



House of Commons  
International Development  
Committee

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**DFID's Agriculture  
Policy**

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**Seventh Report of Session 2003–04**

*Report, together with formal minutes, oral and  
written evidence*

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## The International Development Committee

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### Footnotes

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## Summary

Seventy-five per cent of the world's poor live and work in rural areas.<sup>1</sup> Most of these people are smallholders who depend on agriculture for their subsistence. Agriculture is therefore of crucial importance to meeting the Millennium Development Goal on poverty reduction, especially in Africa. But agriculture fell out of favour with DFID and other donors in the 1990s and, since then, the plight of poor farmers has worsened. Today, most smallholder farmers are unable to access the basic services which could help them increase their productivity and forge a sustainable livelihood from agriculture. Despite the obvious contribution of agriculture to poverty reduction, DFID has been slow to re-engage with the sector but is now showing a willingness to do so.

Some commentators argue that, in a globalised world, smallholder agriculture has a limited potential for acting as a force for development. In the long-term, they may be correct, but we believe that agriculture should be understood as a process in which small-scale farming can drive development at an early stage. As agricultural productivity intensifies, people will leave the land to work in other sectors and the size of farms will increase. Smallholdings, an ever-present reality in Africa, can be efficient and can successfully engage in commercial operation. Small-scale farming can initiate rural development and be a source of poverty reduction. But this can only happen if farmers are provided with the services they need. These services include access to basic inputs: fertilisers and improved seeds – the provision of which helped Asia more than double its productivity during its Green Revolutions.<sup>2</sup> Financial services are vital to enable farmers to access these inputs. Plant breeding and other new technologies can also raise productivity provided they produce innovations that are useful to smallholders, and not solely to large-scale commercial operators. Farmers also need information about, and access to, markets. In part access to markets is enabled by the development of infrastructure which DFID has rightly emphasised. But DFID has, in our view, concentrated too narrowly on creating an economy-wide “enabling environment” to the exclusion of the specific challenges of getting smallholder agriculture moving. DFID must now urgently turn its attention to the sustainable provision of the most basic of services to smallholders.

Agriculture's fall from favour has to be seen in the context of the failure of large agricultural projects and the realisation that there were severe problems with state provision of agricultural services and the use of generalised subsidies. The role of the state was reduced and the private sector was expected to fill the gap in service provision. While this did happen to some extent in the cash crop sector, the private sector did not step in to provide services to those growing staple, food crops. We are convinced that some level of state involvement in delivery of these key agricultural services is now necessary. It is time for DFID to work to develop appropriate models for state involvement that recognise the respective benefits, and limits, of the public and private sectors. DFID must also act as an advocate for agriculture with the World Bank, the body which has the main influence on

1 *Rural Poverty Report 2001*, International Fund for Agricultural Development (IFAD), page 3

2 Cereal production in south Asia rose by 92% between 1969 and 1996 and doubled in east and southeast Asia (*Transforming the Rural Asian Economy: The Unfinished Revolution*, Rosegrant and Hazell, Asian Development Bank /Oxford University Press, 2000, Introduction, page xix).

the broader policy environment. DFID and other policy makers need to understand why past policies have failed and address the existing gap in service provision. The world's poor need a mixed strategy that strikes the right balance between state and private sector involvement, as well as an appropriate balance in emphasis on small-, medium- and large-scale farms. Finally, the regional diversity of agriculture requires policy to be sensitive to the local context: a blanket approach will not work.

## Background and acknowledgements

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Over the course of this Parliament, we have commented on the apparent lack of an agricultural policy in the Department for International Development's (DFID) overall development strategy. However, we note that DFID published policy papers on agriculture and eliminating hunger in 2002 and that DFID provides the UK's permanent representative to the UN Food and Agriculture Organization.<sup>3</sup> We were pleased to see DFID publish, in December 2003, a consultation paper entitled 'Agriculture and poverty reduction: unlocking the potential'. The paper provided an opportunity for us to contribute to DFID's consultation on its emerging policy, by taking evidence and publishing a short report highlighting what we see as the key policy issues.

During the inquiry, we heard evidence from witnesses during two evidence sessions. Our first session examined policy foundations with reference to past experiences and the NGO perspective. Witnesses included: Dr Christie Peacock, Chief Executive Officer, Farm-Africa, Andrew Jowett, Director, Harvest Help, Dr Lea Borkenhagen, Livelihoods Programme Development Manager, Oxfam, Colin Williams OBE, Director, International Development Enterprises, Colin Poulton, Imperial College London, Dr Michael Hubbard, University of Birmingham, Dr Steve Wiggins, Overseas Development Institute and Dr Peter Hazell, Director of the Development Strategy and Governance Division of the International Food Policy Research Institute (IFPRI).

Our second evidence session concentrated on exploring practical solutions to the problems faced by farmers, including an examination of the role of research and of new technologies. We heard evidence from Stephen Carr, OBE, independent expert on African agriculture and long-term resident of Malawi, Jonathan Coulter, Natural Resources Institute, University of Greenwich, Dr Colin Thirtle and Professor John Mumford, both of Imperial College London, Professor George Rothschild, Co-ordinator, Independent Advisory Committee of DFID's Renewable Natural Resources Research Strategy Programmes, and Dr Michael Lipton CMG, Sussex University. We are grateful to all those who contributed to the inquiry; the oral and written evidence which we received is published alongside this report.

