mechanism, information flows, and the level of competition, among others.

Thirdly, building on the third question (3), mechanisms that help producers to manage risks and decrease vulnerability, and those that may increase the productivity of producers have been assembled under the heading *capability concepts*. Here we are getting closer to the level of agents, but we need to recognise that capability may exist at a more systemic level as well, for example regarding technological capability.

In these three areas, the analytical framework makes a distinction between *Formal Rules and Organisations* and *Socio-Cultural Aspects*. The concept

Formal Rules and Organisations refers to such aspects that have been consciously structured to fulfil functions in the market economy as we know it in a general way. It may be useful to think of a "textbook version" of the market economy to better grasp this category. The concept *Socio-Cultural Aspects* refers to factors that have a bearing on the functioning of the market economy but which have not been structured with this purpose in mind. Under this heading we find – among other things – informal rules and organisations, which implies that this latter concept is broader in its conceptual coverage than the former.

With this, we arrive at an analytical framework that draws together those factors that are needed to make the private sector develop (building on the "EME model" of PSD), those that are needed to make markets work for the poor (building on Ravaillon & Datt and OPM), and those that are needed for these things to happen in rural areas (understanding the special characteristics of the social embeddedness of rural economies). Hence, this analytical framework has several building blocks and may be expanded along its different layers. We have tried to keep it rather simple in form, which on the other hand means that it needs to be placed in proper context.

Analytical framework for PSD in rural areas

	Formal Rules and Organisations		Socio-Cultural Aspects
Framework Factors	**Box 1** • "Integrity" • Functioning judiciary/rule of law • Macro-economic stability • Business & market legislation • Tax system • ITR land tenure	⇄	**Box 2** • "Synergy" • Power/inter-personal relations • Attitudes towards gender, transactions, and wealth • Customary land tenure
Market Mechanisms	**Box 3** • Price/information systems • Financial systems, insurance • Marketing facilities • Grades and standards • Infrastructure • Contract enforcement mechanism	⇄	**Box 4** • Networks • Informal information • Informal credit/insurance • Business culture • Attitudes towards the role of price
Capability Concepts	**Box 5** • "Linkage" • Agricultural extension • Technology development and diffusion • Education and training	⇄	**Box 6** • "Integration" • Indigenous knowledge • Attitudes and aptitudes towards entrepreneurship, individualism, and change

← Formalisation dynamics

There is a multitude of factors that go into the various boxes, and we will discuss them below. Some of them need to be addressed in more detail than others if they are to be understood properly, but all of them need to be present for PSD to take place. This analytical framework may therefore also be used as a checklist.

One very important factor, given the focus of the analytical framework, is social capital. To clarify the content of this factor and in particular how it can help us develop more distinct concepts for our analytical framework, we need to make a conceptual tour.

Social capital is a contested concept that has been used in different ways. Building on classical writers and linking these traditions to modern discourses, Woolcock (1998) has tried to bring clarity into the debate. He argues that social capital should be seen as different sets of social relations that appear alone, or in combination, and might produce very different outcomes. Hence, social capital may both help and hinder PSD.

The benevolent role of social capital appears if it takes on four different forms simultaneously. Woolcock distinguishes between the macro and the micro levels. At both these levels there is a need for a combination of *embedded* and *autonomous* social ties. At the community level, *embeddedness*[1] translates into *integration*, that is, bonds that are upheld within a certain community. *Autonomy* here translates into *linkage*, that is, the upkeeping of bonds with non-community members. At the macro, or national level, *embeddedness* translates into *synergy*, meaning that official representatives are connected to other actors in society, for example industry leaders or other important market actors. State-society relations need to be vivid and dynamic for economic development to unfold. *Autonomy* at this level translates into *integrity*, meaning that government representatives and civil servants are governed by a professional ethos committing them to negotiate and pursue collective goals, as opposed to narrow group interests.

The argument goes on to claim that both integration and linkage need to be present for social capital to support PSD and broader economic development. Furthermore, both integrity and synergy need to be present.

[1] The concept of "embeddedness" was developed by Granovetter (1992) to characterise human action in the economic sphere. It contrasts an "under-socialised" conception of human action associated with the utilitarian or neo-classical traditions with an "over-socialised" conception associated with a sociological tradition. The latter tradition claims that behavioural patterns have been internalised by human beings and that they follow norms and rules. Embeddedness turns against both these conceptions because they assume the actor to be acting in isolation. Action should rather be understood as stemming from social relations. This means that the assumption of the rationality of the actor may be upheld, albeit bound by the social context in which the actor lives. Hence, the isolated, individual actor of economic theory is in reality embedded in a set of social relations, which modify and direct his or her actions. It is from these relations that, for example, trust is generated and malfeasance is discouraged. However, the question arises as to what kind of social relations are beneficial for economic development.

Situations with one or more of these factors absent produce perverted economic outcomes, according to Woolcock.

In the analytical framework, these four aspects are all present. In Box 1 we find *integrity*, as a character of the state, resting beside the more functionally oriented factors also located here. *Synergy*, which refers to state-society linkages at the national level, is found in Box 2; *linkage*, referring to bonds between different groups at the community level, in Box 5; and *integration*, referring to bonds within groups at the community level, in Box 6.

A dynamic component is also needed if the process of PSD is to proceed. When social relations have taken on a certain form, when embeddedness in particular is having some success, there is a need to shift from the more informal to the formal. In Granovetter's terms there is a need to move from "coupling" to "decoupling". However, we need to remember that embeddedness exists in all forms of economies; that is, all markets in all settings are bound by social rules that are typical for that very society. For example, in a Western society it is quietly understood that children are excluded from the labour market. A number of other social rules also apply in markets that most Westerners would tend to regard as "pure" markets. Hence, decoupling is a question of shifting the character of embeddedness rather than abandoning it.

This process of decoupling has also been described as a "formalisation dynamic" in our analytical framework. This needs to be qualified since we have already stated that all four forms of social capital need to be present continuously for economic development to take place. What this formalisation dynamic refers to is the need to move beyond the immediate, local setting, when development unfolds and other forms of market relations begin to evolve. Examples might be the move from utilisation of rotating savings and credit schemes (RoSCAs) to established banks or credit institutions, the shift from a relational based pricing system towards a pricing system that reflects allocative efficiency, the shift from indigenous knowledge towards technologies more adapted to outward oriented production, or the shift from customary land tenure towards individual tenure regimes.

However, these dynamics are not straightforward and sometimes take a long time to evolve. Hence, the double arrows in the analytical framework represent processes that may take time and, furthermore, may require balances to be upheld between the concepts in the *Formal Rules and Organisations*, and the *Socio-Cultural Aspects* columns respectively. These dynamics are thus processes of transformation rather than outright shifts from one position to another. They refer to the shift in kind rather than the degree of embeddedness discussed above. The objective is to build on the legitimacy provided by the factors in the *Socio-Cultural Aspect* column while trying to arrive at more formalised institutional settings. Integration is needed to produce trust and foster entrepreneurship, but its negative aspects ought to be avoided through such a shift.

The discussion of social capital has thus helped us somewhat to clarify the character of the analytical framework. However, it does not address all the factors that go into the boxes. Hence, in Box 1 we would find not only the rule of law, a functioning judiciary, macro-economic balance, sound sector policies, neutral tax systems and so on but also factors such as the level of stability in central institutions. These factors form part of a conventional wisdom and may therefore be grouped together – as long as important aspects are not overlooked. For a more comprehensive description of such factors, we refer the reader to the model developed in the EME report, and especially to the factors found in the "Economic System", and the "Political System" boxes at the macro level (Sida 01/14, 2001, p. 20f).

There might be unresolved disputes among academics over issues such as the best way of interpreting or stimulating technical change (Hayami and Ruttan, 1985. pp. 56ff and 85ff), but on the whole there are no major unresolved disputes over the factors that contribute to creating an "enabling environment" for private sector growth. One qualification, however, is that it is institutional quality rather than institutional presence or characteristics *per se* that needs to be the focus (Aron, 2000).

Box 2 contains historically generated cultural factors (*longuee durée*), like the character of interpersonal relations in a society (hierarchy or egalitarianism), symbolic meanings of transactions, attitudes towards richness and poverty, attitudes concerning the roles of women and men, and attitudes towards risk management. However, we also find customary tenure systems and those informal relations between state representatives and influential sectors of society that often form a basis for power structures in a society. These historically generated "embeddedness" factors are important since they form the basis for the development of social capital and trust, which are increasingly seen as essential prerequisites for the growth of businesses and hence private sector development (Giddens, 1996; Tillmar, 2002; Narayan and Pritchett, 1997).

In Box 3, factors that help form the development of functioning markets are found. These factors include the establishment of information systems; of financial systems; of marketing facilities; of rules and systems for grades and standards to use in upholding contracts and property rights; and of commerce, services, and infrastructure. (Haggblade, Hazell, and Reardon, 2002; Kristiansen, 2002a, 2000b; Johannisson, 1998).

In Box 4 we find factors like business networks or innovative milieus (Kristiansen, 2002a), relational attitudes towards pricing, informal credit or insurance schemes, and indigenous systems for providing market-specific information (Narayan and Pritchett, 1997; Geertz, 1992 and Woolcock, 1998).

In Box 5, factors that increase productivity in farming, rural industry, and rural commerce such as agricultural extension systems, systems for the diffusion of technology, and also training programmes, education, and health interventions are found. We have already mentioned the "linkage" aspect of social capital, which emerges with membership in organisations that span wider constituencies than internal groups. This box, furthermore, contains formal insurance schemes and early warning systems in relation to weather or market volatility.

Box 6 contains the integration part of social capital, and hence factors that help create entrepreneurship and that motivate people (Tillmar, 2002 and Kristiansen, 2002b). It contains familiarity or accountability that is built by, for example, tribal organisations or indigenous institutions that are breaking out of distrust (Tillmar, 2002). This box, furthermore, contains attitudes and aptitudes towards entrepreneurship, individualism, and change as well as indigenous knowledge or technology. However, we must note that there might be indigenous institutions that counteract the positive aspects that we are searching for here, for example witchcraft. What we find in Box 6 is thus features of indigenous institutions that are able to increase capabilities.

Box 6 is essential for the creation of entrepreneurship and for the social carriers of new techniques (Edqvist and Edquist, 1977). The entrepreneurial debate has long been divided into positions arguing that entrepreneurship is driven from the supply side (technology-push theories) and positions arguing that innovations are driven by a demand pull (Schmookler, 1966; Rosenberg, 1976).[2] One academic who has often been placed in the technology-push camp is Joseph Schumpeter (Du Rietz, 1975, p. 18). Schumpeter himself warned against an overly strong belief in the role of new technology for the pace of innovation. Rather, he pinpoints the individual capacity of entrepreneurs and the capability of connecting known technologies with a potential demand that waits to be found in the marketplace. According to Schumpeter, it is the simultaneous existence of bottlenecks and market opportunities that incites new innovations. One necessary precondition is people with special capabilities (Shumpeter, 1951, pp. 66, 88f).

[2] Schmookler argues that the level of investments in a business sector decides the level of innovation, while Rosenberg argues that small steps in technological change are as important as big innovations.

Connected to this debate are theories about allocative and adaptive efficiency. *Allocative efficiency* means that the market and the pricing mechanism are able to allocate resources where they are optimally used. *Adaptive efficiency* means that new and higher levels of allocative efficiency may be reached through innovations (Leibenstein, 1966). Adaptive efficiency may be reached by technological, organisational, and other leaps, but this efficiency does not develop automatically from situations of allocative efficiency. It takes entrepreneurial capacity to make those leaps. This is especially the case in rural areas in sub-Saharan Africa, where hindrances to development are many and complex. For entrepreneurship to develop, at least part of the surrounding milieu must be supportive. It is highly probable that this support may come from social networks, and that individual motivation for entrepreneurship has its roots in prevailing worldviews (Kristiansen, 2002c, p. 5). Hence, there is a need to understand socio-cultural contexts if entrepreneurial capacity and motivation are to be supported. This is why Box 6 is so important for PSD.

With such a framework at hand we will attempt to analyse a complex, which also may be summarised as an endeavour to find or create *enabling environments*, *functional markets,* and *entrepreneurs*. In rural areas, PSD interventions aim at finding or developing any of the factors found in the boxes. This might translate into efforts aimed at creating or improving markets for goods, services, financial services, or development services such as extension or technology diffusion. Or, it might be efforts aimed at decreasing the number of actors or elements in the downstream market chain, allowing more of the new value to remain at home. It might also comprise efforts aimed at improving framework factors such as land or tenure reforms or changes in business or market legislation. It might also be efforts aimed at capitalising on – and improving – informal credit, insurance, or information systems. Or, it might be interventions that focus on changing attitudes regarding entrepreneurship, interpersonal relations, or the role of the price mechanism, to mention but a few examples of PSD interventions.

Chapter 6
Sida Programmes and PSD Dynamics

Four Sida programmes have been identified for analysis of Sida's approach to rural development from a PSD perspective. The programmes are the Economic Expansion in Outlying Areas (EEOA) programme (Zambia), The Malonda Programme (Mozambique), the Land Management Programme (LAMP, in Tanzania), and the Swedish Amhara Rural Development Programme (SARDP, in Ethiopia). Ten interventions have further been selected for scrutiny in relation to these programmes. The criteria for selection of countries, programmes, and interventions are spelled out in Annex 2.

These programmes are not typical for Sida's rural development interventions. All of them are somewhat unique in one way or another. SARDP integrates more components than the other programmes, Malonda is more market oriented, LAMP is more focused on land issues, and the EEOA programme employs a unique methodological approach. The scope of these four programmes, however, covers most aspects of Sida's approach during the 1990s. The selection thus allows us to study changes in the Sida approach and rural development portfolio over time.

Traditionally, Sida has been geared towards the raising of farm productivity in its rural development interventions. Recently, according to the interventions studied, this is changing towards a larger differentiation in programme approaches, where decentralisation and market orientation play more prominent roles. However, according to interviews with Sida personnel, the majority of interventions still have increased farm productivity as a main objective, and a large share of interventions are still area based. Hence, if our selection represents emerging forms of intervention, there remains a bulk of programmes that are more "traditional" in their set-ups, that is area based, integrated programmes with an emphasis on raising farm productivity.

