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INDUSTRY AND RURAL DEVELOPMENT;
SOME ISSUES IN INTER-AGENCY
CO-OPERATION*

prepared by

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* The views expressed in this paper are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO.
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EXECUTIVE SUMMARY

This document has been prepared as reference material in order to review the possibilities for enhancing inter-agency cooperation concerning the contribution of industry to rural development. It will be discussed by certain members of the Working Group on Industrial Contribution to Rural Development of the ACC Task Force on Rural Development on April 16 1991 and by the full Working Group at its next meeting in Nairobi on May 21 1991.

This report is an attempt to indicate the significance for rural development of industry in general and of UNIDO activities in particular. This significance is then used as a point of entry for analyzing coordination for development in general and inter-agency co-operation in particular.

Inter-agency cooperation, while desirable from a theoretical point of view, is not without pitfalls. For rural development it should be encouraged not only at HQ level but in particular at the field level through both formal and informal mechanisms of cooperation.

In view of the fact that rural development is a territorial concept and most of the UN agencies have a sectoral approach to development, rural development only stands to benefit from inter-agency cooperation. The ACC Task Force on Rural Development should play an important role in preparing such cooperation.

1. INTRODUCTION: PURPOSE OF THE STUDY AND APPROACH ADOPTED

The purpose of this brief study is to identify the areas of inter-agency co-operation where collaboration between industrial and non-industrial sectors will enhance the rural development effort of the UN system within the overall framework of improving standards and conditions of living for rural people.

Against the background of some general observations on the relationship between rural development and industry and the advantages and disadvantages of co-operation for development, operational and other activities of UNIDO have been reviewed for their significance for rural development. The insights gained from this review subsequently were used as spring boards for further discussions with UNIDO staff members on existing and potential co-operation with other UN agencies in general and in the field of rural development in particular. Additional insights and information were obtained from existing UN documentation.

The intended outcome of this survey is to suggest guidelines for improving the effectiveness of UN inter-agency co-operation in rural development in order to ensure an effective contribution by industry to improving the standard of living of the rural masses.

2. INDUSTRY AND RURAL DEVELOPMENT.

2.1. SOME GENERAL OBSERVATIONS

Industry is a sectoral/functional concept, whereas rural is a spatial/territorial one. Just as industry often is associated exclusively (and erroneously) with an urban environment (the city as the site of industrial amenities and markets), so rural tends to be seen as a synonym for agriculture.

A review of rural development should consider all activities that have a bearing on structural change in the country side, i.e.:

(a). Change in rural areas

Basically change in rural areas refers structural change in:

- agriculture (in the broadest sense of the word, i.e. including forestry and fisheries; in the remainder of the report the word agriculture will be used collectively for the sake of brevity);

- non-agricultural or off-farm activities (basically manufacturing, construction, services and trade);
- infrastructural amenities (physical as well as social);

(b). Change in non-rural areas

Change in non-rural areas in particular refers to the consequences of rapid urbanization, i.e. increased demand for rural, especially agricultural, products in urban areas; policies adopted as a result of conflicts of interest between rural and urban population groups etc.).

(c). The national socio-economic environment

The significance of the national socio-economic environment for rural development is reflected inter alia in national policies for agriculture and industry (creation of demand for their products and facilitating the supply of essential inputs). One of the consequences of emphasizing the demand-side approach is that a key role is given to effective demand, or purchasing power, as exercised by consumers. For rural development this points to the desirability of agricultural reforms and the more equitable distribution of land as well as to price and market incentives for farmers. Rural areas dominated by a pattern of small farmer-owners will have an important effective demand for manufactured products which tend to be produced by small manufacturers in market centres and small towns. In this approach rural reform becomes a precondition for industrial development.

(d). The international socio-economic environment

The significance of the international socio-economic environment for rural development is reflected inter alia in the consequences of economic crisis, macro level structural adjustment and sectoral economic reconstruction policies. This chain of events imposes financial limitations on a country's capacity to stimulate the development of its rural areas. However, structural adjustment also opens up new horizons with small enterprise taking over from large parastatal production units which have been liquidated or scaled-down and privatized. Similarly, the ending of food subsidies for urban groups and increasing agricultural commodity prices on world markets stimulate the increase of rural disposable income.

In a market oriented economy location of industry in 'really-rural' areas (i.e. in villages) often can be cost ineffective, in particular in view of the overriding importance to manufacturing of easy access to markets.

This, in turn, requires a concentration of physical (e.g. public utilities, construction, trade, transport, financial and other business services) and social (community, social and personal services) infrastructural amenities which is relatively rare for rural areas in most developing countries; as a result most so-called rural manufacturing is located in small towns or market centres, except for certain primary processing activities which for reasons of preservation or weight reduction tend to be located where these perishable or bulky inputs are produced.

Any attempt to review the relationship between industry and rural development should consider the relationship between industry and the various economic activities involved in rural development, i.e.:

(a) industry and agriculture.

The relationship between industry and agriculture can be summed up best in the apparent platitude that industry supplies inputs to agriculture and that agriculture does the same for industry. More explicitly, industry produces agricultural machinery, equipment, implements and additives; on the other hand, agricultural produce (food and non-food) is processed, preserved and transformed by industry. In view of the strong and varied linkages that exist between industry and agriculture the stimulation of this relationship forms a powerful building block for economic development.

(b). Industry and non-agricultural activities

The linkage between industry and other rural activities, including infrastructure involves a whole range of sectors: mining and quarrying, public utilities, trade, transport, storage and communications, as well as financial, community, social and personal services. Manufacturing industry is an important source of supply to each of these sectors; similarly, it must rely on these sectors for the services and amenities which it requires. In other words, this involves supplying inputs to all non-agricultural activities in rural areas as well as processing mining output.