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<sup>3</sup> *Eliminating Hunger- Strategy for achieving the Millennium Development Goal on hunger*, DFID, May 2002 and *Better livelihoods for poor people: The role of Agriculture*, DFID, August 2002

# 1 The context of agricultural development

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1. Seventy-five per cent of the world's 1.2 billion people living in extreme poverty work and live in rural areas.<sup>4</sup> Many poor people remain strongly dependent on their own farms, growing for themselves a part of their food requirements as well as meeting the need for cash through sale of produce and animals. Significant numbers of these smallholders, along with landless and near-landless rural people, also work for other farmers at periods during the year. DFID itself cites a correlation between a 1% increase in agricultural productivity and a reduction by between 0.6 and 1.2% in the proportion of people living on less than \$1 a day.<sup>5</sup> No equivalent relationship, on this scale, has been found for manufacturing and services, in either rural or urban areas. Prospering labour-intensive agriculture is therefore critical for the achievement of the Millennium Development Goals (MDGs).

2. The south and east Asian "Green Revolutions" have demonstrated that when agriculture has prospered, and the agricultural sector has been labour-intensive, the result has been a dramatic reduction in poverty.<sup>6</sup> The Green Revolutions' impact on poverty resulted from a range of beneficial processes; in addition to raising farmers' incomes and creating more farm employment, activities linked to farming and farm household consumption were stimulated. And falls in the real price of basic foodstuffs helped the poor, both rural and urban.

3. But even though the Green Revolutions of Asia delivered many pro-poor benefits, the continent remains home to a large proportion of the rural poor. The UN Food and Agriculture Organization (FAO) has estimated that of the 842 million undernourished people in the world today: 60% are found in Asia and the Pacific and 24% in sub-Saharan Africa.<sup>7</sup> These figures seem to demonstrate that the problem of hunger is most acute in Asia. However, trends show that whilst there has been a steady improvement in nourishment levels in Asia, there has not been a similar improvement in Africa. As figures 1 and 2 show, under-nourishment in sub-Saharan Africa has risen steadily over the last thirty years. As this report highlights, close attention to agricultural development, particularly in Africa, is urgently needed if the trends are to be halted and reversed.

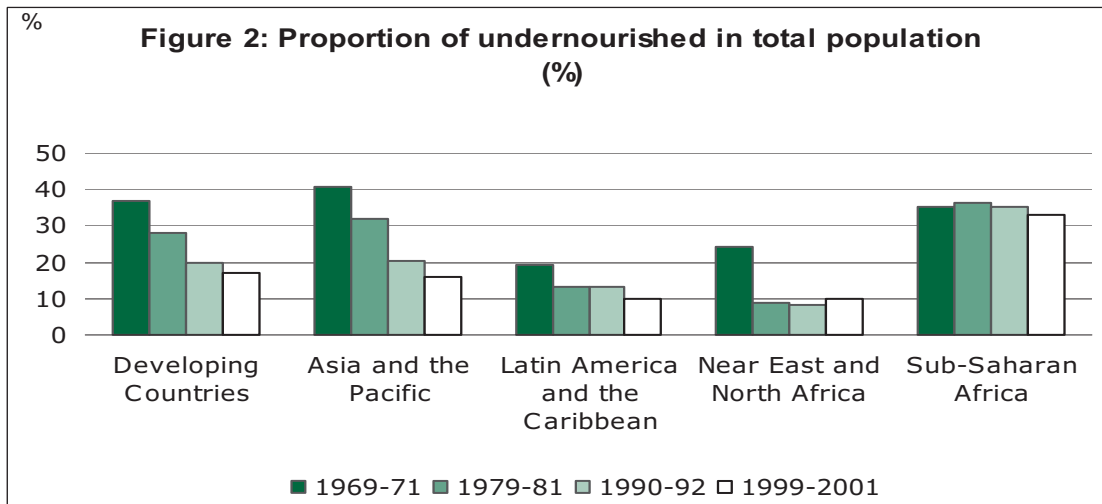
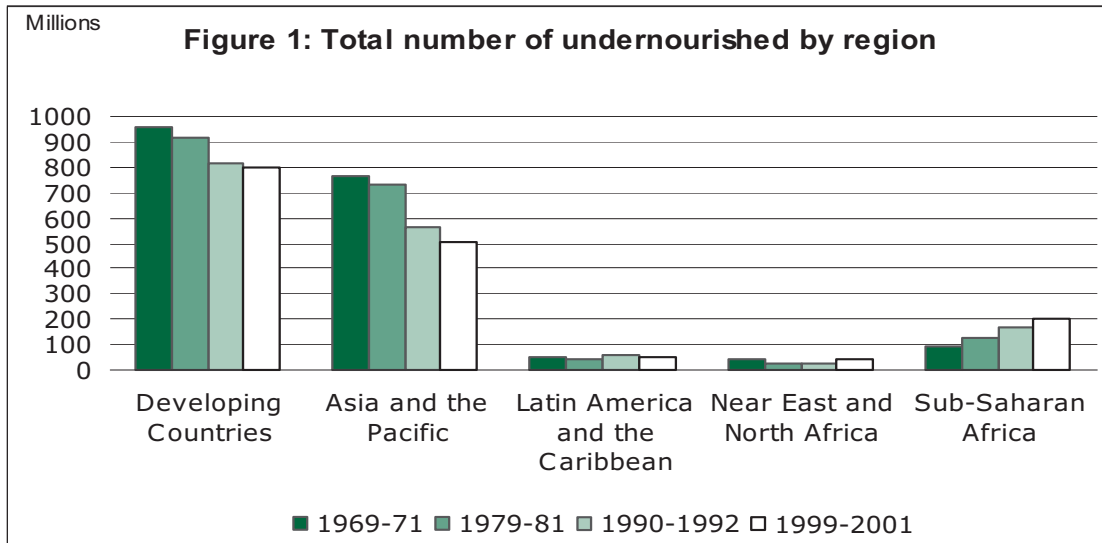
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4 *Rural Poverty Report 2001*, International Fund for Agricultural Development (IFAD), page 3

5 *Better livelihoods for poor people: The role of Agriculture*, DFID, August 2002, page 15

6 The term Green Revolution is used to refer to a transformation in agriculture leading to increased productivity.

7 *The State of Food and Agriculture, 2003–04*, Food and Agriculture Organization of the United Nations (FAO), page 109.