6.1 Economic Expansion in Outlying Areas (EEOA) Programme, Zambia

Several evaluations (both internal and external) of the EEOA Programme have been carried out since its inception in 1995, and these evaluations are generally positive as regards the impact of the Programme. These evaluations have, however, not fully addressed or discerned why the EEOA Programme has been successful on many accounts. The following text aims at extracting some major lessons learnt from the Programme in relation to the analytical framework presented in Chapter 5.

The EEOA programme was initiated in 1995 under the auspices of Sida and the Ministry of Agriculture, Food and Fisheries (MAFF), presently the Ministry of Agriculture and Co-operatives. The Programme is "independently managed"[3] under an international consulting consortium run by RWA International, Silvi Nova, and Moses Banda. The EEOA Programme grew out of earlier experiences from working with Integrated Rural Development Programmes (IRDPs), which were focused almost wholly on building infrastructure and institutional capacity. The Programme was also set up in response to the liberalisation of the economy in the early 1990s, to which small-holder farmers had difficulties to adapt. The objective of the Programme is "to contribute to improved living standards in the target group by increased income" (EEOA, 1997).

The EEOA Programme is pioneering in that it explicitly addresses the development of the private sector in rural areas. It also breaks new ground in participatory rural appraisal (PRA) approaches for building capacity on grassroot levels. The aim of the Programme "is to help people become sufficiently self-confident and self-reliant to create their own development and improve their incomes. EEOA seeks to bring about attitudinal change and the development of an entrepreneurship culture" (EEOA, 2002). An underlying assumption – which is also the Programme vision – is that the Programme, after a maximum of 6 years of operation in any target district, will be sustainable, whereby a sufficient number of successful farmers and rural entrepreneurs will form the critical mass necessary to drive a sustainable economic expansion (ibid.).

The Programme is not limited to one single target group but seeks to work with people who are eager to progress, willing to change, and able to adapt to a liberalised economy. Such groups and individuals include rural village households, emerging small-holder farmers, and existing district entrepreneurs involved in businesses related to agricultural production, processing, and marketing.

[3] The Programme was set up through a by-pass structure, linked to the Ministry of Agriculture, Food and Fisheries.

The EEOA Programme consists of six components:[4]

1. *Facilitation* is the foundation of the Programme, through which people are directly targeted through participatory approaches. The other five components constitute responses, which become apparent as "facilitation proceeds".
2. *The Rural Economic Expansion Facility (REEF)* aims at removing physical barriers to economic development (rural roads, furrows, bridges, culverts, etc.).
3. *Business Management Training* aims at increasing farmers' and entrepreneurs' business-related skills.
4. *Financial Services* aim at facilitating access to financial services (financial advice, savings, micro credits, and training in financial management) for households and interest groups.
5. *Business Promotion and Marketing* aim at facilitating links between producers, agro-processors, associations, and business organisations.
6. *Agricultural Extension Support and Networking* aim at increasing and diversifying production through facilitating linkages for provision of extension and technical services to rural entrepreneurs.

6.1.1 Extension, Capacity Building, and PSD through Facilitation

Facilitation is at the heart of the Programme and the EEOA Programme has over the years developed a comprehensive and flexible approach – the Facilitation Process – which could be seen as a step-wise learning and activity cycle for promoting a an environment conducive to business in rural areas. Facilitation is used in a quasi-technical way and EEOA defines it as "a process whereby agents assist rural people to engage in meaningful activities and dialogue which are designed to help strengthen their capacity to control their future development in a positive way" (EEOA, 2002).

The EEOA Programme aims specifically at changing attitudes and norms, which sometimes require the unlearning of many deeply rooted practices, attitudes, and expectations. Building trust and facilitating strong economic and social networks are key issues within the Programme, where staff – through facilitation – try to ensure:

- that environments, where farmers and rural entrepreneurs can adopt a business focus, are conducive to learning.
- that farmers (as well as non-farmers) can source the information needed.

[4] Components five and six were introduced in 2001 and grew out of component one.

- that effective linkages are made between groups, individuals, and communities at the grassroots level.

Through facilitation and different activities, farmers and rural entrepreneurs develop their understanding, awareness, skills, and capacity to operate in a liberalised market economy. One primary aim is to increase the capacity of entrepreneurs and farmers to assume a business perspective ("treat your farm as a business") and build business confidence. Farmers and entrepreneurs would thereby be able to source relevant information and develop and expand social networks beyond their family and ethnic group. The formation of groups has been an effective tool for improving negotiation power, economies of scale, and the capacity to obtain credits. It also lubricates trust and co-operation. Many interest groups have registered themselves as associations, others as companies and co-operatives. Several of these interest groups can be considered micro co-operatives, which are now filling the gap created by the collapse of the co-operative movement in Zambia during the late 1980s. These aspects of the programme refer to the capability factors (Box 6) in the analytical framework, as well as to the formalisation dynamics (the shift from Box 6 to Box 5).

An important Programme activity is the training of emerging and established rural entrepreneurs in business activities (record keeping, costing exercises, and so on). Initially, this activity (component) was mainly concerned with the training of general business and service actors (contractors, shop keepers, and traders). However, over the years, the Programme has also developed its capacity to train farmers and people with limited reading and writing skills (James et al., 2001). To increase the outreach of the Programme, the training of so-called trainers of trainees, which are frequently hired by the Programme, was begun. The idea is also that these trainers shall act as independent service providers after Programme withdrawal. Whether this assumption will hold is yet too early to assess. There is a concern that the capacity and willingness to pay for such services might be very low in sparsely populated areas.

Many of EEOA's activities are carried out on a cost-sharing basis. Cost sharing (usually in kind) is an important EEOA principle, since it is assumed that it would help to change the attitude among the target group from dependency towards self-help. It has been observed in the Programme that the dependency syndrome, which existed and still exists in farming communities, has declined (Kalinda and Sandström, 2001).

Gender, HIV, and environmental issues are integrated into many of EEOA's activities. The Programme has adopted a household approach where all the economically active members should participate. Experience has noted improvements in intra-household relationships, which serve as important criteria for sustainability if household members die or move away from the family. Women are increasingly attending training and exposure visits related to their economic activities, and farmers are adopting environmentally friendly farming practices, such as conservation farming (ibid., p. 8).

EEOA does not limit its capacity building activities to individual farmers, rural communities, and entrepreneurs. It also targets a wide array of stakeholders and collaborators that operate within the districts. *Twinning* with MAFF's agricultural extension workers is one such activity, where EEOA has upgraded the skills of agricultural extension workers in participatory extension approaches. In most districts, there are also well-established co-operations between EEOA and local government structures, NGOs, and other stakeholders. Institutional collaboration is considered important for establishing coherence between activities as well as for sustaining momentum for economic expansion in the districts. More and more attention has been given to institutional capacity building over the last year, considering that EEOA was to be phased out at the end of year 2002 and replaced by a broader rural development Programme, with a focus on food security issues.

6.1.2 Financial Services

Prior to economic liberalisation, the Zambian government was heavily involved in providing financial services to small-holder farmers, mainly through micro-credits on subsidised terms (Sano, 1989, 1990; Loxley, 1990). After the withdrawal of state-sponsored financial services in rural areas channelled through co-operatives, it was assumed that private financial institutions would take over. This has, however, not yet materialised on a broad scale. Customary tenure regimes have not been considered the major problem for providing credits to rural areas in Zambia. It is rather attributed to a poor credit culture (unwillingness to repay), resulting from loan forgiveness and defaulting. In addition, the ability to repay is also a major constraint to establishing viable financial institutions. Droughts and the HIV/AIDS pandemic frequently affect this ability. Savings have also been discouraged by negative real returns, due to high inflation and charges on deposit accounts. Other constraining factors for delivering financial services in rural areas are the high transaction costs involved. During the 1990s, financial services for rural people were channelled to an increasing extent through out-grower schemes; today, approximately 150,000 small-holder farmers participate in out-grower schemes in one or another form (T. Andersson, personal communication). Credits channelled through out-grower schemes operate through commodity companies for certain cash crops (mainly cotton, tobacco, paprika, and sunflower). Those small-holder and rural entrepreneurs who remain have no access to formal financial services except through the FRA, some NGOs, and donor-sponsored projects (James et al., 2001, p. 24).

One of the donor-sponsored projects – the Micro Bankers Trust (MBT) – is working closely with the EEOA. This is one example of how the Programme interacts with market mechanisms (Box 3 of the analytical framework). The MBT has encountered several problems, since its inception, including difficulties in overcoming high transaction and administrative costs, high staff turnover, and so on. The experiences from EEOA co-operation with MBT point to several difficulties of establishing well functioning micro-financial institutions in rural areas. Over the years they have tried out several models for enhancing their outreach, but so far with limited results (Seibel, 2003).

Beyond financial and capacity building support to the MBT, the financial service component of EEOA also includes credit management and financial business advice training where particular emphasis is paid to the promotion of women's savings groups. The EEOA also encourages individual farmers, rural entrepreneurs, and various groups to access to financial capital through revolving savings and credit schemes, in which individuals mobilise and source their own financial capital. As a result, several savings groups have been established, which implies that there is a capacity to mobilise financial capital (Gossage et al., 2002).

6.1.3 Infrastructure

The lack of access to sufficient infrastructure impinges negatively on the ability of rural communities to expand their production, source necessary market information and so on. Poor management and maintenance are often causes of poor infrastructure in Zambia. EEOA has reflected on these difficulties, drawing on earlier experiences of IRDPs.

The REEF division of EEOA aims at contributing to the development of functional markets (Box 3 in the analytical framework) and improving the economic viability of and sense of ownership in the rural infrastructure. To bring this about, the Programme has developed a comprehensive and flexible approach including needs assessment, cost benefit analysis, cost sharing (mainly in terms of labour), training in maintenance work, establishment of maintenance committees, and so on. It is also important to stress that infrastructural investment is not made before the facilitation process has led to business awareness and attitudinal change. It normally takes 1-2 years before a community is ready to implement a REEF project. The tender process of EEOA is rather comprehensive and many construction companies bidding for contracts are from neighbouring areas. The EEOA has also trained many of these companies in business-related activities.

6.1.4 Summary

The EEOA Programme strongly emphasises a PSD perspective, and Sida-initiated evaluations are generally positive as regards the impact of the Programme. These evaluations have, however, not fully addressed why the EEOA has been successful in many areas. One of the reasons why EEOA has managed well, in our assessment, may be the Programme's comprehensive and flexible PSD approach. In many ways, this approach considers many of the framework factors outlined in the analytical framework presented in Chapter 5. Programme components and activities have also adapted to a changing context, while the fundamental premises of the EEOA have remained intact. This implies that the Programme has adopted an inherently flexible approach as regards the understanding of and adaptation to the specific local socio-cultural contexts. Building trust, business, and gender awareness and creating and expanding business networks are core activities within EEOA, and these activities must be in place before financial services and infrastructure activities can be released. Although the focus of EEOA is on PSD from a grass-roots perspective, the Programme targets in practice private, local community, and public spheres.

The long-term sustainability aspects of the EEOA could, however, be questioned, and many Sida evaluations also point that out. The underlying assumption that the Programme will be able to mobilise the critical mass necessary to drive sustainable economic expansion after 6 years of Programme operation in a district might be highly optimistic. The relatively high cost of providing EEOA support and services may also lead to a questioning of its economic sustainability.

6.2 MALONDA Programme, Mozambique

The MALONDA (which means "business" in a local language) programme in the north-western province of Niassa in Mozambique is a sector-wide development programme aiming at market development. Niassa is a sparsely populated province with substantial productive capacity, plenty of land, and a favourable climate. At the same time, Niassa is one of the poorest provinces in the country, and on top of that has been plagued by war both during the liberation struggle against the Portuguese, and during the civil war. 90 per cent of the population in the province is active in family farming (Sida, August 2002a, pp. 5-23).

The objective of the Programme is

> to contribute to increased production and productivity in the agricultural sector in Niassa and to support the development of entrepreneurs and entrepreneurship in various sectors of the economy. This in turn is expected to have effects on income generation, job creation and the provision of goods and services and thus, in the longer term, contribute towards improving the living conditions for the people of the Province. (ibid.)

The Programme was initiated with a pilot phase during which partners for different interventions were sought, and a management model, as well as the possibility of introducing an ombudsman function for PSD, was tested. Thereafter began an investment phase (3 years), after which a re-investment and consolidation phase is being planned.

Interventions are mainly directed towards small-holders who are seen both as a group with large potential but also as the most poverty-stricken category. Through the creation of "contractual joint ventures", the programme aims at building markets for agricultural produce, as well as for inputs and credits. Extension services are to be taken care of by collaboration with both private (a catholic university) and public structures. The productivity of farmers is to be increased through the introduction of high-yielding varieties and modern inputs. Among current marketing ideas is one of ecological production for exports.

The business environment is to be dealt with through the office of a business ombudsman and a centre for PSD. These constitute a supporting structure for business people in their efforts to deal with complicated bureaucracies.

Support to large-scale farming and promotion of investments from neighbouring country farmers, and possibly on a small scale from Nordic countries, may also become part of the Programme. The example of one large-scale farmer, who had immigrated from South Africa, indicates that it is possible to find profitability on large farms in the province, even if what is produced needs to be transported by road to Maputo.

To make the project activities sustainable over time, a non-political ownership and management structure is planned, in the form of a separate organisation, probably a foundation. This organisation will be steered by a Board of Directors, to which Sida, among others, is supposed to nominate members. If a foundation is created, the intention is that it will exist for at least 30 years, possibly much longer, with the objective of developing the private sector in the province.

The Malonda Programme was planned together with other interventions in the areas of public sector support, support to the civil society, and infrastructure. These four activities are now steered independently by four different units within Sida.

6.2.1 General Programme Design

The general idea behind the Programme is to bring outside knowledge and capital into the province. This is thought to come about by attracting outside investors and traders. These actors are assumed to be able to solve problems that emerge, and to develop the private sector while exploring profitable economic activities. In this way, the Programme has a strong focus on the factors found in Box 3 of the analytical framework. The Programme should play a facilitating role in this process, by providing structures without subsidising economic activities, since this would affect long-term sustainability negatively. As such, this is an approach that has the potential of initiating many economic activities with relatively small sums of money, since the actual activities will be financed by independent investment capital and hopefully, in the longer run, by the profitability of the activities.

The primary target group is made up of those small-holder farmers and traders who are supposed to be able to market more of their produce. In project documents, their situation is discussed from the perspective of how to increase productivity and build storage and delivery capacity. Important insights into the concrete situations of potential entrepreneurs are presented. The need for building support structures for the infrastructure is also recognised. These issues are discussed and viewed in a holistic perspective in the sense that a number of different complementary interventions are proposed to be undertaken simultaneously.

