

Strengthening local economies

Searching for options towards fair economic development

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Everywhere in the world rural communities are changing fast in reaction to economic and cultural globalisation. Cheap transport, the information and communication revolution, and liberalisation of national markets have contributed to an enormous boost in the global flows of capital, products, people, information and ideas. In the past fifty years, world economic production and world food production has increased tremendously.

Many poor people in developing countries, however, also experience the outcome of the globalisation process in another way: as disastrous for their local economies, environment and socio-cultural structures. These people have developed coping strategies for improving their lives in this fast changing environment. In many cases these strategies are built on the remaining local natural resources, their social systems, as well as their cultural beliefs and practices. This issue of the *Compas Magazine* presents several examples of strengthening local economies and livelihoods that lead to globalisation where fairness and justice go hand in hand with economic growth.

Poverty reduction and development have been on the political agenda for a long time. But despite the efforts undertaken over the past 50 years, poverty is still a harsh reality for nearly 50 % of the world's population. They have a purchasing power of less than US\$ 2 a day, and 25% of the persons on this globe have less than US\$ 1 a day. Poverty has many faces, and affects predominantly those living in rural areas and shanty towns. The accumulated impact of poverty is far more persistent and reaches beyond the impact of the recent tsunami flood in Asia, which shocked the world.

In this issue, several authors indi-

cate the causes of poverty in their area of work. For example Barkin (p.41) points at the processes of cultural oppression and agricultural modernisation that affected the indigenous peoples in rural Mexico; Satheesh (p.20) presents the influence of the Public Distribution System of food aid in rural India, which affected the traditional agricultural system and food sovereignty. Strohm and Reijntjes (p.14) also

Peoples' own indicators of poverty and well-being include material, social and spiritual elements

point to the accumulation of money, and thus of power in the hands of a small group of people, as one of the causes of poverty. This leaves less powerful people and countries indebted.

Millennium Development Goals

At the Millennium Summit in September 2000 the world leaders agreed on the Millennium Development Goals (box 1), an ambitious agenda for reducing poverty. For each goal one or more targets have been set, most for 2015, using 1990 as a benchmark (UNDP, 2003). These were accepted by the UN, the World Bank and many bilateral agencies and national governments as goals to which their programmes will contribute. All aid receiving countries now have Poverty Reduction Strategy Plans (PRSPs) that build on the

Millennium Development Goals.

In January 2005 a report on the achievements of Millennium Development Goals, called 'Investing in Development: a Practical Plan to Achieve the Millennium development Goals' was presented (UNMP, 2005). Written by an independent advisory body to the United Nations Secretary-General, the report indicates that progress so far has been spotty, and extreme poverty is, in fact, rising. The rich countries are urged to spend more money on cutting hunger and poverty in the developing world, according to the proposed Millennium Action Plan.

This action plan includes global initiatives related to governance, opening of markets for developing country exports, and a focus on private capital and civil society organisations. It aims to pool aid and spend the money more locally and strategically. A series of 'quick wins' are also recommended, which vary from eliminating school and uniform fees, to community nutrition programmes, and launching national campaigns to reduce violence against women. Professor Jeffrey Sachs, the economist who directed the project for three years, indicated: "Without doubt we can still meet the goals - if we start putting this plan into action right now."

Other initiatives

Many other development programmes also include a focus on economic development, in addition to the more social development goals related to education and primary health care. For example, the Dutch programme called 'in business against poverty' (DGIS 2000) is aimed at stimulating the 'formal' economic sector. This formal and private sector is considered the main vehicle for economic growth.

Many NGOs and other elements of civil society, are working on sustainable and fair economic development, which includes strengthening the local formal and informal economies. Activities include facilitating micro-credit systems to support local initiatives, stimulating market-oriented projects, supporting producer-organisations, developing the fair-trade markets, enhancing chain development of agricultural products, and aiming at socially responsible entrepreneurship of the formal business

Box 1 Millennium Development Goals

1. Eradicate extreme poverty and hunger. Target for 2015: 50%.
2. Achieve universal primary education. In 2015: 100%.
3. Promote gender equality and empower women. In 2015: 100%.
4. Reduce child mortality. In 2015: 66%.
5. Improve maternal health. In 2015: 75%.
6. Combat HIV/AIDS, malaria and other diseases. In 2015: halt and begin of reversal.
7. Ensure environmental sustainability. In 2015: reverse loss of environmental resources; 50% of the number of people without access to safe drinking water; significant improvement of the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development with several specific targets.