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4. The Committee welcomed DFID’s re-engagement with agricultural development, marked by the launch of the consultation process on its new policy. Indeed, we have for some time been calling for such a re-engagement and have drawn attention to the importance of agriculture to poverty reduction.<sup>8</sup> As one of our witnesses told us, research demonstrates that “improving productivity in agriculture leads to a high impact on poverty reduction relative to other areas of investment and that the distribution of created wealth is even more [potent] than with other routes”.<sup>9</sup>

8 International Development Committee, Eighth Report of Session 2002-03, Department for International Development: Departmental Report 2003, HC825, paras 55-62, and Third Report of Session 2002-03, Humanitarian Crisis in Southern Africa, HC 116-I, paras 106-110

9 Q 2

5. Agriculture's potential contribution to poverty reduction is multi-faceted. It includes:

- the tightening of the rural labour market which, by raising real wages, creates welfare gains for many of the poor;
- employment generated upstream and downstream from farming which, for smallholder farming, is itself likely to be labour-intensive;
- the linkages which arise when people begin to have more spending power: compared to wealthier groups in society, and even to the urban poor, prospering smallholder farmers spend a higher share of additional income on goods and services produced either locally or within the national economy;
- cheaper staple food: this is unambiguously beneficial for households which are mainly dependent on the market for their staple food, but a disadvantage for farmers who earn cash through selling food surpluses;
- slowing the rate of rural-urban migration thereby reducing the strain on the demographic profile and social infrastructure of urban and rural areas.

6. But despite agriculture's potential to reduce poverty, in recent years donors have shifted away from their previously strong focus on this sector. In 1983 aid to agriculture stood at its peak, with total aid from all donors standing at over \$9 billion. By 1997 the figure had fallen to below \$5 billion.<sup>10</sup> Although UK assistance to agriculture has not experienced such a dramatic drop, spending on agriculture has remained at similar levels despite increases in the overall aid budget. UK spending on agriculture as a proportion of the total aid expenditure has fallen sharply from a peak of more than 10% in the early 1990s to below 5% in the early 2000s.<sup>11</sup> Comparative figures provided by DFID demonstrate that, with the exception of the USA, funding to agriculture either fell or remained constant amongst donors through the 1990s.<sup>12</sup>

### The shift away from agricultural aid

7. The Green Revolution in Asia marked a shift away from widespread hunger, towards the creation of food surpluses – reducing the pressure to produce food and with it the strong emphasis on agricultural development.<sup>13</sup> Donors encouraged agriculture in the 1970s, driven by a belief that a major push in smallholder agriculture projects could bring an end to hunger. But although there were successes, there is now a widespread perception that past agricultural policies gave disappointing results. Some agencies have seen agricultural aid, whether in the form of projects or sector programmes, as amongst the worst performing components of their portfolios. The World Bank's Operations Evaluation Department found that the failure rate of agricultural projects in Africa was 70–80% compared with 40% elsewhere in the world.<sup>14</sup> Perhaps the rapid scaling up of agricultural

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10 Aid to Agriculture, OECD, December 2001: <http://www.oecd.org/dataoecd/40/43/2094403.pdf>

11 Ev 59

12 *Ibid.*

13 Q 45

14 Q 46

programmes, before there had been adequate opportunity for lesson-learning, lay at the heart of the problem. Integrated rural development projects, supported by the World Bank and other donors, involved large scale irrigation projects or farm credit and were often amongst the worst performers.<sup>15</sup> These projects tended to suffer from poor design and from over-ambitious, unrealistic expectations.<sup>16</sup>

8. Traditional models of aid to agriculture leaned heavily on state involvement for the delivery of agricultural services. This typically involved channelling funds through Ministries of Agriculture to support public services to farmers. Such models of agricultural development had been the foundation for agricultural success in Asia where, in most cases, state services and subsidy continue today. But the 1980s saw the start of a shift in development thinking. The new emphasis moved to promoting a greater role for the private sector, markets and competition, while restricting government to its core functions of regulation and the funding of certain public goods. Part of the motivation for the swing away from state involvement was an awareness of the declining quality of governance in much of Africa.<sup>17</sup> Additionally, with disappointing growth and high indebtedness in many developing countries, there was strong pressure to cut back on public spending. The levels of public investment in, and subsidy of, agriculture (e.g. through parastatals/marketing boards) that did bring success in some parts of Africa were ultimately at a level that was hard to justify and sustain.<sup>18</sup> As we noted in relation to Malawi, in our report on the Humanitarian Crisis in southern Africa, untargeted subsidies have been problematic and prone to misuse.<sup>19</sup>

9. Unfortunately, in many situations, the private sector did not step in to fill the gap—that of providing services to smallholders—left by cutting back of the role of the state.<sup>20</sup> Many farmers were left without the services they needed. The failure of some past projects led many donors to recoil from them.<sup>21</sup> However, as we argue in this report, it may be necessary to revive versions of models of service provision that had been seen as failing. The need for agricultural credit remains one of the most vital. There is also a strong case to be made that some level of state involvement in service provision will be required to put agriculture back on its feet. It is essential that agricultural policy-makers learn what lessons they can from the problems encountered in the past, and do not over-react by rejecting them altogether.