In a non-functional approach to rural development, the role of industry as the producer of goods for the rural population increasingly is recognized to be important. As recently as 1988 two thirds of the population of all developing countries still lived in rural areas (UNDP: 'Human Development Report 1990'); in the least developed countries this figure is even higher (82%). Although, on average, purchasing power tends to be lower in rural than in urban areas, it would appear that stimulating the growth of disposable income of the rural segment of a country's population, will lead to a significant growth in the demand for industrial goods (RSIE, Chapter 2).

Total effective demand for locally produced industrial consumer goods will be larger in rural areas mainly populated by small farmer-owners than in those areas where large-scale farming or plantations dominate. As a result the demand for goods directly or indirectly provided by industry will increase as rural income increases. In a direct sense this takes the shape of a growing demand for simple consumer goods (clothing, footwear, household utensils). More indirectly this occurs via growing effective demand for improved shelter and other amenities; this in turn causes an additional derived demand for building materials (cement blocks, door and window frames, metal fittings etc.) which are supplied by industry and for certain services which also make use of industrial inputs (e.g. transport). In brief, industry has important income linkages to rural growth and development.

The supply of many of these mainly simple consumer goods will tend to be taken care of by existing local small producers who will see their business grow with increasing disposable rural income. This demand-side stimulation of Rural Small Industrial Enterprise (RSIE) in turn permits institutional supply-side support of local industrial development to be effective. However, if no such producers are in evidence locally, the simple fact that local purchasing power has increased alone is not a sufficient incentive for small-scale industrial activities to spring up without other supporting activities such as entrepreneurship development programmes. It is possible, however, that trade and other services prosper by catering to rising effective demand in cases where no local small manufacturing is in evidence. Also in this case important multiplier effects on rural income can be achieved, even though the involvement of local small industry has failed to materialize. In other words the linkage between rural development and industry does not always require proximity. Proximity does, however, strengthen linkage.

The potential of RSIEs to provide the consumer durable, agricultural inputs and building materials required as the result of increasing effective demand by now has become recognized as an important contribution to rural development: it creates additional income and employment, contributes to the diversification of rural economic activity and can assist in stemming the migratory flows to already overcrowded urban agglomerations.

Industry in rural areas is also important as a source of income and employment for specific groups often denied access to economic and social emancipation and self-respect for physical (handicapped) or social (women, minorities, refugees etc.) reasons. For these people small industrial co-operatives can provide the sheltered environment which allows their productive talents to be nursed to full bloom so that they can be weaned off charity and strengthened against discrimination.

Finally, it should be remembered that rural development is a multi-dimensional process, in which one sector, agriculture is the leading sector and in which other sectors such as industry have crucial supporting roles in stimulating agricultural and rural development. Industry processes the output of primary sectors active in rural areas and provides many of the essential inputs for all sectors involved (primary and others). As a result industry is heavily involved in rural development.

Leaving aside the impact of the world economy and politics, it can be said that the socio-economic environment of a country to a great extent is conditioned by national policies and institutions. For the purpose of stimulating development, policies can aim at making institutions more effective (e.g. by removing red tape) and/or at formulating new approaches (in particular at the national level) which allow the potential strengths of a country to develop and allow the less privileged to emancipate towards economic and social self respect. In order to stimulate a socio-economic environment which favours rural development external operational assistance can be envisaged in three basic formats which can be combined in various ways:

- (a). Support at the policy formulation level; this has considerable advantages in terms of outreach and delivery because it can help to create or improve a socio-economic environment that enables entrepreneurial activities to develop. Similarly, an unfavourable environment or policy can constitute a prime cause for lack of entrepreneurial activity or business failure.
- (b). Institution building, be it the support of existing or the establishment of new ones; this is often considered the preferred area of intervention for donors and agencies alike. The main reason being that if such assistance helps an institution to become sustainable the role of external assistance is a finite one which in due course can be brought to an end as a job well done. Such institutions can be instrumental in promoting rural development, either by focusing directly or exclusively on rural development, or - more indirectly- because their activities also have a bearing on rural development. It should be noted that one of the more difficult problems facing institutions is their limited outreach in spatial terms at least. This tends to limit the effectiveness of in particular national institutions in rural development, because they frequently lack the means for sustaining a network of regional branches.
- (c). Pure direct support projects which are relatively scarce. While it is undoubtedly true that in the short-run direct assistance is effective because it 'gets things done' its sustainability is open to serious question because it tends not to include a training component, or the funding for a further series of similar projects. Nevertheless, direct assistance has some justification in certain specific situations, such as emergencies where no local institutions are available or capable; unique ('once only') interventions of a limited duration; demonstration and pilot projects. In the latter case the nature of the intervention already incorporates an institutional element; if the experiment is successful it should be replicated by involving local experts who receive their training in the project.

The preceding argument has referred to rural development and industry in general terms. From this it does not follow automatically, however, that the same relationship characterizes the relationship between UNIDO and other international agencies in rural development, because some rural activities are covered by more than one agency or organ.

The size of the membership of the ACC Task Force on Rural Development forms an indication of the large and varied involvement and commitment of the members of the UN Family to furthering rural development. All of them in one way or

another make use of inputs of an industrial origin and see their output put to some kind of industrial use. The following non-exhaustive list of recent examples (excluding operational activities where applicable!) gives an indication of the importance of this involvement:

- ECA has organized workshops on the Evaluation of Rural Development Experience in Africa and on the Development of Entrepreneurial capability for Cottage and Small Scale Industries emphasizing the role of Women;

- ESCAP and ILO have organized a regional evaluation seminar for the promotion of non-farm employment among rural workers;

- All FAO and IFAD activities have important bearings on rural development, food security and nutrition programmes stand to benefit from linked processing activities, experiences with smallholder development can be a source of inspiration for RSIE development;

- ILO is organizing a workshop on the promotion of non-farm employment in rural areas (China May 1991);

- UN/DTCO is undertaking a Technical Study on Surveys of Household Economic Activities, including agricultural and non-agricultural activities;

- UNEP and ILO are cooperating on the demonstration of linking employment expansion, land rehabilitation and afforestation in international development cooperation;