One example of this perspective comes from a discussion in the programme steering group (JEC) on credit provision:

> JEC has assessed this need and is of the opinion that many entrepreneurs perceive their problem to be lack of funds but that credit in isolation would not be the solution to the problem for the Malonda target group. It would rather put the Malonda clients in a situation where they have received money, which they cannot pay back. This indicates that management and on the job training should go hand in hand with capital in order to achieve the results in the businesses which Malonda targets. (Malonda, undated, p. 14).

Framework factors (Boxes 1 and 2) in our analytical framework are not seen to be the concern of the programme. In one central project document, a logical chain is developed that starts with the situation at the international level and then goes on to discuss local arenas and agents. However, in doing so, it leaves out national agricultural and private sector policies and a functioning juridical system, among others. There is an attempt to analyse national conditions in the area of financial systems, but only within this sector (Sida, August 2002a, p. 5ff).

The Programme is, instead, seen as a complement to other activities at the national level, such as the Programme for Agricultural Sector Development (PROAGRI). In the northern region of Mozambique there are also other programmes, which Malonda is meant to complement. These are PAMA, an International Fund for Agricultural Development (IFAD)-financed programme for agricultural market development, and a programme for co-ordination between NGOs and private companies, financed by the EU. A programme for the development of a game reserve in Niassa is also in progress (Malonda, undated, p. 23).

Framework factors (Box 1) are, however, catered for indirectly by the fact that the Malonda programme was designed as part of a broader approach, where public sector support at the provincial level is included.

A national co-ordinating group with representatives from different ministries has been supervising the design and the initial phases of the Molanda Programme since 1998. The group continues to meet, which ensures that Maputo is kept up to date on the Programme and that it is well anchored in the corridors of government. For example, the Prime Minister is aware of the activities in the programme and has a positive attitude towards it. In practice, this group also functions as a mechanism for feedback from the Programme and as an informal diffusion mechanism. Experiences on the programme level have in this way the possibility of influencing the national policy level, as well as interventions undertaken by other donor organisations.

There is an on-going discussion on problems regarding national policies and regulations in Mozambique. The malfunctioning juridical system means that contract enforcement is very difficult, and this has serious effects on the functioning of the market economy. A number of outdated laws and regulations on private sector activities and a heavy bureaucracy imply that the business environment is not as enabling as one would expect. Market liberalisation and other reforms have been undertaken, and the general business climate may be on its way to change, but the Malonda Programme is not meant to involve itself in such debates. It is rather seen to be a complement to PROAGRI, whose task is to modernise and reform the Ministry of Agriculture (Malonda, undated, p. 5, Sida, 2002a, p. 4).

To indirectly address problems that emerge from malfunctioning framework factors, Malonda has established an Ombudsman and a Centre for Private Sector Development in Nakosso at the province level. These bodies are tasked with dealing with the tricky issues of a business environment that is not sufficiently enabling (Malonda, undated, p. 11). Services offered include support with the registration and licensing of companies; assistance with issues relating to labour, land, and tax laws; and residence permits for foreign workers. Business services, such as viability studies, are also offered. The Ombudsman offers mediation between investors and governmental institutions if divergences should arise (Nakosso brochure, 2002).

One framework factor (Box 1) that the Malonda approach also captures indirectly is the character of national level institutional reform in Mozambique. When the economic growth record in the 1990s, and particularly in the latter half of this decade, is discussed, an argument is often forwarded that the fast growth was obtained because of single event factors, such as the peace treaty and liberalisation reforms. If this interpretation should prove correct, sustained growth would need more far-reaching institutional reforms. This would then have an influence on programme success.

Some emphasis is put on the factors in Box 5, the building of capabilities through the introduction of new crops. This forms part of an outgrowers' scheme, run in collaboration with World Relief. The aim is to set up an independent corporation. Another corporation being established deals with the marketing of improved and adapted seeds. Focus is put on the marketing of locally adapted varieties, rather than of hybrids or foreign high-yielding varieties. The partner here is the private Catholic university in Beira (Sida, 2002a, p. 12). Capability factors (Box 5) are also catered for indirectly through a parallel support programme to civil society in Niassa province.

However, factors contained in Boxes 4 (socio-cultural market mechanisms) and 6 (socio-cultural capability factors) in the analytical framework are not captured directly by the Programme. For example the fact that the liberation war against the Portuguese ravaged the province, and that later two-thirds of the population fled their homes during the civil war, (Sida, 1999b, p. 5) must have had enormous consequences for the level of trust within the population. However, the Programme builds on the assumption that small-scale peasants will change their economic and productive behaviour rapidly when they see profitable options (Malonda, undated, p. 17). Project documents avoid discussing the role that trust plays in such changes, and how trust may be rebuilt. The role of social capital is not mentioned or discussed. And the overall objective of the approach seems to be the introduction of capital and knowledge from outside the province. Mention is made of the programme as a "spearhead" into the province (Sida, 2002a, p. 1). Constraining factors for increased peasant productivity are seen to be lack of knowledge and capital (ibid., p. 7).

In earlier, exploratory project documents mention is made of culturally induced practices regarding price setting (Tickner, 1997, p. 22). These practices indicate that traditions exist in the area regarding trade patterns, which is natural since this province has a long tradition of trade. One may ask to what extent these practices form part of a larger cosmology, or alternatively form part of larger livelihood strategies that view investments in relations as security measures. If the latter were the case, market developments would be slowed down or inhibited if it – as a livelihood strategy – could not match the security level of alternative customary strategies.

The approach of the Molanda project does not allow for the treatment of questions of trust, livelihood strategies, or customary systems. This is the case in spite of a discussion in the project committee in April 1999, when a critique was raised of the project running the risk of being too "Western" in its approach (Sida, 1999b, p. 6).

A similar critique comes from a consultancy undertaken by the Institution for Peace and Conflict, which analysed the then planned intervention from a potential conflict perspective. The study was concerned that socially embedded economic relations, which are not always apparent to external observers, could create conflicts if not properly treated. However, this perspective has still not been dealt with in the most important project documents.

To sum up, one may see the strengths of this approach in its focus on Box-3 factors, which it is able to provide for in a cost-efficient manner, since it aims to utilise the funds of outside investors, rather than subsidise the build-up of markets. This also caters for long-term financial sustainability. Capability factors (Box 5) are also covered, albeit with slightly less emphasis. Framework (Box 1) factors are taken into consideration indirectly through the linking up with other interventions, other programmes, at national and provincial levels. The formal and informal channels of information provided for through the co-ordinating group are also important here. However, less, or no emphasis is put on the socio-cultural factors found in Boxes 2, 4, and 6 in the analytical model.

6.2.2 Financial Services

One example of a market mechanism (Box 3-factor) that Malonda deals with is micro-finance. This activity has been outsourced to a structure called Fundo de Crédito Communitàrio (FCC), which was initiated by the NGO World Relief in 1994. FCC describes itself as a "Christian-motivated institution, which provides financial services to promote sustainable growth for the poorest of the economically active poor". When establishing itself in Nampula, the FCC created the FCCN, which later expanded into the Niassa province. With some 7,000 clients, FCC is the largest development finance institution in the country. It aims at reaching some 26,000 clients by 2006, and part of this expansion is proposed to take place in the Niassa province – in spite of others who consider this area to be almost non-bankable (Seibel, 2003).

The objective of the FCC in Niassa is to improve access to sustainable finance services in this province and to create a profitable, semi-autonomous branch of the FCC. Services to be provided by the FCC in Niassa are “village banking”, an agricultural outgrowers’ scheme (mentioned above), and small business development loans and saving services (Sida, August 2002a, p. 11; Seibel, 2003). The geographical focus of the interventions will be on the southern part of the province and the sector along the Cuamba-Lichinga road.

The environment for financial services has been deeply troubled in Mozambique during the 1990s. A banking crisis constituted by “outright theft, money laundering and illegal foreign exchange dealings“ (Hanlon, 2001, p. 16) has led to the disappearance of more than USD400 million, attempts at forced privatisations, and general uncertainty in the banking sector. Bad loans led to the bankruptcy of two of the largest banks – BCM and Austral – in 2000 (Sida, 2001, p. 4). Meanwhile, at the NGO level of intervention, some success has been achieved with rural and micro-finance through the use of savings and indigenous RoSCA practices. More general and widespread financial services systems for rural areas, however, remain to be developed (Seibel, 2003).

The financial environment during the first half of the 1990s was characterised by high rates of inflation and high interest rates. According to an IMF analysis, inflation in Mozambique was mainly driven by a combination of agricultural developments and an expansive fiscal policy. From the good harvest year 1996 onwards, inflation has been brought down, and interest rates followed suite (Flack, 1999, p. 31f).

Problems for the FCC-Sida collaboration emerged recently, when a highly critical evaluation was published in June 2002. This evaluation concerned activities in the neighbouring Kampala province financed by the United Nations Capital Development Fund (UNCDF). It concluded that the FCC had failed to submit accurate financial statements, that projections for the FCCN (the Kampala branch of FCC, which has expanded into Nassau) were weak and key assumptions misguided, and furthermore, that there was no basis for donors to negotiate future support to the FCC. One major criticism was that the FCC is owned 100 per cent by World Relief, and the view was that the FCC was in need of a more independent ownership structure, which would allow for clearer objectives and economic self-sustainability (Sibel, 2003). Hence, the capacity of the FCC as such has been questioned. In response to this, World Relief restructured the FCC in December 2002. The new business plan indicates that activities in Nassau will catch up with the original forecast regarding performance indicators in April 2003. World Relief will register FCC as a separate limited company as in March 2003.

6.3 Land Management Programme (LAMP), Tanzania

Sida had in various ways since the late 1980s been involved in providing support to natural resource and forest management in northern Tanzania (in Babati since 1989 and Singida since 1991). Much of this support was channelled through the Forestry and Beekeeping Division of the Ministry of Natural Resources and Tourism. The first phase of the Land Management Programme (LAMP), from 1997 to 2001, was built on the lessons learnt from the provision of Sida support to natural resource management initiatives. The experiences from the early 1990s gradually led to the understanding that rights to natural resources are an important entry point for community development.

LAMP's development objective was to help raise productivity in natural resource use and production in a sustainable way and to see that part of the surplus generated improved the local tax base, providing more resources for social service, education, and infrastructure. The strategic priorities of LAMP – common to all districts – were to assist the devolution of development responsibilities from a central to a district level, aid rural households in acquiring *de facto* ownership of common resources, help households and organisations develop a sustainable use of resources, and support institutions that promote self reliance at village and district levels.

In its new form, LAMP came to embrace four key components: (i) land security; (ii) community empowerment; (iii) farmer extension services; and (iv) village and district capacity building, including the creation of an enabling environment for the private sector (Sida Evaluation 00/4, p. 7). These focuses imply that LAMP is dealing with factors in Boxes 1 and 2 (framework factors) and 5 and 6 (capabilities) of our analytical framework, even though the Programme is selective concerning Box 1 factors. Apart from land issues, the factors in Box 1 are meant to be dealt with through other interventions at the national level. Factors from Boxes 3 and 4 – market mechanisms such as market information, facilitation, and rehabilitation of roads – are dealt with, but on a limited scale.

In our analysis of the Programme we will focus mainly on components (i) and (iv). Component (i) – land security – comprises surveying, border demarcation and mapping of village lands, and education activities to inform small-holders and pastoralists about their rights to land. This may be seen as part of the formalisation process we discussed in our analytical framework, but it can also be seen as a form of capacity building. It was envisaged that the new national land policy of 1995 would help speed up village land titling and place the main responsibility for developing procedures for land registration on village institutions.

As for component (iv) – village and district capacity building – our analysis will focus on support to the private business sector. In particular, the emphasis will be on the training activities organised by the Tanzanian Chamber of Commerce and Industry and Agriculture (TCCIA), which was partly subsidised through LAMP. This training programme started in November 1999 and has been carefully studied by one of the business development advisors to LAMP (Tillmar, 2002).

6.3.1 Land Tenure Interventions

The land tenure interventions by LAMP centred on the effort to survey, demarcate, and obtain village title deeds for the villages in the Programme area. Such an activity had already been embarked upon in 1993 in earlier phases of Swedish support to the Babati district. The problem of village land insecurity had emerged with the growing pressure for liberalisation of the economy in the mid-1980s. It was realised then that the villagisation that occurred in the first half of the 1970s – when two-thirds of the rural population were physically shifted into about 8,000 villages, partly against their will – did not have a well-founded constitutional basis (Shivji, 1995). The problems and uncertainties related to land tenure were accentuated in 1992 when some of the former landowners of abandoned farms and estates began to reclaim the land they had held under customary tenure but been alienated from during villagisation (Presidential Land Commission, 1994). The sole political party of Tanzania at that time, CCM, had foreseen the emergence of these problems and had issued a Party Directive in 1987 that instructed the government to complete demarcation of village titling under the legal regime of the Land Ordinance of 1923 within 5 years (Havnevik and Hårsmar, 1999, p. 99). However, in mid-1991, only 22 per cent of about 8,500 villages had been surveyed; about 15 per cent had received certificates and only 2 per cent of the villages had had their certificates registered. Right of occupancy leases would be parcelled out from the village land to individual farmer households (Shivji, 1995). The Tanzanian land tenure system would be faced with utter confusion unless policies were clarified and laws established to support their enforcement (Presidential Land Commission, 1994; Havnevik, 1995; Rwebangira, 1996; Sundet, 1997).

The land policy process and the consequent Land Acts of 1999 had a profound impact on the process of village land titling. According to the Land Acts, the village title deeds were required to be individually cancelled and the villages concerned reissued with Certificates of Village Land. This development has invariably slowed down the momentum in the demarcation and mapping of village lands, which was in progress in the LAMP districts as well as in other districts at the end of the 1990s. As of July 1999, a total of about 5,900 out of about 9,000 Tanzanian villages had been demarcated, all of which would qualify to be issued with Certificates of Village Land. The massive task of completing such a process to bring about clarification and security of village land rights is, however, daunting.