10. In addition to the above, the 1990s saw an increased emphasis on environmental concerns: “Agriculture was bad suddenly because it was environmentally destructive”.<sup>22</sup> Concerns mainly centred around the excessive use of pesticides and herbicides as well as the conservation agenda which highlighted the clash between wildlife habitats and agriculture. Whilst this was a problem in some cases, people have frequently been driven to

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15 Q 45

16 Q 2

17 HC (2002–03) 116–I, para 36

18 Q48 – see Dr Wiggins discussion of the role of the Grain marketing Board in Zimbabwe in the early 80s.

19 HC (2002–03) 116–I, paras 114–5

20 *Ibid.*, para 40

21 *Ibid.*, para 106

22 Q 45

settle in environmentally-fragile environments because of the failure to intensify smallholder agriculture. In these cases land-extensive but low input agriculture has been the norm, resulting in considerable damage to the environment.

11. The decline in aid to agriculture has to be understood as resulting from a number of other approaches that gained currency amongst development policy makers:

- Agricultural aid should be reduced and refocused to support rural diversification. This is because in countries which have achieved Green Revolutions the priority has been to switch support to other non-agricultural activities which help the poor. In other words, to promote economic diversification and to invest in more roads, telecommunications, schools and health services. Indeed, in these places, the agricultural policies which were so potent in the past in supporting poverty reduction may have ceased to work.
- Agricultural aid is not necessarily as pro-poor as is sometimes claimed. The rural poorest are landless and agricultural support tends to raise food prices.
- In a globalised, rapidly-changing world, it is unwise for governments to lay strategic bets on agriculture, or indeed any other productive sector. Instead, government should invest in generic resources such as education, health, roads and telecoms. To the extent that government directly support productive sectors, the focus should be on spotting opportunities for the poor and then assisting these, without “sectoral” preconceptions.
- A substantial and often growing share of rural incomes come from non-agricultural sources and so policies should instead focus on “livelihoods”.

## Livelihoods

12. The rubric of “livelihood programmes” has become an increasingly popular approach to rural development in light of the shift away from explicit involvement in agriculture. Its strength lies in its recognition of the diverse ways in which people make their livings and survive. It could be argued that, as the majority of the world’s poor reside in rural areas, “livelihood” policies have been a mechanism for continuing to focus on agriculture even when it was, in development terms, unfashionable. Colin Poulton told us that:

“the livelihoods approach came to prominence at a time when there were ongoing debates about where agriculture should fit into development strategies and donor assistance, and therefore, depending on the individual concerned, you could either use a livelihoods framework for saying, ‘Clearly agriculture is critical to these people’s livelihoods’, or you could use it to emphasise diversity”.<sup>23</sup>

But although the livelihoods approach has flexibility, it can lack strategic direction. It is prone to taking a snapshot of livelihoods at a certain point in time without considering the ‘bigger picture’. This can lead to the neglect of lessons of the history of economic growth, including the roles of agricultural growth in stimulating non-farm growth and rising wage levels.<sup>24</sup>

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23 Q 50

24 *Ibid.*

### An enabling environment

13. Within the context of its relative disengagement from agriculture and the emphasis on livelihoods, DFID has, in recent times, concentrated on creating an 'enabling environment' for the private sector. The creation of an enabling environment has entailed a drive towards "a more stable macro-economic environment, liberalised markets, tighter fiscal regimes and a more developed institutional environment".<sup>25</sup> In practice, donors have sought to find ways to help farmers access markets, for example, through provision of roads and infrastructure. **The creation of an enabling environment for agriculture is essential, but by itself it will not succeed unless services are also provided to farmers (by the private sector or the government). Farmers have to be able to take up the market opportunities which the enabling environment aims to create. In its policy paper, DFID have finally recognised the need to move beyond the mere creation of an enabling environment.**<sup>26</sup>

### An African problem?

14. Despite the large number of rural poor in Asia, it is in Africa that rural poverty is continuing to increase. The Green Revolutions experienced in Asia have not been easy to replicate in Africa. Low or declining agricultural productivity is particularly prevalent in sub-Saharan Africa, to the extent that agricultural production declined by 5% between 1980 and 2001.<sup>27</sup> Peter Hazell clearly identified some of the reasons for the particularly poor performance of Africa, compared with Asia:

"What was missing was the pre-conditions for successful agricultural growth. Africa does not have the infrastructure. Today if you look at road density in Africa it is a tiny fraction of what India had in the 1950s before its own green revolution. Most farms are just not connected to the market. Transport costs are horrendous. Fertilizer costs four or five times the world price for most Africans."<sup>28</sup>

There are other notable differences that have had an impact on the performance of the two regions. The level of political commitment to agricultural investment in countries like India in the 1960s was extremely high and government has sustained a very high level of investment and subsidy of agricultural service provision.<sup>29</sup>