- UNESCO with UNDP and UNICEF has sponsored the World Conference of Education For All (EFA) inter alia with a view to provide adults with essential knowledge and skills to cope with the demands of the modern world (Thailand, March 1990);

- UNHCR is developing specific and practical guidelines on how to promote refugee participation in all its activities and at all stages;

- UNIDO has organized a total of 23 meetings, workshops, consultations etc. with a bearing on rural development between November 1989 and December 1990; subjects include plastics in agriculture in arid and semi-arid zones, sugar-cane processing, rural transport equipment, wood products, bio-pesticides (section 2.2. provides a brief overview of UNIDO's involvement in rural development);

- UNRISD has initiated studies on Improved Social and Development Indicators and on the impact of economic recession and adjustment on livelihood strategies in Africa and Latin America.;

- UNU is involved in a project on the dissemination of bio-gas technology in rural areas;

- WFC is promoting regional and South-South cooperation in food and agriculture with special emphasis on support to food production, agro-industries, institution building and management improvement and trade;

- All WFP activities are important for rural development; many food for work projects have been used in industrial activities, e.g. UNIDO modular bridge building in Panama.

This brief selection indicates the multifaceted role of UN agencies and organs in rural development and the fact that they are relevant for industrial activities, e.g.:

- studies and statistics provide essential background information for industrial activities;
- industrially produced technologies and technical equipment (e.g. for bio-gas) is disseminated in rural areas;
- training activities are aimed at improving employment and income earning opportunities in small-scale industrial activities

At the same time it is clear that UNIDO industrial activities have important bearings on rural development, e.g.:

- transfer of technology for the processing of agricultural output;
- studies for the small-scale production of agricultural implements;

Finally, it should be born in mind that the degree of involvement of the UN system in rural development in the first place depends on the priorities established within the developing countries themselves. If host countries are more interested in promoting urban activities there is little the UN system can do to bring about rural development; improving inter-agency cooperation then will make no difference.

2.2. UNIDO ACTIVITIES AND THEIR SIGNIFICANCE FOR RURAL DEVELOPMENT

UNIDO was established in order to address the problems inherent to the industrial development of developing countries. This involves operational, mediating and supportive activities. Operational activities include policy advice, institution building and direct support;

mediating activities refer to investment promotion, the System of Consultations etc. and supportive activities include country and sector studies, technology information, industrial statistics and data bases.

UNIDO activities in the field of industrial development broadly can be subdivided in four major categories:

- (a). Industrial strategies and operations (studies, statistics and technical cooperation).
-

Only on occasion have studies had any exclusive or predominant bearing on rural development. Mention can be made of 'Industrialization and Rural Development' and 'Industrial Development Review Series' as well as a number of appropriate industrial technology studies which have been published since 1979. UNIDO has also participated actively in the UNDP/Neth./ILO/UNIDO thematic evaluation of Rural Small Industrial Enterprise (RSIE, 1988), which was edited and published in Vienna. In most cases, however, the relevance is more of a derived nature thus providing the industrial link for activities undertaken by other agencies. Country and regional studies focus on rural development when it has any bearing on specific industrial issues under consideration, such as available agricultural resources for industry in any particular country.

The UNIDO activities with the overall highest significance for rural development in this category refer to programme and project development and implementation. Here, in particular in recent years, a set of three linked concepts appear to have become significant:

- (a). programme development support (integrated approach of packages of technical assistance, investment projects and policy recommendations); in order to achieve:
- (b). strategic management of the industrialization process in an environment of rapid structural change (- decision-making under uncertainty, co-operation of public and private sector at sub-sector level) which in turn should lead to:
- (c). industrial system development (an interdependent system of supply, production, distribution and consumption components which are influenced by a set of policies).

This 'holistic' system approach to industrial development has an important bearing on rural activities. An example of this approach as applied in Côte d'Ivoire (other countries where this approach is being applied include Cameroon, Guinea, Senegal and Zaire) makes it clear that

the implications of the approach can be considerable for rural development.

(i). Côte d'Ivoire

In the assistance to the Ministry of Industry of Côte d'Ivoire the point of entry was to formulate policies for the reactivation of the industrial development process of the country. In this context particular emphasis was given to the development of regional (i.e. outside the metropolitan area of Abidjan) industrial activity and to stimulating Ivorian entrepreneurship. Additional activities included a series of ten industrial sub-sector studies (pharmaceutical, rubber, oil and natural gas, edible oils and fats, capital goods, food processing, wood, packaging, coffee and cocoa, textiles) and the formulation of a new institutional approach to SME development.

The implementation of the project consisted of the building of a general policy framework and the design and execution of sub-sectoral studies which were then reviewed and amended in a series of consultation meetings involving Government and industry (suppliers and processors), in order to ensure maximum acceptability of the proposed policies. A synthesis of these studies will be presented at a donor forum (1991/92) in order to solicit international support for the development of Ivorian industry.

The approach used in this project has a bearing on rural development in a number of ways:

- (1). By emphasizing the development of industrial sub-sectors which to a large extent process local raw materials (certain pharmaceutical (medicinal herbs), rubber, edible oils and fats, food processing, textiles, wood, coffee and cocoa) rural productive activities are involved in the chosen strategy for industrialization.
- (2). By emphasizing the development of industrial sub-sectors which provide inputs for agricultural and rural development (oil and natural gas, capital goods) rural development can be stimulated.
- (3). By emphasizing the production of consumer goods (textiles, processed foods, pharmaceutical) in particular outside large urban population concentrations, 'rural' small industrial enterprise (SIE) is stimulated.
- (4). The stimulation of Ivorian entrepreneurship implies the stimulation of small and medium sized enterprises which are more footloose and hence encounter fewer difficulties in locating outside metropolitan areas.

