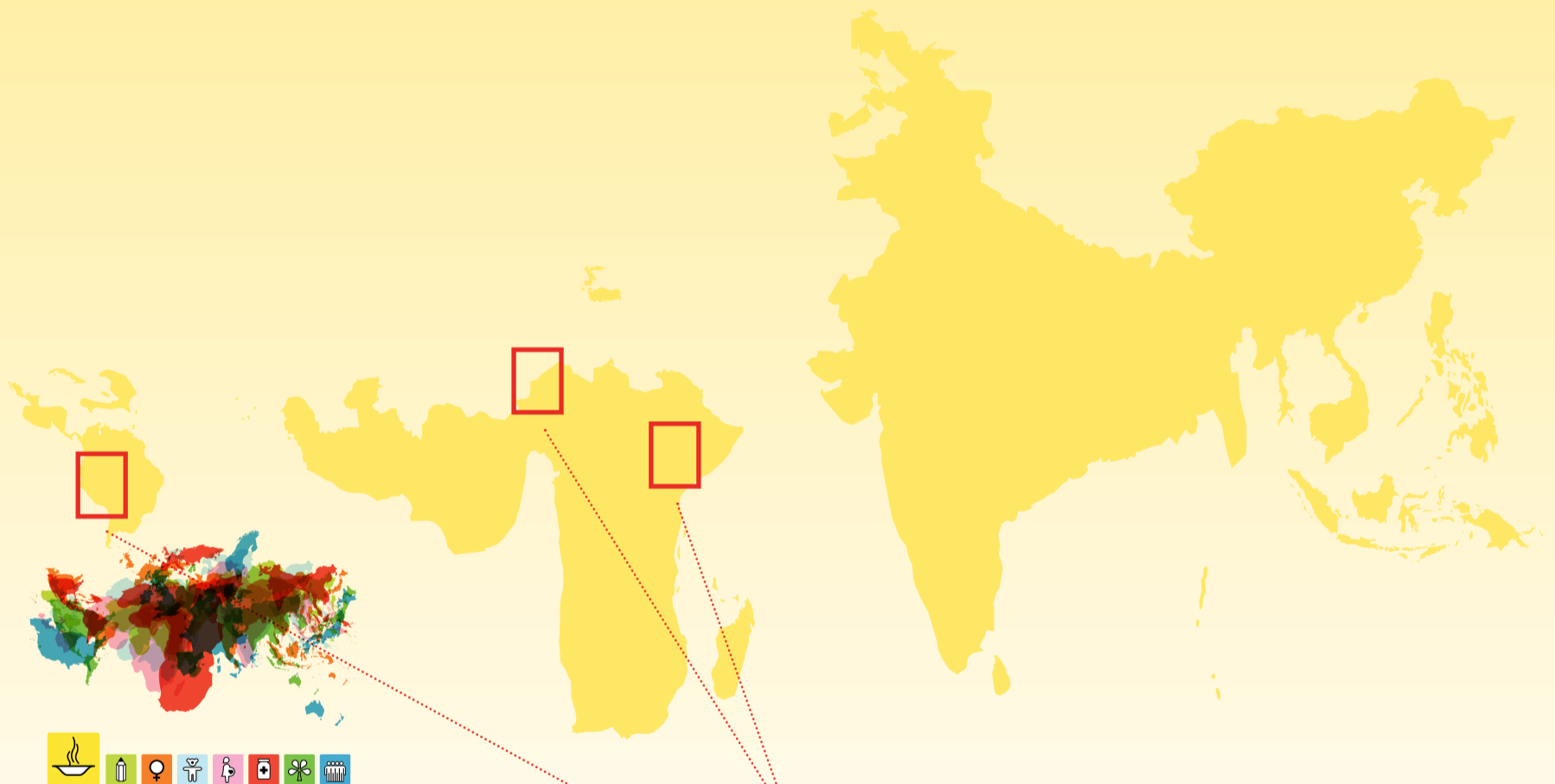




MDG 1

Eradicate extreme poverty and hunger



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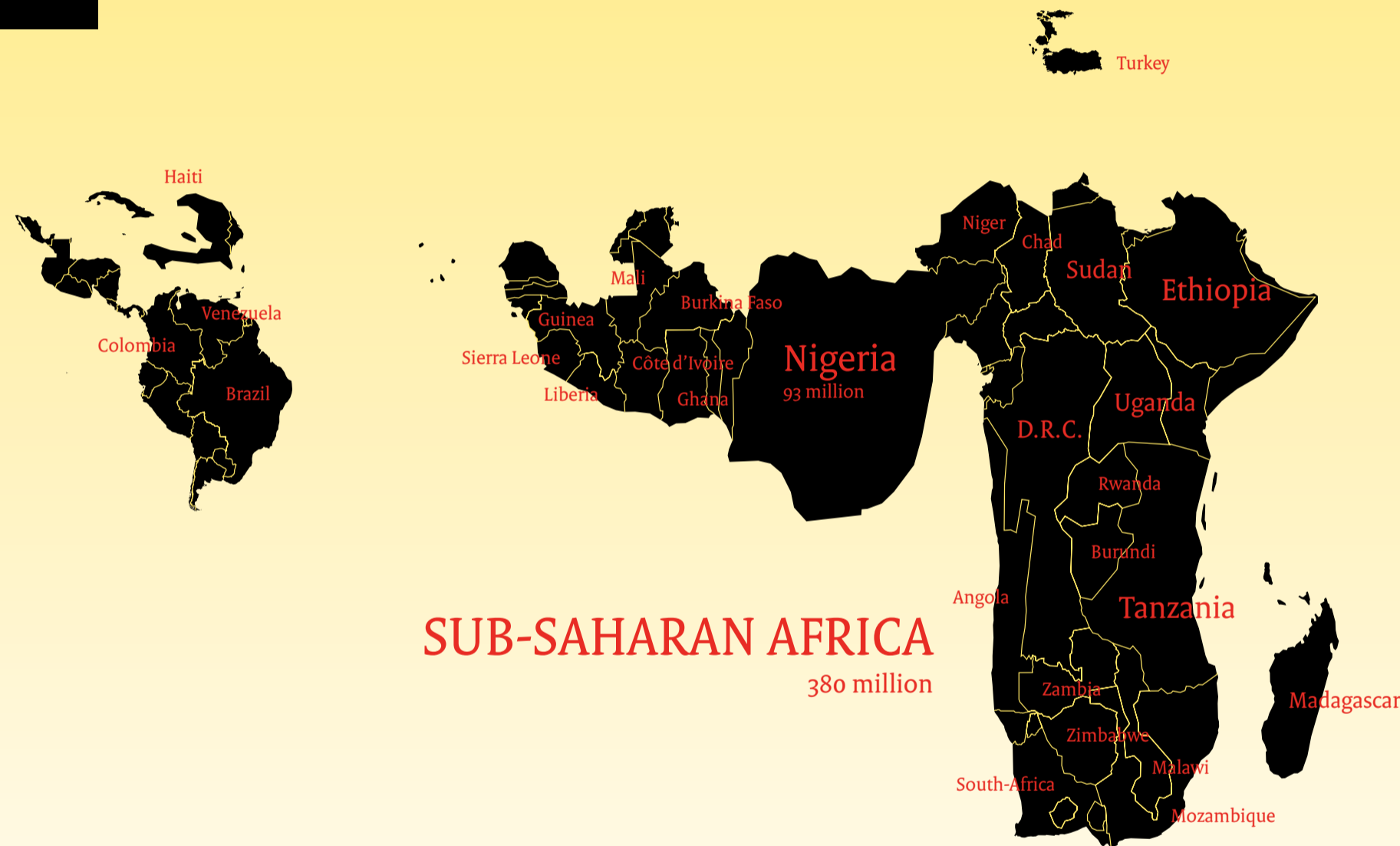
Goal 1: Halve poverty

Number of people living on less than US\$1.25 a day
Total: 1.4 billion



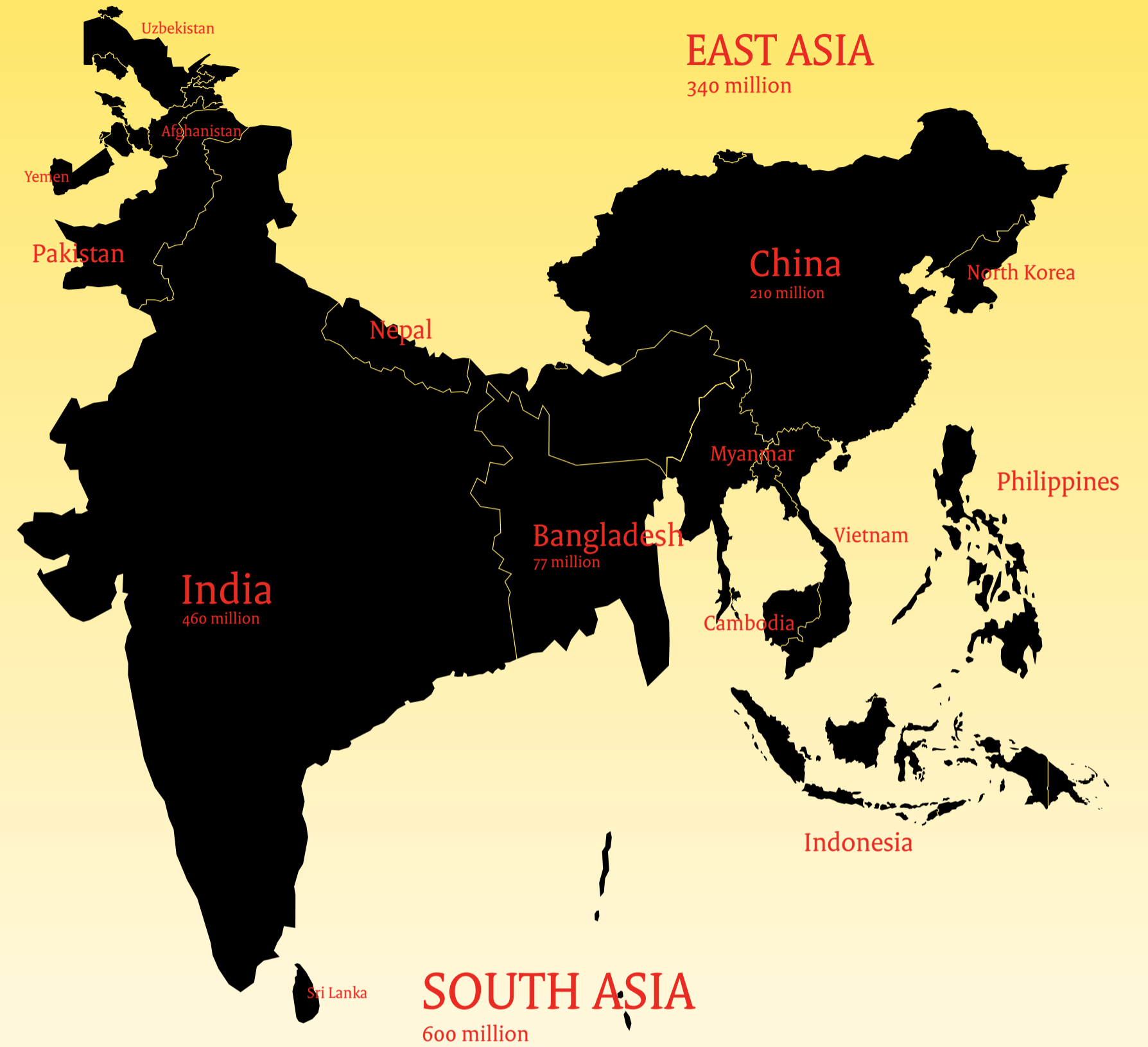
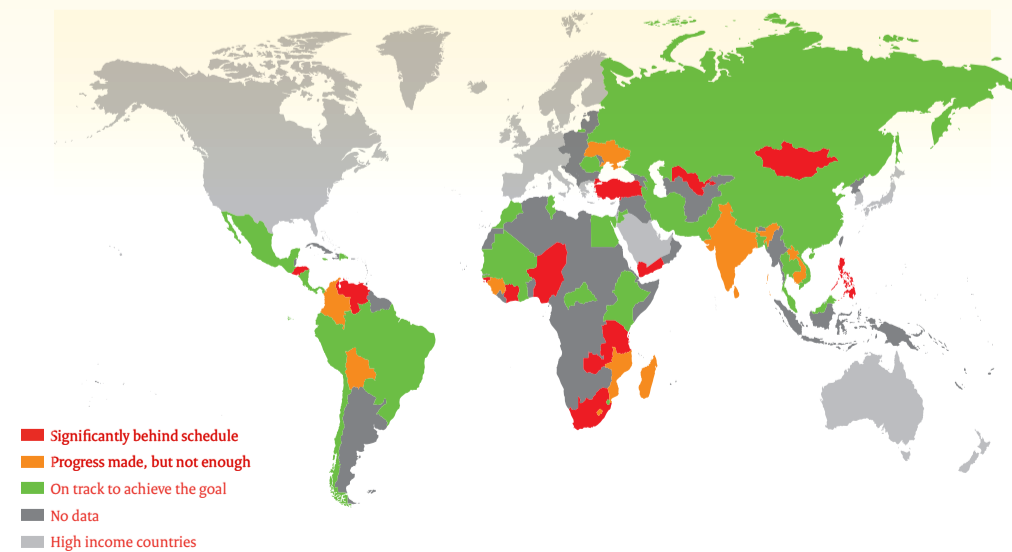
100 million

The size of each country is proportional to the number of people living on less than US\$1.25 a day.



