

## DISCUSSION PAPER No. 221

# Aligning Agricultural and Rural Development and Trade policies TO IMPROVE SUSTAINABLE DEVELOPMENT IMPACT

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### SUMMARY

Development partners are making efforts to strengthen coherence between their Trade and Agricultural and Rural Development (ARD) policies and interventions. This is key to enhance synergies for sustainable development, or at the very least to avoid one policy undermining the developmental effects of the other. It requires enhanced dialogue and cooperation between trade and ARD communities. This exploratory study seeks to analyse the ongoing debate and cooperation between ARD and trade, and aid for trade departments.

The study highlights various areas of contention between the ARD and Trade work streams of development partners. The ARD and Trade community tend to agree on general objectives like food security and employment creation, but disagree on the way to achieve them. This disagreement produces an ongoing debate: which trade is good for development and which is not? Under which conditions investment can have a positive impact? Even if some convergence is taking place, ARD for long focused mostly on the production and productivity side, while the trade community prioritised (external) markets and took the production side for granted.

Based on this analysis, the paper provides suggestions for a more effective dialogue and cooperation. It promotes a practical approach, zooming in on the ARD and Trade nexus at the national, the inter-country and regional level. It helps putting into context different views and arguments, bringing together relevant actors. Once an overall objective is agreed, disputes over the different effects and expected outcomes of certain measures, regulations and agreements can be settled on the basis of concrete evidence.

Only by moving away from a confrontational model, a we/they thinking, towards a true, pragmatic and concrete partnership between ARD and Trade communities, will we be more effective in reaching the Sustainable Development Goals.



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## Acronyms

ARD	Agricultural and Rural Development
COMESA	Common Market for Eastern and Southern Africa
CAP	Common Agricultural Policy
CSR	Corporate Social Responsibility
DFID	Department for International Development
ECOWAS	Economic Community of West African States
ECDPM	European Centre for Development Policy Management
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FGG	Fair, Green and Global Alliance
FTA	Free Trade Agreement
GDPRD	Global Donor Platform for Rural Development
ICAI	Independent Commission for Aid Impact
ICTSD	International Centre for Trade and Sustainable Development
IFPRI	International Food Policy Research Institute
IPR	Intellectual Property Rights
M&E	Monitoring and evaluation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCSD	Policy Coherence for Sustainable Development
SADC	Southern African Development Community
SDG	Sustainable Development Goal
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary Measures
TMSA	Trade Mark Southern Africa
TRIPs	Trade-Related Aspects of Intellectual <i>Property Rights</i>
PCSD	Policy Coherence for Sustainable Development
UN	United Nations
WEF	World Economic Forum
WTO	World Trade Organisation

## 1. Introduction

The rationale behind policy coherence for sustainable development (PCSD) is to align different types of policies in order for them to produce synergies for sustainable development, or at the very least to avoid one policy undermining the developmental effects of another. In this context, efforts are undertaken to strengthen the inclusion of trade issues into Agricultural and Rural Development (ARD) programming and vice versa. Harmonising Trade and ARD policies and their implementation is about rendering them both more effective in achieving development objectives.

This effort has gained even more importance since the signing of the 2030 UN Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). It has not only committed its signatories to enhance policy coherence for sustainable development (PCSD: SDG 17.14), it has also called for an integrated approach to other global goals, such as Goal 2 (End hunger, achieve food security and improved nutrition, and promote sustainable agriculture), committing not only to doubling agricultural productivity and incomes for small-scale food producers and, amongst other things, their secure and equal access to land, markets and agricultural services (2.3.) but also to ensuring access to and fair and equitable sharing of benefits arising from the utilisation of genetic resources and associated traditional knowledge as internationally agreed (2.5.). Or with regard to Goal 9 (Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation), that asks for developing quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being for example, with a focus on affordable and equitable access for all (9.1.).

These examples illustrate that ARD and Trade-related objectives coincide and their issues overlap where the implementation of the UN Global Development Agenda 2030 is concerned. Therefore, aligning and synergising Trade and ARD policies is not a matter of choice, it is essential to the success of the Global Development Agenda.

The aim of this paper is to inform efforts to improve cooperation between trade and ARD communities. To do so, this brief exploratory study seeks to characterise the ongoing debate between ARD and International Trade departments of donor countries. It reviews what is going on right now in some donor agencies and international organisations with regard to aligning ARD and Trade efforts. It does so by reviewing relevant documents related to the ongoing debate on complementarity and conflict in Trade and ARD approaches, instruments, programmes, initiatives and policies, with particular reference to the past five years, and of conducting a limited number of interviews with key informants active at the interface of both policy areas. As a consequence, the impression presented in this paper is neither exhaustive nor conclusive. It is meant to illustrate the wide, ongoing debate and provides some pointers on how to proceed to render the ARD-Trade dialogue more effective.

The paper is structured as follows. In Chapter 2 we present the issues and dilemmas emerging from the debates at the interface of Trade and ARD policy and practice, clustered around six main axes. After briefly characterising each axis, illustrative elements of the ongoing debate are presented as well as some of the evidence used to argue the case. Next, in Chapter 3 we look for pointers that can tell us how to render the dialogue more effective. We review spaces where ARD and Trade agencies actually meet and the added value of cooperation is greatest. We also identify issues that seem most promising in enabling ARD-Trade dialogue to achieve fruitful results. In Chapter 4 we derive some suggestions for possible implications for donors in their work to enhance complementarity.

## 2. Issues emerging at the ARD-Trade interface

### 2.1. Diverse and at times confusing, policy narratives

**ARD**<sup>1</sup> focuses on ensuring concrete development results for the rural poor by supporting the local economy towards self-sufficiency, food and nutrition security and sustainable livelihoods.

**Trade**<sup>2</sup> is about enabling efficient farmers and rural entrepreneurs to enter competitive markets.

#### Issues and dilemmas emerging

ARD departments generally understand 'development' as a process towards creating sustainable livelihoods for the poor and most vulnerable in developing societies. As a result, they see food security and security of food supplies (national, regional; quantity and quality), if not food self-sufficiency, as the main objectives for ARD in developing countries. Fully opening markets is seen as problematic, since protection might be necessary to enable subsistence farmers and small and medium size rural entrepreneurs to build their capacities, grow the economy from within, and seize the opportunities of growing internal markets. At the same time, many African governments favour import duties as means of financing their budgets. Evidence, from for example International Food Policy Research Institute (IFPRI), indicates that Africa was self-sufficient in food supplies when these were common practices before 2000. However, during the last decades of the 20<sup>th</sup> century, structural adjustment and lack of priority to agriculture by national governments and donors pushed agriculture off the development agenda. Only since 2008, agriculture has been put back on the development agenda (WB, World Development Report, 2008). Yet agricultural and rural development promoters continued to underrate the importance of markets and trade for development, focusing mostly on agricultural production, its management and organisation.