15. Climatic and topographic differences between the two continents have a major impact on water storage and control, and as a result have had an effect on the productivity of agriculture. Put simply, "the huge advantage of Asia is that water runs downhill and in much of Africa the water does not run downhill".<sup>30</sup> In Africa, use of water resources regularly involves expensive pumping, or at least greater use of mechanisms for trapping

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25 *Reaching the poor – a call to action: Investment in smallholder agriculture in sub-Saharan Africa*, Farm Africa, Harvest Help and Imperial College London, Spring 2004

26 *Agriculture and poverty reduction: unlocking the potential*, DFID, December 2003, page 2: <http://www.dfid.gov.uk/pubs/files/agripovertyreduction.pdf>

27 *Ibid.*, page 1

28 Q 57

29 Q 58

30 Q 78

water during the rainy seasons. One of our witnesses, Stephen Carr, drew the following comparison between India and sub-Saharan Africa:

“As you fly across India, parts of India, you see thousands of what they call tanks shining underneath you, these ponds of water from run-off, and I am now trying to duplicate that in Malawi where people catch run-off and then practise irrigation in the dry season”.<sup>31</sup>

Until recently, the need to irrigate in Africa has not been so apparent. However, an increase in population density and the scarcity of land now require the productivity of African smallholder agriculture to be raised.<sup>32</sup> Irrigation can play a key role but, in Africa, it continues to be under-utilised.

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31 Q 83

32 *Ibid.*

## 2 The future: small and large scale agriculture

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16. As we have highlighted in the previous Chapter, agriculture fell out of favour with development policy-makers. While small-scale agriculture played a major role in poverty reduction in the past, some commentators now maintain that it cannot do so in the future. A debate has therefore started over the future of smallholder agriculture and large scale commercial agriculture.<sup>33</sup> The proponents of the view that smallholder agriculture is not the key to poverty reduction point to three key factors:

- The growth of very large farms (agri-business) in favoured parts of the world (mainly the Americas). These are achieving continuous cost and price reductions and qualitative improvements, and are increasingly integrated into supermarket supply chains.
- Trade liberalisation is causing increased import penetration of the domestic food markets of poor countries by produce which has originated in middle to high income countries. At the same time, the trade preferences which some poor countries have enjoyed in rich country markets are being eroded.
- The growth of supermarkets within poor countries themselves. To the extent that they procure from domestic agriculture, these supermarkets tend to deal with the larger less labour-intensive farms which can meet their volume and quality requirements.

17. We recognise the logic of the arguments in favour of a declining role for smallholder agriculture where development is successful. On the other hand, in many of the poorest countries there are few realistic alternatives to smallholder agriculture for creating employment-intensive growth. Agriculture's core contribution to poverty reduction is at the earlier stages of a process of development. Increased growth and prosperity within labour-intensive (smallholder) agriculture will trigger forces which will lead to diversification out of agriculture and eventually to a rapid fall in the numbers it employs. This is a desirable outcome. **Some commentators may have a romantic attachment to smallholder farming: if so, we do not share it. We are convinced that the process of economic development necessitates an eventual reduction in the role of agriculture, particularly small-scale agriculture. But the central issue is one of timing and circumstance.**

18. **Where there is a decline in agricultural activity (or where it becomes less labour-intensive), policies should allow people to make what might be termed "good exits" from farming.** These exits will, in the main, be made by younger people who were raised in moderately prospering rural economies and who in their youth were adequately fed and who had access to, and benefit from, schooling. They will move out of agriculture gradually, as and when opportunities appear in the cities or locally. By contrast, "bad exits" arise when farming ceases to provide the basis of an even minimally acceptable livelihood, and younger people abandon farming precipitously, despite the lack of alternatives. Many

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33 *Launching the DFID consultation "New Directions for Agriculture in Reducing Poverty"*, Simon Maxwell, March 2004: <http://dfid-agriculture-consultation.nri.org/launchpapers/simonmaxwell.html>

end up in petty trading, an intensely competitive and low-return activity with minimal prospects. In today's poorer countries far too many "bad exits" from farming are occurring.

19. We accept that the role of smallholder agriculture will ultimately decrease and that it is critical to assist those leaving agriculture to leave successfully. But smallholder agriculture is a practical reality in sub-Saharan Africa, with a substantial share, and in extreme cases as much as 85%, of the population living on smallholdings.<sup>34</sup> Even with changing demographics smallholder farming dominates: globally, 1 billion people could leave agriculture altogether and the average farm size would still be a smallholding of 1 hectare.<sup>35</sup> The move to large-scale agriculture in Africa would involve major land concentration to create substantial parcels on which to carry out large-scale production.<sup>36</sup> But this would not necessarily be an easy process, as Stephen Carr emphasised:

"Inevitably you have to ask the question: if you displace 100,000 people off their land in order to have commercial agriculture, what are you going to do with the 100,000 people? That is a question very few people have an answer to".<sup>37</sup>

Land issues will be discussed further under the heading of access to land and other productive assets.

