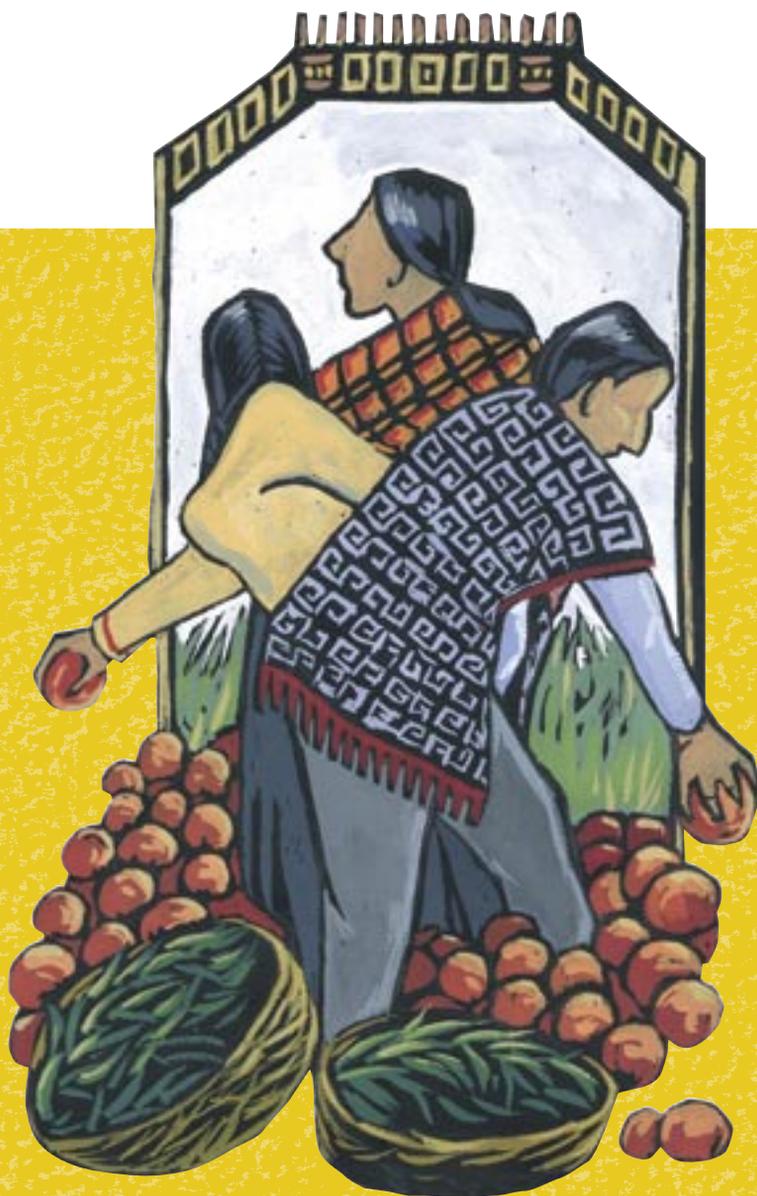


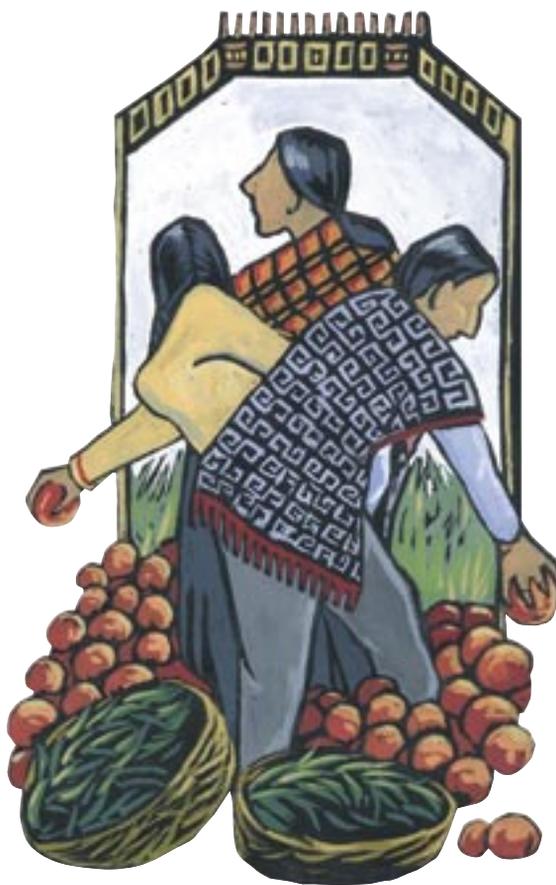
# Finland's Rural Development Strategy for international development