The activities of LAMP under the component *land security* included, in addition, imparting rights knowledge and capacity to villagers and village government leaders as well as district officials and district councillors to enable them to defend those rights in case of violation and to make informed choices. This was done through the training of village legal workers (VLWs) that would visit the villages in the districts. These activities may be interpreted as a formalising process, defining framework factors in a more formal tone (Boxes 2 and 1). The importance of such a component can be seen against the background that the Simanjiro and Kiteto districts were considered the last land frontier, and international companies, local capitalists, big bureaucrats, and military personnel as well as small-holders short of land converged on the district in quest of land. Land conflicts emerged within and between villages and between districts (Sida Evaluation 00/4; Ohlsson, 2002).

Although the Programme focused on a critical issue, many of the findings related to the land security process implied that the Programme had problems attaining its objectives. Within the Simanjiro and Kiteto districts, many people were of the view that local government institutions were incapable of taking on the critical challenge associated with land security issues for two major reasons. One is that most district staff have a non-pastoral background and neither understand the pastoral system of production and land use nor appreciate it. The other reason is that local government officials themselves were associated with on-going land conflicts and rackets or were linked to or pressured by people involved in it (Sida Evaluation 00/4, p. 20; Ohlsson, 2002, p. 13).

At the village level there was an abundance of cases where the village chairmen had made land allocations, contrary to the democratic procedures. The villagers often felt powerless (Sida Evaluation 00/4, p. 19). An interesting phenomenon could be observed by the fact that village governance functioned much better in the villages in the Babati district that were involved with the community management of forests. Here, villages were well organised and had issued by-laws relating to community-based forest management. Subsequently, these by-laws were sanctioned by the District Council, and the villagers had begun themselves to enforce the laws with the result that the forest cover re-emerged (Wily et al., 2000). It thus seems that land conflicts and tenure problems are stronger in the more complicated socio-cultural settings.

The training of VLWs manifests some of the problems relating to uncertainties about the legal framework. The new Tanzanian Land Laws had come into operation in May 2001, although they had been passed by the Parliament in February 1999. Those VLWs who had been trained – for example in the Kiteto district in 2000 – had been familiarised with the new Land Laws, but due to uncertainty about whether they had become operational, the training had focused on the old Land Laws. “In general there was confusion about legal issues” (Ohlsson, 2002, p. 16).

The new Land Laws also rely on a new set of institutions dealing with land allocation and land issues. In the LAMP area, these institutions were not yet in place in 2002, implying that most land conflicts were left in a legal vacuum. Information about the laws and their implications as to rights and responsibilities for villages and villagers, were unclear even for the VLWs.

6.3.2 Business Training

The business training in Singida that constituted part of the capacity building of particular relevance for PSD was initiated in November 1999. The training focused on business owners and stretched out over time, with meetings once a week.

What struck the trainer almost immediately was the complete segregation between men and women during breaks and outside of class. Participants in the training activities claimed that business co-operation in Singida was neither common nor easy, and the major reason was stated to be lack of trust (Tillmar, 2002, pp. 154-55). It appeared that some businessmen did co-operate; however, these were mainly business people of Indian or Chagga (a tribe inhabiting the areas around Mount Kilimanjaro) background. Other researchers have also observed this problem: “The lack of trustworthiness above the family or kin level is a main problem for establishing and expanding small businesses in Africa” (Kristiansen, 2002c, p. 6). Tillmar (2002), in her study in Singida, found that the most salient principles for categorising business owners as regards trust were gender and ethnicity or tribal affiliation (ibid., p. 198). In their analysis of Tanzanian entrepreneurship, Kristiansen and Ryen found that “Entrepreneurs of African origin are at a severe disadvantage compared with those of Asian origin, who are much more geared towards information sharing and social networking” (Kristiansen and Ryen, 2002, p. 13).

Women seemed to co-operate more than men in Singida businesses. One reason for this was found to be that they needed each other to develop their material situation and livelihoods. As one woman in Singida stated, “We need to like each other, to help each other” (Tillmar, 2002, p. 166). The solidarity among women was found to be quite strong, providing a basis for business co-operation in, for instance, credit schemes such as the Upato system. For example, in this system, every participant contributes a sum of money to each member every week, which may help the woman to get started in business activities (ibid.; Tripp, 1997).

It was found in the Singida context that, due to the low capacity of the formal institutional environment, business owners in Singida "trust neither the police nor the courts. These institutions are referred to as corrupt, and not of any help in case of fraud or other legal problems related to co-operation" (Tillmar, 2002, p. 194). It was found, however, that several indigenous institutions did affect the degree of trust and co-operation and were able, in important ways, to compensate for the lack of legitimacy of formal institutions. Owing to the mechanisms of sanctions and the safeguarding of rights within tribal communities, members of a tribe, for example the Chagga, are able to co-operate. When entering business conflicts they seek the advice of the tribal elders, rather than approach formal institutions (ibid.).

Zakaria (1999) has argued that development will be hindered as long as indigenous values and their effect on the economy are overlooked by international financial institutions and donors. The study on business co-operation supported by LAMP in Singida showed that indigenous institutions were resorted to because of a need to enhance or establish mechanisms for accountability. The Singida study concluded that without indigenous institutions of various kinds, businesses in the area would have great difficulties (Tillmar, 2002, p. 224). Hence, what LAMP supports in Singida is the formalisation process of capability factors (a move from Box 6 to Box 5).

However, indigenous institutions have a range of features, including both negative and positive aspects. There is thus a trade-off between accommodating and disposing these features in relation to the development process. Negative aspects in such a context are tendencies toward exclusivity and the breeding of prejudice and inefficient collaboration. In addition, the gender-based mechanisms of accountability of the indigenous institutions clearly discriminate against women. However, on the other hand, if formal institutions are established without linkages to indigenous institutions, how can they be trusted? What emerges from several studies in Africa is that support to institutional mechanisms already in place and functioning appears to be one way to develop an institutional environment conducive to business co-operation and development (Tillmar, 2002; Zakaria, 1999; Chalmee-Wright, 1997). Zakaria suggests that indigenous savings and credit organisations should be integrated in the activities of formal banks, and the TCCIA in Singida had itself integrated into its structures the traditional role of arbitration and conflict resolution (Tillmar, 2002, p. 224).

What emerges from these studies is that development requires more than the existence of formal institutions and markets. Business actors will need to change their attitudes and behaviour and begin to place more trust in formal institutions than they do in their present system (Havnevik and Hårsmar, 1999; Tillmar, 2002). Since people are used to relying on indigenous institutions, a breakthrough for formal institutions will be difficult. More broad-based business development may become possible with an approach that carefully considers the workings of indigenous institutions and identifies the features that can provide the base for – or be integrated into – more formal institutions. North (1990) notes that indigenous values will adjust to changes in incentive structures. This is observed as well by researchers studying African institutions (Berry, 1993; Matondi, 2001). The findings from Singida and the LAMP context indicate that "faced with changes in the formal institutional environment, many indigenous institutions will also be changed" (Tillmar, 2002, p. 223). If business owners were convinced that the police functioned well and if they trusted the police to the same extent as they trust their tribal leader, Tillmar suggests that "they would be likely to go to the police" (ibid.).

Some lessons were learnt from the approach to business training in the LAMP context in Singida. To facilitate trust, business training should be conducted in longer sessions. This would allow business owners to reflect and to visit each other between training sessions. Creating trust, in particular between men and women, takes time (category trust). Group discussions should be given priority, and the groups should comprise the same members throughout the period so that sufficient trust can be built for business owners to present and discuss their own business problems (character trust). Thus the selection of groups is highly important – each group should contain an optimal mix regarding gender, tribal affiliation, age, and type of business. This not only contributes to group dynamics, but it also helps to decrease suspicion and increase the level of trust between men and women (category trust) (Tillmar, 2002, pp. 302-3).

6.3.3 LAMP Phase II

Phase II of LAMP was recently initiated. There are two key areas of focus – poverty alleviation and local government reform and community empowerment (URT 2002, p. 2). Poverty alleviation is discussed in terms of direct and inclusive poverty impact projects. The former contains activities that directly target poor local communities or groups of poor women, children, and men and even individuals. Activities include agricultural development activities and support to small business activities. The inclusive poverty impact projects target the broader village community and include the land security component. General capacity building at village and district levels are included here, as well as a new component, the fight against HIV/AIDS.

The plan for the second phase states that HIV/AIDS "must be addressed if the benefits of the other components of LAMP II are to be realised". As such, the fight against HIV/AIDS seems to emerge as a precondition for the other objectives of LAMP II to materialise. It is interesting to note that legal and institutional framework factors are hardly mentioned in relation to the land component and the business support activities. These clearly represented problems during Phase I of LAMP. It seems as though LAMP will also be rather weak regarding the formal setting of framework factors (Box 1) in Phase II. These factors are meant to be dealt with through other interventions at the national level. LAMP has a co-ordinating unit with connections to the Ministry of Finance, but the role of that unit in this context is unclear. Although Phase II has been given a clearer poverty profile than Phase I, the former is as concerned about the rights aspects of development as the latter. It is difficult to discern from available documents whether the private sectorrelated experiences of Phase I are carried over into Phase II, although there is a clear focus on business activities. The outcome of the highly participatory planning phase of LAMP II – both at the community and the district level – may need to be analysed further to find interconnections and synergy effects between the multitude of activities proposed.

6.4 Swedish Amhara Region Rural Development Programme (SARDP), Ethiopia

SARDP, which went into its second phase in April 2002, is a broad, integrated rural development programme. After an initial 2-year period of planning, the first phase got off the ground in 1997. Drawing on experiences of a previous integrated rural development programme, CADU, the overall objectives were defined as "to improve conditions for the rural population of the ARNS [Amhara National Regional State] through a sustainable increase in agricultural productivity and natural resource use as well as through economic diversification". For the second phase of the programme another objective was added: "and through promotion of good governance and equitable development".

The Programme consists of no less than 21 different components. One central component is the Woreda Development Funds (WDFs), local development funds from which the woredas (municipalities) may – within agreed guidelines – finance projects and investments according to their own priorities. This model has been identified by the federal government as a basis for the new administrative reform, in which the woredas will be given an annual grant from its region (Mokoro, 2001, p. 22.). The idea came from the WDF scheme and was transferred to the federal government when a former collaborator in the Programme was nominated a minister.

Agricultural and environmental support is a focal point in the programme, with agricultural research and training centres receiving the largest amounts. Increases in agricultural productivity are mainly expected to come through the diffusion of modern packages of high yielding seed varieties and modern inputs. Furthermore, large portions of the budget are allocated to investments in infrastructure such as rural roads, and to office buildings and equipment to strengthen regional and woreda administrative structures. This implies that programme focus is on factors in Box 5 of the analytical framework. Generally, aspects of Box 1 and 2 seem to be almost absent in the Programme approach. Linkages to national level interventions also seem to be very weak, and more of a haphazard character.

The Programme has been forceful in its attempt to strengthen "local voices", through participative planning methods. This has not resulted in great changes in programme or governmental structures, of which the latter remain very hierarchical. However, it has clearly planted a seed, assisting in shifting attitudes at the grass-roots level concerning governance, accountability, and influence. This may very well prove to be of great importance for the future. Such interventions concern the formalisation dynamics, that is the move from Box 6 to 5 in our analytical framework.

6.4.1 Programme Management and Capacity Building

In general, the structure of the Programme may be described as being initiated and planned centrally for the whole area of intervention, while the execution of activities has been decentralised and takes place mainly at the woreda level. The decentralisation has, through the WDFs, taken the form of devolution. Such an approach is praiseworthy in many respects and especially in such a hierarchical society as Ethiopia. However, strong emphasis on capacity building and monitoring and evaluation is necessary if decentralisation is to evolve into a flexible, adaptive, and efficient approach. This component has been somewhat weak, as we shall see.

Another weakness arising from the centralised planning and decentralised execution approach concerns the choice of two different "pilot" zones of intervention. East Gojjam was selected because of its good agricultural production potential. It is sometimes referred to as a *bread basket.* South Wollo was selected because of its widespread poverty and harsh productive preconditions. The idea was that these two neighbouring zones would complement each other in terms of supply and demand. Both zones, however, suffer from increasing food insecurity. To develop similar strategies for two such different settings is inconsistent. When the planning process passed through the different administrative structures, the pressure for equal treatment obviously became very strong. Hence, no opportunities for learning from different experiences were possible and the complementarities were lost (Railcard et al., 2002, p. v). This problem is discussed in the appraisal report for Phase II of the Programme, and a more differentiated approach was recommended (Moore, 2001, p. 1, Annex 2).

When evaluated, SARDP was criticised for having too weak or non-existent capabilities for evaluation and monitoring. The Programme is integrated in existing government structures, which simplifies implementation but complicates any dialogue concerning "lessons learnt", reflection, and the development of new thinking (Railcard et al., 2002, p. vi).

The programme is furthermore deemed to have "little or no emphasis on markets, or linkages between the rural and urban economy" (Railcard et al., 2002). Such aspects would have helped the two pilot zones complement each other economically. It would furthermore have been important for the overall approach to poverty reduction. Hence, little emphasis is placed on the factors in Boxes 3 and 4 in the Programme.

As discussed above, evaluations have criticised the programme for being weak on learning. Criticism has also concerned interventions towards capacity building, given the strategy for decentralised execution of the programme. In the second phase of the programme, more emphasis is being placed on capacity building. However, so far, results have been below expectations. At the regional level, capacity building has achieved better co-ordination between line ministries, has encouraged a more reflective and less dogmatic view regarding rural development to surface, and has strengthened the dialogue with the federal government. However, deficiencies remain. When an appraisal report had been written for the second phase of the programme, Sida was unable to accept the version proposed by those responsible for the programme. A British consultancy firm was instead hired to do the job. This led to a situation where reflection and execution had no common ground, and learning from experiences remains difficult to achieve.

Capacity building at the working level has reportedly improved capabilities for programme planning, management, and implementation. However, the focus on training activities – especially on education for individuals – has resulted in high staff turnover and had limited effects on the programme level. Tensions between different categories of staff also arose. Capacity building interventions have been criticised for being focused on service delivery rather than on reflection and learning. The Programme is therefore seen as being geared more towards the implementation of given tasks, than on seeking alternative solutions to the problems that arise (Railcard et al., 2002, p. 28).

Capacity building at the level of the beneficiaries has been undertaken in terms of technical training, in the form of on-farm research trials and exposure trips. More important, though, is the incorporation of a community empowerment programme into SARDP. This empowerment programme, as discussed above, was started in the early 1990s in the Amhara region and concerns participative planning methods (ibid., p. 22ff).