The project therefore has a considerable impact on rural development. The sub-sectoral studies refer to this explicitly in relation to the provision of inputs, e.g. the environmental hazards resulting from providing raw materials for the wood processing industry, the need to reorganize coffee and cocoa cultivation, forests as a source for medicinal herbs. Rural markets, apparently, were not specifically discussed, nor was the need to create a rural enabling environment. Consideration of these issues would have increased the rural impact even further. The approach adopted in the projects resulted in priorities for sectoral (functional) rather than geographic (spatial) linkages.

A more limited approach as exemplified in institution building and direct support, however, can also be of considerable relevance for rural development as can be seen from a series of UNIDO projects which have been implemented (or are still ongoing) in a number of African (Guinea, Rwanda and Zambia) and Latin American (Argentina, Panama) countries.

(ii). Rwanda

In Rwanda UNIDO has been involved in the development of industry for more than twenty years. Activities undertaken include the design of small industry profiles, the establishment of an industrial promotion office which was subsequently transformed into a semi autonomous agency for the support of micro (artisan) and small industry in rural areas.

Prior to 1988 this did not contribute significantly to rural development; high levels of subsistence agriculture supposedly prevented the development of agricultural processing and rural non-farm activities. The subsequently adopted approach aims at maximum accessibility and representation of interested parties (women's groups, village committees, banks) in the supervisory board (participation) and specific agreements with many municipalities. Also the emphasis on agro industry (and the production of marketable surpluses) indicates a greater involvement with rural development.

In this particular case the long-standing involvement of UNIDO in Rwandan institution building (with connotations of policy formulation support and direct assistance) has led to a good rapport between host country and agency; this in itself contributes to an environment favouring development.

(iii). Guinea

In Guinea UNIDO provided assistance in redirecting industrial development policies in order to strengthen the efforts by the host country Government to restructure and privatise the economy by stimulating indigenous SMEs in all four regions of the country. This involved identifying and assisting entrepreneurs (training, extension via a network of local consultants and credit). The project can be considered as institution building with important direct assistance connotations.

From a rural development point of view the following results seem particularly important:

- (1). Only a small number of SMEs identified and assisted are located in the capital city of Conakry.
- (2). Many of the SMEs identified and assisted have important bearings on rural development, in the sense that they are involved in agriculture related activities (egg batteries, poultry feedstuffs etc.), the processing of agricultural output (e.g. wood processing, rice decortication and peanut processing), the provision of essential services in rural areas (such as vehicle and tyre maintenance, iron) and the bringing of consumer goods nearer to the rural consumers (household utensils and clothing).

(iv). Argentina

The example drawn from Argentina involves institution building at the provincial level. At the initiative of a number of organised SMEs producing agricultural implements, equipment and machinery effective pressure was brought to bear on the provincial government to provide assistance to the firms for this purpose. Provincial pressure on the national authorities in turn led to technical assistance being provided by UNIDO through a special provincial department for SME support which provided services for quality control and testing, technical assistance for certain processes (foundry, welding etc.), specific information and design services (for the latter activity frequent use was made of short term consultants from Argentina and elsewhere). By establishing a number of sub-regional support centres outreach and delivery were improved and an important step was taken towards stimulating a balanced provincial development based on the inter-linkage between agriculture and industry.

The positive impact of the project on the rural development of Santa Fe Province seems assured. It should be noted that the initiative was taken from the bottom up and by an organised target group with strong attachments to the rural sector of the province (cash crops and cattle), who themselves were not directly involved in rural productive activities.

(v). Zambia

The small fruit processing plant built in Zambia is one of a number of small regional African projects executed by UNIDO. The objective of this project was to promote the engagement of rural women in small-scale juice production activities based on locally available surplus fruits. Activities included the determination of the technical and financial parameters and the building and monitoring of a pilot plant. Sustainability was sought by training local technicians belonging to a national institution (Village Industries Service or VIS) involved in small enterprise and support to women. The pilot plant is now operational and has been well received by the women involved (they have contributed ideas of their own on taking out a loan for a roof to the plant building, on growing their own fruit etc.) and has aroused interest for replication in other communities.

(vi). Panama

The modular bridge project in Panama is based on an approach first developed by UNIDO in Kenya. This low cost system of wooden modular bridge construction has since been applied with maximum adaptation to local resources and requirements in various African, Asian and Latin American countries.

As a follow up to two WFP projects UNIDO was requested by the Panamanian authorities to devise a more systematic approach to rural bridge building. The objective of the project is to integrate the rural poor in the national development process via improved infrastructural accessibility; by building modular bridges in rural areas, the establishment of a workshop for the building of the bridge components and the training of local officials to continue after the expatriate experts have left.

The pillars of the bridges were built by local villagers who were paid out of WFP funds for this ("Food for Work") via the Ministry of Agricultural Development. Other local institutions provided the required timber and were involved in the locating of the bridges. In 1990 alone 6 bridges were built creating access for 12 000 people in rural areas. The project has been terminated in early 1991, leaving local staff to continue the bridge building on their own.

Follow up by UNIDO has shown that the modular bridge concept has been applied in rural areas of a number of developing countries, often quite successfully. Success would appear to depend to a large degree on the effectiveness of the cooperation of the local counterpart institutions.

(b). Industrial promotion (system of consultations, transfer of technology and industrial investment programme);

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The relevance of the system of consultations for rural development depends on the topic of the consultation. The two consultation meetings held in 1986 clearly illustrate this point; on the one hand the fourth consultation on the iron and steel industry appears to have neglected rural development and on the other the third on agricultural machinery was centred on rural development by emphasizing strategies for an integrated development of agriculture with the local production of irrigation hardware and other agricultural equipment by small- and medium-scale manufacturers. Similarly, in 1987 the relevance for rural development of the meetings varied considerably: the meetings on fisheries (co-sponsored by FAO) and pharmaceutical (herbal medicines and drugs derived from medicinal plants and co-sponsored by WHO) were in marked contrast to those on the training of industrial manpower (co-sponsored by ILO) and non-ferrous metals. In 1988 both consultations, on food processing and phosphates respectively, were important for rural development as were three of the four held in 1989 (food processing, small- and medium-scale enterprise and rural transport equipment, as opposed to electronics). A number of follow-up

activities such as the UNIDO Leather and Leather Products Industry Panel testify to the potential important role the system of consultations can have in enhancing rural development.