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28.1.2004



Ministry for Foreign Affairs of Finland  
Department for Development Policy

## Dear partners in development policy and development cooperation

The majority of the poor in various parts of the world live in rural areas and earn their livelihoods from agriculture. Therefore, rural development ranks very high on our development cooperation agenda. An interest in the care of rural development is a natural extension of Finland's own experience, because in the history of Finland, development has largely been based on an effective and versatile agriculture. Finland has also accumulated wide experience of the support of agriculture and rural development in developing countries for years.

Rural development presents considerable challenges. It involves not only efforts to eradicate poverty and support for economic growth but also improved food production for the steadily growing population without jeopardizing the natural resources and the environment. The demand for cereal crops is estimated to increase by 50 per cent by 2025. A large part of this increased output must be produced using the existing cultivated land. During the next two decades, the needs will be much greater than before especially in Sub-Saharan Africa. Higher production levels will not guarantee equal distribution of food. It is therefore important to invest not only in production but also in good governance, democracy and anti-corruption measures.

Women play a crucial role in rural development, because they often assume responsibility for the food security of the family and are in charge of most of the productive work. The recognition and appreciation of their roles and rights in all activities carried out in the developing countries ensures worldwide promotion of gender equality. Improvement of the position of girls and women is one of the most effective ways to eradicate poverty and to promote economic, social and ecological sustainable development.

Globalization, opening markets and the reduced role of the government in the agricultural sector have significantly changed the circumstances of rural development. Many developing countries and especially their agricultural producers find the opening international trade either as an opportunity or as a threat, because free trade increases competition and makes greater demands on producers. It is important to make sure that the poor in the developing countries have a chance to get prepared to the market economy and are capable of responding to the future requirements and benefiting from the opening markets. This calls for measures both in the developing countries and in Finland's own development, agricultural and trade policies. The integration of these objectives will be our future challenge.

Rural development is a slow process, and in order to attain the set objectives long-term commitments must be fulfilled. This requires an insight into the complex network of interaction and exercise of influence from political to grassroots levels. I think that Finland must accept these challenges and develop both political coherence in Finland and support for the developing countries. Let us work for living and active rural areas.

*Paula Lehtomäki*  
*Minister for Foreign Trade and Development*

## | Introduction

The main objective of Finland's development policy is to eradicate extreme poverty from the world. Given the fact that three fourths of the poor in the world live in rural areas, the adoption of rural development as one of our key objectives is well grounded. This objective also contributes to the attainment of the first goal of the Millennium Declaration – to halve the proportion of people who suffer from poverty and hunger by 2015. Rural development is an important dimension in efforts to eliminate hunger, that is, in achieving food security, because hunger is a problem in rural areas in particular. Poverty and hunger are both multidimensional questions and they can be considered to represent the two sides of the same problem. This is especially true of sub-Saharan Africa, haunted by acute hunger problems which cannot be resolved by means of humanitarian assistance only but which need to be simultaneously addressed by parallel, long-term measures, focusing on the eradication of poverty and hunger.

In this document, the Ministry for Foreign Affairs suggests that Finland address rural development in its development policy, and identify its principles, priorities and channels. The Strategy outlines the key directions to actions that should be specified and elaborated in the work that is carried out at a country level or with different organisations.





## Principles governing the promotion of rural development

Having the principles recorded in the Strategy ensures that the funds for international development cooperation channelled to rural development support the general goals of Finland's development cooperation and contribute as effectively as possible to the eradication of poverty and hunger. Rural development calls for an active participation of various actors at different levels, ranging from the government to non-governmental organizations and the private sector, independent of whether the cooperation is bilateral or multilateral. The principles contribute to improved coordination between different levels and actors in the implementation of Finland's development policy.

### **Support for national ownership and understanding of the operational environment**

Finnish development cooperation emphasizes national ownership. This is why national poverty reduction strategies, or rural or agricultural strategies based on them provide a general framework for activities in a particular country. It is important that the measures aiming at the eradication of poverty and attainment of food security are incorporated into these programmes.