Trade tends to understand 'development' more as a process of economic growth, boosting the country's GDP and overall wealth, which ultimately will benefit the poor and vulnerable through the trickle-down effect. Within this framework, the free trade approach grew very strong, arguing that protection, subsidies, tariffs on trade and excessive grace periods tend to create economic inefficiencies and limit access to foreign markets for producers from weaker economies. Its promoters argued against using agriculture as a social protection system or to ensure food self-sufficiency, but rather for seeing export of agricultural commodities as an important opportunity for developing countries. Inefficient farmers and entrepreneurs should leave the market, whether you're big or small is no matter of concern; but lowering the costs of production and consumer prices is. And, not to forget, industrialised countries have an interest in continuing to provide developing countries with their exported food products. Increased global trade and the economic benefits towards developing countries generated by for example, EU Trade Regimes are used as evidence to argue the case; most of its growth in imports originating from East Asia and the Pacific and South Asia, much less from Sub-Saharan Africa (EC, 2015). Aid for Trade<sup>3</sup> also grew, with Africa topping the list of receiving continents since 2003 (Carana, 2014); most efforts, some will argue, related to connecting Africa's extractive industry to the world.

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<sup>1</sup> As we are exploring the debate at the interface between Trade and ARD departments/agencies, in these short characterisations, 'ARD' is used as shorthand for ARD departments/agencies, their general policy, approach and practice.

<sup>2</sup> In line with the above, 'Trade' is used as shorthand for Trade departments/agencies, their general policy, approach and practice.

<sup>3</sup> Aid for Trade is part of the Official Development Assistance (ODA) – grants and concessional loans – and is related to improving countries' capacity to trade. Six Aid for Trade categories have been defined: (1) trade policy and regulation; (2) trade development; (3) trade-related infrastructure; (4) building productive capacity; (5) trade-related adjustment; and (6) other trade-related needs.

Crudely put, one could say that ARD donors continuously took the market for granted while aid for trade providers have continued to take production for granted. In recent years, this has been changing. ARD donors have started to invest in agricultural value chains, processing and marketing of products as well as public goods and services relevant to creating an enabling environment for farmers and agriculture-related entrepreneurs. Also Aid for Trade, besides adjustment, now focuses on infrastructure and productive development as well. As a result, questions are now raised about what sort of smart subsidies/support to agriculture and rural development may make sense to support economic as well as social and environmental development objectives without creating inefficiencies. The general argument being that trade facilitation in the absence of complementary policies to support production and processing will likely result in higher import growth than export growth. Also, organising food production and trade efficiently and effectively is seen more and more as a way to bring the economy and perhaps, society as a whole in developing countries, to a higher level. But dilemmas remain: whilst you make the ports work better, the first thing you promote is the import of, for example, rice. How to ensure facilitating trade does not work against the ambition of domestic development?

Many of these issues surface throughout debates in Europe about 'greening' Pillar I of the Common Agricultural Policy (CAP) and making it work for (local, regional) development (Rural Development, Pillar II). Still, waves of free trade and protectionism continue to show. Industrial policy is very much back on the development agenda. And the current trend among larger developing countries seems to be to provide farm subsidies and increase import substitution, decreasing the opportunities of weaker countries for entering world trade. Also, an often-found contradiction of governments is to say that they want to stimulate agricultural development and protect it even though their constituents include urban consumers and businesses that earn a lot of money from importing cheaper commodities from abroad. As such countries' rural, agricultural, and trade policies are very inconsistent and differ considerably from country to country.

Hence, the crucial role of national governments in the dialogue between ARD and Trade: to what extent do their policies and actions support their own agricultural and rural development? In Africa, for example, more often than not rural areas are not prioritised by governments, little or no budget is (made) available to support public goods and services for agricultural development, and environmental externalities are not regulated in a meaningful way, failing to create a level playing field for rural farmers and entrepreneurs. At the same time rural areas are changing very fast and increasingly linked to urban development, causing rural-urban interaction to increase rapidly, while an increasingly large urban population is choosing to buy imported goods, destroying the nation's capacity to produce and to feed its population.

Similarly, *"questions around sustainable development are often far from the minds of trade negotiators and national policy-makers as they shape regulatory frameworks that affect food and farming. However, rules and policies in areas such as farm subsidies, barriers to markets, or restrictions on farm exports can have a big impact on the livelihoods of small farmers, or on the ability of poor people in both rural and urban areas to produce or to buy the food they need. They can similarly affect the degree to which farmers and other economic actors are incentivised to use land, water and other natural resources in a sustainable way. Governments often have to make difficult decisions about how best to balance conflicting interests between various constituencies, or between competing policy goals"*<sup>4</sup> (ICTSD website).

A final point of interest to the ARD/Trade debate might be how each of them deals with capacity constraints in the agricultural sector. Again, put bluntly, Trade people mostly focus on making the best possible use of

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<sup>4</sup> International Centre for Trade and Sustainable Development (ICTSD) work on agriculture: Promoting food security, equity and environmental sustainability in agricultural trade (from ICTSD website).

existing comparative advantages ('the-capacity-as-it-is'), while ARD people generally work on improving the capacity of smallholders and small entrepreneurs towards what it should be, for them to be able to benefit from new opportunities ('the-capacity-as-it-should-be'). This causes ARD to take a more long-term 'educational' approach to improve the chances of their beneficiaries to create a better life for themselves, while Aid for Trade seems to take a more business-like approach, convinced that those farmers who are not able to take advantage of the dynamics dictated by economic transformation, should move to other parts of the job market.

## 2.2. Diverse objectives, stakeholders and underlying interests

**ARD** is committed to work towards the achievement of long-term development objectives such as the eradication of poverty, hunger and ill health through sustainable and inclusive development.