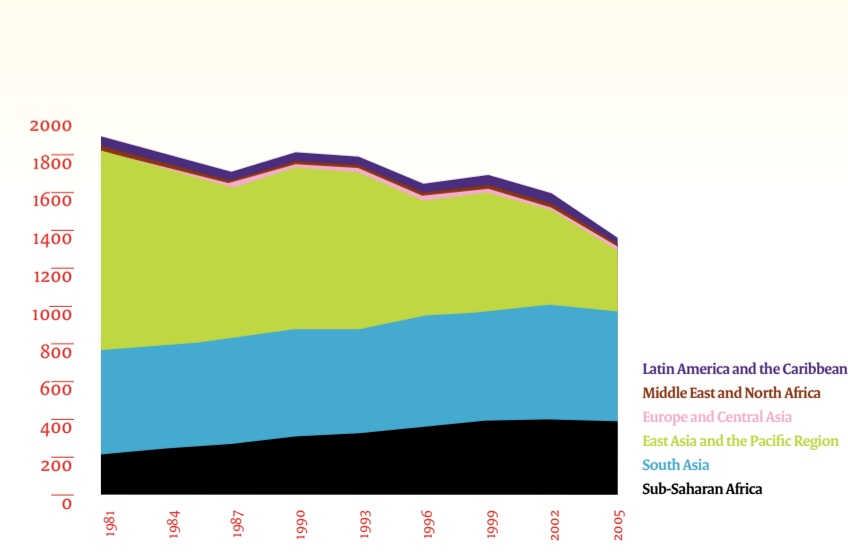
Will countries achieve this goal?

(Source: Poverty Data: a supplement to World Development Indicators 2008 (World Bank))



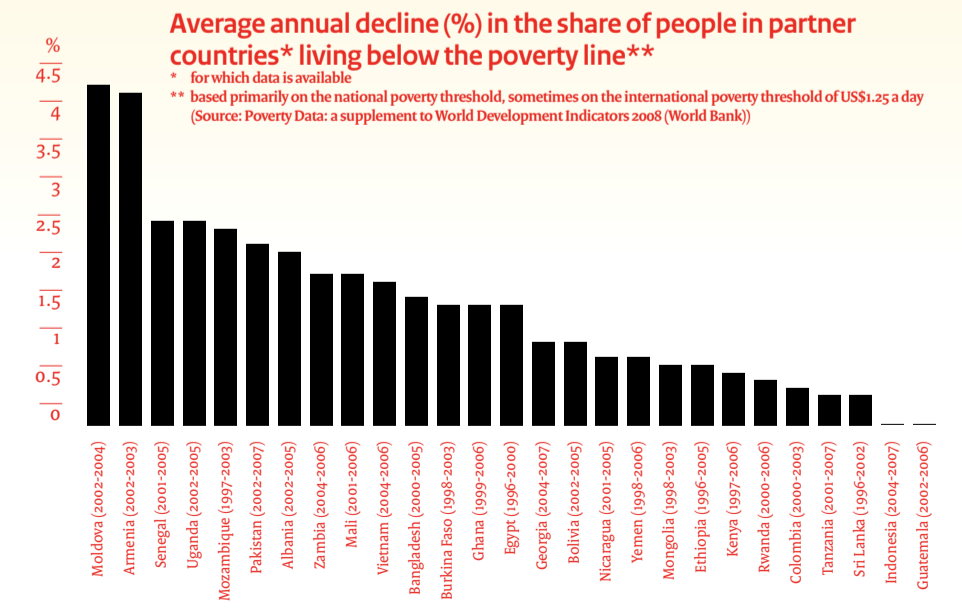
Share of people living on less than US\$1.25 a day

(Source: Poverty Data: a supplement to World Development Indicators 2008 (World Bank))



Average annual decline (%) in the share of people in partner countries* living below the poverty line**

* for which data is available
** based primarily on the national poverty threshold, sometimes on the international poverty threshold of US\$1.25 a day
(Source: Poverty Data: a supplement to World Development Indicators 2008 (World Bank))





1.1

Introduction

1.1.1

Context: widening gap between rich and poor

Many people have managed to lift themselves out of poverty, assisted by worldwide economic growth in the period to 2008. This is an achievement. Nevertheless, according to the latest World Bank estimate, a fifth of the world's population - some 1.4 billion people - are still living below the poverty threshold of US\$1.25 a day, especially in South Asia and Africa.¹ Approximately 963 million people, nearly one in seven, are currently thought to be malnourished.² In developing countries, a quarter of all children below five - over 140 million - are underfed.³ Moreover, rising food prices in 2008 have exacerbated both problems.⁴

Global inequality is also growing.⁵ Despite strong economic growth since the early 1990s, income disparities have widened dramatically. A recent study by the International Labour Organisation shows that in two-thirds of countries for which figures are available, the income gap between the highest and lowest group of wage earners increased by an average of 70% in 1990-2005.⁶ It was thus mainly high income groups that benefited from economic growth during this time.

The policy memorandum 'Our Common Concern: Investing in development in a changing world' argues that more attention must be given to growth and wealth distribution. A growing number of donors recognise that the private sector has a crucial role to play in the eradication of extreme poverty and hunger. Governments are also increasingly acknowledging its importance. The private sector accounts for between 60% and 80% of GDP and 90% of employment.⁷ It is also the main source of tax revenue for the public sector and hence for financing education, health care and other services. Economic growth, coupled with a fair and equitable distribution of that growth, is something we must achieve primarily by investing in private sector development that focuses on poverty reduction.

As well as developing the private sector, the Netherlands is also strengthening the governments of recipient countries by providing budget support to enable them to pursue pro-poor policies. It also provides food aid in emergencies.

1.1.2

Results chain for private sector development

The Netherlands supports private sector development in an effort to help eradicate poverty and hunger in developing countries. It aims to achieve this by generating more economic activity in developing countries (more investment, production, exports and revenue) to boost economic growth and poverty reduction (impact). This will happen only through greater access to, and use of, services: more businesses registered, more use of financial services, more efficient exploitation of high quality infrastructure and the application of newly acquired knowledge (outcome). To achieve this, Dutch interventions will concentrate on creating a healthy business and investment climate, partly by removing obstacles to economic activity (output). Too often, businesses in developing countries are hampered by inadequate or restrictive laws and regulations (red tape and corruption), limited access to financial services (credit) and markets, poor infrastructure (roads, energy, water) and insufficient access to knowledge, skills and new technology. The Netherlands is taking steps to remove these obstacles through financial support for specific programmes and active dialogue with the governments involved (input).

MDG 1: Eradicate extreme poverty and hunger

- Target 1:** Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
- Target 3:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Figure 1.1 Results chain for private sector development





Not all measures to improve the business climate automatically lead to economic growth and poverty reduction. As part of its strategy to speed up growth and income distribution described in the policy memorandum Our Common Concern, the Netherlands is taking steps to broaden economic growth to sectors and regions with high levels of poverty. Since a relatively large number of poor people inhabit rural areas, agriculture is a key productive sector in achieving MDG 1. However, employment will also need to be created elsewhere. The challenge is therefore to support a package of measures that will lead to economic growth which the poor can contribute to, and benefit from.

1.1.3

General budget support

The Netherlands provides general budget support to a number of partner countries. Budget support is a direct contribution to a country's national budget. It is given in return for clear joint agreements about targets and results relating to economic growth and poverty reduction, as well as about the reforms needed to achieve these outcomes. Budget support is only given after a detailed analysis of the policies of the recipient government in consultation with other donors. The partner country is expected to adhere to a number of basic principles, including respect for human rights and international agreements. It must also achieve a good score for its policies on poverty, the economy, good governance and public finance, as well as for its willingness to find solutions. Budget support has various functions. First, it is used to finance public services such as education and health care. Second, it is used as a stabiliser to ease the transition to a less volatile situation, especially in post-conflict countries. Finally, it is used to improve government policy to promote more growth and more effective poverty reduction.

1.1.4

Food aid

The Netherlands is focusing its efforts on encouraging a strong private sector (including agri-businesses) and sound public administration in developing countries to combat poverty and hunger. Nevertheless, emergency food aid continues to be necessary in some situations. The Dutch government provides emergency food aid by supporting international agencies like the World Food Programme (WFP), UNICEF and the UN Food and Agriculture Organisation (FAO).

1 Source: Poverty Data: a supplement to World Development Indicators 2008 (World Bank).
 2 World Food Programme, 2009 (see: www.wfp.org).
 3 2006 figures taken from the Millennium Development Goals Report 2008, United Nations, New York, 2008.
 4 United Nations (2008).
 5 The GINI coefficient of inequality between countries increased from 0.46 in 1980 to 0.54 in 2000 (source: World Development Report 2006).
 6 World of Work Report 2008: Income inequality in the age of financial globalisation, International Labour Organisation, 2008.
 7 World Development Report 2005, A Better Investment Climate for Everyone, World Bank 2005.

Example of a results chain

- **(Impact)**
Farmers investing in agri-businesses. This boosts production, sales and employment, leading to economic growth and poverty reduction. Any profits can be reinvested in the business.
- **(Outcome)**
To obtain the capital they need, many farmers make use of rural credit programmes.
- **(Output)**
These programmes give farmers better access to credit.
- **(Input)**
The Netherlands finances rural credit programmes.