Finland contributes to an enabling political and economic operational environment, which supports local livelihood strategies and encourages productive activities by means of promoting diverse productive, income-generating and entrepreneurial activities. It is of vital importance to pay attention to social equality, human rights, and good governance in the national development strategies and their implementation.

### **Identifying the local voice**

The poor, both men and women, must be able to take part in discussion and decision-making related to poverty. Finland supports the representation of the poor in different ways. National development strategies must be interpreted from the viewpoint of the poor. The strategies must support their own livelihood strategies and lessen their vulnerability. In rural development, Finland's activities are based on hearing the views of the poor at the various levels of administration. The development of local governance and support for the formation of farmer associations and organisations of producers are important elements in the advancement of their representation. By means of getting organised, they ensure themselves better prospects to defend their interests and boost their competitiveness. Measures to eliminate corruption also improve the opportunities of the poor to play a role in development and to conduct productive and income-generating activities. The use of participatory methods in rural development have a positive effect on the development of civil society, too.

### **Support for rural livelihoods**

Rural livelihoods constitute a key pillar in the reduction of poverty and attainment of food security. Productive and income-generating activities must be viewed as a part of livelihood strategies, that is, when assessing the use of different resources for livelihoods and the political and institutional factors that have an influence on their use. In many developing countries, agriculture is the key livelihood in terms of food security and it offers employment prospects and an essential buffer against risks for the rural poor. However, agriculture must be seen in a wider framework of rural development beside other livelihoods. It is important to promote the opportunities that open up as a result of the diversification of productive activities and upgraded degree of processing of products especially in regions that are located close to the growth centres and main roads and that possess purchasing power. The potential poverty-alleviating properties of livelihoods related to forests must be exploited to the full. The impacts of the HIV/AIDS pandemic on the demographic structures in rural areas and on potential labour supply must be taken into account when future activities are planned.

### **Support for sustainable use of natural resources**

Finland also supports the goals of the Johannesburg World Summit on Sustainable Development (2002) related to the sustainable use of natural resources (water, soil and biological diversity) in the field of rural development, because they form a basis for both livelihood opportunities and environmental protection in rural areas. Intensification of rural productive and income-generating activities, especially agriculture, can also help lessen pressures to exploit forests and areas that are of significance to the protection of nature. Such methods must be chosen as minimize the adverse effects on the environment.

The sustainable use of natural resources is an essential element of dealing with global environmental problems and poverty reduction. The principle of sustainable development is therefore integrated into all projects and programmes of Finland. Rural projects and programmes supported by Finland must be implemented taking note of the provisions of international environmental treaties, the recommendations of the UN Environment Programme UNEP, and developing countries' own national programmes of implementation that are based on these instruments.

Finland works together with other donors with a view to improving fair and equitable land tenure, which is an essential element of a sustainable maintenance of soil fertility and sustainable use of other natural resources. Women's opportunities of owning and inheriting land are supported actively.

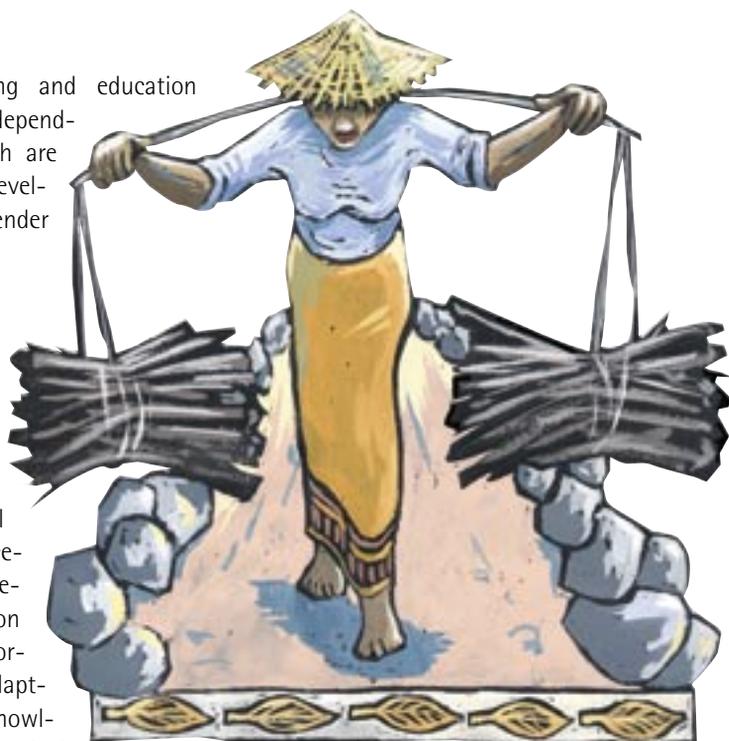
### **Women's empowerment**

Rural development requires both men and women. Taking into account the living conditions, needs and problems of women in the planning, implementation and evaluation of activities not only improves gender equality but also contributes to the efficiency and effectiveness of development cooperation at both community and household levels. Finland supports the promotion of women's rights, their