**Trade** is held accountable for increasing trade *to and from* developing countries. Both import from and export to developing countries is seen as beneficial to global development.

### Issues and dilemmas

ARD aims to create development impact that benefits the poor and vulnerable living in rural areas in developing countries, but also in (more) developed countries since this will result in increasing global stability in the long-term. ARD promoters routinely point at the lack of inclusiveness of Trade policies and programmes; the people that lose out: small family farmers that don't make it, or are marginalised by more efficient farmers who do grasp the opportunities offered by improved technology and increased trade or, farm labourers, often women, who perform underpaid jobs on the plantations of the latter. At the same time, the definition of 'farmers' generally used by ARD is too generic, a basket term. It includes subsistence farmers, many of advanced age, commercial small farmers and often even agricultural entrepreneurs, traders and labourers, generally without gender specification. As a result, the choice of which target groups need to be reached is not clearly made; adding to the confusion about whom is serving whom. Yet, ARD includes even a wider range of stakeholders besides farmers – organisations and institutions from the public sector, private sector and civil society - and all should be involved when designing and implementing agricultural programmes at local and national level. This is often prevented by the use of one-size-fits-all approaches of focusing support on a government-led sector programme and by the dispersed and often isolated nature of rural areas. As a result, including the private sector and civil society in the planning, financing and execution of ARD programmes remains a challenge (GDPRD, 2011).

Trade targets mostly sectors in countries in which as many as possible of the conditions for being competitive in global markets already exist. As a result, they often reach out to economic sectors in the larger, emerging countries, including (almost) well-organised and efficient producers, and where some support may actually lead to sizeable increases in global trade, as well as imports from industrial countries. Paradoxically, these are probably also the countries where most of the world's poor live, although the relation between Aid for Trade and poverty reduction is contested. Negin (2014) states, "the Aid for Trade initiatives described to date are all based on a relatively narrow perception of growth and benefit that emphasises short-term gain. But a wider understanding of Aid for Trade would be one that embraced the long-term realities of development". Also, studies point to the fact that "Aid for Trade is most effective if it is targeted at reducing the cost of trading, for example through investment in infrastructure improving trade facilitation and strengthening value chains. These should be driven and guided by support to the capacity of institutions that devise trade policies and regulations. Experience shows that investment in infrastructure, trade facilitation and the strengthening of value chains is most effective when it is integrated into and driven by a country's broader trade policy and strategy" (ODI, 2012). In other words, the 'low hanging fruits' for Aid for Trade might well be countries where (almost) adequate policies, strategies, and institutions exist and

sectors and value chains have (almost) adequately organised to compete in global markets. For example, the Dutch government list of trade partners counts 40 countries of which only two are in Sub-Saharan Africa (Nigeria, South Africa). Examples of effective Aid-for-Trade for Mexico and Vietnam (WEF, 2016) illustrate the wisdom of such choices, from a Trade perspective.

Where ARD and Trade cooperate at the practical level, for example around a specific value chain where besides a commercial interest (Trade) also a target group is involved that is of interest to ARD (i.e. small-holders, family farmers, or women), the argument is focused on who will benefit and how benefits will be distributed along the value chain, even though not all members of the target group may be incorporated in the value chain. General figures on agricultural transformation in developing countries considered by donors indicate that while perhaps 30% of the farmers may be able to join, take advantage and grow, up to 70% is bound to lose. As a result, if a territorial approach was to be used, alternative development plans or social protection must be developed for the majority. Some go even as far as saying that development agencies should focus on the food and nutrition security of the 70%, and leave the 30% to others.

One issue brought up frequently in the literature refers to the distinct interests underlying Trade and ARD efforts. One way of putting it is that generally, national self-interests are central to Trade efforts while ARD is largely guided by international solidarity (Rijksoverheid\_NL Government, 2013). However, most Trade/ARD policy documents underline how Trade and ARD *both* aim to safeguard a country's self-interest. On the ARD side, national self-interest is then defined more in terms of long-term international solidarity, social and political stability. On the Trade side, national self-interest is seen more in terms of short-term economic gains through increased trade and national business volume. Various authors point out that these two interpretations of self-interest are not necessarily consistent and are often even conflicting (FGG, 2013; GDPRD, 2006; WRR, 2012). And even though these interests can come together, their drivers are intrinsically different and will therefore affect Trade/ARD interaction. A further specification of this debate is that nationally, interests may be much more diverse than this. On the Trade side, the interests of national agricultural producers from industrialised/developing countries might not coincide with those of agro-industries and traders from these same countries, for example with regard to their position vis-à-vis free trade. Just like the interests of consumers and producers in the same country might be quite the opposite. And even this latter distinction may be quite misleading in the case of many developing countries where many consumers are at the same time producers or, reliant on domestic production for their livelihoods. Clearly, an in-depth analysis of the various stakeholder interests at play within a particular context is necessary to settle this argument.

In addition, there is reluctance on the part of national governments to set clear priorities and formulate common objectives between Trade and ARD (GDPRD, 2011). This is seen as problematic because without joint objectives, it is impossible to align policies and strategies, let alone design, coordinate and execute coherent programmes, instruments and initiatives; establish monitoring and evaluation mechanisms and more importantly, to obtain visible results. One argument that emerges frequently is that within ARD it is unclear whether the primary concern is with the farmers, as part of rural and peri-urban societies, or with the future of *farming*, because of its economic, environmental and cultural contribution to rural communities, food and nutrition security and sustainable landscapes. Another is that lack of clear objectives, guidance and direction seems to result in unnecessary fragmentation and redundancies: duplication, overlap of efforts and intra and inter-agency rivalries.

### 2.3. Complexity, permissive policies and competing agendas

**ARD** lacks an agreed policy framework. It is ill defined and so broad that it seems ‘all over the place’.

**Trade** rules, derived from the World Trade Organisation (WTO), regional and bilateral agreements are very complex, spinning a global web of relations that is hard to fully grasp.