Box 2 Social and cultural obligations that underpin rural economics in northern Ghana

In rural communities in northern Ghana two types of markets exist: formal and geographically located markets and informal markets (not restricted in area - 'virtual markets'). The rules governing the transactions are quite different, and the levels of use of money also vary. These differences notwithstanding, the general principles governing rural economies include the following:

1. Reciprocity arrangements
2. Socio-economic securities
3. Risk minimisation (including deferred payment arrangements)
4. Economic transaction (in-cash and in-kind)
5. Relationship building and decorum (conflict minimisation)
6. Equity and benefit distribution or spread
7. Social/spiritual responsibility arrangements



Local market in Bolgotanga, northern Ghana. Besides the transactions of cash and products, local markets have various social and spiritual functions.

By and large, most of the products that form inputs in these rural economies result from natural resources and other resources of the 'common good type'. In northern Ghana such resources are supposed to be owned by the living, the dead and the yet unborn. This phenomenon places a lot of social responsibility on seemingly economic transactions. It is believed that the dead and the dying also come to the market, and form some of the actors in the demand and supply, pricing, marketing and profit margin chains. Hence all actors are expected to behave in a socially responsible and culturally acceptable manner - also acceptable to the ancestors. For example: it is common to see three or more persons selling the same item alongside in a market. If a buyer comes along and wants to pursue an item from a person not present at that moment, the rules require that the others sell the item on behalf of their absent colleague. You are not supposed to redirect the person to your goods, or to deny the services on behalf of the absent colleague.

Several examples of this nature can be found in rural economies, which tend to water down the elements of competition, monopoly, pricing and of profit maximisation that characterise transaction economies and conventional markets. To enhance rural economies one has to have in-depth understanding of the transactions, but above all, the social obligations that underpin these economies. Isolating the economic and financial from the social and spiritual obligations will not result in enhancing and sustainable development efforts.

sector.

However important, it is legitimate to question the one-sided focus of the Millennium Action Plan, as well as that of other programmes. Many of these initiatives focus on the material and human aspects of development, and are primarily aimed at the monetary market system. Compas argues that it is essential to put peoples' own resources and strategies for poverty alleviation and economy at the centre of the development programmes. These solutions developed at the grass-roots stand at the basis of endogenous develop-

ment. They include material, socio-cultural as well as spiritual dimensions of the people in the area, and are based on monetary as well as non-monetary market systems (see example from northern Ghana, box 2).

Indicators of poverty

The diversity of visions on poverty and development is not only based on political differences; there are also thousands of different cultures and faiths, each with their own concept of well-being. The multi-dimensionality of poverty and development is increasingly

recognised. The OECD (Organisation for Economic Co-operation and Development), for example, defines poverty as depending on five interrelated dimensions: economic capabilities, human capabilities, political capabilities, socio-cultural capabilities and protective capabilities (to withstand economic shocks).

From the endogenous perspective, the indicators for poverty and well-being are in three domains: the material world, the social world and the spiritual world. In this vision there is thus a sixth dimension to poverty: spirituality. As a farmer in northern Ghana explained: "You can have all the riches of this earth, but if you are poor in knowledge, especially the ancestral knowledge, then you are really poor".

In this issue various authors (Dessein, p.38; Soto and Geffroy, p.36) indicate the interconnectedness between the human, natural and spiritual worlds in the lives of indigenous peoples in northern Ghana and in central Bolivia respectively. In these contexts the relation with Mother Earth, cultural identity, social cohesion and ecological sustainability are highly valued. These elements are often neglected in conventional development programmes.

The research of Agruco (p.16) on poverty in Andean communities emphasises the considerable difference between formal indicators of poverty and the indicators considered by the



Mayan woman in her nopal field, southern Mexico. The crucial role of culture in development is increasingly recognised in formal documents, but does not always stand at the basis of development efforts.



rural people. Especially the social and spiritual indicators are underestimated in conventional development plans. Further, while conventional indicators are exclusively quantitative, the local indicators are mostly qualitative. Both sets of indicators cover the classic areas: education, health and infrastructure, but they tend to emphasise different aspects. For example, while the conventional indicators focus on written language (literacy), the local indicators emphasise the knowledge of different languages necessary to communicate with other communities, traders and local authorities. Similar differences are found in the other indicators.