Similar observations can be made for UNIDO activities in the field of technology development and transfer. Among the more important issues in terms of rural development which have been tackled by UNIDO we can mention renewable sources of energy, technology for rural and small industries and efforts to promote the exchange of information (e.g. Industrial and Technological Information Bank or INTIB.)

The industrial investment programme (IPS or Investment Promotion Service) assists developing countries to expand their industrial output through international business cooperation by bringing together investment projects and sponsors in developing countries and technical and financial partners from elsewhere. In this UNIDO cooperates with other institutions such as the World Bank, the Centre for Industrial Development of the European Communities and the Commonwealth Development Corporation. Many of these projects have important rural connotations.

- (c). Special themes (Industrial Development Decade for Africa, assistance to least developed countries, industrial cooperation among developing countries, women and industrial development, cooperation with private industry and NGOs);
-

The Industrial Development Decade for Africa (IDDA) emphasizes the establishment of pilot and demonstration plants, the accelerated development of human resources and institutional infrastructure for industrial development; these are supplemented with advisory services relating to issues such as project identification and formulation, assessment of industrial policies, strategies, plans and institutions. The importance of IDDA activities for rural development depends on the industrial sub-sector involved. The same holds for Assistance to the Least Developed Countries and Industrial Cooperation Among Developing Countries. Important activities relating to women and industrial development include training courses for women entrepreneurs, mainly in Sub Sahara African countries.

This brief review of UNIDO activities indicates that by and large:

- (1). The significance of the activities of UNIDO for rural development depends on the industrial sub-sector involved. Although almost all industrial sub-sectors have some significance in this respect, major contributions concern activities relating to:

- the provision of consumer goods, utensils and building materials to the rural masses;
- the provision of inputs for physical and social infrastructure;
- the provision of agricultural inputs;
- the processing of agricultural produce.

These activities can refer to strategies, operational activities, research, promotion or any other area of attention.

- (2). The effectiveness of the activities of UNIDO in the field of rural development is determined by the degree in which they can link up with the activities of other agencies (non-industrial activities).
- (3). The degree of outreach and delivery of UNIDO activities achieved in rural areas is determined by the availability of physical (utilities, transport and communications etc.) and social (nutrition, medical care, education) infrastructure.

3. INTER-AGENCY CO-OPERATION

3.1. INDUSTRY AND RURAL DEVELOPMENT: LESSONS LEARNED

The review of UNIDO activities and their significance for rural development form a useful point of entry for the analysis of inter-agency co-operation. For that reason some of the major findings of Chapter 2 are summarized here. The review of rural development suggested that:

- (1). Rural development is multi-faceted; the various elements involved cannot be covered adequately by one institution alone, be it local or international;
- (2). Because various institutions are involved in rural development some form of coordination will be inevitable in order to accomplish optimal effectiveness of available means;
- (3). Industry has an important role in rural development; it provides consumer goods, utensils and building materials to the rural masses; it supplies inputs for physical and social infrastructure; it produces inputs for agriculture and it processes agricultural produce. Furthermore, small enterprise in particular can be located in rural centres and small market towns (RSIE).
- (4). UNIDO is the central UN agency involved responsible for industrial development; the effectiveness of UNIDO activities in rural development is determined by the degree in which they can link up with the activities of other agencies. This in turn depends on the measure of availability of physical (utilities, transport and communications etc.) and social (nutrition, medical care, education) infrastructure in rural areas.

The review of UNIDO activities furthermore suggested that:

- (5). The involvement of UN agencies in policy formulation, e.g. for rural development, has certain specific advantages (vis a vis bilateral support) because it is more neutral (UN agencies follow specific mandates given by the member states who are also the direct counterparts to development co-operation activities) and allows the participation of external advisory staff from different countries, thus allowing possible national idiosyncrasies to cancel each other out.

- (6). Inter-agency cooperation at project level stands a good chance of success if one of the partners has final responsibility and the responsibility of the others is limited to specific activities, rather than the participating agencies share overall responsibility. On the other hand, in certain Consultations overall responsibility was shared and not necessarily unsuccessfully.
- (7). The series of UNIDO executed projects in Côte d'Ivoire, Rwanda and Guinea fit into a pattern of assistance for national economic restructuring with emphasis on industrialization, which becomes necessary as the result of economic crises (Côte d'Ivoire) and/or a shift in economic policies (Guinea) or as the beginning of a development policy. It is at such moments of structural change that opportunities exist to bring the various facets of (rural) development into play, which at this level would be well served by some form of country coordination or programming of agency support.
- (8). In the reviewed cases of policy formulation and institution building the rural connection possibly could have been intensified. That this did not occur can be ascribed to a purely sectoral interpretation of the role of UNIDO and, in the cases reviewed at least, to the virtually negligible co-operation with other UN agencies at project level. It would appear that projects funded from UNDP country programmes (IPF) do not make optimal use of existing inter-linkage potential thus limiting the overall development impact of these programmes.
- (9). On the other hand, even a purely sectoral approach to industrial development can have important rural connotations. Industrial processing of agricultural produce requires the latter to meet certain requirements of quality and size which in turn are not without influence on agricultural production and rural development. Introducing or improving agricultural tools, equipment and machinery to improve agriculture will require industrial maintenance and repair services, if not actually industrial production. Inputs for improving rural settlements and infrastructure, at least in part, will have to be produced industrially.