#### Issues and dilemmas

The Aid for Trade framework is rather well-defined and Trade itself is generally hosted within one specialised ministry or agency. At the same time, the complexity of trade rules makes it particularly hard to predict, assess or measure their impact on development objectives. Its econometrics requires very specialised knowledge and understanding on the part of analysts that usually, generalist professionals don't possess. ARD on the contrary, is as complex as it is wide, ranging addressing multiple objectives that are not always easily compatible, such as economic growth and export earnings versus poverty, employment, equality, gender fairness, food and nutrition security, environmental conservation and regional equity (GDPRD, 2011). Besides, particularly in developing countries, institutional responsibilities for agriculture, trade and rural development are generally split across several ministries and/or agencies and most likely, the Ministry of Agriculture is just one of these and, not the one with most prestige, power and resources. This may lead to administrative fragmentation and lack of leadership, thus preventing the government from becoming an effective advocate for, and implementer of trade-related agricultural and rural development programmes.

At the same time, different national constituencies (producers, urban consumers, agro-industries, traders, to name a few) may express and advocate very different needs and interests, not necessarily compatible with more long-term development objectives. Lacking central orchestration, national policy-making may then become permissive, leading to ad-hoc decisions and short-term priorities outweighing longer-run considerations. In such a situation, development partners can often not complement this capacity because they often do not have much of a field presence, and most of their staff have been recruited for their professional and technical skills, not their abilities in political and administrative matters (GDPRD, 2011). Also, the permissiveness tends to dilute the process of harmonisation and alignment. GDPRD (2011) signals that “[t]he apparent positive outcome in harmonisation and alignment of policies...[was] heavily qualified by the observation that in many cases the national strategy was so permissive that almost anything a donor proposed could be seen to be aligned.” Consequently, “...in the absence of clear choices and guidance, donor policies and programmes proliferate. Some potentially compete, some duplicate and overlap one another, raising fears of waste on the one hand and lost synergies on the other” (GDPRD, 2011).

While not unique to it, the above is particularly relevant to the ARD/Trade debate. ARD and Trade views and efforts regarding ends and means vary not just because different interests or objectives are involved. They vary also because technical judgments on feasibility, effectiveness, (possible) impact and sustainability of certain interventions often differ greatly. This adds further complexity to the lack of straightforward and explicit common ARD objectives and approaches and prevents a clear policy direction. And it may endanger adequate resources being acquired: “[a] sector that lacks a sharp focus may well lose out when competing for national resources with other areas of public spending that are more clearly defined” (GDPRD, 2011). In other words, due to its lack of focus, national resources for ARD might be leaking away to more clearly defined trade efforts. This might contribute to the impression throughout the development sector that funds are leaking away to the private sector, without enough evidence that this will lead to increasing food security, for example (FGG, 2013). On the other hand, a clear high-level focus doesn't automatically translate in clarity of implementation, as the Independent Commission for Aid Impact

(ICAI) observes: “DFID needs to do more to translate its high-level intentions into sufficiently detailed operational plans and provide clear guidance on when, why and where it will engage with business” (ICAI, 2015).

Another question is where the unknowns and capacity gaps lie. For instance, even though it is understood that the role of the state is about regulation, provision of public goods (such as research and development), and addressing market failures, there is still a lack of consensus about what that means in practice (GDPRD, 2011). Also, while in ARD it has an important role to play for the private sector, its champions are not necessarily willing nor do they have the capacity to effectively deal with the general lack of focus and the complexities involved in their work, in order to ensure their efforts have a positive impact on development. The Organisation for Economic Cooperation and Development (OECD) also underlines that an important constraint is the lack of technical capacity (OECD, 2006).

A final point of discussion related to the fragmentation of the institutional landscape and the overall lack of and/or permissiveness of national policies with regard to ARD, is lack of transparency. As the weighing of possibly conflicting interests isn't done at the policy level, the actual negotiations between widely different interests happen at the more operational level when projects are being executed (GDPRD, 2011). Because of this, the actual negotiations remain out of sight and it is unclear how trade-offs are being agreed upon. Critics feel these negotiations should be done more in public so that it is transparent whose interests are prioritised and whether the more short-term or long-term interests are sought after and why (FGG, 2013). For example, the Dutch government is aware that the underlying interests that guide trade and development differ and may create tensions. Hence, they emphasise that different interests will be carefully weighed against each other with sustainable and inclusive growth as the leading principle (NL MFA Trade and Development policy). Critics underline that such weighing of interests is often done out of sight so that it often remains unclear if indeed international sustainable and inclusive growth is leading, while the actual results will only be visible in the long run (FGG, 2013).

## 2.4. The role of international trade agreements

**ARD:** International trade agreements introduce rules and standards that render our sustainable and inclusive agricultural and rural development policies ineffective.

**Trade:** Nothing in global trade rules prevents countries from designing the policies, offering the public goods and services and building the infrastructure needed for agricultural and rural development.

### Issues and dilemmas

How do local realities of agricultural smallholders and small and medium-size entrepreneurs relate to the global reality of trade negotiations? ARD feels international trade agreements, including Economic Partnership Agreements (EPAs), work against safeguards for agricultural and rural development impact; not just by insisting on free trade but also for example, through reducing the space for discriminatory action (for example, towards particular groups of small farmers and/or women, or rural enterprises) and lack of attention to creating a level playing field between rural and urban companies. Trade, on the other hand, argues that local governments may take measures to support companies based in their jurisdiction, that sectors can be supported, as long as support is open to any company that meets the criteria. Yet, the complexities of both ARD policies and international trade agreements as noted above, generally render such debates inconclusive, unless a real effort is made to tackle it within a particular context and at a level that allows assembling enough evidence to test in practice the various assumptions underpinning the arguments from both sides.

Also questions are raised on how priorities for production and trade are established, which conditions smallholders need to be able to take advantage of (global) markets and trade; what they should produce and trade, and how. Another issue put on the table by Esther Penunia (Asian Farmers' Association) during the GDPRD yearly meeting in Geneva, 2015, is that farmers through their organisations and cooperatives at local, national and regional/international levels, should be able to take initiatives and engage governments and business sectors for a favourable and enabling environment that will support sustainable production, sustainable trade and sustainable consumption. In that light, she insisted that one must ask what kind of investments the international community and donors should make to alleviate the constraints farmers face, such as the lack of a level playing field for rural entrepreneurs, lack of capacity and organisation, cross-border trade barriers (including harassment costs, delays in checkpoints, and other non-tariff barriers) that restrain current trade flows among African countries, more so within SADC and ECOWAS than within COMESA (re: Sunday Odjo, GDPRD General Assembly, Geneva, 2015).