1.2

General progress and trends

1.2.1

Impact: less poverty, but not everywhere

As the figure below shows, the share of people living below the poverty threshold is declining. It looks as though the world as a whole will achieve MDG1 by 2015. This is mainly due to high levels of economic growth and a sharp decline in poverty in East Asia, including Southeast Asia. Between 1990 and 2005, extreme poverty in the region fell from 55% to 17%. Poverty levels also went down in Sub-Saharan Africa, from 58% to 51%. However, this has not yet resulted in an absolute decline in the number of people living below the poverty threshold. In Sub-Saharan Africa, poverty levels in fact rose from 298 million people in 1990 to 388 million in 2005 due to rapid ongoing population growth.⁸

The sharp rise in food prices during 2008 had a negative effect on poverty reduction. Poor people who did not grow their own crops and therefore spent a high proportion of their incomes on food were hardest hit. It is estimated that this increased the proportion of people living below the poverty threshold by 100 million. Most of those affected live in Sub-Saharan Africa and South Asia.⁹ The effects of the financial crisis added to the problem, with large amounts of capital being withdrawn from developing countries. The world economic slowdown has led to a decline in exports and a reduction in the flow of migrants' remittances to their countries of origin. This is leading to rising unemployment

and national budget shortfalls, which could in turn result in spending cuts on projects to combat poverty. The World Bank recently estimated that the global recession could result in 50 million more people falling below the poverty threshold.¹⁰

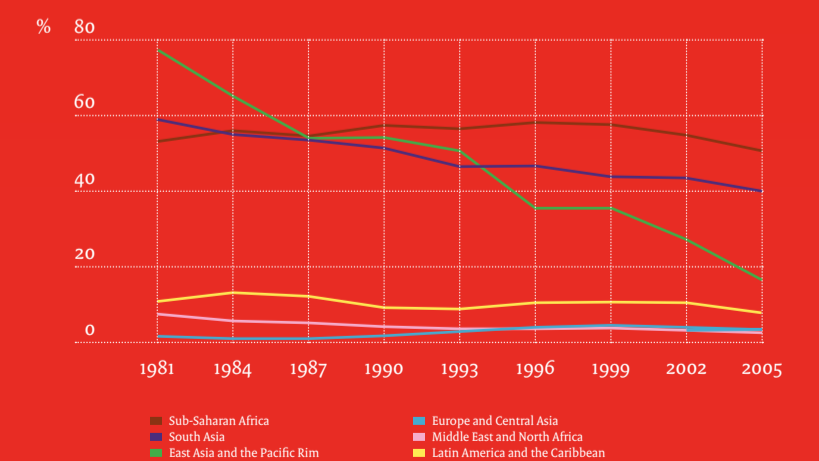
The figure on the first page of this chapter shows that the proportion of people living below the poverty threshold is falling in most of the Netherlands' partner countries for which data is available. In Moldova, Armenia, Senegal, Uganda, Mozambique, Pakistan, Albania, Zambia and Mali, the figure has fallen by more than two percentage points.¹¹

MDG 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than 1 dollar a day.

Figure 1.2 Proportion of people whose income is less than US\$1.25 a day

(Source: Poverty Data: a supplement to World Development Indicators 2008 (World Bank))





Some 27% of the world's poorest people live in fragile, conflict-torn states. Poverty levels in these countries rose from 49% in 1990 to 54% in 2004.¹² Conflicts are disastrous for regular economic development. They prevent people from providing for themselves, force them out of their homes and deprive them of access to public services such as education and health care. As a result, more people in these countries slide into poverty. The Netherlands therefore focuses the bulk of its efforts on poorer, more fragile states. These states are the Netherlands' partner countries. They are most in need of help. It is our conviction that the efforts we have made over the years, however modest, have contributed to positive growth and poverty reduction in these countries.

Efforts to eliminate hunger show a similar trend to poverty reduction measures: global food production is keeping pace with population growth and the proportion of people suffering from hunger is declining. This does not however apply to Sub-Saharan Africa and parts of Asia. According to estimates, the proportion of people suffering from hunger in Sub-Saharan Africa and South Asia has actually increased. Nearly half of all children in these regions are underweight. On the other hand, the proportion of malnourished children below five is gradually falling throughout the world, from 33% in 1990 to 26% in 2006. This is good news. Even so, in 2006 there were still 140 million malnourished children in developing countries. And well over 30% of children aged below five in a quarter of the Netherlands' development partner countries fell into this category.¹³

1.2.2

Output and outcome: from better legislation to technological innovation

Dutch interventions to alleviate poverty and hunger focus on five identified obstacles to private sector development: inadequate or obstructive legislation and regulations, limited access to financial services, insufficient market access, poor infrastructure and restricted access to knowledge, skills and technological innovations. Embassies devote most of their attention to improving legislation and regulations, developing (rural) market chains and boosting the financial sector. General private sector development programmes in several countries focus mainly on developing infrastructure and improving the knowledge and skills of local businesses. Civil society organisations channel most of their efforts towards developing market chains, providing microfinance and boosting the knowledge and skills of the business community, especially those of producer organisations and business support organisations.

As well as indicating trends in private sector development, the table at the end of this section shows the results of efforts to strengthen the capacity of national governments through budget support and emergency food aid.

Better and fairer legislation

Local and international businesses operating in developing countries are often hampered by inadequate legislation, lack of systematic enforcement and lengthy administrative procedures. This presents them with high costs and risks, as well as restricting commercial activity and encouraging corruption. The World Bank Group's annual Doing Business reports show that many developing countries achieve low scores for the time taken to establish a business, obtain licenses, import goods and so on, and for the associated costs.

The Netherlands is encouraging legislative reform through embassy programmes, civil society organisations and the World Bank. Embassy programmes are being carried out in Bolivia, Burundi, Colombia, Ethiopia, Indonesia, Kenya, Macedonia, Mali, Mozambique, Rwanda, Sri Lanka, Tanzania and Zambia. They consist of support for sectoral programmes and the provision of budget support. The main partner is the national government.

Civil society organisations are working to strengthen the lobbying capacity of their partner organisations in an effort to improve the business climate for financial services and fair trade (for example, by demanding a price for products that relates to the cost of production rather than the global market price). Civil society organisations in approximately 35 countries have contributed to positive changes in legisla-

tion on fair trade. They have helped to streamline local legislation on financial services in 12 countries.

Have these programmes made it easier to do business in the partner countries? The measures taken by the World Bank Group (FIAS) have certainly had a positive overall effect. Between 2006 and 2008, the partner countries whose governments were given FIAS assistance to implement reforms rose 11 places on the World Bank's Doing Business list. In the partner countries whose reforms were supported by Dutch embassies, the picture is more mixed. Some improved legislation for businesses, while in others the legislative context worsened. There is therefore still a long way to go before the obstacles to a good business and investment climate in developing countries are removed.

MDG 1: Eradicate extreme poverty and hunger

Target 3: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Legislation: some country results

(Source: Doing Business 2008; 2009, World Bank/IFC, Washington; Ambassade Maputo, Mozambique; Ambassade Dar Es Salaam, Tanzania; BEST-AC programma; HIVOS en Oxfam Novib; FIAS Investment Climate Advisory Services, World Bank group)

In Zambia, a number of government reforms have been carried out with support from the Netherlands, the World Bank and other donors. As a result, the time taken to register a company name, open a bank account and apply for a VAT number has been cut by nearly half in 2008 compared with the previous year (16 days compared with 33 in 2007).¹⁴ Cross-border traffic has also improved dramatically since the previous year and unnecessary licences are being swiftly annulled. The aim of these measures is to make it more attractive to start a business and to generate more employment.

In Mozambique, Dutch support has been used to train the judicial authorities in 76 districts in environmental and land rights legislation. 187 'paralegals' - representatives of rural communities who give information and advice on land rights - have also been trained. The Netherlands and other donors have established a fund for specific projects enabling communities to register their land rights and draw up land-use plans. The fund is now operating in three provinces and is being used to finance 24 ongoing projects. The Netherlands is also supporting a Mozambican organisation which has been helping 71 rural communities to formalise their land-use rights since 1977. 41 communities have now been issued with ownership certificates, which means that their land-use rights have been entered in the national land registry and the boundaries of their properties are legally recognised.¹⁵

In Tanzania, the Netherlands and a number of other donors have supported the Business Environment Strengthening for Tanzania Programme (BEST). So far, the results have been limited, mainly due to lack of political will on the part of the Tanzanian authorities. Funding for the second phase has therefore not yet been committed. A key lesson is that a more political approach should be used to

improve conditions for business, rather than a technical one. The Netherlands will however continue to support the programme's advocacy component. Dutch support has so far enabled 12 local private sector organisations to lobby for better policy and regulations. This has led to various improvements: many taxes in the coffee sector have been simplified or abolished and some financial barriers to maritime imports have been dismantled.¹⁶

In Colombia, Dutch funding has been used to set up special business centres within local Chambers of Commerce in 15 towns and cities. New entrepreneurs can go to these centres to register their businesses using a greatly simplified procedure which reduces the registration time to three working days and cuts the costs involved by roughly 60%. Over 53,000 businesses were registered in 2008. Colombia climbed 13 places on the World Bank's Doing Business list and is now in 53rd position.¹⁷

In India, partners of the Dutch non-governmental organisation Hivos widened access to microfinance and improved the relevant legislation, especially for specific disadvantaged groups. Oxfam Novib achieved positive results with fair trade in Colombia, Bolivia, Peru and Brazil and with employment law in Pakistan.¹⁸

The Netherlands supports the Foreign Investment Advisory Service (FIAS), which is part of the World Bank Group. The FIAS is committed to improving the investment climate in developing countries by providing technical assistance to governments to help them implement reforms. At least 95% of its clients (government agencies) are satisfied with the service it provides (compared with 89% the previous year). Some 70% of the FIAS' recommendations are implemented a year after projects are completed.¹⁹

Figure 1.3 Proportion of underweight children aged below five, 1990, 2006
(% (Source: UN Millennium Development Goals Report, 2008)



Infrastructure: examples of results achieved

In 2007 and 2008, 85 projects funded by the Development-Related Export Transactions programme (ORET) were completed. They cost a total of 290 million euros and involved the construction of roads, bridges, ports, water infrastructure and ICT facilities. The projects resulted in the construction, expansion and renovation of 102 hospitals. Services and facilities at four ports were upgraded through infrastructure improvements, the supply of vessels and technical assistance. The telecommunications infrastructure was modernised through the installation of 1,400 kilometres of fibre optic cable. An evaluation carried out in 2006 concluded that ORET projects had been well managed and had generally reached their targets (16 of the 22 projects examined).²⁰ However, because they scored less well on development effects, including poverty reduction, it was decided to replace them with a new, more demand-driven, development-relevant programme: ORIO (Development-Relevant Infrastructure Development) with effect from 2009. Under a new tendering process, proposals will now compete on the basis of development-relevance and the involvement of small and medium-sized enterprises, to make infrastructure more pro-poor. Only the best proposals will be selected.

In 2002, the Netherlands was involved in the establishment of the Private Infrastructure Development Group (PIDG), an innovative fund that gives practical support to the development of private infrastructure in developing countries. PIDG supports the development and financing of projects and issues guarantees. Donor investments totalling US\$ 238 million (US\$ 20 million of which was contributed by the Netherlands) attracted a further US\$ 7.7 billion in private sector investments. These investments were provided to develop and build infrastructure, especially in the poorest developing countries. As a result, new and/or improved water, electricity and transport infrastructure is now available to 6.3 million people and mobile phone connections have been provided for 2.6 million people in these countries. The investments have generated more than 10,000 jobs.²¹



Reliable infrastructure

A reliable infrastructure is essential if businesses are to produce and trade efficiently. A good business and investment climate needs roads, ports, effective communication and an uninterrupted supply of energy and water.

As well as supporting infrastructure projects via the World Bank and other institutions, the Dutch government finances infrastructure improvements via the ORET programme and the Netherlands Development Finance Company (FMO), through its infrastructure fund for least developed countries.

The Netherlands finances infrastructure projects in developing countries mainly through multilateral contributions and ORET funding. These contributions are naturally relatively modest when compared with the overall infrastructure im-

provements that have been carried out in developing countries. World Bank statistics show that access to infrastructure has improved in around 30 of the 40 development partner countries, where access to electricity and telecommunication in particular is measured (rru.worldbank.org/besnapshots).

Development of market chains

The main stumbling blocks for businesses in developing countries wanting access to international markets are tariffs, internal state aid, export subsidies and strict product requirements. They also often have too little knowledge, experience and human resources to exploit market opportunities. Programmes run by embassies and civil society organisations primarily focus on boosting the income and hence development opportunities of small producers.

Programmes to develop the market chain are run by the embas-

sies in Bolivia, Colombia, Ethiopia, Mali, Nicaragua and Rwanda. In recent years, the programmes implemented by civil society organisations have placed growing emphasis on the chain as a whole rather than on only part of it. Together, civil society organisations have strengthened more than a thousand producer organisations worldwide, and approximately 2.5 million producers have seen a marked rise in income.