6.4.2 Land Tenure

Ethiopian land tenure differs from that of other sub-Saharan countries in the sense that the state is more heavily in control of the system. Since the revolution in 1975, all land belongs to the state, and a redistribution of plots to those who reside on them was begun. This land tenure system was continued after the change of government in 1991, and was even incorporated into the constitution in 1995 (Atakilte, 2002, pp. 5-10).

According to this system, peasants have the right to obtain land without payment and are protected against eviction. Their right to land is a usufruct right. No land may be subject to sale or other means of exchange (Proclamation No. 1/1995, article 40, nos. 3 and 4).

All individuals, regardless of productive capacity, are entitled to land, since the objective of the land reform is egalitarian. This, however, means that redistribution creates a situation where plots are becoming too small to make a living on. At the same time, the system works against economic activities that require migration, since abandoning a plot for too long will lead to its redistribution to someone else (Atakilte, 2002, p. 13).

The fact that the land reform was introduced throughout the country meant that it was indiscriminate to different needs contexts. In the northern part of the country the *risti* tenure system had been prevalent. This system meant that lands were inherited, since they belonged to the descent group rather than the individual. According to this system, all descendants of an occupier were entitled to a share. This system had, however, due to the scarcity of land, already reached a phase where conflicts between rural inhabitants and urban descendants and between villagers were abundant. Hence, a shift in tenure system had already begun. A residence-based tenure, known as chiguraf-guoses, had taken hold, in which allocations were made to households when needs arose. The customary tenure system in the northern parts of the country had therefore already produced a more egalitarian land distribution than in the southern parts of the country. However, the introduction of the revolutionary land reform abruptly terminated the customary institutions such as the risti and the chiguraf-guoses (Atakilte, 2002, p. 6 ff; Tekeste, 1997, pp. 33-41).

The pursuance of land reform with a narrow focus on egalitarian objectives implies that economic efficiency, development, and growth have been hindered. Land plots have become economically unviable for farming households, and no discrimination is made between those capable of increasing productivity and those who are less apt to do so, since transfer of land is forbidden. The rights-based approach has worked to the detriment of any livelihood-based approach (Atakilte, 2002, p. 4; Ralsgård et al., 2002, p. 16f).

This situation has led to an interesting dynamic regarding the leasing of land. Families with a higher level of farming competence, more household members, or both are increasingly renting land from poorer households. However, because of increasing rents due to scarcity of land, the surplus of capable households is to a large extent redistributed to poorer household. Thus investments in agriculture as well as in non-farm activities remain limited (Atakilte, 2002).

This situation has led the Appraisal Report of the second phase of SARDP to demand that Sida make further funding conditional on no further enforced land redistributions in the programme region. If, on the other hand, other kinds of land tenure reforms are instituted to enhance and secure the land rights of the peasants, this would be "making a major contribution to poverty reduction and sustainable development in the area" (Mokoro, 2001, Annex A, p. A.6).

6.4.3 Financial Services

The credit component of SARDP has been channelled through a microfinance institution (MFI) called the Amhara Credit and Savings Institution (ASCI). In common with other MFIs in Ethiopia, ACSI is owned by government, or state-related, structures. ACSI has a wider coverage than SARDP, but has nevertheless been commissioned to take care of the credit component of the Programme. The Sida contribution to ACSI during the first phase of the Programme amounted to USD 2.85 million, mainly provided as loanable funds. For the second phase, USD 4.68 million have been allocated for credit as well as for physical capacity building.

The regulative setting for microfinance has been restrictive in Ethiopia. There has nonetheless been a certain deregulation in the sense that interest rate ceilings were abolished in 1998 and MFIs were given a clearer legal basis through a new law in 1996, which was followed by 17 different directives. Hence, MFIs have been integrated into the financial system and been authorised to mobilise savings and to undertake other financial services. Entry barriers for the establishment of new MFIs are relatively low. Some hindrances remain, however. For example, MFIs are confined to group lending; they must maintain an interest rate cap of 14.5 per cent, which makes it difficult for them to cover their costs. The maximum loan period is 1 year; and the maximum size of the loan is GBP 2,500. These barriers have had negative effects, preventing self-financed growth from profits, and keeping private capital out of the sector.

Another particularity of the MFI sector in Ethiopia is the lack of linkages with the vast and flourishing informal financial sector. Group-based rotating savings and credits associations, ekub, and community-based funeral societies, edir, play important roles for small-scale financial services. However, no effort has been made to link or upgrade these structures to the formal sector. Savings and credit co-operatives constitute an intermediary form. The majority of those, however, were destroyed during the Mengistu period. Hence, the programme has been weak on the factors in Box 4 of our analytical framework.

An overall assessment of the challenges for the sector points to the need of changing ownership and governance structures, increasing transparency, improving risk management, doing away with market distortions, linking up with the indigenous institutions, and building capacity. Changes in these areas would probably serve to create a better basis for profitable, sustainable MFIs.

ACSI has an impressive record in spite of difficulties and problems encountered. It has an outreach of more than 300,000 clients, is very near financial self-reliance, and has a recovery rate of almost 100 per cent. Such a recovery rate is rare in any scheme.

The Sida approach of supporting ACSI as a caretaker of the credit component of SARDP may be, and has been, criticised for being a passive way of intervention. No efforts have been made to enter into policy dialogue, neither with the government nor with ACSI. This translates into lost opportunities from the perspective of contributing to viable microfinance systems. Simply supplying microcredits was considered insufficient. More efforts could thus have been put into the development of institutional innovations, or of a system with larger self-sustainability and wider outreach.

6.5 Comments on Support to Microfinance

Although we have studied the microcredit components of three different programmes, we are not in a position to make any far-reaching assessments regarding microfinance support. We will therefore refer to the discussion in a recently undertaken micro-credit/rural finance (MF/RF) study commissioned by Sida (Birgegård, August 2002). Our findings on the microcredit components of rural development programmes agree well with the findings in that study.

Credits used as components in programmes such as SARDP and EEOA (and possibly also Malonda) have been included because capital was seen as a requirement to resolve other problems, which were the main objectives of the interventions. Hence, credits were in these contexts seen as secondary objectives. Further, the credits targeted special groups of clients, special purposes, and certain geographic regions. Consequently, other potential clients were left out, and financial viability was not seen as an objective. Hence, the build-up of sustainable MFIs was not a prime priority.

As the Sida MF/RF study points out, the costs of such approaches in terms of market distortions and disincentives for both clients and those wanting to develop viable institutions are many and potentially high. Still, given that interventions are undertaken in remote areas with low economic potential, it is a value judgement, rather than a technical issue, how large such costs may become in relation to the benefits. A dilemma is emerging in low potential areas where there is a need for credits, but the likelihood of finding viable credits institutions at the same time is very low. This dilemma raises the question of whether credit should be provided at all in settings where there are insufficient potential clients that can afford to bear the risks involved, and where other, more fundamental constraints than capital may be hindering economic agents.

To answer such a question, we recommend that one start by looking at indigenous financial institutions. This would often be a more relevant approach than introducing formal MFIs from outside. However, such an approach has apparently been chosen in neither SARDP nor Malonda. Questions like how well such institutions are functioning and what may be done to formalise them have not been asked. Such a formalisation process would tend to be slow and involve limited capital. Furthermore, it would hardly be able to support other components in an integrated rural development programme. On the other hand, it may have greater possibilities of achieving sustainability in low potential areas, because of low overhead costs. However, we also support the argument in the MF/RF study that there might still be cases where it may be possible to combine microcredit interventions with institutional viability in low potential areas. The use of microcredit as a component in rural development programmes should not be excluded, but it does demand a thorough analysis along the lines described in the MF/RF study (Birgegård, August 2002, p. 34f).

Chapter 7
Analytical Discussion

We have seen how the official thinking within Sida with respect to PSD in rural development has evolved in policy documents. We have also described four rural development programmes with a focus on particular aspects. Our task now is to assess to what extent these policies and interventions relate to the analytical framework developed in Chapter 5. In doing so, we will answer the evaluation questions on the extent to which Sida has adopted a PSD approach in its rural development support. However, we will first clarify the Sida approach through the use of the narratives that were discerned in Chapter 4.

7.1 Policies and Narratives

The narratives found within Sida – poverty/rights, poverty/market, and poverty/supply – represent different ways of thinking about development and would therefore result in different kinds of interventions, if applied purely. In our studies of Sida policy documents and discussion papers, we note that these reflect a combination of more than one narrative. This implies that there is an overlapping between the narratives and that they have been combined in the internal process of Sida policy. At the same time, however, it emerges that each document tends to lean more heavily towards one of the three narratives.

The position paper on rural development is more closely connected to the poverty/supply narrative, the discussion paper on PSD is dominated by a poverty/market narrative and the policy paper on poverty integrates the different narratives – especially the poverty/rights and the poverty/market narrative – better than do the previous two papers.

These emphases imply that the position paper on rural development is fairly weak on issues such as:

- The role and consequences of international trade.
- The role and responsibilities of governments.
- Interventions at the national level, and in relation to framework factors in particular.

More precisely, international trade is not mentioned in the rural development document, even though trade is highly relevant for rural development. The role of trade is a highly contested issue – also among researchers – especially when it comes to the sequencing of different reforms; hence policy recommendations are not easy to make. However, to adopt the position that foreign trade should have a "larger role" is fairly unproblematic – as long as this is not interpreted as a recommendation for outright and immediate deregulation of foreign trade.

The role of governments is treated in an indirect way when the position paper on rural development discusses what it takes to develop agriculture: macro-economic changes, deregulation of price controls, and elimination of restrictions on markets as well as "energetic political action" and increases in resources aiming at improving agricultural research and extension and infrastructure. Furthermore, the position paper states that success in rural development is dependent on a good macro-economic policy. However, after having stated this, the bulk of the effort is directed towards lessons learned at and proposals for the local level. No proposals about interventions at the national level are made, and when national policies are mentioned, no indications are given about what to do if national policies would happen to be detrimental.

When a shift in choices of areas of interventions is described, in addition to the emphases described above, it becomes clear that the poverty/supply narrative is the one that has had the strongest influence on the rural development position paper. To strengthen its poverty profile, Sida has chosen to gradually focus its support on areas with low potential from a natural resource perspective and a high proportion of poor households. Even if the recognition of the importance of an enabling environment is there, the emphasis of the approach in the paper is on more directly helping the poor, mainly through increasing productivity.

The PSD discussion paper may be argued to be insufficiently wide in scope when it comes to seeing:

- Peasants fulfilling multiple roles, and not just being entrepreneurs.
- The multiple roles of social services such as health and education.
- How economic agents are influenced by their societal context.

Generally, all of the documents studied do place less emphasis on the issue of non-farm activities compared to agriculture. Components aiming at increasing agricultural diversification and broader income diversification are present in all papers, but more precise interventions or recommendations are absent.

7.2 Programmes and Narratives

We find that SARDP is most closely linked to the poverty/supply narrative. Aspects connected with market development have been given a minimal role, partly because of the specific setting in Ethiopia, but partly also because of the planning of the Programme. Most of the emphasis in interventions aims at increasing supply – first and foremost in agricultural production.

LAMP is found to have emerged from the poverty/rights narrative. Access rights to resources – first and foremost land, but also forest and wildlife – are seen as the basis on which increased productivity and business development need to be placed. Some aspects of the programme build on a poverty/supply narrative, but the poverty/rights emphasis is dominant.

EEOA is based on a combination of poverty/market and poverty/supply narratives. The core of the Programme – facilitation – is grounded on the belief that people may come to participate in markets, given that their understanding of the functioning of markets is enhanced. At the same time, traces of the poverty/supply narrative also exist.

Focus on the supply side, with an emphasis on increasing productivity in peasant cultivation is also found in the Malonda Programme. However, Malonda is clearly dominated – in an exceptional way for Sida programmes – by the poverty/market narrative. The build-up of markets, with the support of outside investors and entrepreneurs, is the clear focus of the programme.

Aspects of other narratives are present in all programmes, but the emphases highlighted are nevertheless quite clear. This implies that the Sida approach to rural development reflects different narratives in different settings. Hence, aspects that would emerge naturally from the other narratives are sometimes missing. This is more so on a programme level, than on the level of policy documents.

There is a growing move underway internationally and within Sida towards seeing PSD as a driving force in poverty reduction. This may be observed in processes at Sida headquarters and in country programming, but also in the changes and modifications undertaken in the programmes studied. Moving from SARDP to LAMP to EEOA and finally to Malonda, the influence of PSD thinking in the programme approach has grown. Furthermore, both LAMP and EEOA had predecessor programmes (under other names) that were of a much more traditional character, and in phase II of LAMP, the PSD tendency was enhanced. "PSD thinking" should, however, and as we will discuss below, not be seen as leaning only towards the poverty/market narrative, but rather as applying a broader approach, consistent with our analytical framework.

Another feature that appeared during the 1990s was the transfer of formal responsibility for programme activities to consultants and partner countries. Although formal responsibility came increasingly to rest with consultants and partner countries, Sida influences programme activities through the initial programme design, the selection of consultants, and external monitoring activities. (In general Sida's partner countries seem to have limited influence on external monitoring activities; for example, in none of the assessed programmes have Sida's partner countries initiated/authorised external programme evaluations).

In this context, a shift is also underway in the perception of the role of area-based programmes. Such interventions have been criticised for ignoring national, sustainable systems when it comes to market development. Financial services may, for example, become unsustainable if limited to one geographical area. Hence, a more critical stand regarding area-based programmes is emerging. At the same time, such programmes are not being abandoned, since they serve as useful examples to be diffused to national or systemic levels. This highlights the need for identifying and developing functioning mechanisms for diffusion of good models, including channels where such local- and area-based insight can inform planning and policy dialogue at the national level.

7.3 Assessment of Sida's Approach in Relation to the Analytical Framework

We have now described Sida's rather multi-dimensional approach to rural development. The next step is to assess Sida's approach against the analytical framework developed in Chapter 5. This implies that the evaluation questions presented in the ToR regarding how and to what extent Sida is taking a PSD perspective will be addressed more explicitly in this section. Consequently, if Sida's policies and interventions are consistent with the analytical framework developed, Sida, in our assessment, can be said to be taking a PSD perspective in its approach to rural development. There is, however, a need to be aware of and integrate in the analysis other possible factors and changes that may have an impact on the outcome of the final approach.