Another set of issues is related to defining the limits of trade policy. Trade focuses on (almost) 'efficient' farmers and entrepreneurs and provides them with opportunities; in principle their size doesn't matter. However, agricultural technology and productivity, investment and trading volumes are not size-neutral and often depend upon 'economies of scale'. Global trade rules do not prevent countries from developing infrastructure, education and other public goods and services in rural areas to empower the agricultural sector to engage with local, national and global trade. On the other hand, decades of policy advice and 'structural adjustment' have contributed to a significant withdrawal of African states from providing these public goods and services (e.g. public extension services, national marketing/trading bodies, etc.). So it's not surprising, they are not doing it. If now the consensus is that much stronger and better-focused national policies are needed to link ARD with developments through Trade, ARD could engage more actively with national governments to tackle market and government failures; also with regard to creating/supporting alternative development opportunities for those rural dwellers that cannot or will not become 'efficient' in terms of economic production and hence, fall outside the realm of trade policy. This group may be considerable. Current estimates, related to a transition to a more industrialised agriculture, range from 60-70% of the rural population who needs to seek sustainable employment somewhere else.

'Market protection' is a resounding issue in the debate between ARD and Trade departments, as are 'subsidies' and 'industrial policy'. At the same time, comparative historical studies of four South East Asian and four African countries suggest three essential policy preconditions to exist for sustained growth and poverty reduction in rural areas: Sound macroeconomic management; economic freedom for peasants and small entrepreneurs and, pro-poor, pro-rural public spending (Henley & Van Donge, 2012). The authors argue that such public spending should involve allocating 20% or more of the development budget to the agricultural sector, and ensuring that most of this benefits peasants rather than large landowners. Yet, as Henley and Van Donge put forward: "Most African countries have never seen heavy public investments designed to benefit small farmers". An internal free agricultural market is also key, see for example the study on monopsony maize purchases exerting upward pressure on the maize price that may have on aggregate, welfare reducing effects (Doyle, 2015).

Hence, industrial policy is a key issue. National governments can negotiate subsidising an entire sector, local governments can provide tax exemptions; as long as they apply to all companies in a region/sector. Industrial policy is no longer a bad word. As one interviewee put it: "We are doing that in Europe all the time, in Africa we also want to create jobs, jobs, jobs, mainly in the food sector". And, in a world facing unprecedented levels of migration, also politicians of donor countries are asking more and more how many jobs have been created with their money.

Temporary measures (10-15 years) to protect key country markets have also been negotiated for a choice of agricultural commodities and incorporated into free trade agreements. However, when meant to allow local producers to bridge the organisation and productivity gap with global competition, these seem to end often before this has materialised. At the same time, in general protectionism seems to be on the rise again, particularly by larger, emerging economies, which have the means to subsidise their rural economies. The discussion remains whether urban consumers will continue to back import tariffs, and government decisions on what to eat.

For ARD, who have so far focused mostly on the production and productivity side and incorporated marketing and value chains recently, this debate may have considerable implications. To name a few, a stronger focus on national policies and institutions, systematic attention to creating an enabling business environment for small-holders and rural entrepreneurs and dealing with distributive effects of economic transformation, will need to find their way into the ARD development agenda.

## 2.5. ARD and Trade departments are not talking to each other

**ARD:** Trade people don't understand development

**Trade:** ARD people don't understand globalisation

### Issues and dilemmas

As it seems, ARD and Trade people will easily agree on general objectives (i.e. food security, employment creation), but will disagree as soon as they discuss the way to achieve them. One may ask whether this may be due to a lack of recognition of each other's competence with regard to international cooperation. ARD staff comes from a long tradition of development cooperation directed at lifting the 'poorest of the poor' out of poverty, rejecting private sector interference, and dealing with development issues in isolation. Besides, people on the development side generally have very little knowledge of trade, global deals, and trade negotiations. As a result, they might see specialists from a technical trade ministry as lacking development competence, forgetting that they and their networks and positions have long become internationalised and that they are accustomed to dealing with issues that cut across different departments (agriculture, trade, environment) and have gained lots of experience juggling sometimes contradictory policy objectives.

At the same time, it is often observed that trade people are in fact not too eager to load development objectives onto their programmes, accountable as they are for very specific achievements such as increasing trade volumes *to and from* their home countries and the number of home-grown companies involved. The greater challenge seems to be to connect development with trade people that are not specialised in agriculture. For them, agriculture is just a sector like any other, and anything that comes close to subsidy is seen as 'not done'. On the contrary, trade people who work a lot on agriculture, understand that agriculture is unique and doesn't follow certain market rules, while its production is not just of economic value, but environmental and social value as well. Besides, the food price hike (2008) has done much to create awareness that relying too much on food imports represents a risk and, that domestic production needs to be enabled. Consequently, some indicate they don't perceive much difference of opinion between the agricultural and agricultural trade community, more so between the development and agricultural/trade communities, on how to ensure food security, a key dilemma being whether farmers should be subjected to market forces or remain protected/subsidised.

A last question that emerged is whether indeed the development community is stuck in a traditional, confrontational model, characterised by we/they thinking or whether it is ready for a partnership between

ARD and Trade. Globally, the agricultural and trade sectors as well as the private sector participated actively in formulating the SDGs. This has laid a foundation for such a partnership. At the practical, field level, ARD and Trade approaches can be seen to be integrating. Perhaps the dialogue between ARD and Trade departments could benefit from a more practical approach, linking specific SDGs, with ARD and Trade programmes at the national level. It would help to contextualise the different views and arguments, bring together relevant actors that are able to achieve concrete results and would contribute to alignment and coordination between institutions active in trade and industry, employment and food security.

## 2.6. Understanding what is 'good for development': a knowledge and a learning gap

**ARD:** Not all trade and investment is good for development

**Trade:** Any trade is good for development

### Issues and dilemmas

The above dichotomy between Trade and ARD is of course exaggerated. The discussions illustrated above have already made clear that both ARD and Trade departments know very well that not all trade is good for development and, try to navigate their programmes in a direction that produces positive impact on development results. Yet, given the context-specific nature of development impact from Trade and ARD activities, it produces a permanent debate on which trade and investment under which conditions is good for development and which is not. It is clear that claiming that any trade is good for development is an overly optimistic generalisation<sup>5</sup>, when it doesn't take into account the social and environmental costs and distributional effects associated with it. However, the opposite isn't plausible either, as well-organised trade and investment links between rural and urban areas in Africa demonstrate. Clearly, the discussion of differential effects of specific Trade solutions on agricultural and rural development in particular areas and on particular groups of rural dwellers, needs to be a permanent subject for assessment and discussion between Trade and ARD, as are the differential effects of particular ARD policies on trade in a particular context.