Seven civil society organisations (Cordaid, Fair Trade Original, Hivos, ICCO, Oxfam Novib, SNV and Solidaridad) have used Dutch aid to introduce and improve 28 quality labels for sustainable and fair production and trade. Coffee, cotton, cocoa, tea and fruit are key sectors to have benefited.²²

Financial sector

Approximately four billion people have no access to loans or other financial services, such as insurance. A sound financial sector is vital for mobilising savings for investment. Better access to financial services has enabled millions of people in developing countries to effectively work themselves out of poverty. The Netherlands supports the financial sector through bilateral programmes run by its embassies in Burundi, Macedonia, Mozambique, Nicaragua, Rwanda, Tanzania and Zambia. Programmes are also funded by the Netherlands Development Finance Company (FMO). Finally, the Netherlands contributes to the Health Insurance Fund, the Financial Sector Reform and Strengthening Initiative (FIRST) and the International Finance Corporation (IFC). Civil society organisations are also supporting microfinancing institutions. Approximately 125 of these institutions have had their operational performance strengthened as a result

and there is close cooperation with a further 200. This cooperation and strengthened capacity have increased their professionalism and widened their service to include new forms of credit. This has led to a much better provision for the lower end of the market, with poor people now becoming fully-fledged customers of the financial sector. The NGOs in question reach approximately 25 million people. Efforts to open up credits to women are also bearing fruit: women now account for 83% of customers of the Cordaid programme, 70% of the Hivos programme, 68% of the Oxfam Novib programme and 86% of the Terre des Hommes programme. Contributions by civil society organisations to microfinancing institutions and SMEs have risen sharply and the provision of secured loans has had a multiplier effect on the capital market.²⁷

However, the results are not always positive. Terre des Hommes has argued that the dangerous and volatile situation in

some countries poses a risk to the credit programmes. Poor commercial returns lead to uncertain repayments, especially in East Africa, as a result of which there is less capital available for subsequent loans.

In terms of national impact, World Bank figures show that between 2000 and 2006 the volume of domestic loans as a percentage of GDP went up in 21 of the 31 non-fragile partner countries. They went down in six partner countries and remained largely unchanged in four. In the fragile partner countries, the volume of domestic loans as a percentage of GDP went up in six countries and remained the same in one (details for two countries are unknown). This can be regarded as a positive outcome.³⁴ Research shows that a 10% increase in the ratio of loans to GDP leads to a 2.5 to 3% reduction in poverty (Claessens, *Access to Financial Services*, 2005).

Table 1.1
Number of producer organisations strengthened and number of people reached in 2007-2008

(Source: Cofinancing organisations/ICCO compilation of annual reports for 2007)

	Cordaid	Hivos	ICCO/KiA	Oxfam Novib	SNV	Solidaridad	Total
Producer organisations	590	n.a.	110	n.a.	170	142	1,012
Members reached	520,000 (50% women)	60,000	410,000	1,400,000 (75% women)	n.a.	70,000	2,460,000

Table 1.2
Outstanding loans and guarantees at the end of 2007 (millions of euros)

(Source: Cofinancing organisations/ICCO compilation of annual reports for 2007)

Hivos-MyC4 *	Hivos-Triodos	Oikocredit (ICCO/KiA)	ASN-Novib	Oxfam Novib	Total
6	45	215	54	23	343

* MyC4 is an online market place in which 11,782 investors from 82 countries have invested.

Development of market chains: examples of results achieved

(Source: Evaluation of the Trade Union Cofinancing Programme 2001-2006)

The Dutch embassy in Colombia is supporting a partnership for the production of sustainably grown coffee in cooperation with Starbucks. This has led to better living conditions for 1,160 coffee-growing families. 442 producers now sell their products through 25 associations that have been established specifically for the coffee production chain. Another project is helping to reintegrate demobilised guerrilla and paramilitary forces into mainstream society by recruiting them into local banana growing cooperatives. The products themselves are now Fair Trade certified following investments in local production infrastructure and improvements in the way the cooperatives are organised. A Dutch company is selling the bananas in Europe. The results of the programmes in Bolivia and Mali are discussed in the country cases at the end of this chapter.²³

In 2007-2008, the Centre for the Promotion of Imports from Developing Countries (CPI) helped a total of 400 companies from developing countries to prepare their products for export to Europe. Evaluations found that these companies achieved a combined rise in exports of 160 million euros, leading to an estimated 14,000 extra direct jobs. 3,400 exporters were given export marketing and management training, a million market studies were distributed among the target group, 50 strategic partnerships were established and 44 business organisations were given help in preparing local SMEs to export their goods to the European Union.²⁴

The Café Femenino programme was established by the Organic Products Trading Company (OPTCO) and launched in Peru in 2004. OPTCO has been trading in organic coffee since 1989. It buys the product from local cooperatives and sells it on to roasting companies in Canada, the US and Europe. The company recently decided to establish a producer organisation for women in partnership with two other firms. Women in the region are often low-skilled with no access to means of production. This particular branch of Café Femenino began with 464 female coffee farmers. A guarantee from Cordaid allowed OPTCO to expand the initiative to more cooperatives and countries (Colombia, Bolivia, Guatemala, the Dominican Republic and Mexico). It has boosted the incomes of 800 female coffee growers and strengthened local market chains, for example by putting supermarkets directly in touch with the growers. The coffee supplied by Café Femenino is organic and Fair Trade certified. In addition to being paid a fair price for their product, the women also receive a Fair Trade premium of two dollar cents per pound. This money is invested in community projects.²⁵

SNV has successfully launched the 'inclusive business' concept in Latin America. This is an initiative in which the poorer segment of the population is sustainably involved in activities organised by larger companies to benefit both parties. The programme reaches 300,000 households. In Ecuador, the approach has led to the creation of 8,000 new jobs for people from the poorest sections of the population and boosted their income from less than two dollars a day to eight dollars a day.²⁶



Knowledge and skills in the private sector

Many companies in developing countries face a shortage of skilled personnel, technological knowledge and commercial expertise. The private sector is also often poorly organised and therefore unable to protect its own interests.

The Netherlands supports capacity development for local businesses through embassy programmes in Bosnia-Herzegovina, Kenya, Sri Lanka, Nicaragua and Zambia. The Dutch government also funds programmes to develop the capacity of individual companies and membership organisations for employers, producers and trade unions. Various civil society organisations focus specifically on strengthening business support organisations. These organisations in turn support producer organisations, cooperatives and individual companies in various sectors such as market research, business planning and product development. The Netherlands is funding initiatives to improve the position of employees in developing countries and to promote the Inter-

national Labour Organisation's Decent Work Agenda. The work done by civil society and other organisations helped a total of 565 business organisations in developing countries. Civil society organisations (Cordaid, ICCO/KiA, SNV and Solidaridad) strengthened some 245 business support organisations.⁴³ Other organisations (VMP, the employers' programme DECP, Agriterra and IFDC) strengthened a total of 320 agricultural and membership organisations.⁴⁴ Together, these initiatives reached millions of farmers, employees and SMEs.

General budget support

In 2008, the Netherlands set aside 186 million euros for general budget support, as shown in the table below. This is 3.9% of total ODA funding. A joint donor evaluation of budget support in eight countries in 2006 found that it had had positive effects on financial management and social expenditure.⁴⁵ Budget support also improves the coordination of donor aid and the way aid is aligned with national budgets

and policy priorities. The study found that it was difficult to directly correlate improvements in the poverty situation with budget support.

Budget support has however led to a number of specific policy reforms. In Burkina Faso, it has initiated major improvements in the management of public finances. In Uganda and Tanzania, budget support substantially increased the share of the national budget allocated to provide services to the poor.

In Vietnam, it was used to support policy measures aimed at private sector development, which ensured that growth was channelled more directly to the poor. In Ghana and Mozambique, budget support was used to pursue key reforms in the investment climate and the banking system.

The evaluation of Dutch policy on Africa in 2007 by the Policy and Operations Evaluation Department (IOB) acknowledged the positive effects of budget support on donor harmonisa-

tion and on the management of public finance in the relevant partner countries.⁴⁶ However, the IOB also noted that more research was needed on the precise effects of budget support on poverty. This is now being examined together with the IOB. The IOB advises restraint in giving general budget support to countries with poor human rights records, weak administration or inadequate anti-corruption measures. These issues are carefully weighed by the Ministry of Foreign Affairs using track records, a socioeconomic and political analysis which forms the basis for granting budget support. Clear agreements are also made with the recipient country on projected results and the contribution that can be expected for the period in question if these results are met.

Food aid

The Netherlands provides a high proportion of food aid through the United Nations World Food Programme (WFP). WFP delivers emergency food supplies to people in acute

need following natural disasters, and to those in long-term emergency situations, for example following wars or conflicts. In 2007, the Netherlands provided 3.3 million tonnes of food via the WFP to 86.1 million people in 80 countries, including 76.1 million women and children.⁴⁷ Investing in women is important because it leads to better food provision and health for the entire family. The proportion of people suffering from hunger rose sharply in 2008 following the crisis in world food prices, when the price of basic food-stuffs rose dramatically. As a result, the WFP programme began the year with a target figure of 70 million but in fact gave aid to some 86 million people.⁴⁸

A number of civil society organisations also provide food aid. They include ZOA Vluchtelingenzorg, Oxfam Novib, the Red Cross, Save the Children, World Vision, ICCO, Stichting Vluchteling, Cordaid, Terre des Hommes and Woord en Daad. In 2007 Oxfam Novib and other partner organisations provided humanitarian aid to 4.6 million people through

emergency aid programmes and conflict prevention. ICCO, Cordaid and Woord en Daad together gave emergency aid to over 755,000 people.⁴⁹

Financial sector: examples of results achieved

(Sources: Ambassade Dar Es Salaam, Tanzania; Cordaid.; HIVOS.; FIRST, Washington.; HIF 2009; IFC Washington)

In Rwanda, the Dutch embassy and Rabobank undertook a project to modernise the Banque Populaire de Rwanda (BPR) at the request of the Rwandan government. They converted it from a poorly performing group of over 200 cooperative banks into a modern commercial bank with shareholders. Over half a million Rwandan citizens who were formerly members of one of the cooperative banks have now become BPR shareholders. The Netherlands is contributing some of the technical assistance needed to ensure the bank's viability. Rabobank acquired a 35% stake in BPR through Rabo Financial Institutions Development B.V. and is funding 35% of the technical assistance. Particular attention was paid to the specific character of the cooperative banks for women. They have since been grouped into a special branch which caters exclusively for women. 27% of the bank's loans are issued to women.

The Dutch embassy in Tanzania supports the Financial Sector Deepening Trust, the aim of which is to widen access to financial services, especially in rural areas. In October 2007, nine projects were launched, giving 299,300 people access to credits to improve their incomes and living conditions.³⁸

Cordaid has been supporting a microfinancing institution in Kenya since 1999. In 2004, after initial difficulties getting off the ground, the institution's micro-credit activities were privatised under the name MDSL. The bank was found to be in a highly precarious financial position. However, under a new manager and following a capital injection from Cordaid, it was transformed into an efficient microfinancing agency. Internal efficiency measures, training and a better information system led to a 50% increase in productivity per employee. In 2006 and 2007, the opening of new branches and the introduction of new loan products finally resulted in the long-awaited portfolio growth. MDSL is now a profitable organisation offering financial services to the residents of Nairobi's slums.³⁹

In Central America, Hivos supported the creation of joint ventures between microfinancing agencies and HIV/AIDS organisations to make available loans and other financial services to people with HIV/AIDS. In Southern Africa, the organisation is integrating an AIDS policy into the services offered by microfinancing agencies. 83% of Hivos' partners now operate a workplace policy for their own staff. The policy encourages a better approach to the risks and problems of HIV/AIDS, to counteract discrimination and the loss of manpower through the disease.³⁹

The Netherlands is also contributing to the multidonor fund FIRST (Financial Sector Reform and Strengthening Initiative), which provides technical assistance to governments and supervisory bodies in the interests of an efficient and effective financial sector. The World Bank and the IMF are also involved. Since 2003, the Netherlands has supported a total of 271 missions offering specialist support in 75 countries. 109 of these missions gave assistance to central banks and Finance Ministries in Sub-Saharan Africa. At a consultative meeting in November 2008, the financial authorities that benefited from these missions were unanimous in their praise for the work done by FIRST.³¹