Why culture matters

Though usually not at the basis of the mainstream development activities, at least in policy documents the crucial role of local culture in the development process is recognised. The Human Development Report 2004 of the United

Nations Development Programme (UNDP), for example, states: *“People’s cultural identities must be recognized and accommodated by the state, and people must be free to express these identities without being discriminated against in other aspects of their lives.”* The report also indicates *“if the world is to reach the Millennium Development Goals and ultimately eradicate poverty, it must first successfully confront the challenge of how to build inclusive, culturally diverse societies”*. UNDP further stresses that *“cultural liberty, just like freedom of religion, is a human right, and therefore an important aspect of human development.”*

At the same time, the notion is widespread that everybody is eager to become part of the global consumer culture, and that economic growth requires the incorporation of the poor into a formal and globalised economy. But is this true in all cases? This is the

basis of the discussion between Helena Norberg and various Compas partners (p.9). Helena Norberg argues that international collaboration and information exchange between the West and the less industrialised parts of the world is needed to aid non-western cultures. According to her, the loss of cultural self-respect is to a great extent due to romanticised impressions of the West.

Understanding culture

Culture gives direction to the way people handle issues of life: how they look at the world, value certain behaviour, organise themselves, gain their livelihood, have learned to interact with nature, express themselves in religion, science, language, music, dance, decoration and writing. It is on the basis of their culture that people organise education, innovation, defence, work, and exchange of products. Culture gives direction, stability and identity to people, and has material, social and spiritual dimensions. But culture is neither perfect nor static; it may be powerful, but also be biased by traditions, and it is changing continuously. (Sen 2004).

Better understanding of the culture of the people involved in development actions leads to more effective programmes, better attuned to their needs and aspirations. In this issue of the Compas Magazine De Soto and Geffroy (p.36) present a local initiative related to the common strategy of ‘solidarity economy’ in an Andean community in Bolivia. Dessein (p.38) provides an example of the difficulties of extension and development programmes, in which local diversity and cultural differences are not recognised. Shankar (p.32) and Kasise (p.23) show that programmes, which build on traditional culture and local initiatives, can count on strong motivation for action.

Re-localising development

What is needed are more integrated approaches that do justice to cultural and ecological diversity, and lead to fair (economic) development. Essentially, these alternative approaches ‘localise’ development. This implies that a community does not fence itself off from the global world, but connects to it in such a way that local qualities and values remain, and become the point of reference. The process of ‘localisation’ thus implies better control by the local actors over the interaction between local and global elements in their livelihood strategies (Remmers, 1998).

Culture and the local environment are intricately related: they give people a feeling of belonging and identity, and

Box 3 Processes followed by Cecik to enhance the rural economy

Step one: Community Institutional Mapping

Community institutional mapping helps to expose the roles and relationships of various traditional leaders, in relation to livelihood strategies and rural economies (see also article Millar, CM7, p.30). It can also be used as a form of entry within the community. Traditional leaders are then involved in all other steps of this process.

Step two: Livelihood Analysis

Making an inventory, using matrix-scoring and ranking, of the livelihood activities that community members are involved in, and how they are organised. Subsequently an activity is chosen to focus on (in the case of CECIK, the production and marketing of groundnuts by women was chosen, as the highest influencing product in their rural economy).

Step three: Trend Analysis

Analysis of the trends related to this activity, taking into account past, present and future. Analysing bottlenecks for desired future and in what way these can be mitigated to enhance rural economy. This usually results in a package of development challenges to deal with.

Step four: Looking for Things to Try

List these possible actions, and prioritise them. This includes actions by the people from the community (in this case an experiment with a revolving loan during the dry season and a groundnut seed credit system, as marketing strategies to reduce exploitation by middle persons). This is combined with actions of people from outside the community (in this case a detailed study on the groundnut economy by professionals from the University for Development Studies).

Step five: Designing the Actions

Organising the various aspects of the actions: design the studies and experiments, calculate necessary resources, indicate responsibilities and priorities.

Step six: Implementation of the Actions

The indigenous leaders identified in step one are charged with the implementation, monitoring and evaluation of the actions. (In this case the Magazia women leaders mobilised all the groups involved in groundnut processing and marketing, and organised them according to the traditional sectional groupings.)