participation in decision-making and education and enhancement of their independent financial competence, which are of crucial significance for rural development and the promotion of gender equality worldwide.

### **Support for research, extension, training and services**

Research, extension, training and services play a central part in the support for rural livelihood strategies and enhancement of productive and income-generating activities. The promotion of sustainable agriculture and forestry calls for research that is adapted to suit the local conditions, knowledge and their transfer to the practical level. Finland promotes research, extension, training and services that meet the needs of poor farmers and producers in particular. At the same time, close and participatory collaboration with different stakeholders is promoted with a view to taking as effective and speedy advantage as possible of the made applications and services.



The support can be targeted at both traditional research areas and applied research, such as modern biotechnology. Modern biotechnology applications can be supported provided that they offer a safe and sustainable alternative beside the traditional applications and that the national legislation and control are in compliance with international obligations. Regional coordination and cooperation with international actors are required to ensure sustainability.

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### **Attention to the international operational environment**

The provisions governing world trade are about to change in respect of trade in agricultural products. Developing countries need support both when they get prepared for the WTO trade negotiations and when they analyse and plan their agriculture and rural development. A better integration of agricultural issues and food security into the national poverty reduction strategies (PRS) and a more comprehensive agricultural policy require analytical knowledge and profound expertise in the development policy of the country in question. Through technical assistance Finland seeks to strengthen developing countries' capacities to participate in trade negotiations and plan their agricultural policies. In addition, Finland seeks to pay attention to the developing countries' needs in both its development, agricultural and

trade policies. Improved food security in developing countries is a special objective. Finland recognizes the special need of the most vulnerable countries to protect and support their producers so that they would have enough time to get accustomed to the market-driven production system.

### Links with other sectors

Sustainable rural development calls for support measures in various sectors, such as health and education, and water and energy management. Attention must be paid also to the infrastructure and financing systems, which are needed to support versatile rural livelihoods. Each sector makes sure that the rural areas and the needs of rural people are addressed and that activities are based on recognised best practices.



## | Focal areas

In Finland's development policy, support for rural development is targeted at focal areas, chosen based on how they support the general principles of Finland's development policy, how they should be stressed to give effect to the goals of the Millennium Declaration and taking into account Finland's special expertise. When country-specific priorities are specified, the principal criteria are the national development programmes and priorities.

### **Finland's focal areas in rural development are:**

- Support for national strategies and support for the administrative and institutional actors required in the development and implementation of these strategies in the field of rural development, especially in the partner countries of long-term cooperation. This calls for increased and more intensive political and economic analyses.
- Support for the livelihood strategies of the local poor, especially rural women, and contribution to economically sustainable productive and income-generating activities. Specific priority areas are support for provision of staple foods and food production, formation of farmers associations and organisations of producers, upgrading the degree of processing of products and diversification of productive and income-generating activities.
- Support for research, extension, training and services that benefit the poor, in particular, in order to strengthen food production and livelihood strategies.

## Channels

Finland actively contributes to the inclusion of the principles of the Strategy into both bilateral and multilateral cooperation in the fields of development policy, agricultural policy and economic policy with a view to arriving in complementarity and coherence between the various services. Finland seeks to enhance the effectiveness of its activities by engaging in cooperation with other actors in the field. Bilateral development cooperation is emphasized especially in the long-term partner countries, and the tools of multilateral cooperation are used in the context of such difficult questions, in particular, as require international political solutions. The complementarity of bilateral and multilateral cooperation is enhanced.

### **Bilateral development cooperation:**

Finland can steer its bilateral development cooperation targeted at rural development through, for example, sector-wide programmes, area-based programmes, or projects and programmes focusing on a certain rural productive sector. Finland grants budgetary support or participates in sector-wide programmes whenever it is possible. If technical assistance is to form part of Finland's support, the questions should be considered in cooperation with other donors and representatives of the government of the partner country.