In 2006, the Netherlands set up an innovative fund to improve access to health care. The Health Insurance Fund (HIF) provides basic health insurance (including for HIV/AIDS) for low income groups through the private sector. Previously, this form of health insurance was only available to the most affluent groups. The fund was launched in Nigeria in 2007. Some 45,000 people have now been insured and 15 hospitals have been refurbished. Patient attendance has risen dramatically. This approach has been used at federal level as a template for integrating basic health care into the national insurance system.³²

The International Finance Corporation (IFC) is a multilateral organisation which, with funding from the Netherlands and other donors, provides investment, advice and other services to the private sector. The IFC has strengthened the capacity of small and medium-sized enterprises by providing training for more than 20,000 entrepreneurs, including many women. It has also issued approximately seven million micro-credits through local credit institutions.³³

Knowledge and skills in the private sector: examples of results achieved

(Sources: Ambassade Sarajevo, Bosnië-Herzegovina; Ambassade Managua, Nicaragua; PSOM 2008, EVD; Stichting PUM)

In Bosnia-Herzegovina, Dutch funding has been used to establish a range of organisations, such as business centres and associations, to promote a better business and investment climate. The Regional Development Office in central Bosnia is increasingly seen as a springboard for economic development.³⁵

In Nicaragua, support from the Netherlands has been used to launch the next phase of a successful programme (PROSEDE) which is subsidising 15,000 SMEs by means of vouchers which they can use to pay for training and technical assistance. In 2007-2008, at least 70% of the firms registered a substantial increase in both productivity and output as a result, leading to more profitability. Over 40% also created new jobs. INDE, the non-profit organisation established by these businesses, has now extended the programme to 12 of the country's 20 departments, including those in rural areas. Some 75% of the entrepreneurs who have benefited from the programme are women. In the next phase, the service will partly concentrate on production chains with major potential, such as coffee and tourism.³⁶

The Programme for Cooperation with Emerging Markets (PSOM), which ran until mid-2008, gave financial support to Dutch and local businesses wanting to establish joint investment projects in developing countries. The innovative nature of these projects could take the form of a new product, production method or technology for the developing country. Due to the risks involved, approximately 35% of these projects failed, a similar percentage to that in developed countries. Because many projects were halted at an early stage, they only accounted for 5% of the entire PSOM budget. A total of 143 projects were completed between 2003 and 2008. On average, 87 extra jobs were created by each project and 383 people were trained. The projects also had positive side-effects, such as boosting the incomes of 440 producers (farmers) per project on average. In mid-2008 the programme was replaced by the Private Sector Investment Programme (PSI).³⁷

The Netherlands Management Cooperation Programme (PUM) sends out senior experts from the Netherlands to give specific advice to businesses in developing countries. In 2007-2008 a total of around 2,715 missions advised approximately 2,225 SMEs, mainly in Africa and Asia. Levels of customer satisfaction were high: the recommendations made by the experts were accepted by over 95% of the companies.³⁸

Increasing the level of organisation within the private sector is one way of improving the business and investment climate in developing countries. The Programme to Support Producer Organisations (POP), in which farmers' organisations in developing countries are given technical assistance by their counterparts in the West, is unique. In 2007 and 2008, it strengthened the capacity of 35 farmers' organisations with approximately 130,000 members. This enabled them to represent the interests of their members more effectively, for example in negotiations with suppliers and exporters and through the transfer of knowledge.³⁹

The International Centre for Soil Fertility and Agricultural Development (IFDC) supports the development of agricultural production in West Africa by bringing together all those involved in a particular chain. In 2007, it assisted 158,536 farming families whose average agricultural incomes rose by 52%. In 2008 the programme expanded further, and is now on track to reach its goal of improving the position of a million households by 2010.⁴⁰

The Fair Wear Foundation is committed to promoting good working conditions in the textile industry. Clothing companies that join the foundation agree to abide by a code of conduct and their compliance with this code is assessed. In 2007 the initiative improved the legal position and working conditions of some 155,000 employees working in 840 textile companies in the developing world.⁴¹

The Dutch CNV and FNV trade union federations support their counterparts in developing countries via the Trade Union Cofinancing Programme (VMP). They also contribute to the ILO Decent Work Agenda through projects, training and lobbying activities. Results include better employment rights, job creation, improvements in social security and social dialogue and stronger trade union organisations. During the period under review, support was given to 130 partner organisations in developing countries (20 at multilateral/international level). The evaluation of the VMP also found that the vast majority of projects had achieved their output target. However, because it was difficult to gauge how far some of these projects had contributed to capacity building and strengthening trade union and employment rights, it was decided to tighten priorities and projected results in the new VMP policy framework for 2009-2012.⁴²



1.2.3

Financial and non-financial input

The Netherlands gives financial aid through various channels: bilateral (private sector and embassy programmes), multilateral and non-governmental. See figures 1.4 and 1.5.

The Netherlands also provides non-financial support. Most of the Dutch embassies that focus on private sector development are involved in local donor groups for economic development. These embassies often lead the field in improving the coordination of aid (harmonisation) between donors. They are, principally, the embassies in Bolivia, Bosnia-Herzegovina, Ethiopia, Indonesia, Mali, Nicaragua, Rwanda, Tanzania and Zambia. The Netherlands co-chairs the donor groups in Zambia and Ethiopia. These embassies often pursue an active policy dialogue - directly or through these donor groups - with the recipient government to improve the business and investment climate by means of pro-poor economic growth. In a number of cases, embassies or civil society organisations help private sector organisations to strengthen their lobbying capacity with the government. The Dutch embassy in Bosnia-Herzegovina, for example, is holding talks with the Bosnian government to find solutions to the practical problems encountered by international companies doing business in Bosnia-Herzegovina, in cooperation with the Foreign Investors Council and other embassies.

- 8 World Development Indicators. Poverty data. A supplement to World Development Indicators 2008, World Bank, Washington, 2008.
- 9 United Nations, 2008.
- 10 Global Monitoring Report 2009, Crisis, MDGs and the private sector, emerging findings and messages, World Bank, 19 February 2009.
- 11 World Bank, 2008.
- 12 United Nations, 2008.
- 13 United Nations, 2008.
- 14 Doing Business 2008: comparing regulation in 181 economies, World Bank/IFC, Washington, 2007. Doing Business 2009, World Bank/IFC, Washington, 2008.
- 15 Dutch embassy, Maputo, Mozambique.
- 16 Dutch embassy, Dar Es Salaam, Tanzania, and BEST-AC programme quarterly reports.
- 17 Doing Business 2008, World Bank/IFC, Washington, 2007. Doing Business 2009, World Bank/IFC, Washington, 2008.
- 18 HIVOS and Oxfam Novib 2007 annual reports.
- 19 2007 annual report, FIAS Investment Climate Advisory Services, World Bank Group, 2008.
- 20 ORET evaluation, Parliamentary Papers 30800 V, no. 56 (January 2007).
- 21 PIDG 2007 annual report.
- 22 Cofinancing organisations/ICCO compilation of annual reports for 2007 and 2008.
- 23 Dutch embassy, Bogota, Colombia.
- 24 CBI annual report.
- 25 Cordaid 2007 annual report.
- 26 Information from SNV.
- 27 Cofinancing organisations/ICCO compilation of annual reports for 2007 and 2008.
- 28 Dutch embassy, Dar Es Salaam, Tanzania.
- 29 Cordaid 2007 annual report.
- 30 HIVOS 2007 annual report.
- 31 FIRST annual report fiscal year 2008, Washington.
- 32 HIF 2009 annual plan and internal account of the meeting with the NHIF.
- 33 IFC 2008 annual report, Washington (www.ifc.org).
- 34 Business Environment Snapshots, World Bank (website: tru.worldbank.org/besnapshots).
- 35 Dutch embassy, Sarajevo, Bosnia-Herzegovina.
- 36 Dutch embassy, Managua, Nicaragua (INDE report).
- 37 Summary of the 2008 PSOM annual report, EVD.
- 38 2007 and 2008 annual reports, PUM Foundation.
- 39 Agricornid information folder, 2008.
- 40 2nd semester 2008 Progress Report - SAADA/1000+ Project, IFDC.
- 41 Fair Wear Foundation 2007 annual report.
- 42 Evaluation of the Trade Union Cofinancing Programme 2001-2006.
- 43 Compilation of the annual reports for 2007 and 2008 of the cofinancing organisations, ICCO.
- 44 2007 annual reports of the VMP (FNV and CNV), DECP, Agrierra and IFDC.
- 45 OECD/DAC Joint Evaluation of General Budget Support, 2006.
- 46 IOB evaluation of Dutch policy on Africa 1998-2006, 2007.
- 47 World Food Programme: facts and figures 2007, Rome (www.wfp.org).
- 48 The figures for 2008 have not yet been finalised.
- 49 Compilation of the annual reports for 2007 of the cofinancing organisations, ICCO.

Table 1.3
Structural general budget support 2006-2008
(millions of euros) (Source: Ministry of Foreign Affairs (DEK/HI), 2009)

	2006	2007	2008
Armenia*	5	2	0
Benin	10	10	10
Bhutan*	0	0	2
Burkina Faso	18	19	20
Burundi	8	10	14
Georgia*	5	2	2
Ghana	14	25	24
Cape Verde	2	7	6
Macedonia*	0	0	7
Mali	10	10	12
Moldova	0	3	4
Mozambique	16	18	18
Nicaragua	10	11	6
Uganda	15	20	5
Senegal	0	0	10
Tanzania	30	30	30
Vietnam*	24	12	6
Zambia	5	8	10
Total	172	187	186

* financed through the World Bank

Figure 1.4 Expenditure on private sector development by channel
(millions of euros) (Source: Ministry of Foreign Affairs (FEZ))