7.3.1 Programmes in Relation to the Analytical Framework

A general trend during the 1990s may roughly be described as a shift from state-led, administrative supply interventions towards interventions aimed at the functioning of markets – to help make demand meet supply. Our analytical framework, however, describes interventions at a somewhat more nuanced level. It may nevertheless help in tracing the evolution of the Sida approach as reflected in the different Sida-supported programmes.

Albeit starting as late as 1997, SARDP's focus is on building capabilities in the realms of formal rules and organisations (Box 5) through improving farm productivity. Indigenous, local practices and beliefs are meant to be transferred into activities that improve the capabilities of small-holders with the aim of increasing small-holder production. On the other hand, not much of market development is included in this programme; hence, the elements of market mechanisms (Boxes 3 and 4) are rather weakly represented. Further, even if linkages between the programme and the federal government exist, no functioning mechanism for dealing with framework factors (Boxes 1 and 2) is in place.

Phase II of the Programme implies a shift towards capacity building. This may be interpreted as a move towards the formalisation process (mainly from Box 6 to Box 5). In general, however, the Programme is weak on socio-cultural aspects, with the exception of what can be captured through the participatory planning element.

This implies that SARDP, in spite of its rather recent origin, is fairly traditional in its design – which might have to do with the context in which it is functioning. It has undergone little adaptation to the trends of market liberalisation**.** Although it is the broadest programme in our study in terms of categories of intervention, it lacks a number of important aspects.

As to LAMP, we analyse an important component, which is also one of the factors found in the framework Boxes (1 and 2) – land tenure. The way in which the issue is approached in the programme implies that the formalisation process (shift from Box 2 to 1) is highlighted. Tenure policy, community forest development, and local governance (Box 1) are also dealt with through links to a national level policy dialogue, whereas links to other framework factors discussed in national policy dialogues are weak. It should be mentioned in this context that the community forest development and local governance activities in the Babati and Kitito districts, which are supported by LAMP alongside the government and other actors, have had a strong influence on the development of Tanzanian forest policy (1998) and the recent Forest Act (2002) (Sida Evaluation 00/4, 2000). Another strength of LAMP, albeit so far a minor activity, is its conscious dealing with the connection between Boxes 6 and 5 through its business-training component.

In its second phase, LAMP has begun to highlight some market-related factors such as financial services (Box 3), and a firm move in this direction is underway. In summary, LAMP represents an evolution towards integrating a PSD approach in its interventions. Its weakest point so far is its treatment of market mechanisms.

The EEOA Programme has made the link between the capability boxes (6 and 5) its main area of intervention. It is also the programme among the four that most clearly recognises the need to include socio-cultural aspects. At the same time the programme clearly focuses on market mechanisms (Boxes 4 and 3). Regarding framework factors, the Programme is, however, quite weak, and it has no substantial linkages to national level policy dialogues.

The strength of the EEOA Programme is its emphasis on socio-cultural aspects as such, but also more specifically on the formalisation process, the dynamic element in our analytical framework. Here, the EEOA Programme turns out to be clearly stronger than the other programmes analysed. In this respect it represents an important evolution in Sida's thinking, although framework factors are still overlooked.

The Malonda Programme, within a set of multiple interventions in the Niassa province, strongly emphasises market mechanisms (Box 3). The programme is also strong on the capability factors (Box 5). Framework factors (Box 1) are dealt with in a more indirect way, albeit more systematically than in other programmes. The linkages to national level policy dialogues and complementary interventions are also more structured than for other programmes analysed. The programme's strong focus on market mechanisms represents a shift in thinking towards an area previously neglected or pushed to the background in Sida approaches. In this sense, the programme represents a further evolution in Sida's thinking.

However, more could still have been done in terms of co-ordinating the Malonda Programme with other interventions to address framework factors. The links could have been more systematised, aiming at a more active policy dialogue. More could also have been done in terms of strengthening capabilities. The Malonda approach may be expected to produce strong results in terms of market development, but at the same time there are weaknesses inherent in the approach concerning capability enhancement. The approach is cost efficient, and potentially also financially sustainable, because of its reliance on outside investors that are ready to risk their own money. On the other hand, such a dependency may also make it more vulnerable to changes in the external economies that affect investment flows. The Malonda approach, however, stands in stark contrast to those of LAMP or the EEOA Programme, which more strongly rely on consultant companies for support and implementation. One major drawback of the Malonda approach we find is its strong reliance on foreign agents. Its potential to mobilise and support internal agents is limited exactly because of this dependency on external investors. Furthermore, the Malonda Programme is weak on socio-cultural aspects. Perhaps such aspects are more difficult to integrate in the Malonda programme in the same way as in the EEOA Programme because of the strong emphasis on outside agents? We may therefore see the Malonda and the EEOA approaches to some extent as alternative approaches. Strong results in one area are likely to be achieved at the cost of worse outcomes in other areas.

Different approaches, of course, need to be used in different contexts. There is no "one-size-fits-all". The factors that are most urgently required in respective settings need to be prioritised. In general, more effort should be put into questions related to the complementarities of the factors found in the different boxes of our analytical framework.

7.3.2 Policy Documents and the Analytical Framework

The Sida policy paper on poverty has already been described as a fairly well balanced document. Elements related to formal rules and organisations (Boxes 1, 3, and 5) are all present in a balanced way. However, socio-cultural aspects (Boxes 2, 4, and 6) seem to be less pronounced in this document. The same could be said about the formalisation processes (shifts from Boxes 2, 4, and 6 towards Boxes 1, 3, and 5, respectively).

The discussion paper on PSD policy mainly highlights framework factors and market mechanisms (Boxes 1 and 3) and is weaker on capability (Box 5). It indirectly mentions socio-cultural factors (Boxes 2, 4 and 6). However, our assessment is that this document may be seen as weak on socio-cultural aspects as well as on the formalisation process. In fairness, it should be stated that the PSD poverty/market policy process was only recently initiated.

The rural development document focuses somewhat more on socio-cultural aspects (Boxes 2 and 6) compared with the other two documents. Emphasis, however, is found to be on capability factors (Box 5). It is also noteworthy that the document is rather weak on framework factors and market mechanisms (Boxes 1 and 3).

In these policy documents, the need for taking socio-cultural aspects into consideration emerges. When essential factors for economic development – around which there is international consensus – are listed in the various documents, nothing is mentioned about socio-cultural aspects. Furthermore, when in one document a model for PSD is referred to, socio-cultural factors other than "business culture" are overlooked – even though they appear in the original version, in this case the EME model (Diskussionsunderlag PSD, p. 5, referring to the EME model). The EME report itself, which developed the model, tended to overlook the socio-cultural aspects when going into the actual analysis of PSD development.

7.3.3 Conclusions and Assessment of PSD Influence in Sida's Approach

The first question to answer is, *To what extent and how does Sida's approach to support for rural development have a private sector development perspective*? Seen as a whole, there has been a shift in the Sida approach during the 1990s. Increasing emphasis has been put on PSD – in policy documents as well as in programmes – and the way this has been done has been described in Sections 7.3.1 and 7.3.2. The extent to which PSD is taken into consideration is, however, still limited, as seen in reference to the whole of Sida's rural development portfolio, reflected in the programmes studied here (see Chapter 6). Furthermore, putting the different programmes analysed in this study on a timeline indicates that this evolution of PSD support has not been consistent. Over time, what seems to be emerging is that more up-to-date approaches have not always followed more traditional programme designs chronologically.

Moving from this more general observation to somewhat more specific ones, we have in Sida's PSD approach identified a scant treatment of socio-cultural aspects. Sida has given these aspects insufficient attention, at all levels, EEOA possibly being an exception. On the basis of recent research results, we consider this area important, not only because of "soft" or "humanitarian" considerations but also for strictly economic reasons. Without a clear understanding of the norms and systems that guide people's economic behaviour, successful support to entrepreneurial activities, or the building of trust necessary for PSD, either will be impossible or at least difficult. Deepened socio-cultural understanding will need to characterise all interventions aimed at PSD if they are to have a chance of becoming sustainable.

Another area that has received limited emphasis in Sida's approach is framework factors. In the policy papers, these aspects are thoroughly addressed, although with some exceptions. When interventions are prepared, the policy environment is discussed, and a dialogue with the partner country government is initiated. Sida also acknowledges the need for deeper policy dialogue, and for the co-ordination with the associated donor required in that respect. However, linkages to policy level dialogue are non-existent in all programmes, and the mechanisms that are in place are not exhausted as tools for communication and diffusion. If the business environment turns out to be less enabling than the intervention expected or hoped for, few options seem to be available to address such gaps.

In this context, we may also take a closer look at interventions undertaken in the area of microfinance and land tenure. In the microfinance area, outsourcing to independent organisations that are supposed to take care of the microfinance component of larger programmes is prevalent. As discussed in a recent evaluation, the quality of these organisations might sometimes be questioned, which is natural since Sida is intervening in areas where institutional capacity is very weak. What that evaluation comes up with are different kinds of recommendations aiming at supporting financial systems and contributing to the self-sustainability of these systems, rather than supporting separate agencies. What we have seen in our study is that indigenous credit institutions need to be given more attention since Sida is working in poor and marginal areas. At the same time, more effort needs to be put into national or systemic interventions.

Regarding land issues, we have noticed that this is a very problematic area in settings where the government has tried to change the tenure system. This is the case in Tanzania, where villagisation has caused problems, but also created opportunities. This is the case in Ethiopia where the government has intervened heavily by introducing land redistribution and overruling customary tenure systems. This is also the case in Kenya, where a private property regime was introduced many years ago. In Zambia, where a customary system is still in use, land issues have not presented any major problems. The same might be the case for Niassa, where land is still abundant. Hence, as to land issues, there is a need for putting more emphasis on national policies and, at the same time, highlighting the role of indigenous institutions to a greater extent.

In summary, our overall conclusion is that the PSD perspective in Sida's approach to rural development would have been even better served if Sida had been able to move in two directions at the same time. In the future, Sida will need to move more strongly towards a national level dialogue, and possibly national level interventions, to better cater for framework factors. Sida will also need to move towards a more "local" or indigenous level to more highly appreciate socio-cultural factors. It is important to understand where the motivation of people stems from, and which norms and value systems guide their behaviour. Otherwise, the move into formal and better functioning institutions will be very difficult. Sida needs also to put more emphasis on this formalisation process as such. The importance of this latter point may be illustrated by indications of a backlash in liberalisation policies that are possibly underway in Tanzania and Zambia. This may be understood as a shift where the "synergy" aspect of social capital may be overbalancing the "integrity" aspect needed at the national level; that is, where group interests outweigh what is best for the general public (shift back from Box 1 to Box 2 in the analytical framework).

To what extent and how has Sida taken the extensive deregulation occurring during the 1990s into consideration? One way of exploring this question is to see to what extent Sida has found new, non-governmental and private sector partners for the interventions it supports. Here, the MALONDA Programme stands out. This Programme has, in a consistent way, found implementing structures – the contractual joint ventures – that in themselves help to develop markets, and hence in themselves are PSD interventions. Furthermore, the Programme contains the build-up of a business Ombudsman office and a business promotion centre. In addition, a non-political and independent body is to be developed as the steering mechanism for the entire Programme. Hence, this Programme is focusing on structures that conform to a market setting. (However, in the broader PSD perspective, we find the Programme rather unbalanced.)

Other Sida-supported interventions continue to rely on governmental structures in one way or another. One may note that the very reason the EEOA Programme was initiated was the difficulties facing small-holders in a deregulated setting. Supporting EEOA may thus be seen as a response and adaptation to deregulation. One may note that, for example, LAMP is supporting a market supporting structure that carries out business training, the TCCIA. This suggests that in all the Programmes studied there may have been a move towards the support of non-governmental structures, or structures that rely on governmental support, and away from the support of direct governmental interventions.

To what extent and how does PSD support reflect an integrated, holistic approach? Our analysis of the policy documents reveals that the narratives are slowly losing importance and that within Sida there is a gradual move towards a more comprehensive approach to which all narratives contribute. The analytical framework presented in Chapter 5 shows that taking a PSD perspective implies a further integration of the narratives so that all the aspects of the analytical framework are considered in a balanced way in programme design and implementation. Our findings are that none of the programmes analysed take full account of the range of PSD factors put forward in the analytical framework.

A general conclusion emerging from our treatment of narratives is that they should not be seen as exclusive. Our analytical framework is a possible tool for interconnecting them, since the narratives embody important aspects of the framework factors, market mechanisms, and capability concepts. Hence, inclusion, rather than exclusion should be the order of the day when addressing PSD development within Sida.

It emerges from our analysis that Sida has overlooked certain issues, and would, in our assessment, be better placed if it took a somewhat different perspective towards PSD in rural areas. To understand the scope of the suggested change, however, we need to reflect further on factors that may be the cause of the deficiencies we are observing.

We have in our analysis discussed the role of different narratives in influencing the design of Sida's PSD interventions. In explaining the lack of a progressive and coherent shift towards a PSD perspective, our assessment is that several factors may be at play. One factor may be the influence that individuals or groups in Sida have on the design of interventions. Even if this may be a relevant explanation as regards some interventions, this phenomenon could be interpreted in a different or complementary way. The dominant Sida approach during most of the 1990s seems also to be linked to the organisational structure that made Sida a supply driven organisation.

The impact of organisational changes during the second half of the 1990s may now contribute to bringing about changes in Sida's work structures and approaches to PSD and poverty reduction (see Chapter 4.0). The implication of these organisational changes may be to transform the technical departments of Sida from decision-makers, suppliers of plans, and quality controllers into departments whose competence is more and more supplied to Sida/Embassies on demand. The strengthening of competence at Sida/Embassies, coupled with their more active participation in national dialogues, may bring about further changes in Sida's approach to PSD.

Contributing to a changing scene is also the new national policy dialogue that has emerged with the introduction of PRSP processes in partner countries. Opportunities for discussions where all relevant actors are involved, and where relevant policy issues may be emphasised have become possible. This dialogue may have important repercussions on Sida's development thinking. Arenas for linking programme interventions with macro-level policies may also be emerging. Policy level discussions need to be informed about local realities, and opportunities need to be created for local development through policy changes. A strategy for developing such linkages is needed and Sida could play an important role in this endeavour based on its involvement at both levels. Mechanisms through which Sida can co-operate with other stakeholders who are seriously pursuing poverty reduction need to be addressed.