- (10). The measure in which rural development is considered in the design of a project (formulation and assessment) often can be the result of the way in which the project was identified in the first place. Thus, in Argentina the need for technical assistance to improve design and quality of agricultural machinery and equipment was expressed by the industrial producers rather than by rural users; and in Côte d'Ivoire the driving force behind the need for a new industrial policy was the Ministry of Industry and not the Ministry of Rural Development. On the other hand, in Zambia the project design identified the target group to benefit from fruit processing unit as women in rural areas and in Panama the development objective of the modular bridge project was to integrate isolated rural population groups into the national economy.
- (11). Projects in due course can change their focus to a more rural approach. Thus, in Rwanda from 1988 onwards rural industry became the focal point of the project and in Argentina where a number of technological sub-centres were established in some of the smaller cities of Santa Fe Province.
- (12). In most cases attention for rural development was the result either of an identification with rural connotations or of adjustments to the projects as the result of a tripartite review or an in-depth evaluation. It should be remembered that by and large requests by host country governments for assistance for rural development are relatively less frequent than requests in other fields.

3.2. SOME GENERAL OBSERVATIONS

Coordination refers to the process of bringing parts or activities into a proper relation; in other words an arrangement of parts in such a way that they fulfil their role effectively. In order that the parts will perform their expected role, there must first be agreement among all concerned on what the essence of each of these parts is and on the basic criteria for their inclusion.

If policies, objectives, inputs and activities of all parties involved in a specific field of development could be dovetailed harmoniously, then, in theory, nothing could go wrong. In other words, coordination of efforts would appear to form the ideal approach to development assistance.

However, getting the various parties to work together looks easier on paper than it has proved to be in practice. Insufficient funding, knowledge and political will inter alia have turned development into a slower process

than its many protagonists could wish for. Such shortages only strengthen the case for coordination. The pooling of resources, knowledge, information and experiences will only contribute to their effectiveness. Whenever this is not done the suspicion arises that it is the lack of (political) will and/or differing views which stand in the way of coordination.

However, while there would appear to be broad agreement on the general advantages of coordination, the question to what purpose coordination should be stimulated not only tends to remain unanswered, it often even fails to be raised. As a result only a large amount of lip service is paid to the need for coordination; in practice considerable reluctance is maintained when it comes to the 'nitty-gritty' of coordinating development efforts.

This apparent paradox has not gone unnoticed and many explanations have been put forward, e.g.:

- (a). Coordination would only result in more rather than in less bureaucratic procedures;
- (b). Everyone is used to his own way of doing things and hence is reluctant to introduce changes;
- (c). The impression is widely felt that it is 'the others' who do not wish to coordinate or that one party wishes to dominate the scene;
- (d). Similarly, everybody wants to coordinate, but nobody wishes to be coordinated.

In order to avoid coordination becoming cumbersome, it should 'come naturally from below' rather than be organized in excessive detail, by headquarters 'from above'. In other words, coordination would appear to make more sense if the need for it is felt and expressed where development efforts are put into practice, in the field.

The desirability for coordination in the field often results from existing differences in conceptions, terminology and approaches. A first step towards coordination, therefore, should consist of harmonizing approaches, preferably for a specific area or issue (e.g. rural development); this, in turn, then could be seen as a prerequisite for the further coordination of activities. Such a step should only be taken if careful consideration shows it to be potentially beneficial for the effectiveness of supporting development. As a first move in this direction the harmonization should be emphasized of the basic principles that govern policies and certain basic policy parameters, institution-building and conditions for project formulation.

Coordinating policies of donors and international agencies at field and at headquarters levels can contribute to a more uniform approach to external assistance and can increase the possibilities of effective acceptance of outside intervention in recipient countries.

It is now more or less generally accepted (cf. RSIE study) that an enabling environment is a more effective stimulus for development than all types of institutional support put together (this does not imply that institutional support should be abandoned!).

Although past experience is beginning to tell us what does not work (e.g. much but not all supply-side intervention), there still is little systematic knowledge concerning what 'always' works (common sense arguments such as 'getting bureaucrats off the backs of target groups' etc.) and what interventions are only successful in certain countries or regions or at certain levels of development and in certain socio-economic environments.

Attempts at ex ante coordination, as a result, must be considered highly speculative. On the other hand, if practical experiences in the field indicate the desirability of coordinating efforts, this should be stimulated.

As a first and realistic step in this process attempts could be made to formulate priorities on a country-by-country basis for the further harmonization of approaches to specific development efforts.

Developing countries increasingly get confused not only by differences in donor perceptions of macro policies and time horizons and, but also by the often considerable procedural differences between providers of external assistance with regard to project identification, formulation, assessment, implementation, evaluation and follow-up.

The implementation of approved projects is governed by the scope of the approbation decisions. If only for budgetary reasons, this often does not allow for any substantial changes even if this would result in significantly increased coordination and effectiveness. In other words once a programme or project that has been elaborated in full detail has reached the implementation stage, there is little scope for changes such as might be required to enhance coordination with others who are active in the same field, except for those aspects defined or covered in the programme (project). This implies that coordination incentives should be incorporated in the project design. Budgetary and other pressures will lead to any subsequent adjustments in this respect as being regarded excessively time consuming.

The working links between professional specialists involved in a technical and/or an advisory capacity in development policies and the need felt by development practitioners in the field to harmonize their activities and their approaches constitute two important incentives for more formal coordination. Such formalization procedures should mark the outcome of a process and be limited to areas (or parts of areas) where it can be both useful and necessary. Ex-ante and enforced coordination for reasons of principle and from the top as a first step is doomed often to failure from the start.

There is an apparent paradox between the often expressed priority for coordination and its low occurrence in practice. The absence of practical coordination is often held responsible for the disappointing results achieved by external intervention in developing countries. Efforts to coordinate will remain counter-productive if they are not rooted in a growing harmonization and consensus regarding the issues and topics at stake and in practical working arrangements in the field.

To sum up:

- (1). Coordination considered as the pooling of scarce resources, such as financial means, skills, knowledge, experience and information, has a development enhancing potential.
- (2). In order to avoid an all-inclusive, excessive and cumbersome bureaucratic confusion, coordination should be limited to areas which are close to the fore as needs felt in the field or identified by experienced professionals. Subsequently, coordination in the identified areas can be assessed and approved by the Head Quarters involved.