Knowing that almost every strategic policy document or governmental speech on Aid for Trade does claim an overall positive impact of trade on development (examples: NL government, 2013; OECD, 2013; UK Government, 2013), one would expect to find a large body of literature addressing the differential effects of one policy on the effectiveness of the other, and vice versa; literature that can be used by staff of ARD and Trade departments to anticipate and if necessary, compensate for differential effects of one policy or the other. Our quick search told us that even if the number of studies is growing, the evidence available is still quite general and not easy to apply to specific situations. Negin (2014) underscores that "not all trade is good for poverty reduction, for inclusive growth and development" providing examples of situations in which trade harmed development: The removal of trade barriers in the Pacific, leading to more fatty foods being consumed, thus exacerbating non-communicable diseases in the region such as diabetes and obesity and a number of examples from around the world where the construction of highways and other transport infrastructure has led to surges of sexually-transmitted infections along the route (Negin, 2014). Similarly, the Dutch Scientific Council for Government Policy highlights there have been too few advantages for small-scale farmers and that very rapid trade liberalisation can have lasting adverse results. It argues that

<sup>5</sup> "Successive Global Reviews have provided clear evidence that the Initiative has led to an integration of trade policies in national development strategies, to an inclusion of trade considerations in planning frameworks and consultations with national stakeholders and dialogues with donors. The Initiative is also associated with an increase in commitments (\$45 billion in 2010) to tackle bottlenecks that undermine the ability of local producers to access regional and global markets. So, Aid for Trade has contributed to better lives for many people in developing countries." (OECD, 2013, Aid for Trade: achieving success in a changing environment)

the current international trade regime for agricultural products creates too few advantages for smallholder farmers, while too fast a liberalisation of trade can permanently disrupt the rural sector. Without adequate and sufficiently operational institutions and infrastructure, the opening of markets on a large scale will wipe out small local producers and the opportunities of the global market will pass them by (WRR, 2012).

Similarly, the Dutch Scientific Council report (WRR, 2012) underlines that developing countries would not benefit from just more investments, but from *better* investments because it is possible to earn lots of money in developing countries without actually enabling the receiving country to develop (example: Extractives). Evidence suggests many instances where investments by multinationals have had adverse effects (WRR, 2012; UNCTAD, 2007; Collier, 2007): While higher levels of efficiency, productivity and innovation were achieved in the industries concerned, “their activities may also generate or increase economic, environmental and social costs.” While Bishop claims that ‘a rising tide lifts all boats’, critics argue that “there are cases where the poor or marginalised are not even in a boat as the tide rises, so they are just as likely to drown” (Negin, 2014).

A lack of knowledge available on such a complex subject has also been signalled by the ICAI 2013 report on Trade Mark Southern Africa (TMSA), which shows that ‘not all investment is good investment’. Their evaluation found that the “TMSA’s design and implementation are based on assumed benefits for the poor rather than causal relationships between activities and impact. There has been inadequate focus on the poor without the necessary mitigating action against short- and medium-term risks. There has also been inadequate learning about the impact (both positive and negative) of the programming” (ICAI, 2013). The report also underscores that trade growth *can* result in risks to the poor but “[n] either DFID nor TMSA is doing enough to understand the potential positive impacts or to mitigate against the potential negative impacts on the poor. Only recently has TMSA commissioned an economic model to explore the likely impact of its activities.”

In general, there seems to be little inter-agency learning. For instance, GDPRD (2006) states there is “limited systemic inter-agency lesson-learning and consensus among rural development stakeholders as to what works and what doesn’t”. The Independent Commission for Aid Impact (ICAI) Evaluation was particularly blunt in this respect: “Historically, DFID centrally has played a valuable role in increasing the body of knowledge on trade and poverty. DFID did not, however, apply this knowledge to the design and delivery of TMSA. In addition, TMSA and DFID do not adequately consult with representatives of intended beneficiaries or other stakeholders, even though there are well-organised, articulate and representative regional organisations in place. TMSA has weak targets and monitors activities, not impacts” (ICAI, 2013). Even if we understand that in any particular case ‘the soup is never eaten as hot as it is served’, this message gives a fierce warning to donor agencies and governments alike that, due to its broad and complex nature ARD-Trade dialogue needs to benefit from a solid contextualised body of evidence to be effective.

Strengthening monitoring and evaluation would be one obvious way into building such a body of knowledge. However, since generally there is a lack of clarity on what the specific policy objectives are and there seems to be no common objective to drive policy coherence, a clear lack of proper monitoring and evaluation systems exists (GDPRD, 2006). Also, most evaluations are done during the lifetime of a project, so the actual impact on poverty is never measured, since this requires a longer time frame (Turner and Rovamaa, 2013). Besides, while an overriding objective of Aid for Trade is to contribute to economic development, at this stage many projects do not clearly map out the channels through which this change is to happen (ODI, 2012). As a result, donor development policies and assistance processes are not always relevant and responsive enough (GDPRD, 2006). Also, it seems that many smaller donors don’t even try to

evaluate impact because the evaluations are costly, burdensome, lengthy and not necessarily aligned with project managers' incentives (Blunt, 2013; Negin, 2014). As a result, there are few specific reports on ARD and Trade. Most go back to approximately 2007 and 2013, but few more recent reports can be found. The topic seems to have lost momentum.

### 3. Contextualising ARD-Trade dialogue and cooperation

The dialogue between ARD and Trade is meant to induce synergies that render both Trade and ARD policies and their implementations more effective in achieving development objectives. It is clear that ARD and Trade policies are intrinsically linked but, if we look at implementation, where do they actually meet? Where are the spaces where a fruitful dialogue can be held and produce viable results, where settling differences pay off? And, which seem to be issues that provide windows of opportunity for creating such synergies between ARD and Trade policies and implementation?