Chapter 8 Prospects and Recommendations

8.1 Changing Future Context

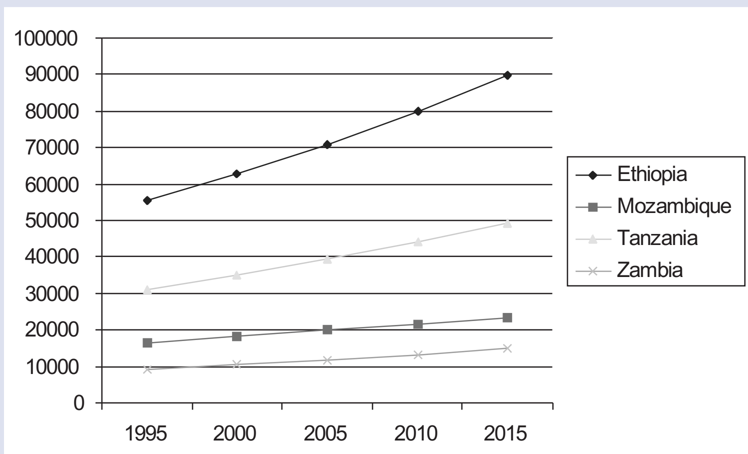
Recommendations for supporting the private sector contribution to rural development in Africa must relate to an assessment of the long-term changes in the context for such development. The consensus of several major international organisations is that the following factors are important: globalisation, demographic change and urbanisation, and the rising significance of non-farm activities in expanding the role of the private sector (Sida, August 2002). Other relevant factors include the expanded role of civil society, declining international agricultural prices, a continued decline in development assistance for agriculture, the growing scarcity of natural resources, and the spread of conflicts (ibid.).

Our assessment of the changing future context of relevance for private sector contribution to rural development is the following: Economic globalisation will tie in with the development of only parts of sub-Saharan Africa, that is areas with resource profiles that attract demand and investments and with a proximity to markets and customers. Such areas include those with natural resources of strategic character, for example minerals, and some areas that produce or have the potential to generate fish, forestry, or agricultural products for domestic consumption and for export. Africa's role as a tourist attraction is likely to increase in a world with increased economic inequality and growing interests for exotic experiences. This can be related to wildlife hunting or viewing, areas of natural beauty, and culture, for example. There is a growing role for the private sector in such activities, in domestic and regional spheres and outside Africa. Tourist development on a major scale, however, is likely to depend upon enhanced political stability, enhanced food security, and improvements in tourist infrastructure.

The demographic changes in sub-Saharan Africa are likely to be reflected in the increasing incidences of HIV/AIDS with its various impacts on socio-economic relations and structures. The future loss of the most able-bodied manpower in many rural areas will impact on the future capacity for agricultural production and transfer of agro-economic knowledge to younger generations. In some areas, labour supply will be short and excessive land may be available for people migrating in or for larger scale operations.

The outcome is likely to be continued growth in the population in African towns and cities and a growing divide between rural areas with human resources, natural resources, and access to markets and those without such features. A major challenge for development assistance and national policies will be to identify conditions for market-based development, including infrastructure and communication. Such development can reduce the importance of remittances for livelihood improvements of rural families.

Table 7. Total population estimations and projections for 1995-2015 (1000)



Source: Compiled from the FAOStat database November 2002

The growth of towns and cities will also require the development of functioning markets for the transport of rural produce from the agricultural production areas. Market development will thus be a key factor for future African development, food security, and welfare. Regulations of markets to bring about a fair sharing of the benefits in the production-consumption chain will be a critical factor in the future. The integration of small-holders into market production will depend upon production conditions, socio-cultural aspects, the perceptions of risk and uncertainty, infrastructure, and distance and access to markets. In our assessment, the market orientation of small-holders will only come about slowly, and their more rapid adaptation will be to migration and various non-farm economic activities. Diversification of economic activities in the rural areas is therefore likely to continue, but will not necessarily lead to increased income for farming households. Agriculture is likely to continue to be the mainstay of rural incomes, and the household will continue to be the most important productive agent and organisation.

In remote rural areas, indigenous and community organisations will probably take on an increasingly important role beyond that of the household. The role of the village or community organisations is likely to depend upon how they are able to gain the type of trust currently enjoyed by indigenous institutions. Market-based development in such areas will need to relate to norms and traditions. Conditions must be clarified under which market-based development for the poor has a potential to develop in remote areas.

8.2 Recommendations

1. We find that important lessons have been learnt by Sida related to private sector development in the rural context in sub-Saharan Africa and that some of these experiences have been integrated into new programme cycles. We encourage Sida to continue the internal dialogue and learning process aiming at a coherent policy framework for PSD in agricultural and rural development.
2. We encourage Sida to shift its perceptions regarding area development programmes towards an approach that link interventions in geographically limited areas with national systems and with interventions at other administrative levels. This will require reflection on mechanisms and models for diffusion of experiences and outcomes between different levels. This suggestion is also based on our assessment that the on-going decentralisation processes in many African countries will take decades to materialise.
3. We recommend Sida to put more emphasis on the national policy dialogue especially on building links between local and national settings and developing methods for identifying and addressing necessary preconditions or framework factors for PSD in rural areas. Experiences from the on-going policy dialogue between Sida and the Tanzanian government can be built upon.
4. We advise Sida to follow closely, in co-operation with other Swedish authorities, developments in the international governance system, that is various agreements and negotiations, and to develop capacity for assessing its implication for the preconditions and interventions related to PSD in the rural African context.

5. We recommend that Sida pay closer attention to existing preconditions of framework factors for rural PSD interventions and support and in particular the socio-cultural aspects. We find that Sida is in need of better analyses of informal institutions and norms that are relevant to and have an impact on market behaviour. Models are needed for moving from informal to formal institutions including the transfer of certain aspects of trust and legitimacy that characterise informal institutions. This will provide conditions for extending social as well as business networks. Experiences from EEOA, Zambia, and the business training within LAMP in Tanzania can provide a base for such activities.
6. We suggest that Sida take a comprehensive look into the issue of land tenure and the implications of the African land policy process for PSD development in rural areas. This issue is important for both the agricultural and the non-agricultural sectors. Land tenure emerges as an overarching issue where special competence may be needed. The preliminary findings indicate that different approaches are needed for different settings and that the role of the private sector may be important for imparting knowledge to stakeholders.
7. We suggest that Sida undertake a comprehensive analysis of the role of the non-farm economic activities in rural areas. Methods and support need to be developed for encouraging increased dynamism in these activities. Our assessment is that the basis for such analyses should be linked more to general market developments in rural areas, rather than to agricultural markets *per se*. Experiences from EEOA in Zambia may be useful in this context.
8. We recommend that Sida in its PSD in rural development work shift from its predominant production/supply perspective to a livelihood perspective that incorporates rights and market issues as well. Such a shift is closely related to the process of diversification and the development of the non-farm sector as well as to issues concerning access to assets. It is important that socio-cultural preconditions and aspects are integrated into the livelihood analyses and approaches.
9. We advise Sida to look into the issue of which agents are the driving forces behind PSD in rural development. Although not specifically examined here, it would appear that for the PSD process to generate momentum, it is critical to identify its social carriers. This issue concerns the role played by households, individual entrepreneurs, and communities/villages as a basis for PSD in rural development. Which carriers are most relevant are likely to be determined by the context. The capacity to identify the agency context is highly important for Sida interventions in and support to PSD in rural areas.

10. We advise Sida to establish a continuous learning process regarding how to make markets work for the poor. The objective should be to clarify and come to a decision about which type of intervention and in which area PSD could be a functioning tool for poverty reduction and when it cannot take on that role. We believe that Sida must continue to deepen its work across departments to capture the complexities of such a learning process.

11. We recommend that Sida enhance its capacity to analyse particular markets regarding their potential/capacity to work for the poor. Such an analysis should be undertaken in all programme area settings and should include the capacity of markets to:

    - facilitate the access to assets by poor rural people.
    - improve the return on the assets of poor rural people.
    - cater for the consumption needs of poor rural people.

12. We suggest that Sida improve its capacity to identify market failures related to PSD in rural development and attempt to identify tools and methods to address such failures. In this context, the role of legislation in various areas concerning market failures should also be reflected upon.

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Annex 1: Terms of Reference

Reference No. 2002-0445

Terms of Reference for an Evaluation of Support to Agricultural and Rural Development in a Private Sector Development Perspective

1 Background

Agriculture and related activities[5] are a dominant economic activity in many Sida partner countries. The greater part of the private enterprise sector often consists of small-holder farmers and other groups engaged in agriculture. Increased production and growing markets are crucial prerequisites for reducing poverty. In the past, in the Swedish development co-operation context, agriculture as a business activity was mainly part of a co-operative approach with strong links to governments. It was not primarily regarded as a business activity consisting of private enterprises and markets. This view has changed, partly as a result of changing patterns of land tenure and extensive deregulation of the agricultural sector in many countries during the 1990s. These changes are impacting on the work of Sida with support to rural development.

Sida's Department for Evaluation and Internal Audit (UTV) commissioned an assessment of Sida's overall approach to and organisation of private sector development (PSD) in 2000 (EME evaluation)[6]. As part of this assessment a conceptual framework for analysis of PSD was developed and Sida's PSD support was mapped. According to figures from the mapping exercise only a minor portion of the activities of the Department for Natural Resources and the Environment (Natur) were considered as relating to PSD. Given that agriculture is the dominant economic activity in many Sida partner countries, this conclusion merits deeper analysis and UTV is planning an evaluation within this field. The EME evaluation is to be used as an input in the evaluation outlined below.

2 Purpose of the Evaluation

There are three points of departure for the evaluation (1) the agricultural sector and related activities are a dominant economic activity in many Sida partner

[5] The agricultural sector is used in the ToR to broadly refer to activities within the natural resources sector.

[6] Approach and Organisation of Sida's Support to Private Sector Development, Sunil Sinha et al, Sida Evaluation 01/14 (EME evaluation).

countries; (2) the agricultural sector has been extensively deregulated in many countries during the 1990s and (3) the small-holder farmer and other groups engaged in agriculture operate in a broad context of input and output markets, to which these groups contribute and on which they depend. The purpose of the evaluation is to assess to what extent and how these points of departure are reflected in support to rural development. The assessment is to provide a basis for constructive and forward-looking recommendations.

Conclusions and lessons/recommendations may be used in developing Sida's approaches to PSD support in rural development.

Users of the evaluation are primarily Natur but other Sida departments are also stakeholders in the evaluation: the Department for Infrastructure and Economic Cooperation (Inec), the Division for Policy and Socio-Economic Analysis (Policy) and the Department for Democracy and Social Development (Deso).

3 Issues to be Covered in the Evaluation

3.1 Changing Conditions for Rural Development

An important issue for the Consultants is to provide an *overview* of how the conditions for PSD in rural areas have changed during the1990s in selected African countries and or regions within a country[7]. The overview shall be made in the context of the overall goal of poverty reduction. The overview should describe the situation in each selected country, as well as more general trends: analysing both similarities and differences between the countries. The appropriate scope and depth of the overview is to be discussed in the Consultants inception report.

The overview should include issues such as (depending on data availability):

1. Institutional changes (e g in terms of deregulation and other changes in laws and rules at macro, meso and micro level; with particular attention to land tenure – bullet points 4 and 5 below; and the role of the public sector – relevant in all the bullet points below).
2. Key development indicators: production and market supply of main crops/products, use of cash inputs (fertilisers, seeds etc), labour and land productivity.
3. Changes and volatility of prices for key products and inputs.
4. Forms of land ownership/holding; property rights.
5. Patterns of land holding/ownership (size structure, incidence of landlessness and near-landlessness) changes in land holding patterns over time.
6. The integration of agriculture and of farmers/categories of farmers in the market economy: (i) The prevalence of subsistence farming, subsistence

[8] For selection criteria and definition of a private sector development perspective – please read the methods section of the ToR.

farming combined with marketing of surplus and primarily market-oriented agriculture, changes between these forms over time. (ii) Development and shortcomings with regard to upstream and downstream linkages to agriculture (problems with securing inputs, accessing markets etc.). (iii) Issues related to market efficiency and market failures in agriculture.

7. The role of the public sector in agricultural development and market-oriented production.
8. Organisational changes (new actors in agricultural markets); the role of the public sector.
9. Infrastructural change and its relevance to markets.
10. Implications of HIV/AIDS and other important issues.

Hence the overview should describe the consequences of these conditions and changes for enterprises and markets – formal and informal. It should also attempt to describe the consequences from the perspective of the small-holder farmer and other affected groups. Changes that have different consequences for female and male farmers (e g land, workload and market access), should be described.

The Consultants shall discuss the implications these changes could have for Swedish support adapted to the new conditions for rural development/agricultural development. This discussion should be anchored in the goals of Swedish development co-operation, i e supporting sustainable poverty reduction, economic growth and gender equality. It should also be anchored in the principles of partnership and national/local ownership.

3.2 Evaluation Questions Regarding Sida's Support to Private Sector Development within Rural Areas

Three interrelated questions are to be addressed to assess Sida's approach to support PSD in rural areas in Africa. The questions are to be addressed both with respect to Sida's policies and position papers for the natural resources sector in general and more specifically for the selected interventions[8].

(a) To what extent and how does Sida's approach to support for rural development take a PSD perspective?
   - Is a PSD perspective applied when discussing problems and issues in policies and position papers?
   - Is a PSD perspective applied when analysing the context and identifying the problems that specific interventions are to address?
   - What activities in the policies/position papers and selected interventions are related to PSD?

[7] The most relevant countries from a Sida perspective are Ethiopia, Kenya, Tanzania, Uganda, Mozambique and Zambia, which countries that are finally selected depend on where the selected interventions are situated. For selection criteria – please read the methods section of the ToR.

- What partner organisations (private, public, NGOs, networks) are involved?
- Who are the beneficiaries (among the various groups in the rural areas)?

(b) To what extent and how has the support been influenced by the extensive deregulation of the agricultural sector during the 1990s?

- To what extent and how have the policies/position papers and selected interventions been changed and adapted to the new situation as described under (1) above, e g as regards analysis of context, activities, partner organisations and beneficiaries?

(c) To what extent and how does the support reflect an integrated, holistic approach like the one described in the EME evaluation? Does the support address linkages between relevant factors in the farmers' context and include measures to create an enabling environment for farmers and enterprises?