3.3. INTER-AGENCY COOPERATION AND RURAL DEVELOPMENT

Inter-agency co-operation in order to be effective must be pursued simultaneously between host country and locally involved agencies as well as between these agencies themselves. For both co-operation activities the UNDP Resident Representative is responsible in principle. Furthermore, ideally, programmes and individual projects should be incorporated in a host country policy framework and a derived UNDP country programme.

Attempts at inter-agency co-operation for rural development are beset by many difficulties, such as the following:

- (a). The agencies making up the UN family to a certain extent have non-compatible mandates which vary from the basically sectoral ones of FAO (agriculture) and UNIDO (industry) to the more general ones of

ILO (labour). Memoranda of Understanding and Agreements such as those between ILO and UNIDO and between FAO and UNIDO, while providing a framework for co-operation and demarkation of responsibilities, cannot be expected to cover all possible ways in which the agencies can co-operate or come into conflict.

- (b). Several agencies in due course have staked a claim in rural development as their particular domain. In actual practice, however, similar projects can be and are executed by different agencies, not necessarily in different countries.
- (c). Any attempt to change existing practice, which in itself does not necessarily have to influence development negatively, will not only encounter considerable difficulties, but may even turn out to be counterproductive; simply because it imposes coordination where it is not wanted by the agencies involved.
- (d). Further problems may arise from personality clashes, for which, unfortunately, there would appear to be no institutional remedy.

Nevertheless, from a coordination point of view, the overall picture would not appear to be entirely negative in view of the feasibility of at least partial solutions, such as:

- (1). The appointment by mutual agreement between host country and international agencies of a 'lead institution' for the design and implementation of a programme or a project to which others will then contribute according to the criteria worked out by the lead institution. Such a lead agency could be one which has had considerable experience in the country and subject matter concerned.
- (2). Development of a consensus between the host country and involved donors and agencies on the priority of the issues that need to be addressed, combined with a firm commitment to provide the necessary technical and financial support (cf. the Guinea project package described above).
- (3). Agreement on a series of linked projects in a country with agencies sharing project responsibility in some cases and going it alone in others, while maintaining active working contacts with the others. This could be the result of effective country programming.

However, country programming and coordination by and large have not yet amounted to workable solutions as far as UN agencies are concerned, although they could lead the way

in this respect. Field representatives of agencies could consider taking the initiative in restoring the effective coordinating role of UNDP to some measure of substance; if only by agreeing (both with the host country and among each other!) on standard formats for items such as project documents, monitoring procedures and evaluation reports. Every effort should be made to relieve the aid administration of recipient countries of overloading by entirely unnecessary agency idiosyncrasies. Effective inter-agency coordination in this respect could in turn stimulate bilateral donors (where it would appear that such coordination is far less in evidence) to follow suit.

A distinction should be drawn between a number of types of inter-agency co-operation:

- projects executed by one (lead) agency which is entrusted with the main responsibility for managing and implementing the project together with one or more associated agencies (implementation sharer);
- projects managed and executed by a number of agencies which may have been grouped together by UNDP for administrative purposes (with one agency even nominated as lead agency);
- inter-agency projects with shared responsibilities for management and execution.

Several rural development activities designed and executed by different agencies, financed by UNDP and operating in the same rural area are often treated as separate projects (as opposed to non-related projects which are occasionally bunched together under one 'umbrella' project), because in the strictest sense of the word they each address different sub-sectors. In such a situation the case is strong for some kind of co-operation, beginning with informal exchange of information and experiences; if only to arrive at a consistent set of recommendations for the host country policy on rural development. Here field level experiences can pave the way for improved communication at headquarters levels. If, as a next step, (rural) area based coordination were to ensue this might eliminate the competitive environment surrounding UNDP funding which is not beneficial for the agencies in the long run, and for the host countries not even in the short run!

The line of thought developed here leads to the conclusion that in particular where territory and people - as is the case in rural development- are taken as the starting point for development activities, sector based agencies should cooperate by pooling their knowledge, information and experiences:

- (a). informally as a beginning and for mutual benefit (if desirable such informal beginnings may subsequently be formalised);
- (b). operationally to avoid host country confusion; and
- (c). financially to avoid unnecessary inter-agency competition;

Stages (b) and (c) will require approval from the various headquarters. In this the ACC Task Force can have a decisive preparatory and monitoring role.

This argument has been limited on purpose to what UN agencies could do to improve the effectiveness of their rural development efforts by pooling their resources and ideas. This argument should not be considered as being applicable to the family of UN agencies alone. Country programming which has been suggested here ideally should involve host country institutions, agencies, donors and NGOs/PVOs. The potential of this type of coordination is apparent, between agencies (UNIDO and WFP in Panama) and between agencies and donors (trust funds and multi-bi arrangements). If the result is that the number of agencies and institutions involved becomes too large for effective coordination, looser arrangements should be sought which allow participating contributors a certain leeway within a more global framework.

3.4. THE ROLE AND POTENTIAL OF UNIDO IN INTER-AGENCY COOPERATION FOR RURAL DEVELOPMENT.

Focusing on rural industry from a rural development point of view will require a more territorial approach by putting industry in a regional framework and by reviewing interactions between industry and other sectors in such a regional context. However, the significance of certain non-rural activities (urban, national international) must be kept in mind continuously.

The potential authority of UNIDO as far as rural development is concerned should be derived from the general internal strength of the agency. As a result of its mandate UNIDO can count on a range of specialized service functions under one roof which, when well coordinated, can tackle industrial problems holistically and can provide a full range of 'in house' industrial development services. In common with other UN agencies, the composition of UNIDO staff ranges over a broad spectrum of nationalities, cultures and backgrounds. This permits assistance to developing countries (who under the UNIDO charter as members of the Governing Board are also 'share holders' of

UNIDO) to be more neutral and objective with less strings attached or axes to grind than is often the case with bilateral assistance or private investment. However, these UN strengths also imply that UNIDO has its share of the bureaucratic weaknesses that characterize many international agencies.