Step seven: Review and Up-scale

People share the experiences of their testing on the new marketing strategies. (In the case of northern Ghana, the experience was shared with stakeholders and interest groups in groundnut production and marketing, during community-wide review sessions linked to the Ndaam Koya Festival. Exhibits, shows and participatory video were used as means of communication during these events.)

are therefore strong motivational factors. Obviously there is an enormous diversity between local situations, not only due to natural conditions, but also in the way people look at and use their environment and resources. In this sense it becomes clear that the processes of localisation and endogenous development are not only valuable to the poor and marginalised farmers, but definitely also to farmers working with mechanised farming systems. De Rooij (p.27) presents an example from the Netherlands, where specialised dairy farmers have formed co-operatives to experiment with new forms of production, based on their own identities and environment.

Strengthening local economies

The conventionally used recipe, aimed at growth of the formal economy, expanding production with modern technology and entering the global market, has put producers in marginal conditions in a difficult situation. They cannot compete with producers in better conditions or with subsidised products from developed countries. As a result the local economy stagnates, and people are increasingly indebted and trapped in poverty. Other strategies, based on 're-localising economies', are taking shape.

To better understand the options to strengthen the local economy, one could consider the latter as a bucket which the community wants to keep full of resources. To keep the local resources within the local economy - or to 'plug the leaks', Pretty (1998) recommends the following five principles: using local renewable resources rather than external resources; recycling financial resources within the system by buying local goods and services; adding value to local produce before it is exported; networking between local stakeholders for more efficient exchanges; and attracting external resources, especially money, skills and new technologies.

Women play an essential role in reducing poverty across its various dimensions, and also in improving the environment. The input of women in development is major and critical, as they mostly work year-round, and have developed a wide range of coping strategies. Women and children are particularly vulnerable, and convention-



Local market in Pongo, central Bolivia. The rural economy includes formal and informal marketing systems, based on both monetary and non-monetary elements.

al development has had the effect of leaving women behind - both literally and figuratively - as their men go off to urban centres in search of paid employment (Norberg, p.9).

But women often experience specific difficulties, also within traditional cultures. For example, Melanie Kasise (p.23) shows how women in northern Ghana do not have access to loans, as they cannot own property. The example of SWOPA (p.24) shows how initiatives based on local identity made it easier for women's voices to be heard and gain access to loans to generate income. Another initiative for enhancing the position of rural women in northern Ghana is shown in box 3. The various methodological steps used by CECIK, aimed to address the limitations of groundnut production and marketing, are explained. The women in these initiatives no longer stand at the periphery of economic activity, but right at the centre of it.

Other endogenous initiatives

Local communities have gained experience with localisation of the rural economy, which is expressed in local production and consumption initiatives, as well as local leadership structures. These initiatives are aimed both at local and international markets, and can include formal as well as informal market systems, based on monetary and non-monetary strategies. The present volume of Compas gives several exam-

ples of strengthening the local economies based on such local initiatives; these and other examples of Compas partner organisations are mentioned in box 4.

The example of the Deccan Development Society (Satheesh, p.20) shows how poor women in the dryland regions of Andhra Pradesh in India have established autonomy over their traditional food systems and seed varieties. They are now able to produce enough food for their families and to support other members of their communities. The Sirigu Women's Organisation of Pottery and Art (SWOPA) in northern Ghana (p.24) shows how unique cultural features can be an important source of income, by means of adapted production and direct sale of cultural expressions and through cultural tourism. Shankar (p. 32) presents various examples of how local culture of the various tribal groups in Southern India stands at the basis of their economic activities, including local saving strategies by women. Barkin (p.41) describes the potential of specialised niche markets based on traditional livelihood strategies in southern Mexico. Further endogenous initiatives to strengthen local economies are mentioned in box 4.

