

OpenSpace Report on

Title/Topic of the Session

Rural economic transformation: how can it be strengthened by BER?

2) Person suggesting Topic & Group Participants

(Frits van der Wal), representatives from Sida (Anna), GoZambia (Viola ministry of commerce) and GoSouth Africa (Peter, tax authority)

3) Summary of Discussion

After an short presentation of the Netherlands policy on agriculture, rural economic development and food security (contributing to progress along 5 tracks: research/innovation in the context of climate change etc; BER (laws and regulations incl land tenure, vocational training & education, rural financial services, rural infrastructure, strengthening producers' organisations etc); value chains; interaction and access to international markets; productive safety nets), participants reflected as follows:

SIDA: follows the principles of NL policy; has had programmes on food security and improving income for the rural poor; linkages between farmers and agribusinesses are very important (milk sector in Zambia with Parmalat is a success)

GoSA: just very recently GoSA has installed a Ministry of Rural Development; this as a reaction on the fact that there in fact has only been progress in the highly concentrated second and tertiary economic sectors; part of the lack of progress in the rural areas was the fact that support was provided mainly by subsidies; a lot of money was pumped in this way into agriculture without having a structural impact; GoSA realised that in fact two different worlds were developing in parallel, leading to extrapolation.

GoZ: in the past government put up agri-businesses in areas; after they were privatised at a later stage, value chains collapsed and rural economic development stalled; at the moment GoZ promotes what is called 'rural industrialisation'; it tries to assist rural entrepreneurs in finding markets; in quite some areas this means in neighbouring countries; investing in one stop border posts is a good example to facilitate rural trade and productivity

4) Conclusions

There are quite a number of issues that central and local governments could do to stimulate rural economic development; first of all governments should concentrate on improving its pre-competitive services as much as possible; this is not only having policies in place but also making sure that the quality of its implementation is well taken care of and enforced within the system with proper checks and balances (including control of corruption); a proper division of mandates, roles and responsibilities is necessary and implemented with subsidiarity as leading principle

Examples of actions that governments can take to foster rural economic development are:

- facilitate round tables with actors in value chains in order to have good insight in inter-value and supra
- -value chain issues that limit growth;
- ministries of agriculture and commerce/industries have to work far better together and have joint policies; same counts for sector working groups in which donors and other non-state actors have policy dialogues with the government.
- Co-Investments (PPP's) in physical infrastructure facilitating festivals, auctions, markets where producers and consumers meet
- Reduce taxes for companies which invest in rural areas
- Set-up land banks (making it easier for companies to obtain land that is fit for specific investments)
- Set-up of multi-facility zones with attractive infrastructure in rural areas (that can act as growth centres)
- Actively Promote/advertise the potential of rural areas (branding);
- Co-invest in innovation hubs/local business incubators; stimulate locally applicable research & development

- Throw tenders that have sizes that can be implemented by local business operators in rural areas (making sizeable lots)
- Make it attractive (also in terms of rules and regulations) that rural financial services are provided by private banks
- Introduce voucher schemes that increase the access of rural entrepreneurs to BDS

Fostering rural economic transformation is promoting an enabling inclusive rural business environment; formalisation is only one aspect of that.

Cape Town, 15 April 2010