In brief, UNIDO has an unparalleled authority when it comes to industrial development, with a considerable potential for strong and important linkages with rural development. However, the effectiveness of UNIDO activities for rural development is determined by the degree in which they can link up with the activities of other agencies. This in turn depends on the availability of physical and social infrastructure in rural areas. Where acute insufficiencies in this respect are apparent UNIDO can provide industrial solutions.

In brief:

- (1). The strengths of UNIDO as a specialized agency; and
- (2). The dependence of the effectiveness of industrial activities for rural development on the possibility to link up with projects and activities which tend to be the responsibility of other agencies,

form good points of entry for UNIDO into inter-agency cooperation for rural development. At the same time, whenever rural industrialization projects or programmes are identified, UNIDO would appear to be well qualified to take on the role of leading agency within a framework of inter-agency co-operation for rural development.

4. CONCLUSIONS AND RECOMMENDATIONS: SOME TENTATIVE SUGGESTIONS FOR ACTION.

The previous three chapters have focused on the significance of rural development, the role of UNIDO in rural development, the advantages and limitations of development coordination, inter-agency cooperation and the role of UNIDO in inter-agency coordination.

The thrust of the analysis in these chapters was that because of the various and distinctive issues and fields involved in rural development some form of coordination, if only to pool scarce resources (financial and others) should be beneficial to the process of rural development. Industry is one of the key players in the process of rural development because of its strong and important linkages to activities in rural areas and the importance of Rural Small Industrial Enterprise (RSIE) for rural development. The realisation of this potential depends to a considerable degree on the existence of activities to link

up to. At this point, rather than each agency going it alone, inter-agency coordination takes on a special significance. Such coordination should first and foremost be desirable from the field point of view; it should preferably not be all-inclusive; but rather, depending on location-specific requirements, should cover only those elements considered necessary by the agencies involved and without imposing a stringent framework of responsibility demarkations. It should be incorporated in the country programming and coordination activities which are the responsibility of the local UNDP Office and as such reflect the priorities of the host country government. In the last resort, if a developing country gives low priority to rural development, no inter-agency cooperation will change this and attempt at furthering inter-agency cooperation for rural development in such circumstances will only enhance superfluous bureaucracy.

Against the framework of this general conclusion a few tentative suggestions have been formulated for further consideration:

1. Programme and project assistance for rural development (ideally) should be imbedded in a policy framework ensuring effective outreach. Where no overall policy framework exists (yet), agencies could anticipate by coordinating on a policy issue basis and by involving host country representatives in this process in an early stage and as much as possible.
2. Research priorities in the field of rural development (according to each issue, topic, region, country) need to be determined, if only to coordinate efforts and to avoid unnecessary duplications. This should begin with a more systematic exchange of information, via:
 - the sharing of existing information and documentation relevant for professionals (practitioners, government officials, researchers) concerned with rural development;
 - the organization of periodic exchanges of views and information through small specialist workshops, conferences and the publication of a newsletter or journal;
 - the sponsoring of research according to the requirements of rural development (and the perceptions of participating governments and agencies); here, in particular, emphasis should be on the establishment of an agenda of issues with which host countries, donors and agencies are confronted and where confusion and lack of knowledge hinder effective rural development. Examples of such issues could include inter alia:

- the impact of economic crisis and structural adjustment on rural development (is this a good opportunity to further the development of small scale activities in rural areas or should what intervention there is be limited to ensure survival?).
- venture capital for the development of rural small enterprise;
- debt conversion for financing rural credit revolving funds;
- ways and means to increase the involvement of target groups in project identification;etc.
- the sponsoring and/or organizing of local seminars to further the exchange of information and views among locally active and engaged professionals in rural development in order to achieve a higher degree of local harmonization.

3. Most recipient countries are not in an effective position to coordinate incoming flows of external assistance. Hence, by default, donor and agency coordination tend to become an initiative of the agencies themselves.(This may endanger its acceptability by host countries). The role of donors and agencies should, instead, be restricted to enhancing the national capability to coordinate incoming assistance.
4. Where any arrangements for coordination exist these should be carefully screened for their consequences and effectiveness. If the outcome of such a review is positive they should be expanded discretely rather than supplanted by new approaches. Attempts should be made to harmonize the basic principles governing the policies of donors and international agencies in the field of rural development and to increase the involvement of recipient countries in such arrangements.

APPENDIX

SOME NOTES ON SOURCES USED

Chapter 2 Industry and rural development

The distinction between space/territory and sector/function owes much to the approach formulated by John Friedmann and Clyde Weaver (Territory and Function, London 1979). The determining role of the demand-side approach, to my knowledge, was first highlighted by Norcliffe, Freeman and Miles : 'Rural Industrialisation in Kenya, published by ILO in 1984 (Chuta and Sethuraman [eds.] Rural Small Scale Industries in Africa and Asia, but circulated for some time previously as a WFP paper. This approach has since been propagated by various studies from Michigan State University (Liedholm, Haggblade, Mead et al.), the UNDP/Neth./ILO/UNIDO thematic evaluation: Rural Small Industrial Enterprise, Lessons of Experience, Vienna 1988 and a conference in the Netherlands (A.Gosses et al [eds.]; Small Enterprises New Approaches, The Hague 1989) This chapter has benefitted from these studies in some of which the consultant was actively engaged. The information on UNIDO and other ACC Task Force Members was obtained from UNIDO and Task Force documentation as well as from conversations with UNIDO staff members.

Chapter 3 Inter-agency co-operation

The argument draws heavily on a paper by Roger Teszler and Theo Kolstee (Working Together for Small Enterprise Development, in 'Small Enterprise Development', Vol. I no.4, December 1990)