#### 3.1. Taking the dialogue to the national and regional level

From the above, from the interviews and from the outcomes of studies like FAO (2015-2016, see Box 1 below) we suggest the appropriate levels to contextualise the Trade-ARD dialogue are the national, the inter-country and regional level, in industrialised as well as partner countries. This is where the articulation between the implementation of ARD policies – working from the local level up – and Trade policies – working from the global level down – is the strongest. At both levels, many windows of opportunity exist that can help make the dialogue very specific; an overall objective can be agreed upon (i.e. food and nutrition security, or SDG2); all relevant actors can be involved, and disputes over the differential effects and expected outcomes of certain measures, regulations and agreements can be settled on the basis of concrete evidence. Also, besides donors, ARD and Trade ministries and institutions and other stakeholders directly involved, where opportune, other ministries or institutions relevant to the case at hand (ex. Science and Technology, Finance, Nutrition, Employment) can be involved. And national or regional stakeholders (producers, consumers, private sector, SMEs) can be mobilised to shed some light on the practical consequences they experience as a result of international (trade) agreements. It would help avoid the dialogue to become overly theoretical, speculating about (hard to prove) general development impacts of particular measures. It would also recognise the crucial role of national governments, which as put forward in almost all publications on ARD and Trade, need to strengthen policy coherence for sustainable development within the framework of the Global Development Agenda 2030.

#### Box 1: FAO State of agricultural commodity markets, 2015-2016, key messages:

1. **“Global trade in food products continues to expand rapidly**, but the structure and pattern of trade differs significantly by commodity and by region. Key drivers of production and demand, including trade and related policies, shape these patterns in different ways, with potentially important implications for food security.
2. **Greater participation in global trade is an inevitable part of most countries' national trade strategies.** However, the process of opening to trade, and its consequences, will need to be appropriately managed if trade is to work in favour of improved food security outcomes.
3. **Trade affects each of the four dimensions of food security:** food availability, access, utilisation and stability. The interaction of trade with these dimensions is complex and depends on a variety of underlying factors, producing great differences in country experiences and making it difficult to ascertain a generalisable relationship.

4. **The relationship between the level of engagement in trade and food security is influenced by the way food markets work**, by the ability and willingness of producers to respond to the changing incentives that trade can bring, and by the geography of food insecurity, each of which needs to be accounted for in the formulation of trade policy interventions.
5. **Trade and related policy objectives address different dimensions of food security**, will differ across countries, and will change over time. The appropriateness of alternative trade policy options is largely determined by longer-term processes of economic transformation and the role of the agriculture sector within these.
6. **Episodes of food price spikes are important for their potential negative impacts** on food security. Geopolitical and weather uncertainties, as well as government responses, are likely to exacerbate these episodes in the future, with increasing potential for disruptions to trade flows. The likelihood of price spikes, even if episodic, needs to be factored into longer-term decisions related to the management of trade in food and agricultural products.
7. **Trade and food security concerns can be better articulated in the multilateral trading system** through improvements to the World Trade Organisation's Agreement on Agriculture. However, the right balance needs to be struck between the benefits of collective action brought through disciplines on the use of trade policy, and the policy space required by developing countries, the identification of which needs to be informed by specific country-level needs.
8. **Shifting attention from the pros and cons of specific policies towards addressing weaknesses** in the governance processes of agriculture and trade policy-making will improve identification of required policy space and its appropriate use. Strengthening these processes requires building synergies to increase policy coherence for food security, to enable governments to balance priorities in the design of trade policies, and to improve their compliance with regional and global trade frameworks."

**Source:** FAO, the State of Agricultural Commodity Markets 2015-2016

### 3.2. Some windows of opportunity for effective dialogue and cooperation

A first impression from the material and experiences we reviewed is that mostly Trade and ARD work at cross-purposes as separate entities, and Trade and ARD departments do not meet at all, at least not directly. The 'gap between ARD and Trade', if you wish, is real, not an imagined one. However, as one interviewee remarked, this does not stand in the way of ARD and Trade cooperating where this is required and value may be added. We identified various windows of opportunity where ARD and Trade generally do work in parallel, but nevertheless clear opportunities emerge for working closer together - as some donors already do - to enable more effective cooperation (See Box 1).

#### Geographic orientation

ARD and Trade don't focus on the same countries and areas. In fact, Trade departments cooperate mostly with emerging economies and target few African countries. Example from the Netherlands: as indicated earlier, Trade prioritises some 40 countries, of which only two in Africa: South Africa and Nigeria. A window of opportunity for ARD and Trade to work closer together can be found, for example, in (almost) emerging countries where inclusive development is a government priority.

#### Target group focus

ARD and Trade don't focus on the same groups of people/beneficiaries; ARD works with the poorest and most vulnerable segments in developing societies, while Trade targets 'efficient' entrepreneurs. ARD and Trade interests do coincide for example, when more attention is paid to the *informal* food and nutrition economy or when both decide to work with (potentially) efficient farmers and traders, or 'agropreneurs'.

### Choice of commodities/value chains

ARD and Trade don't focus on the same agricultural commodities; a window of opportunity for ARD and Trade to work closer together is when they choose to join hands on for example, commodities/value chains where smallholder farmers and/or rural women are involved: cacao, coffee, shea nut, rice, etc.

### Systems orientation in value chains

Trade and ARD usually do not prioritise the same links in value chains; ARD prioritises producers, producers' organisations and local SMEs, Trade prioritises transport, ports, customs and global logistics. A window of opportunity for ARD and Trade to join hands is when they decide to focus on the sustainability and inclusiveness of value chains - i.e. sustainable sourcing and fair pricing of internationally traded agricultural commodities - and include for example, informal, local and regional cross-border trade, national and regional trade logistics in their focus.

### Transformative orientation

ARD long-term objective is societal transformation in rural areas (wellbeing) while Trade aims at economic transformation (prosperity). A window of opportunity for ARD and Trade to work closer together is when working on for example, 'local content' and agricultural growth poles along trade corridors, inclusive sector development and industrialisation.

### Capacity development focus

As noted earlier, Trade generally focuses on the '*capacity-as-it-is*', while ARD invests in activities to develop the '*capacity-as-it-should-be*'; a window of opportunity for ARD and Trade to work closer together is when they implement joint programmes in, for example, countries where improving the competitiveness of agricultural smallholders and small and medium enterprises is a government priority.