Millennium Development Challenges

Helena Norberg (p.9) emphasises the urgent need to protect both biological and cultural diversity throughout the world. The global economy is exerting enormous pressures that are leading to mass migrations away from farming and the land, away from local identities and economies. This contributes to an increase in poverty, insecurity, fundamentalism and violence. But how can

It is essential to put peoples' own economic strategies at the centre of development programmes



Box 4 Examples of endogenous ways to strengthen local economies (with examples from Compas partner organisations and authors of this issue)

Make best use of local resources

- Revitalise local health practices, including production of herbal medicines (FRLHT, India)
- Support beekeeping and market the products (Green Foundation, India; CECIK, Ghana)
- Stimulate off-season farming activities, fish farming, smock weaving (CECIK, Ghana)
- Cultural centre with traditional foods, music, dance (various partners, SWOPA, p.24)
- Support traditional alpaca keeping, and enhance weaving skills (Chuyma Aru, Peru)
- Support organic low-input agriculture (Satheesh p.20, Dessein p.38)
- Support forests and water conservation (Fundecam, Chile; Barkin p.41, Shankar, p.32)
- Improve rainfed rice production in conditions of drought (ECO, Sri Lanka)
- Optimise intensive dairy production with ecologically sound practices (De Rooy, p.27)

Local control of development options and direct market linkages

- Community seed banks of traditional seed varieties (Green Found., India; Satheesh, p.20)
- Community owned manufacturing unit of ethnobotanical products (FRLHT, India)
- Enhance direct producer-consumer linkages (CIKS, KPP, Green Foundation, India)
- Improving local demand for produce by reviving local food habits (Shankar, p.32)
- Marketing of organic vanilla to Europe (KPP, India)

Add value to local products and identification of development niches

- Local processing and manufacturing of minor forest produce (Shankar, p.32)
- Processing traditional grains (Green Foundation, India; Inpruh, Nicaragua; Shankar, p.32)
- Adapted traditional pig production for meat with low cholesterol (Barkin, p.41)
- Local crafts industries (various partners, p.41)

Recycle financial resources within local economy

- Local currency and barter systems (Strohalm and Reijntjes, p.14)
- Support traditional savings and micro-credit systems of women (Shankar p.32)
- Fair prices for local products, reduce dependence on traders (Kasise, p.23; Shankar, p.32)
- Provide credit for revolving fund to women's groups (CECIK, Ghana; Shankar, p.32)

Reduce expenses and improve capacity to meet emergencies

- Support to solidarity-economy for vulnerable groups (Soto and Geffroy, p.36)
- Kitchen herbal gardens of medicinal plants (FRLHT, India)
- Producing traditional botanical pesticides (Shankar, p.32)
- Revitalise effective traditional snake-bite practices (FOL, Sri Lanka)
- Pest resistant traditional seed varieties (Satheesh, p.20; Shankar p.32)

Networking and strategic partnerships

- Network of farmers, farmers' unions, government officials and university (De Rooy, p.27)
- Eco-cultural tourism (Fundecam, Chile; SWOPA, p.24)
- Democracy and participatory governance for community planning (Agruco, Bolivia)
- Strengthening of local organisations (various partners; Satheesh, p.20; Kasise p.23)
- Strategic linkages with university programmes (De Rooy, p.27; Agruco, Bolivia)
- Participate in national and international networks (various partners; SWOPA, p.24)
- Community radio (CECIK, Ghana; Green Foundation, India)

we address these issues on a long-term and sustainable basis?

Beyond the conventional approaches that focus on the formal economic sector, we believe that it is necessary and possible to apply more culturally sensitive ways to address development issues. Around the world thousands of individuals and organisations are exploring locally based and sustainable alternatives to improve their local economies. This issue of Compas Magazine presents a few examples. But these alternatives are still quite limited in scale, and their impact and transformative power is limited. Official (financial and professional) support for such strategies lags a long way behind.

There is a pressing need to broaden the set of possible responses, and to

more fundamentally come to grips with the essence of economy, poverty and development. An important challenge for this millennium is to not only address the material aspects of poverty, but to also take into account the social, cultural and spiritual dimensions. In this sense, several questions still need further examination:

- What visions exist within different cultures and religions with respect to poverty and development?
- How can these visions contribute to strengthening formal and informal local economies?
- How can endogenous development be applied in modernised societies?

It is not only material poverty, and quantifiable goals in education, health and ecological sustainability that will determine the fate of people and the planet. Also immaterial issues such as social integration, reduction of violence, and strengthening cultural identity are important and they depend on the specific values of the people concerned. The Compas network strives for further understanding of practical ways to address poverty, in an inclusive and culture specific way that makes globalisation a fair, just and sustainable process. We therefore invite readers of the Compas Magazine to share their visions and experiences in this field and to join us in the efforts to address the questions that need attention.

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