20. Witnesses also told us that smallholder farming can be efficient.<sup>38</sup> Peter Hazell stressed this point:

"In a poor country where labour is cheap and capital is scarce and often land is scarce, small farming is economically not only viable; it is the most efficient form of farming. As countries grow and labour becomes more expensive farmers expect to earn a higher income to keep up with their urban counterparts, then farms do have to get bigger, but it is quite appropriate for Africa to have small family farms at this stage of its development, and also in much of Asia".<sup>39</sup>

In arguing for the efficiency of small farms Stephen Carr told us that, in Malawi, local people had been able to produce maize at substantially lower cost than on commercial farms.<sup>40</sup> Michael Lipton couched the argument for the efficiency of small scale agriculture in terms of its employment-intensive nature:

"The fact is that for most crops in most African situations smallholding is actually a rather efficient way of managing resources. If you are using a lot of labour and you cannot afford much capital, what you want to do is cut the supervision costs of labour, and a family is good at cutting supervision costs of labour.... They are also good at supervising hired labour ... If you have a labour-based farming system, as

34 Q 61

35 Q 90. See also *Rural Poverty Report 2001: the Challenge of Ending Rural Poverty*, Rome: IFAD which states that even by 2020 60% of the world poor will still be living and working in rural areas , page 6

36 Q 40

37 Q 61

38 Q 49

39 *Ibid.*

40 Q 61

almost everywhere—not everywhere—in sub-Saharan Africa does, smallholding does pretty well.”<sup>41</sup>

21. There may be drawbacks to working in a family unit. The obligation to employ unproductive workers is an obvious one, but, in addition, the differing objectives of family members, coupled with the power of family hierarchy, can have an effect on the management of the smallholding. It is also necessary to recognise that while smallholders may have the comparative advantage in the labour markets, they are still at a comparative disadvantage (in relation to big farms), in credit, input and output markets. But there is certainly room for governments, donors, NGOs and the private sector to work with smallholders to overcome some of these disadvantages.

22. Smallholder farms have the potential to operate commercially.<sup>42</sup> This is particularly the case if their relationship with supermarket purchasers is mediated by a third party, such as a cooperative or association.<sup>43</sup> Providing the quantity required by purchasers may require smallholders to club together, but having a single point of contact will usually be more manageable for purchasing agents. The relationship may also have positive benefits for smallholders who can have a stronger voice when operating collectively.

**23. Aid agencies and national governments must re-emphasise the short- to medium-term strategic importance of labour-intensive agriculture and devise new strategies which take account of lessons learned and trends in the global economy. The role of smallholder agriculture has to be understood as part of a process of development in which small-scale agriculture plays a key role at the initial stages, but will ultimately evolve into medium- and large-scale farming. An approach that recognises this will also need to consider the way in which people make their exits from agriculture.**

## Regional trade

24. A further argument in favour of small-scale farming in Africa rests on the level of demand and the potential for regional trade within the continent. In a food-deficient continent there is huge potential for increased production and marketing of food grains. Africa currently has a large internal demand for food grains and other commodities, an increasing share of which is supplied from imports (commercial and food aid). Recapturing a greater share of its own domestic market provides an avenue for African agriculture to expand without difficult changes in commodity composition. Peter Hazell suggested that there is \$50 billion worth of domestic Africa-wide consumption in basic food staples, including crop and the livestock products.<sup>44</sup> This demand is, in part, being met through imports. The domestic market was identified as growing:

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41 Q 90

42 Q 49

43 Q 90. See also Reardon, T., Donron, J., Bush, L., Bingen, J. and Harris, C. (2001), 'Global change in agrifood grades and standards; agribusiness strategic responses in developing countries'. *International Food and Agribusiness Management Review* 2,3; Reardon, T., Berdgue, J., and Farrington, J. (2002), 'supermarkets and farming in Latin America: pointing directions for elsewhere?', *Perspectives*, 81 (December), London: Dept of International Development; Reardon, T., Timmer, P., Barrett, C. and Berdeque, J. (2003), 'the rise of supermarkets in Africa, Asia and Latin America'. *American Journal of Agricultural Economics*, 85, 5 (December), and Reardon, T., Rozelle, S., Timmer, P. and Honglin Wang (2004), 'Emergence of supermarkets with Chinese characteristics'. *Development Policy Review*, forthcoming

44 Q 49

“The traditional food staples, the \$50 billion dollar market today, is going to double. A lot of small African farmers can double or triple their income over the next ten years by increasing their productivity in food staples”.<sup>45</sup>

25. Particular countries’ food deficits are already met by regional trade within sub-Saharan Africa; northern Mozambique, for example, exports its surplus grain to Malawi.<sup>46</sup> This brings into focus the importance of regional trade in foodstuffs, a very difficult area for governments to manage. Achieving free regional agricultural trade requires regionally coordinated agricultural policies which would not only be difficult to negotiate in the first instance, but would also run risks of limiting extra-regional trade negotiations. **Despite these concerns, it is essential that agricultural strategies tap into the potential of the African domestic market, which in the short- to medium-term holds greater potential than the broader global market.**

### The needs of smallholders

26. **New strategies for agriculture in the poorest countries must focus on the needs of smallholders.** The challenge for smallholders is to raise agricultural productivity to the extent that an annual harvest will provide enough to feed (whether by producing a crop to eat or sell) the smallholder family for the entire year.<sup>47</sup> Witnesses identified the main obstacle to smallholders raising productivity as inadequate use of modern inputs, principally fertiliser and high-yielding seed.<sup>48</sup> A lack of access to financial services and training in skills is a major reason for the low use of inputs and technology. Land quality and water availability and management are also challenges. Smallholders are also exposed to significant risks such as bad weather, changing commodity prices and market failures. New technologies, which despite their potential to deliver higher productivity are dominated by commercial interests, can increasingly put smallholders at a disadvantage in local and global markets if they are unable to access them.<sup>49</sup> Weak service delivery and failings in governance and administration infrastructure are further challenges—not to mention the impact of the AIDS pandemic.