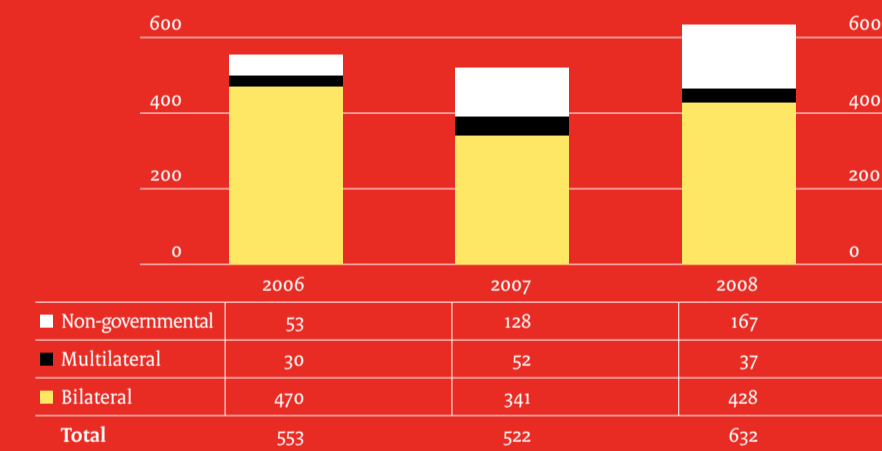
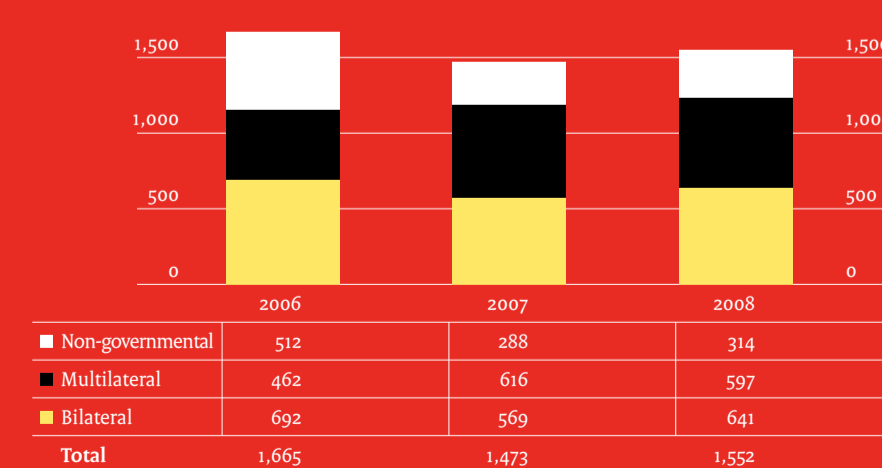
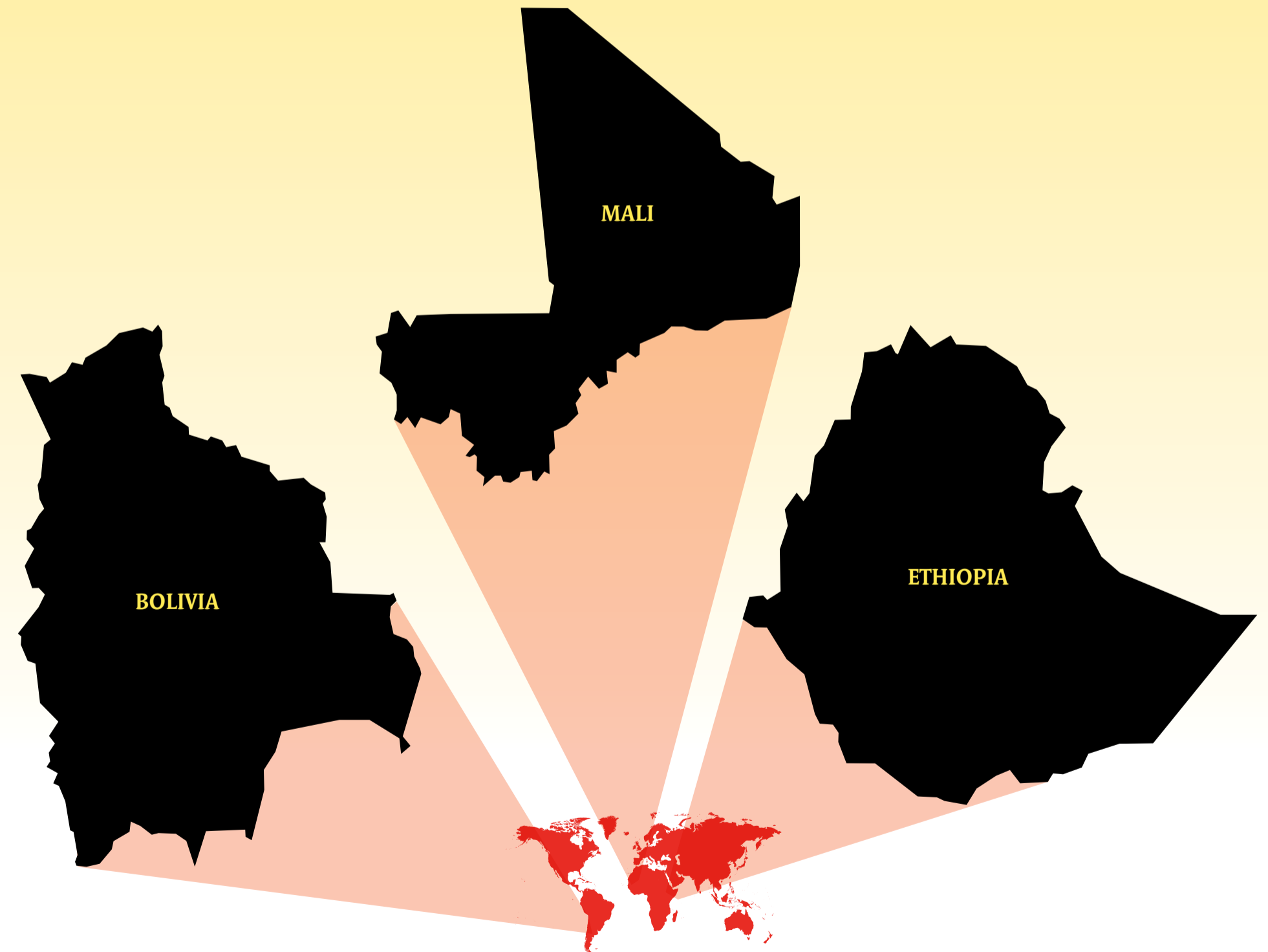


Figure 1.5 Expenditure on MDG 1 by channel (millions of euros)
(Source: Ministry of Foreign Affairs (FEZ))



1.3

Country cases





1.3.1

Mali

growth and increased economic activity



Mali is one of the poorest countries in Africa, in terms of both per capita GNP and social indicators for development. Eighty-five per cent of the working population is dependent on agriculture, while agricultural revenue is low due to lack of diversification and the sensitivity of exports to external shocks. Developments within the agricultural sector are also limited by the low level of organisation of the agricultural working population and poor soil fertility. In 2008, Mali and its neighbours were affected by the sharp rise in global food prices. Dutch support for Mali has focused mainly on rural economic development and on improving the general business and investment climate. The Netherlands is supporting the development of selected market chains to improve agricultural production and increase revenue by means of specific programmes.

Legislation

To improve the business and investment climate in Mali, the Dutch embassy is supporting a programme run by the FIAS (part of the World Bank Group) to simplify legislation for businesses, mainly in the agricultural sector. The results so far have been limited since the government has only acted on a few of the recommendations. However, one successful outcome is the establishment of an investment promotion agency which helps businesses to make investments, for example by supplying them with information on existing legislation.⁵⁰ Despite this, Mali's ranking on the World Bank's Doing Business Report list went down in 2007-2008, chiefly because its

neighbours were quicker to implement reforms.⁵¹ Support from civil society is also being used to strengthen conditions for business and trade in Mali and the wider region. ICCO and SNV, for example, are supporting a lobbying network of cotton producers from 13 countries in Western and Central Africa, which is based in Mali. The group is calling for fair international trade prices for African cotton and for a better competitive position for West African producers. Oxfam Novib has taken steps to raise awareness and distribute information on land rights to small-scale producers. 10,000 people were given training on their rights in the period under review. SNV has helped farmers' organisations in various lobbying processes at national level. A successful example was the reduction of export premiums on the border between Mali and Senegal and the Côte d'Ivoire from FCFA 16,500 to FCFA 4,050 per cow.

Development of market chains

The Netherlands supports the development of the agricultural sector in Mali in various ways. It provides funding to the IFDC to train farmers and crop traders, with approximately 15,500 households benefiting in 2007, including around 12,000 women. The programme boosted participants' average incomes from agriculture by some 70%.⁵² Another example is the programme financed by the Dutch embassy in Koulikoro province, which is being implemented by the provincial chamber of agriculture with help from SNV. The programme centres on the development of six

market chains. Good results are being obtained in the production chains for sesame and jatropha. Sesame production has risen in recent years from almost nil to an anticipated output of 400 tonnes in 2008-2009.⁵³ Jatropha production is increasing year-on-year. Jatropha nuts are processed into oil which is then bought by a Dutch-Malian joint venture. The company, which was established with PSOM funding, processes the oil into biodiesel for sale on the local market. The producers hold a 20% share in the company. The programme has also made good progress in the other market chains.

Civil society organisations such as Oxfam Novib and ICCO also contribute to the development of markets. ICCO, the Royal Tropical Institute (KIT) and SNV provide finance to local farmers' organisations to encourage the production of organic cotton and other organic crops. ICCO and KIT have opened an export centre to promote the export of organic crops. In 2008, 6,500 small farmers produced approximately 2,000 tonnes of organic Fair Trade cotton. Around 2,000 producers supplied the export centre with organic cotton, sesame and soya.⁵⁴

At the beginning of 2008, Mali was also affected by the sharp rise in food prices. The government was forced to take additional measures to absorb the effects of the crisis and strengthen agriculture. This resulted in the launch of the Riz Initiative in April 2008.

Population	11,626,000
Area	1,240,192 km ² (29.9 x the Netherlands)
Capital	Bamako
Religion	Muslim 90% Traditional faiths 9%
Ethnicity	Bambara 32% Fulani 14% Senoufo 12% Soninke 9% Malinke 7% Berbers (Tuareg) 7% Songhai 7% Dogon 4%

Birth rate	50 births / 1,000 inhabitants
Mortality rate	17 deaths / 1,000 inhabitants
Infant mortality	108 deaths / 1,000 births
Life expectancy	45 years
Illiteracy levels	81% (>15 years old)
Food supply per capita	9,358 kJ per day (2003)
Health care	1 doctor / 20,000 inhabitants (2002)
Vaccination rate	69% (2003)
Employment in agriculture	85.8%
Employment in industry	2.0%
Employment in services	12.2%

Purchasing power (GDP) per capita	€ 994
GDP growth 1990-2003 per capita	2.4% per year
Exports	Cotton, gold, livestock
Imports	Petroleum, textiles, machinery and equipment, construction materials, food
CO ₂ emissions	0.1 tonnes per inhabitant (2003)
Energy consumption	30 kg carbon equivalent per inhabitant (2002)
Energy balance	80% deficit (2002)

Improved infrastructure

A good infrastructure is vital in enabling businesses to produce and trade. Dutch support for the Office du Niger large-scale irrigation programme is part of the Malian government's sectoral strategy. An important result in recent years has been the rehabilitation of 1,100 hectares of land for irrigation farming. Substantial investments have also been made to improve water management, for example through the establishment of water users' groups which are now distributing the available water more efficiently. To improve yields, trials have been carried out using new rice varieties which require less water and methods to extend the storage life of vegetables such as onions and tomatoes. Considerable attention has been focused on improving the capacity of farmers' organisations, which are gradually evolving into micro-enterprises.

In Bamako, the Netherlands has financed the construction of a logistics centre where vegetables and fruit are processed and cooled for containerised transport to Europe. During the centre's first year of operations (2008), over 900 tonnes of mangoes were exported to Europe. The supermarket chain Ahold is helping to finance the centre and is also its biggest customer, taking delivery of 600 tonnes of mangoes in 2008. Exports are expected to double in 2009.⁵⁶

Conclusion

Mali's economy has grown by an average of 5.5% over the past decade. The tax quota is steadily rising: tax revenue as a percentage of GNP rose from 14.7% in 2005 to approximately 17% in 2008. Economic activity in the larger cities has substantially increased, partly due to major investments in infrastructure. In rural areas, economic activity is lagging behind, but promising initiatives are being planned and implemented by the government and donors. However, they will require time to take effect. According to World Bank figures, the proportion of Malian people living below the poverty threshold has fallen from 55.6% in 2001 to 47.4% in 2006.⁵⁷ Despite this, there are still wide regional differences, both in income levels and in access to social services (education and health care).

⁵⁰ Dutch embassy, Bamako, Mali.

⁵¹ Mali fell from 160th to 166th position on the Doing Business list, Doing Business 2009, World Bank/IFC, Washington, 2008.

⁵² SAADA/1000+ programme, information sheet M&E Unit IFDC (International Centre for Soil Fertility and Agricultural Development), IFDC.

⁵³ Dutch embassy, Bamako, Mali.

⁵⁴ ICCO information.

⁵⁵ Dutch embassy, Bamako, Mali.

⁵⁶ Dutch embassy, Bamako, Mali.

⁵⁷ World Bank, 2008.

The Riz Initiative

(Source: Embassy at Bamako, Mali)

The aim of the Riz Initiative is to increase national rice production by 50% in the space of a year, to 1.6 million tonnes of unpeeled rice. The idea was to boost production by making it more attractive for rice growers to plant more rice and use artificial fertiliser. This was achieved by reducing the price of artificial fertiliser and seedlings and encouraging the planting of rice varieties that could be grown without irrigation. The latter resulted in a substantial expansion of the rice acreage. The initiative ties in closely with Mali's strategy to become a leading producer of food in the region and to make agriculture an economic driver. Although the final results are not yet available, the Riz Initiative has proved a great success. The projected 50% production increase appears to have been achieved and rice farmers are enjoying a higher income than they have in previous years. This success is partly due to a good rainy season and to the fact that the market price for rice did not slump following the harvest. The Riz Initiative was funded by the government of Mali, local banks and microfinancing agencies, with contributions from one or two donors, including two million euros from the Netherlands.⁵⁸



Mali



Seydou Idrissa Traoré

Who?