### Other issues enabling an ARD-Trade dialogue and cooperation

Above we have mentioned some enabling issues that may be relevant to strengthening the dialogue between ARD and Trade in specific situations. Which ones will be most important depends strongly on the situation at hand, the strategic approach chosen, the country and, the international agreements it has signed up to. For example, where a landscape or territorial approach is used to foster sourcing of agricultural commodities, agricultural diversification, off-farm and alternative job creation for those not making the cut for 'efficient' producers or entrepreneurs can be made part of the programmes. Where international trade is aimed at issues like sustainable trade principles, sustainable sourcing, sustainable agriculture, national logistics and service institutions, ecological and social standards, non-trade barriers, Sanitary and Phytosanitary measures (SPS), Trade-Related Aspects of Intellectual Property Rights (TRIPs), industrialisation and agricultural (product) innovation will enable dialogue to come up with practical solutions. When working with the private sector, for example, Corporate Social Responsibility (CSR) and Intellectual Property Rights (IPR) will also certainly appear. When working at the local and inter-country level, market integration, agricultural innovation platforms, access to services, alternative employment and farm diversification, and cross-border trade and customs issue can be enablers. At the national level, market integration will require addressing security, logistics and infrastructural issues, as well as access to services and finance and, agricultural, trade and industrial policies.

"We observe less tension in regional integration and markets. All ARD and Trade people would agree that facilitating intra-regional trade in East or West Africa would be a good idea. However, governments in Africa are ambiguous about including regional integration in their development path."

**Source:** Interview

## 4. What possible implications for managing the ARD-Trade interface?

Our brief study shows various areas of contestation at the interface between the ARD and Trade work streams of donors. But it also shows numerous windows of opportunity to work closer together, to explore, to understand and settle differences in practical situations and to improve the synergies between the two areas. In order to take advantage of these opportunities, from our study we may suggest some possible implications for managing the ARD-Trade dialogue in donor agencies.

**Set a joint agenda:** Don't talk about the instruments in general, talk about the objectives and learn how, and with what policies/instruments to achieve them. ARD and Trade departments don't have to (always) work closely together but if they do, an agreed, overarching objective and narrative to align their efforts is of utmost importance for addressing and resolving the issues we discussed, particularly in paragraphs 2.1. and 2.2. This includes agreeing on what 'development' means and which development objectives are to be jointly pursued, as well as defining clearly, which target groups to work with and who the intended beneficiaries are. From building strategic partnerships for development we have learned that to formulate a well-defined common objective facilitates the alignment of efforts, makes a division of labour possible between partners and allows for joint targeting - setting adequate indicators to monitor the effects of combined efforts, laying a foundation for trust, transparency and accountability between partners. Consider aligning the joint agenda with the Global Development Agenda 2030.

**Choose a context in which close cooperation between ARD and Trade adds most value:** In general, we would argue that whatever context is chosen it should be a practical one. One in which all key stakeholders can be identified and mobilised for an inclusive dialogue on the issues at stake. One in which specific questions may be raised and evidence-based answers can be given. And one in which concrete results can be achieved and made visible, and accountability and transparency can be ensured. So that, within this concrete situation, ARD officials may learn to appreciate the relevance of trade policy as a tool that can be used to either undermine or support their objectives, while Trade officials develop a better understanding of the potential (positive or negative) impacts of various trade policies on ARD. On the donor side, one additional consideration may well be whether the donor country - its government institutions, private sector, NGOs, producer and consumer organisations - has gained useful experience and built up expertise on rural and agricultural transformation in its own country or regions, that it may share with the partner country.

**Engage all stakeholders:** More often than not, national stakeholders relevant to sustainable inclusive development of the rural and agricultural sector are not just the agricultural and trade ministries. We have referred to the, often fragmented, institutional landscape and the permissiveness of national policies with regard to ARD (2.3.) adding to the complexities of competing political priorities and agendas; and the fact that often, ARD and Trade departments are not talking to each other (2.5.). The same may apply to Ministries of Infrastructure and Transport, the Economy, Science, Technology and Innovation, Consumer Affairs, Environment, Employment and Finance. And yet, for inclusive and sustainable agricultural and rural development to be connected with national and international trade at one stage or another, these ministries need to play an enabling role.

**Engage national and local knowledge institutes** (universities, research organisations, NGOs) in developing a solid knowledge base for assessing the impact of agreed measures and interventions and keeping track of international developments with regard to the WTO, FTAs, and large neighbouring countries. Issues and dilemmas around ARD and Trade for national development can often not be solved

without specifying the problem for the particular situation at hand and bringing specific evidence to the table. Dialogues that rely on statements and positions that are too general, lacking contextualisation, don't generally reach concrete and satisfactory results. And not everything can be solved at the local or national level, so a solid knowledge of the developments in (large) neighbouring countries and at multilateral level needs to be brought in as well.

**Stimulate investment in sustainable agricultural and household level diversification, (off-farm) employment generation in agricultural value chains and industrialisation:** Inclusive rural development support cannot focus just on that part of the rural farm population that is able to hook up with the specific agricultural value chain(s) that a particular donor or programme supports. It needs to increase the opportunities for other rural dwellers as well. This can be done by creating jobs within the agricultural value chain through industrialisation or, by developing alternative economic activity on-farm or off-farm.

**Stimulate investment in competitiveness, market integration, adjustment, public goods and services in rural areas:** Rural transformation requires simultaneous technological, market, business and social innovation. Rural entrepreneurs, including small farmers and rural service providers need to become more competitive and the playing field between rural and urban entrepreneurs needs to be levelled. But for this, rural entrepreneurs need an enabling business environment, and adequate delivery of relevant public and private goods and services. Such comprehensive multi-stakeholder innovation processes need to be carefully managed, as must the trade-offs between agricultural, trade and rural development policies and their outcomes. Economic 'externalities', where possible, need to be internalised.

**Develop a monitoring and evaluation system** that keeps track of jointly defined targets in line with agreed overall objectives as well as international developments, for example in neighbouring countries. Consider aligning the monitoring and evaluation (M&E) system with reporting requirements of the global Development Agenda 2030.

**Continue to invest in inter-agency dialogue.** Each and every item presented in this paper is part of some donor agency's or international organisation's current efforts to improve ARD-Trade complementarity. And much more experiences exist than could be captured in this background paper. Therefore, exchanging experiences and learning between donor agencies can be expected to add much to rendering ARD and Trade efforts more coherent and more effective in achieving development results.

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