27. One problem is that agriculture is inherently risky. Smallholder farmers investing scarce saved cash and/or borrowings in inputs and their labour (which could have earned a wage working for others) are not just taking a chance on weather and pests, but also on the state of the market up to nine months later. This implies that the business environment for investment in farming, and for agricultural finance in particular, would be transformed by reducing risk. Reducing risk may involve government intervention in markets. This could be achieved by setting minimum prices for agricultural outputs, or experimenting with market-based mechanisms for managing risk, such as futures markets. **In summary, much more support is needed to enable small farmers to engage in the transactions which would be normal for most other businesses. What is needed is support for practice-**

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45 *Ibid.*

46 Q 72

47 Q 63

48 Qq 19, 20

49 *Reaching the poor – a call to action: Investment in smallholder agriculture in sub-Saharan Africa*, Farm Africa, Harvest Help and Imperial College London, Spring 2004, page 9

**based research across a broad front: from the practical difficulties faced by farmers, to working out how national and regional agricultural policies may be developed to reduce risk and provide incentives to farmers, at acceptable fiscal cost. We cannot emphasise strongly enough the need to bring sustainable solutions to the financial needs of smallholders.**

### **Inputs**

28. The Green Revolutions of Asia were driven by the use of fertiliser and seed. By comparison, use of fertiliser in Africa has been concentrated in a few countries, and even in those countries has been 10–14kgs less per hectare than in south and southeast Asia.<sup>50</sup> We were told that Africa has little hope of raising its agricultural productivity without access to these key inputs:

“In the last 15 years of the last century, fertiliser use throughout the whole of south and east Asia increased by not less than double in every country and in countries like Vietnam it went up six fold ... For some reason people are expecting Africa to feed itself without using any fertiliser.”<sup>51</sup>

Not only has fertiliser use in sub-Saharan Africa stagnated or declined in the last fifteen years, but the soil is becoming less and less fertile as it is drained of nutrients. As much as 80,000 tonnes of nutrients are taken out of the soil of sub-Saharan Africa each year without being replaced.<sup>52</sup>

29. Organic strategies may offer an affordable and environmentally-friendly way to replace lost nutrients and raise productivity (and certainly quell environmental concerns about over-use of fertiliser). But although organic strategies can work technically, they are likely to require high labour inputs and farmers have to wait for several growing seasons before any substantial benefit is felt.<sup>53</sup> Most smallholders are too poor to invest their labour for benefits which will be realised so far in the future. There is therefore a strong demand for inputs, notably fertiliser and improved seed. In Asia, government subsidy of fertiliser has made it accessible to farmers but Africa has not been able to sustain similar generalised subsidies, and has often been discouraged from doing so by donors, more often than not for good reasons.<sup>54</sup> Smallholder credit to assist in the purchase of much needed inputs has

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50 Between 1991–1995, four countries (Ethiopia, Kenya, Nigeria and Zimbabwe) used 60% of all fertiliser used in sub-Saharan Africa, excluding south Africa. (*Macro trends and determinants of fertiliser use in sub-Saharan Africa*, A. Naseem and V. Kelly, Michigan State University, International Development Working Paper no. 73, 1999). Average fertiliser use in Kenya in the mid 1990s was 48kg per hectare, compared with 58kg per hectare in south Asia and 62kg per hectare in southeast Asia (*Fertilizers to Support Agricultural Development in sub-Saharan Africa: What is Needed and Why*, B.A. Larson and G.B. Frisvold, *Food Policy*, 21(1996): 509–525.)

51 Q 63

52 *Ibid.*

53 Q 64

54 For example, we noted in our report on the humanitarian crisis in southern Africa that general maize subsidies in Malawi were not likely to strike the right balance between short-term relief and longer-term development, removed incentives for farmers to increase productivity and that the subsidy schemes were prone to corruption, including the diversion of maize across the borders to be sold in markets in neighbouring countries. HC (2002–03) 116–I, paras 114–116

proved hard to provide for poor families under the current policy environment.<sup>55</sup> But Stephen Carr told the Committee:

“If we continue to deny African farmers access to the one thing which has transformed the agriculture of all the rest of the world, we can expect to go on with the same kind of failure we have had for a number of years... we have to see how we can give farmers in Africa access to the two things which have transformed Asia. If we cannot do it with subsidies and we cannot do it with credit, then we just have to use our imagination and think of other ways in which it can be done”.<sup>56</sup>

**We conclude that DFID's strategy for agriculture must include the promotion of mechanisms to increase smallholder access to inputs. In particular, smallholder access to fertiliser and seed is vital to increasing agricultural productivity in the majority of cases.**

### **Financial services**

30. Inputs require finance and smallholders often have no alternative but to borrow to meet the cost. With the decline of government lending schemes (many of which had performed badly) a major gap emerged in this area which is not being well-addressed by the provision of micro-finance lending. **Micro-finance lending is usually provided on the basis of borrowers' track record and consists, at least initially, of very small loans with short maturity periods. To make a difference, agricultural loans have to be larger and longer than those typically offered to micro-finance starter-borrowers. Such services are generally not viable for commercial banks but there may be potential for state involvement in the provision of low interest, somewhat longer-term loans. There is a role for donors and international agencies (World Bank/IMF) to play here. We therefore welcome DFID's comments that:**

“Development agencies now need to reappraise the state's role in agricultural finance. Instead of ignoring state banks, we need to identify and support banks with the right leadership, management and infrastructure to deliver financial services in rural areas, and investment in agriculture”.<sup>57</sup>