In case Finland channels its assistance via separate projects and programmes, these are tied to national development strategies and Finland ensures that they contribute to the coordination and harmonization between the donors. Separate projects and programmes should support national poverty reduction strategies and sector-wide programmes and provide additional inputs, enhancing their development and implementation. The practical experience gained through such projects and programmes can be taken advantage of in national planning when the effectiveness and efficiency of different methods of implementation are examined.

Because rural development is influenced by many both public and private actors, acting through the public administration only is often too narrow an approach. Developing countries' central and local administrations often have limited capacities to increase the income levels and improve the living conditions of their rural populations. This is why not only the capacities of the public sector but also the private sector and civil society must be addressed.

Different partnerships with both private and public actors are promoted in the fields of agriculture and forestry and food production. Non-governmental organizations, which reach the local populations easily, are also engaged in this work. Funds for local cooperation offer an instrument for the promotion of partnerships.



*Anna Koppo '07*

Commercial-economic instruments, such as concessional credits or funds for economic, industrial and technological cooperation can be used to develop rural livelihoods.

Support for research, extension, training and services can be channelled either to bilateral cooperation or through international research institutions. Finland is active and encourages the establishment of links between the bilateral and multilateral structures.

### **Multilateral cooperation:**

In multilateral development cooperation, Finland seeks to support multilateral organizations and multilateral financing institutions that take the principles of the Strategy into consideration in their activities. Cooperation between different organizations aims to support the aforementioned principles and focal areas. Finland uses in particular international organizations to strengthen developing countries' capacities to take part in trade negotiations.

Finland promotes coordination and cooperation between multilateral organizations and multilateral financing institutions active in rural development. Working groups in the field within the OECD, the EU, NEPAD and other groups between donors and developing countries can be used as a channel of collaboration and influence. Finland plays a role in international development policy related to rural development, for example, by contributing Finnish experiences, knowledge and research to the discussion and by participating in joint projects.

### **Specialized agencies of the UN:**

FAO is one of the principal specialized agencies of the UN that are assigned to enhance food security, even if many other UN agencies and programmes also support this objective. In FAO, Finland supports especially programmes that promote sustainable agriculture and forestry, including programmes that support the biological diversity of agriculture. Special attention is devoted to the promotion of cross-sectional themes and the integration of a holistic approach into the activities of organization.

WFP uses food aid to support economic and social development and as relief in emergency situations. Finland contributes an annual general appropriation to the WFP development programmes. The process of transfer from humanitarian assistance to development cooperation is facilitated, for example, by strengthening the coordination between WFP and other organizations.

### **Multilateral financing institutions:**

Many financing institutions earmark a part of their financing to rural development and agriculture. Finland seeks to ensure that multilateral financing institutions pay attention to the objectives related to poverty reduction and attainment of food security when they allocate funds for development projects. Multilateral financing institutions play an important role in such questions as are related to markets and infrastructure, which Finland cannot address to the same extent as they can. IFAD is the

only financing institution that channels all its financing to rural development programmes and its role is therefore significant in the implementation of the Rural Development Strategy.

### **International research institutions:**

Finland is actively participating in efforts to enhance targeting of agricultural research at sectors that are important from the future perspective, paying special attention to the needs of poor small producers. Finland supports areas of expertise where it can strengthen the developing countries' own capacities in collaboration with international research institutions or through national research systems.

Finland provides core funding for four institutions within the CGIAR (Consultative Group on International Agricultural Research). Provided that the amount of the funds for multilateral cooperation markedly rises, there is reason to consider if the support can be expanded to cover a greater number of institutions so as to make it meet developing countries' needs more comprehensively and to encompass such areas of know-how where Finland possesses expertise. Finland strengthens its collaboration between Finnish research institutions, researchers and projects and programmes and international research in order to upgrade the quality and technical level of development cooperation.

### **Monitoring**

When sector-wide strategies and projects and programmes related to development cooperation are formulated, it is important to also find out about the impacts of projected measures on rural and urban development. Appropriate methods and indicators are being developed.

### **Human resources**

Finland strengthens Finnish development policy actors' expertise in rural development. Special attention is paid to efforts to develop a better understanding of how support to rural development can reduce poverty and improve food security. Events and training are organized and public debate on the issue is encouraged to enhance expertise. Finland will post more rural advisers to those countries in particular where it takes an active part in rural development sector.