- How do the policies/position papers discuss the issue of creating an enabling environment for PSD?
- Do the selected interventions include or are complemented by other activities to create an enabling environment for PSD? If so, how have these activities been combined?
- Do the policies/position papers and the selected interventions discuss different roles of the farmer (consumer, producer, employee etc)? Is the farmer approached as a link in a network of input and output markets or as an isolated actor?
- To what extent and if so how have the linkages between various factors in the farmer's context been analysed in policies/position papers and in the selected interventions? Examples of linkages are micro-macro level; rural-urban linkages; input-production-processing-marketing-consumption chains; sub-markets. This is essentially a question of analysing the problems, risks and challenges facing farmers as they move from subsistence towards more market-oriented production.

3.3 Assess Sida Approaches to Support for Rural Development

The Consultants are to assess the relevance of Sida's approach(es) to support for rural development in relation to the three points of departure identified under the heading 'Purpose of the evaluation'. The assessment shall be made in the context of the overall goal of poverty reduction. An important point to consider throughout the assessment is the possible role that Sida may play as a bilateral donor.

3.4 Lessons and Recommendations

The purpose of the evaluation is to provide policy relevant lessons and recommendations for Sida as a bilateral donor, indicating possibilities and constraints given this role. The evaluation should be explicit in any criticism/problems with Sida's present approach(es) to support for PSD in rural areas. It is important, though, that lessons and recommendations are presented in a constructive and forward-looking manner, indicating alternative approaches and providing inspiration and ideas for developing Sida's approaches.

4 Methods

The evaluation is planned as a desk study. If the Consultants find that a field visit would bring important additional information to the evaluation, this may be discussed with Sida. A field study of the programme Economic Expansion in Outlying Areas (EEOA) in Zambia is underway and will provide an important input and should be used in this evaluation. ToR for the EEOA assignment are enclosed. It is carried out by the Consultants Overseas Development Institute, as part of an evaluation of area development projects supported by Sida.

The desk study will require a survey of relevant literature on PSD[9], the agricultural sector, and rural development in Sida partner countries. It will also require an assessment of Sida documentation such as Natur's policies/position papers, assessment memoranda, evaluations and studies. Approximately 10 interventions are to be chosen as case studies. The case studies are to be selected according to their relevance for the evaluation topic. Selection criteria and details on the interventions to be assessed are to be presented in the Consultant's Inception Report. The overview of how the conditions have changed during the 1990s for PSD in rural areas is to be based on the situation in the countries/regions of the interventions selected for this evaluation.

In connection with the selection of interventions, the consultants will have to discuss delimitations of the evaluation. An important discussion is where to draw the line between the focus of the evaluation on the agricultural sector and related activities and a broader perspective on PSD in rural areas. It is also necessary to discuss the appropriate scope and depth of the overview of changing conditions for rural development.

The Consultants will have to carry out interviews within Sida at Natur and other departments such as Inec, the Regional Departments, Deso and Policy, as well as with consultants and representatives from the co-operative sector in Sweden (LRF/UG).

The Consultants are responsible for collecting documentation concerning the selected interventions.

A reference group within Sida will follow and discuss the evaluation through two-three seminars during the evaluation process.

[9] For example the EME evaluation and UTV Working Paper 00/4 and strategy papers from other donors and institutions.

The Consultants shall clearly define how they use a PSD perspective in rural development for this evaluation. A definition should include addressing the agricultural sector as part of the private business sector, consisting of markets where individual farm households and agricultural enterprises are actors. Further it needs a perspective on the integration of the agricultural sector (and the farmers) into the market economy through a shift from subsistence to market-oriented farming. Such an approach may involve activities at micro as well as macro level.

5 Work Plan

The study is envisaged to require *approximately* 10-15 weeks. In case field studies are desirable a maximum of 6 weeks may be added to the total mentioned above.

The tentative time schedule for the evaluation study is that a final report should be ready not later than December 2002. The Consultants are to present a work plan indicating when during the time period up to December 2002 they may carry out the evaluation and how they plan their work. The time plan may be adjusted if field studies are added.

Enclosures

1. Approach and Organisation of Sida's Support to Private Sector Development, Sunil Sinha et al., Sida Evaluation 01/14.
2. UTV Working Paper 00/4.

Annex 2: Selection of Interventions to be Studied

Criteria for Selection of Countries to be Incorporated into Overviews

According to the Terms of Reference we are to provide an overview of changing PSD in rural areas in the 1990s in selected African countries and/or regions within a country (ToR, p. 2). The most relevant countries from a Sida perspective are stated to be Ethiopia, Kenya, Tanzania, Uganda, Mozambique and Zambia (ibid.). The main programmes in these countries are stated to be (Sida, February 20 2002): SARDP (Sida Amhara Rural Development Programme) (Ethiopia), NALEP (National Agricultural, Livestock and Extension Programme) and RELMA (Regional Land Management Programme) (Kenya), LAMP (Land Management Programme) (Tanzania), U-LAMP – Uganda Land Management Programme (Uganda), Proagri; Niassa (Mozambique) and EEOA (Economic Expansion in Outlying Areas) (Zambia). These are programmes designed and supported mainly by Sida's Department of Natural Resources (Sida NATUR). Some of the programmes cover part of a country, a region or some districts, for example SARDP, Ethiopia, LAMP, Tanzania, EEOA, Zambia; two are of national character, NALEP, Kenya and U-LAMP, Uganda while RELMA, with a base in Kenya, covers 6 countries in East and Southern Africa.

The process of delimitation of the evaluation, i.e. making the approach relevant and realistic within the given time frame, has consisted of several steps. Several discussions have been held with Sida personnel from NATUR, INEC, UTV and Policy to further clarify the content of the Terms of Reference. Further the evaluation team has held several meetings to reflect on definitions and approaches. A field visit to Tanzania and Kenya has as well been conducted by the team leader and one of the evaluation members (Havnevik and Sandström). During this trip (August 16 to September 8) visits were made to LAMP, Tanzania and NALEP and RELMA, Kenya. Meetings and discussions were held with Swedish Embassy/Sida personnel, people from relevant ministries and organisations in Dar es Salaam and Nairobi and as well as with researchers and Sida programme personnel. A brief visit was also made to one field site of LAMP in Babati, Tanzania. During these discussions reflections were tested and relevant material at macro, meso and micro levels were collected. Subsequent to the field trip, several meetings have been held in the evaluation team.

The field trip to Tanzania and Kenya was made according to a request from and after further discussions with Sida/UTV. Tanzania and Kenya were chosen due to their different historical trajectories for rural PSD. The field visit also provided the possibility to visit several relevant Sida programmes.

The evaluation team has worked with several hypotheses as regards how to thematically approach the evaluation. As to the choice of countries, our hypotheses and reflections have been the following:

1. The countries selected, from the set given by Sida, should represent a range of development paths. This would enable the team to investigate to what extent the broader development frameworks impact on conditions for PSD.
2. These countries should also be the host of Sida supported programmes that contain elements that reflect the various Sida narratives and the possibility to analyse their synergies and conflicts.
3. The programmes located in the countries were to be implemented over sufficient time making it possible to ascertain to what extent Sida´s and other agencies' support for PSD in rural areas have responded to structural changes during the 1990s.

Based on this set of assumptions, reflections and hypotheses the team have selected Ethiopia, Mozambique, Tanzania and Zambia for deeper scrutiny in the overview part of the evaluation. In addition, particular reference to certain aspects of private/commercial sector development in Kenya and Uganda will be included.

Selection of Particular Areas of Relevance

A further guiding aspect in the selection of the ten interventions to be studied emerges from reflections about current and potential private area/sector dynamics in rural areas in sub-Saharan Africa (see Chapter 5). The idea to follow such areas/sectors over time of particular relevance to rural private sector dynamics, would enable the evaluation to analyse the changing framework at different levels and their interactions and implications for the areas/sectors. Further it would enable the evaluation to investigate to what extent and how Sida's interventions have responded to changing conditions, processes and challenges for the particular area/sector and whether such interventions have been supportive, neutral or obstructive.

The five areas we have identified as being of particular relevance for private rural sector development include microfinance, extension, input provision and marketing, capacity building, rural infrastructure and land issues. Based on literature reviews, discussions in Sweden and during the field trip, we have tested opinions and views on these areas. These areas can be seen be related to different parts of rural private sector promotion and development, both agricultural and non-agricultural. Land issues, rural infrastructure and capacity building relate to the creation of an enabling environment and preconditions for rural PSD. Extension in its various forms, microfinance and input/marketing, although different in character, have in common that they more directly tie into the change processes of PSD.

Based on the above analysis and information we have identified 10 interventions that the evaluation would like to assess further.

Table 1. Matrix of interventions; Countries, programmes and areas.

	Land tenure	Extension	Microfinance	Inputs and marketing	Capacity building
Ethiopia(SARDP)	x		x		x
Tanzania(LAMP)	x				x
Zambia(EEOA)		x	x	x	x
Mozambique			x		

NB: The interventions for Mozambique will be put in a wider context, e g focusing on the sector-wide approach (SWAP).

There is however a need for caution as to how much the analysis of specific interventions in themselves can reveal about the main purpose of the evaluation, i.e. assessing to what extent and how the main points of departure (ToR, p. 1) are reflected in support to rural development. Rather one could claim that an analysis of the range of each programme and the interconnections of its interventions including their modifications and changes over time would be an important entry point. To capture this broader programme context, some emphasis will be put in the evaluation on analysing the history of the programmes in focus. This will be done with a view to the reasons and arguments put forward for their transitions, the incentives and disincentives for emphasising PSD, and changes in content from one important phase to another. These programme transitions in themselves might provide important insights into the changing Sida narratives, including their reflections and consciousness regarding changes in the overall framework.

A methodological attribution problem occurs in this context as it might be difficult to trace which positive or negative outcome is directly or indirectly connected with a particular Sida intervention. However, by careful selection of the interventions and through a thorough analysis of the changing framework, we believe to be able to provide evidence on the types of impact or outcomes we will consider as relevant for this evaluation.

Annex 3:
List of People Met

Tanzania

Name	Occupation	Organisation/Institution
Mr. Torbjörn Öckerman	Team Leader	LAMP/Orgut Consulting
Ms. Ulla-Maja Jern	Development Advisor	LAMP/Scanagri, Support Office Babati
Ms. Maria Radezi	Associate Expert	LAMP/Orgut Consulting, Support Office Singida
Mr. Anatoly Rwiza	District Forest Officer	Babati District Council
Mr. Calyst Kavishe	Technical Advisor	LAMP Support Office, Babati
Mr. Samuel Wangwe	Professor	Economic and Social Research Foundation (ESRF)
Ms. Magdalena Rwebangira	Advocate	M.K Rwebangira & CO. Advocates
Mr. R. Mwalyosi	Director	Institute of Resource Assessment (IRA)
Ms. Jane Kibassa	Desk officer, LAMP	Embassy of Sweden
Ms. Marie Bergström	Desk officer, District Development Lake Victoria	Embassy of Sweden
Ms. Eva Hagwall	Desk officer, Private Sector Development Advisor	Embassy of Sweden
Mr. Vedasto Rwechungura	Programme Officer	The World Bank
Mr. Ladisy Chengula	Rural Development Specialist	The World Bank
Mr. Benson Ateng	Senior Operations Officer	The World Bank
Mr. Gerald Monela	Professor/Dean of Faculty of Forestry	Sokoine University

Mr. Moses Mbesere	Businessman	Chairman of Babati District Commercial Association (BDCA)
Mr. Simon Mbesere	Businessman	Member of Babati District Commercial Association (BDCA)
Mr. Sten Rylander	Ambassador	Swedish Embassy
Mr. Kessy	Acting Director	Forest and Beekeeping Divison, Ministry of Natural Resources and Tourism

Kenya

Name	Occupation	Organisation/Institution
Mr. Karuti Kanyinga	Senior Research Fellow	Institute for Dev. Studies, University of Nairobi
Mr. Gerrishon Ikiara	Senior Lecturer	Institute of Diplomacy and International Studies/ Dept of Economics, University of Nairobi
Mr. Azene Bekele Tesemma	Capacity Building Advisor	RELMA
Ms. Millie Abaru	Socio Economy Advisor	RELMA
Mr. Åke Barklund	Director	RELMA
Mr. Frank Place	Economist	ICRAF/World Agro-forestry Centre
Mr. Per Karlsson	Programme Officer	Embassy of Sweden
Mr. J.K Kiara	Project Coordinator	NALEP, Ministry of Agriculture and Rural Development
Mr. Amare Tegbaru	Senior Socio-Economic Advisor	NALEP, Ministry of Agriculture and Rural Development
Mr. Peter Magnusson	Economist/ First Secretary	Embassy of Sweden
Ms. Deborah Duveskog	Programme Officer	FAO

Mr. Göran Bergman	Programme Officer	Embassy of Sweden
Mr. Samuel Mutwiri Arimi	Professor	College of Agriculture and Veterinary Services, University of Nairobi
Mr. Alex Tameno	Programme Officer	Embassy of Sweden

Sweden

Name	Occupation	Organisation/Institution
Ms. Marija Brdarski	Programme officer	Sida/Natur
Mr. Lars Krantz	Programme officer	Sida/Natur
Ms. Margareta Sundgren	Programme officer	Sida/Natur
Ms. Camilla Bengtsson	Micro finance advisor	Sida/INEC
Ms. Gisela Strand	Rural finance advisor	Sida/Policy
Ms. Katja Jassey	Programme officer	Sida/Policy
Mr. Per Ronnås	Chief Economist	Sida/Policy
Mr. Jan Ohlsson	Head of unit	Sida/Policy
Ms. Annika Lysén	Programme officer	Sida/AFRA
Ms. Marianne Kronberg	Programme officer	Sida/AFRA
Mr. Jan Engström	Programme officer	Sida/INEC
Ms. Mirjam Hast	Former Associate Expert	EEOA, Zambia
Mr. Lyson Phiri	Deputy National Coordinator	EEOA, Zambia

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Rural Development and the Private Sector in Sub-Saharan Africa

The present evaluation examines Sida's approach to rural development in sub-Saharan Africa from a private sector development perspective. It finds that within Sida different perspectives on the role of private sector development for poverty reduction co-exist. However, Sida support for rural development currently appears to experience a shift from a narrow focus on increasing supply and production towards a broader, more market and private sector oriented approach.

The evaluation complements existing approaches to private sector development, by specifically highlighting the importance of socio-cultural factors and the embeddedness of private sector development in existing informal rules and structures.

It was commissioned in order to assess Sida's response to the last two decades of deregulation of agriculture in sub-Saharan Africa, and is the second in a series of three evaluations of Sida's approach to private sector development.

Sida

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