Seydou Idrissa Traoré (62) is Director-General of the National Irrigation Service at the Office du Niger. He lives in Segou, 235 kilometres from the capital Bamako.

What does your job involve?

I am Director of the Office du Niger and manage all the processes and staff. I was appointed in 2006 to resolve problems within the organisation and management. There is now more transparency and the producers, partners and personnel of the Office du Niger are satisfied.

What is the Office du Niger?

The Office du Niger was created in 1932 to become the storehouse for West Africa. It is now one of the main sources of food for Mali. We manage the country's water resources, a million hectares of land and the infrastructure.

How important is the Office for the population?

The Office produces nearly 48% of all rice grown in Mali and meets over 52% of the country's rice requirement. Vegetable production accounts for just under CFA 20 billion (30 million euros) a year, which is paid directly to the producers. The Office du Niger therefore plays an important role in the fight against poverty.

What progress is your region making in reaching MDG 1?

Over 80% of the population in Mali works in the agricultural sector. Poverty reduction therefore starts with the development of this sector. We help smallholders to boost their incomes and improve their working and living conditions. The progress we've made is reflected in the number of luxury items people have, such as TVs, motorbikes and mobile phones. One or two even have cars. This shows that the Office du Niger is playing a significant role in meeting the MDGs.

Mali has great agricultural potential compared with most of its neighbours. We shouldn't really have any food problems. But more and more of our working population is moving away from rural areas to the cities. The only people left in our villages are those with knowledge and experience, but not the strength to work. We've got to reverse this trend. If we don't, we will never fully meet our goals. In developing countries, the three main pillars in the fight against poverty are: development of energy sources, of communications and transport, and of agriculture. We will only succeed if we retain sufficient labour power.

How can your project contribute to the fight against poverty?

We are working to improve living and working conditions, but the state has to keep on making more land available for farming. The future of agriculture, especially in the Sahel, lies in irrigation. We have enough water, but we must find different ways to gain access to it. For example, rather than channelling water through open canals, we could build an underground pumping station. We need to continue en-

couraging and supporting micro-producers, but if we are to meet our food production needs, the major producers must be given the chance to produce enough food without standing in the way of their smaller counterparts.

How do you feel about being dependent on foreign aid?

The fact that we don't have enough agricultural land, despite the help of donors, isn't just a question of money. It's also a question of political will and vision. The government has been far too busy tackling problems in other sectors, and this has left the agricultural sector somewhat neglected.

What would you change if you were the Dutch Minister for Development Cooperation?

In a country where 80% of the population is dependent on agriculture, I would place most emphasis on that sector. After all, what use are schools and health centres if the population can't afford to buy medicines or pay school fees? I would invest most of my development budget in the agricultural sector and make sure the funds were spent very efficiently. That's another of our problems: we are given sufficient resources but they're inadequately used and managed.

Is there anything else you would like to say?

Donors should listen to us since we know what we want and where we're headed. More also needs to be done to prevent resources from being wasted. Development cooperation isn't simply a matter of signing a cheque. If donors think we are going off track, they need to tell us. Only then will cooperation between countries yield results; I really believe that.

Text: Moussa Fofana
Photo: Moussa Koné



1.3.2

Bolivia

slow progress towards the MDGs



Bolivia is the poorest country in Latin America. Much still needs to be done to reduce its social and economic disparities and to ensure that it meets the MDGs. Bolivia has achieved a reasonable growth rate of 4% a year on average in recent years. This is linked to a strong growth in exports due to the relatively high global market prices for raw materials. Despite a reasonable macroeconomic performance, Bolivia has a weak business and investment climate, even in comparison to other countries in Latin America. This is reflected in a relatively low level of domestic and foreign investment. In the context of MDG 1, Dutch aid to Bolivia focuses mainly on improving land rights for farmers and boosting production and trade.

Legislation: land rights

Bolivia has a surface area more than 26 times that of the Netherlands. Most of the land is owned by large landowners. Giving small farmers more access to land is one of the priorities of President Morales' policy. This is mainly being achieved through land reforms and issuing land rights to small-scale, often indigenous farmers. The Dutch embassy is helping this process by supporting the National Agrarian Reform Institute (INRA). Some 50,000 farmers have acquired rights to land for productive purposes through INRA since 2006.⁵⁸

Development of market chains

In the period under review, the Dutch embassy and civil society organisations in Bolivia supported production in a number of specific chains. For the past five years, the embassy has been operating the production chain programme, which supports the production of, and trade in, various niche products. One of these is timber. Bolivia's tropical rainforest is one of the six biggest in the world. Between 30 and 40% of the population depends on the rainforest for its subsistence. International demand for certificated timber is growing and the forestry industry has the capacity to create a considerable number of jobs for low-income groups. The embassy supports the timber chain in Bolivia's Pando province through a multilateral programme run by the IFC. Small-scale rural communities have been given help to produce and sell timber and forestry products (nuts, etc.). Steps have also been taken to secure their access to land (ownership titles). The farmers now sell legally felled timber in local markets and reinvest some of the revenue in the forest, for example in the form of reforestation programmes. The Dutch embassy also supports the production chain for quinoa, a semi-grain from the Andes with a high nutritional value. The emphasis is on the exchange of knowledge and

experience between the various actors in the chains. This enables the obstacles – chiefly lack of knowledge and skills relating to commerce, technology, production methods, promotion and export – to be tackled in a coordinated way, thereby improving the entire chain from producer to end user. The programme has thus improved the incomes of 15,000 families in the poorest part of Bolivia's upland plateau. Quinoa exports have risen from approximately 1,400 tonnes in 2000 to approximately 10,500 in 2007.⁶⁰

Civil society organisations such as Cordaid, ICCO, Oxfam Novib and SNV are also providing support for producers and traders in the agriculture and forestry sector in Bolivia. One example is SNV's inclusive forestry programme (see box). This involves as many small farmers as possible in the chain of larger firms which export certificated timber. The main aim is to strengthen the capacity of small communities to manage forestry projects and to advise companies on how to conclude effective partnerships with small farmers.

Conclusion

Dutch efforts to help secure land rights for smallholders and to improve production and trade in Bolivia have resulted in some successful examples of growth and distribution. However, there is still considerable distrust between the government and the private sector, and this is standing in the way of existing market chain development programmes. Despite the programmes being run by the Dutch embassy and civil society organisations, overall levels of extreme poverty in Bolivia have risen. The embassy's focus is mainly on promoting public-private platforms which help to resolve problems in production chains. However, the current Bolivian government places greater emphasis on increasing its own influence in various sectors. The role of the state in encouraging productive development is crucial, but the importance of the private sector as an engine for development should not be forgotten. This is regularly highlighted and supported by the embassy, mainly through projects based on partnerships between public and private agencies.

⁵⁸ INRA report, Saneamiento, 2008.
⁵⁹ INRA report, Saneamiento, 2008.
⁶⁰ Dutch embassy, La Paz, Bolivia.
⁶¹ SNV information.

Population	8,586,000
Area	1,098,581 km2 (26.5 x the Netherlands)
Capital	Sucre (official capital) La Paz (seat of government)
Religion	Christian: Catholic 95% Protestant 5%
Ethnicity	Quechua 30% Mestizos 30% Aymará 25% European 15%

Birth rate	23 / 1,000 population
Mortality rate	8 / 1,000 population
Infant mortality	52 / 1,000 births
Life expectancy	66 years
Illiteracy levels	14% (>15 years old)
Food supply per capita	9,286 kJ per day (2003)
Health care	1 doctor / 769 inhabitants (2002)
Vaccination rate	81% (2003)
Employment in agriculture	46.9%
Employment in industry	17.5%
Employment in services	35.6%

Purchasing power (GDP) per capita	€ 2,587
GDP growth 1990-2003 per capita	1.3% per year
Exports	Natural gas, soya, petroleum, zinc, tin
Imports	Food, petroleum products, consumer goods, capital goods, chemicals
CO2 emissions	1.2 tonnes per inhabitant (2003)
Energieverbruik	712 kg steenkool equivalent per inwoner (2002)
Energy balance	89% surplus (2002)

Women and land rights

(Source: INRA memorandum, Saneamiento, 2008)

In 2007, INRA conducted a study on how the acquisition of titles to land with Dutch support had improved the position of women. Many have no documents proving that land belongs to them. This is partly because they have no birth certificates and therefore cannot apply for proof of identity. INRA undertakes the lengthy and laborious process of applying for identity and land ownership documents on behalf of these women, most of whom are illiterate. The study found that women with documented ownership rights tend to feel better protected against infringements of these rights. Legal ownership of land was also seen as a positive step towards greater respect for women's rights in general. The position of women in Bolivia remains vulnerable, however. Violence against women is still common. The land registration procedure also still appears to be difficult for women to access. This is confirmed by INRA statistics: 46% of the land that has been identified for redistribution and new ownership since 1996 has been given to men, 31% to families (i.e. joint ownership) and only 18% to women. The study made a number of specific recommendations to the government to improve the way it addresses the problems affecting women.⁵⁹

Forestry, but in partnership with the indigenous Indian communities

(Source: SNV)

The SNV's inclusive forestry project has enabled Indian villages to sell timber directly to the timber merchant INPA, which exports parquet, rather than through distributors. This has benefited both the exporter and the communities themselves. For the communities, it has led to more efficient management of the forest, more time for agricultural activities, an increase of more than 200% in the sales volume and a price increase of 15%. The company has gained access to a more stable source of certificated timber and enjoys greater social acceptance throughout the region.⁶¹



Bolivia

Alvaro Suarez

Who?

Alvaro Suarez (28) is Director of Madre Tierra Mas Unida, an organisation that works for sustainable crop cultivation. He lives in Riberalta in the tropical Amazonian rainforest in the north of the country near the border with Brazil.

How did you join Madre Tierra Mas Unida and what is your role in the organisation?

I am Director of Madre Tierra Mas Unida, an organisation that is committed to sustainable crop cultivation and to working with the local population. We seek both to conserve regional biodiversity and to promote a better standard of living for the workers. I was born in Riberalta, and after my studies I returned to the region to help improve the lives of its poorest inhabitants. The people who live here are fairly isolated from each other and from the rest of the country. As a result, they are often left out of national development plans. The standard of education, health care, electricity, clean drinking water and accessibility in this region therefore leaves a lot to be desired. Through Madre Tierra Mas Unida, I can make a contribution to progress in the region. I want to make improvements in a way that ties in with the way people live here. Doing this in partnership with the local inhabitants is a major challenge.

What is Madre Tierra Mas Unida's role?

We show people how to run their own businesses so they can work independently. We also promote products from the region in the rest of the country. For instance, we've started growing cupuacu, a very healthy fruit which is little known in Bolivia. The cultivation methods we use are tailored to local lifestyles. Essentially, we make improvements without attempting to change too much. We are also working to increase local awareness and knowledge and to encourage a better income for all. Without these initial steps, no further development is possible.

How important is the work you do?

It's often said that while this region has many natural riches, poverty is widespread. But thanks to the promotion of our cupuacu in the rest of Bolivia, there is now more attention for the region. Crop cultivation is generating more employment, security, income and external recognition, and this in turn is raising living standards. At least 150 farming families in the region earn their living directly from crop-growing while a further 300 or so families benefit indirectly.

Can you give some examples of successful or unsuccessful projects?

We have established an entire production line for cupuacu and now sell it on the national market. That was a challenge because the fruit wasn't that well known in Bolivia. We therefore had to promote it heavily. Of course we also encountered problems. This part of the Amazon Basin has almost no electricity and the poor state of the roads makes transport very difficult, especially when it's raining. Due to our poor communications, we've had less recognition and support from the government. We've also been hit by a series of plagues which have affected the fruit. And we've had to improve the techniques we use.

How does your work relate to MDG 1?

Madre Tierra Mas Unida wants local inhabitants to have a satisfactory standard of living and to be able to provide for their own basic needs, such as a healthy diet, clean drinking water, education, health care and land ownership for smallholders. We also want to contribute to the development of the region and encourage new crops to be grown, such as cupuacu fruit. The key aim is to boost local incomes, but if we generate more productivity this will also create more outside interest in the region, attracting more government investment in education, health care and basic amenities.