### **Funds for International Development cooperation**

The present government of Finland will make a substantial increase in the appropriations targeted at the development of rural development and the development of rural livelihoods in particular. The additional amount will be channelled through both multilateral and bilateral development cooperation, paying attention to the overall level of appropriations to multilateral cooperation, on the one hand, and bilateral cooperation, on the other. As concerns bilateral cooperation, the situation is examined when new sectors of cooperation are chosen in partner consultations. Multilateral cooperation involves an assessment of the operation of rural development organizations from the point of view of the promotion of the principles and priorities of rural development set by Finland.

Some issues of interest that were debated during the preparative phase are put forward in this table. The column on the right is reserved for responses to these issues in the Strategy.

Issue	Notes
How are poverty and food security taken into account?	One of the key principles in Finland's development cooperation is to focus on the eradication of extreme poverty, while the first goal of Millennium Declaration mentions the eradication of both poverty and hunger. Support for rural livelihoods contributes to the attainment of both objectives. Hunger and poverty are understood to be multidimensional.
Understanding of and support for livelihood strategies	Livelihood strategies pay attention to both the resources that are in use (human, natural, financial, physical and social resources), their use, and the political and institutional aspects that have an impact on them.
Modern biotechnology/ gene technology	The potential applications of modern biotechnology and especially gene technology should be made use of to improve the livelihoods of the rural poor. However, this does not solve the multidimensional problems nor the hunger, but supplements the techniques that are applied. Modern biotechnology applications should not displace the more traditional technologies, but supplement them whenever they offer explicit added value. When applications are used, the environmental and health impact assessments should be taken note of, and the requirements of international agreements should be met (such as the Cartagena Protocol on Bio-Safety, the Convention on Biological Diversity and TRIPS).

Issue	Notes
Land tenure	Land tenure is a key issue in the promotion of rural development, and it must be addressed at both the local and national levels. Difficult political, economic and social questions are involved in land tenure. Problems related to fair land tenure usually call for solutions that are tailored to meet the needs of the country or region and the specific situation, taking into account the rights of different population groups, such as indigenous peoples. Finland can support projects launched by organizations active in this domain and seek to bring up the issue on political forums.
Basic commodities	Basic commodities are not explicitly mentioned in the Strategy. They are dealt with indirectly in the livelihood strategies; when livelihoods are examined, attention is paid to what proportion of the income and food security is based on subsistence economy and how much is obtained from cash crops and other tradable commodities and services. Basic commodities, the majority of which are agricultural foodstuffs or raw materials, play a significant role in the economies and export regimes of many poor countries.
WTO and international trade	Many of the issues dealt with in international trade in agricultural products and the WTO round of negotiations are also mentioned in the Strategy, but they are broader than rural development. International trade issues are described briefly but Finland's policy in the WTO negotiations are concluded in the framework of trade policy, taking note of development policy considerations. This Strategy seeks to point out policy coherence and developing countries' negotiations capacities.

Issue	Notes
HIV/AIDS	The HIV/AIDS pandemic impacts on livelihood strategies and demographic structures, too, and via them on business and economy, which is why it cannot be considered to be a health issue solely.
International environmental agreements	The Strategy does not make references to specific agreements, but mention may be made in particular of UNCCD, UNCDB, UNFCC and RAMSAR, and UNFF forum.
Natural resources	Rural livelihood strategies are based on a sustainable use of natural resources. The principal ones of them are water, soil and biodiversity. However, the term natural resources is a broader concept and includes, for example, minerals. Biodiversity covers natural flora and fauna and the natural resources used in agriculture and forestry, including cultivated plants and domestic animals.
Intensification of agriculture	According to forecasts by IFPRI and FAO, the world food production must be considerably increased during the next 20 years. Almost all easily accessible, fertile arable land is in use already. Taking more land for food production is only one of several competing uses of land, or possible additional land is not easily cultivable (hillsides, wet areas, deficient nutrient balances, etc.). That is why intensification of agriculture (higher crop yields per hectare) is considered to be essential in order to achieve food security.
Education and health, water, energy, infrastructure	These sectors are not discussed in the Strategy even though their role in rural development is recognized.
Sectoral programmes and separate projects/programmes	Both ways of action are accepted because of not so advanced sectoral programmes and the importance of the private sector for rural development. The significance of linking separate projects/programmes with poverty reduction strategies and sectoral programmes is highlighted.



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