How do you feel about being partly dependent on foreign aid?

Creating independent micro-enterprises and entrepreneurs is more important than external finance. That said, external support is badly needed in order to achieve that self-reliance. Unfortunately, bureaucratic processes mean that it is always a long time before the money reaches its destination. Having to wait for external approval and official red tape is not always helpful for development, which is why we hope one day to do without it. You always make more progress if you are self-reliant.

What would you change if you were the Dutch Minister for Development Cooperation?

Rather than give financial support to projects like these, I'd launch a campaign to introduce cupuacu juice to Europe, for example. That would generate more demand for the product. Profits would be paid directly to the producers.

Text: Raúl Pérez Albrecht
Photo: Raúl Pérez Albrecht



1.3.3

Ethiopia

priority for agriculture



Declining agricultural output in Ethiopia per unit of land and per head of the population has put agricultural production and growth high on the poverty reduction agenda. Between 2000 and 2007, the economy grew by an average of 7.5% and the proportion of people suffering from hunger declined. However, 2008 was a difficult year due to lack of rain, a dramatic rise in food and petrol prices, limited availability of food stocks and food distribution problems in the Somali region. In recent years, Dutch aid via the bilateral, non-governmental and multilateral channels has therefore focused on food security, raising agricultural productivity and better market access.

Food security

The Netherlands and other donors supported the Productive Safety Net Programme, which offers places on public works programmes to vulnerable people who are unable to secure a year-round income. These placements give them an income which they can use to pay for food, clothing and school fees. Part of their remuneration is also paid in kind, in the form of food. As a result, they are no longer forced to sell their limited possessions when food is scarce. The results over the last two years (2006-2008) have been wholly encouraging. The Assessment Report of October 2008 concludes: 'The Productive Safety Net Programme stabilises and increases the means of support for these households, protects their possessions from confiscation, improves their food security, boosts their incomes and strengthens their self-reliance. It would seem that the beneficiaries achieve a higher score in many objective and subjective indicators.'⁶² The programme has enabled the Netherlands and other donors to provide support to approximately seven million people. Last year the rains were late and there was insufficient rainfall, which led to an increase in the number of households requiring help. However, due to the efficiency of the programme, people were able to respond adequately to food shortages and prepare themselves for the next growing season.

The Netherlands also provides humanitarian aid to Ethiopia through the UN, mainly for supplementary food items, water and basic sanitation, agriculture and health. In 2008 this came to 22 million euros.

Development of market chains

Ethiopia has a large number of small-scale farmers who need additional help from revenue-boosting measures and better access to input and output markets. Various programmes run by the embassy and by civil society organisations are trying to bring about improvements.

Direct support is being given to business support organisations, farmers' organisations and cooperatives through the non-governmental channel. ICCO, for example, is helping 150 organisations (representing a total of 15,000 farmers) to improve the quality of their products. In 2007, farmers' incomes rose sharply as a result.⁶³ Improved access to trade channels means that farmers can now invest in more lucrative crops. Local seed cultivation is also becoming more established as an alternative to seed imports. The same approach has also been used in other sectors: Cordaid helped 12,000 coffee-growers in the southwest region of Oromia to improve the quality and quantity of their coffee. Coffee is Ethiopia's main export product and the standard of living of many small producers is directly linked to the price they are paid for it. Another important product is honey, which is produced throughout Ethiopia and for which there is a large market. However, production cannot keep pace with demand. Cordaid supported two local companies which helped 5,000 bee-keepers to improve the quality and production of their honey. The same companies also gave them access to a market for their newly improved product. Other civil society organisations (Solidaridad, Oxfam Novib, Fair Trade, ICCO and SNV) made substantial efforts to identify promising markets for their own partners.

Financial sector

The growth in the productivity and quality of agricultural production depends partly on the availability of loans. In Ethiopia, MicroNed, Oxfam Novib, Cordaid, ICCO and the Rabobank Foundation work well together in securing loans for their partners. Terrafina, a member of MicroNed, supports seven microfinancing agencies with a total of 130,000 clients.⁶⁴ It has also developed special mechanisms for issuing small community-based loans. Various programmes focus on strengthening microfinancing institutions so they

can operate more efficiently and improve their products to provide a better service to poorer customers. The legislative context in Ethiopia is problematical in that restrictions are imposed on all forms of non-state run organisations. This is being resisted by the Netherlands and other donors, who argue that the private sector (including banks and microfinancing institutions) are vital for economic development in a country.

Conclusion

Between 2000 and 2005, the percentage of Ethiopians living below the global poverty threshold fell from 56 to 39%.⁶⁵ Nevertheless, levels of poverty are still high. Many programmes therefore focus on agricultural development and the provision of social safety nets for the poor. The Productive Safety Net Programme meets the most urgent needs of the poorest families.

Programmes to boost productivity and widen access to markets have made progress in a number of chains. At national level, the challenge lies mainly in improving coordination between programmes and in working out a joint policy between donors and the Ethiopian government. This was achieved in 2008. The Netherlands was actively involved in this process, which it helped to initiate.

⁶² Dutch embassy, Addis Ababa, Ethiopia.

⁶³ ICCO information, 2008.

⁶⁴ Dutch embassy, Addis Ababa, Ethiopia.

⁶⁵ SNV information, 2008.

⁶⁶ 2007 annual report, Terrafina.

⁶⁷ World Bank, 2008.

Population	66,558,000
Area	1,104,300 km ² (26.6 x the Netherlands)
Capital	Addis Ababa
Religion	Christian 61% Muslim 33% Traditional faiths 5% (1994)
Ethnicity	Oromo 32% Amhara 30% Tigray 6% Somali 6% Gurage 4% Sidama 4% Welaïta 2% (1994)

Birth rate	38 births / 1,000 population
Mortality rate	15 deaths / 1,000 population
Infant mortality	94 deaths / 1,000 births
Life expectancy	49 years
Illiteracy levels	58.5% (> 15 years old)
Food supply per capita	7,776 kJ per day (2003)
Health care	1 doctor / 33,333 inhabitants (2002)
Vaccination rate	56% (2003)
Employment in agriculture	86 %
Employment in industry	2 %
Employment in services	12 %

Purchasing power (GDP) per capita	€711 (2003)
GDP growth 1990-2003 per capita	20% per year
Exports	Coffee, qat, gold, livestock and skins, oil seed
Imports	Food and livestock, petroleum and petroleum products, chemicals, machinery, motor vehicles, textiles
CO ₂ emissions	0.1 tonnes per inhabitant (2003)
Energy consumption	424 kg carbon equivalent per inhabitant (2002)
Energy balance	7% deficit (2002)

Business Organisations and Access to Markets (BOAM) programme

(Source: Dutch embassy, Addis Ababa, Ethiopia; SNV)

The BOAM programme, which is funded by the Dutch embassy, contains some good examples of market chain development. In the case of honey, new international markets have been opened up, giving 18,000 agricultural families secure sales outlets.⁶⁴ SNV is helping the sector to gain EU export accreditation, a process that is both costly and time-consuming. Once they had obtained an export license, some 10,000 small bee-keepers could be contracted by processing firms to produce honey for the export market. In 2008, this led to the export of 300 tonnes of honey to Europe. SNV also helped farmers' organisations to increase honey production by their members (18,000 households) and obtain Fair Trade certification.⁶⁵



Ethiopia

Adane Wolde

Who?

Adane Wolde (45) is a farmer and beneficiary of the Productive Safety Net Programme. He lives 600 kilometres north of the capital Addis Ababa.

What is the Productive Safety Net Programme?

In the 1980s, this region was hit by a series of major famines. Since then, I have found it almost impossible to make ends meet. The harvest usually produces just enough for nine months. Previously, I would have had to sell my goats to buy enough food for the remaining three months. Since the Productive Safety Net was introduced, I've been receiving food in exchange for work during the more difficult months. It means I no longer have to sell my goats. And the work I do benefits all the local farmers, since we're building terraces and an irrigation system which we can use to increase the income from our crops.

What if you didn't have the Productive Safety Net Programme?

I would have had no prospect of a better life and I would have had to sell my remaining possessions. I can't live off my land. Now at least I can work to improve my situation by helping to build terraces and other infrastructure.

Do you think this is a good programme?

It is much better than the food aid we used to get. We were never sure if it was coming and who would be getting it. Now I have the certainty of being able to work and earn money.

How has the programme affected your daily life?

It feeds me and my children, and I've also noticed that the terraces and irrigation are improving the soil.

How is the programme helping to achieve MDG 1?

This programme is giving seven million people the opportunity to lift themselves out of extreme poverty. And as for the other goals, I never had the chance to go to school, which I still regret. I therefore want a better life for my children. My son Abraham goes to school and I hope he will have the chance to do something other than be a farmer.

How do you feel about the fact that the programme is partly dependent on foreign aid?

Of course, it would be better if it were funded entirely by our own government. The government does contribute some of the costs, but it isn't much since Ethiopia is a poor country.

Text: Hans Ariëns and Lonneke van Genugten, editors, International Cooperation magazine
Photo: Sven Torfinn

1.4

Conclusions

The latest figures on poverty reduction show that the percentage of people living below the poverty threshold is declining and that the world as a whole is likely to meet MDG 1 by 2015. Economic growth over the past decade has been substantial, including in Africa. In recent years, many of the Netherlands' partner countries have also experienced positive economic growth and declining levels of poverty. Nevertheless, in some of these countries the absolute number of people living in poverty and suffering from hunger has increased, mainly due to rapid population growth and high levels of inequality.

Dutch programmes have helped to generate economic growth and reduce poverty by removing obstacles to business and widening access to resources and services for the poor. However, the increase in food prices and the financial crisis in 2008 are now threatening to derail this process. The number of poor and malnourished people in developing countries has recently risen alarmingly due to the consistently high price of basic necessities, declining international trade and shrinking foreign investment.

It is therefore especially important that the Netherlands continues to back efforts to strengthen economic development worldwide. The theme of 'growth and distribution' therefore is and will continue to be a key priority for development cooperation. The support we provide will not result in immediate improvements. It could be 20 to 30 years before these countries reap the benefits of the investments we are now making in their productive sectors.

What can we learn from the support the Netherlands has provided? The following lessons can be drawn from our successes and failures:

- Legislation and regulations: in some of the countries where the Netherlands has supported government reforms to improve the business and investment climate, little has changed other than the granting of land rights. This is due to weak government capacity and lack of political will.
- Financial services: support for microfinancing agencies has a wide coverage and a direct effect in reaching disadvantaged groups and alleviating poverty. However, there

is still too little attention for small and medium-sized enterprises, which are crucial for economic development in a country. The Netherlands is therefore focusing on increasing the provision of financial services, partly through a special facility for intermediate finance. See also the policy memorandum on financial sector development in developing countries, which was sent to the House of Representatives on 22 September 2008.⁶⁸

- Infrastructure: the development-relevance of investments in infrastructure can be increased. The new Development-Relevant Infrastructure Development (ORIO) facility makes provision for this.
- Development of market chains and private sector capacity: the development of market chains, combined with support for producer and business support organisations, is a golden opportunity for stimulating economic activity and directly helping many poor people to lift themselves out of poverty. The country cases show how successful this combination can be in reducing poverty in disadvantaged rural areas. The policy memorandum on agriculture, rural economic activity and food security therefore places strong emphasis on sustainable chain development and support for farmers' organisations.⁶⁹
- Budget support: the contribution made by budget support to poverty reduction is difficult to gauge, but it can be considerable if it succeeds in persuading the national government to pursue better policies, some of which are pro-poor. Budget support will therefore remain an important component of Dutch development cooperation policy.

⁶⁸ Memorandum on financial sector development in developing countries, Minister for Development Cooperation, Parliamentary Papers, 2008-2009, 31 700 V and 31 250, no. 3 (22 September 2008).

⁶⁹ Memorandum on agriculture, rural enterprise and food security in developing countries, Ministers for Development Cooperation and of Agriculture, Nature and Food Quality, Parliamentary Papers, 2007-2008, 31 250, no. 14 (8 May 2008).