### **Land and other productive resources**

31. In many parts of Africa high population density and land scarcity are a fact of life. The poorest may have no land of their own and may instead work on the land of others. Land reform can be a mechanism for increasing the ability of the poor to access land. It has also been argued that, where tenure is based on community membership, the introduction of private property rights over land could give smallholders a form of collateral which would allow access to credit and other financial services.<sup>58</sup> There is also a strong case for actions to

55 Q 63

56 *Ibid.*

57 *Agriculture and poverty reduction: unlocking the potential*, DFID, December 2003: <http://www.dfid.gov.uk/pubs/files/agripovertyreduction.pdf>

58 *The Mystery of Capital*, H. De Soto, London, Sydney, Auckland and Parktown (S.Africa): Bantam Press; New York: Basic Books, 2000

strengthen land rights of tenants and sharecroppers who would gain greater security and potential access to credit. But our witnesses noted potential problems of smallholders using their land as collateral for loans:

“very, very few banks are going to take a smallholder’s holding as collateral. To go into a village and confiscate the home of a local person is going to arouse so much antagonism that very few commercial banks would be prepared to do it”.<sup>59</sup>

32. Land issues are complex but important. While land reform which provides western-style private property rights might not be able to provide collateral, many argue that land (even a plot for a homestead) remains a critical asset enabling the poor to gain some economic and social stability.<sup>60</sup> In cases where the distribution of land is sharply unequal, redistributive land reform is justified for reasons of equity, pragmatic politics and possibly efficiency. For example, the situation in Zimbabwe would probably be very different today if land reform had helped establish a better relationship between commercial (predominantly white) farmers and (predominantly black) smallholders. Land reform could have involved some limited redistribution and provision of some key services (water, inputs) to smallholders via larger, mainly white-owned, farms. In other cases, there is less scope for re-distribution. Redistributive land reform focused on establishing tradable land rights can lead to the disenfranchisement of some groups (particularly women).<sup>61</sup> Because land issues are so complicated, as well as being politically sensitive, it is tempting for aid agencies to avoid them. **DFID must engage with this issue. DFID has reduced its focus on land in recent years and should now seek to regain lost expertise.**<sup>62</sup> **Detailed analysis of land issues need to be incorporated into agricultural and other development policies.**

33. Access to other productive resources has been identified as a challenge for smallholders. Water has great potential to deliver increased productivity. As we have already noted, the challenge of water capture and storage is greater in Africa than in Asia.<sup>63</sup> Our witnesses, Michael Lipton and George Rothschild, felt there was potential for increasing access to water through the use of small scale water storage as well as irrigation technology such as treadle pumps and micro-drip systems.<sup>64</sup> **We recommend DFID scale-up its work on water technology and policy as it is vital to helping smallholders raise productivity.**

### **Other needs and challenges**

34. Part of giving smallholders the capacity to take advantage of market opportunities is ensuring market access—this has been a principle behind DFID’s strategy of creating an enabling environment. Witnesses told us that lack of infrastructure remains a key obstacle to market access for smallholders.<sup>65</sup> **We support DFID’s focus on creating an enabling**

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59 Q 78

60 Ev 47

61 Q 16

62 Ev 47

63 See para 15 of this report

64 Qq 94, 95

65 Q 22

**environment through infrastructure development, but there is now a pressing need for the policy to move beyond this.** Access to information about markets can also be useful to smallholders, as can assistance in building relationships and linkages with existing market players.<sup>66</sup> New information technology has great potential to increase access to market information.<sup>67</sup>

35. AIDS poses an unprecedented challenge to farmers in Africa and across the world. It is difficult to overstate the impact of the HIV/AIDS pandemic on agricultural capacity and production, particularly in Africa. The World Food Programme (WFP) reports that seven million farmers have been lost to AIDS in Africa alone.<sup>68</sup> The death of women has had a particular impact on food production. The impact on agriculture due to loss of life to AIDS is greatest in the thinly populated countries where access to labour is a constraint. Even where there are sufficient able bodies to work the land, the AIDS pandemic and the rising number of AIDS orphans commonly means that a smallholder may have to provide for a greatly increased number of dependents.<sup>69</sup> Agricultural strategies have to respond to this, for example through the development and promotion of labour-saving crops. In addition, supporting existing investments (such as small tea and coffee plantations) by letting out land on a tenancy basis can also deliver cash benefits to smallholders. **We conclude that it is vital that any agricultural strategy considers emerging evidence about the devastating demographic and socio-economic effects of the AIDS pandemic.**

### Practical solutions

36. During the course of the inquiry we heard suggestions for practical solutions. Not all of them will provide long-term remedies but many can deliver quick results while the long-term policy is being formulated. We were told of interventions to deal with problems of access to inputs and finance. **For example, the DFID-supported inputs for work programmes in Malawi are promising, and in our view warrant continuing support on an increased scale.**<sup>70</sup> **Animal loan schemes (such as those for goats supported by Farm Africa in Kenya) can be very helpful in building up household assets, especially those under the control of women. Practice-based research into creating warehouse receipts systems, also DFID-supported, could develop the infrastructure of local commodity trade, thereby improving the competitiveness of local agriculture, and also provide farmers with tradable instruments which can pay for inputs.**<sup>71</sup> The World Bank and the FAO are currently researching ways of providing crop insurance to smallholders and of making forward markets available as a means of reducing risks to producers and consumers.

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66 *Reaching the poor – a call to action: Investment in smallholder agriculture in sub-Saharan Africa*, Farm Africa, Harvest Help and Imperial College London, Spring 2004, para 49. See also discussion in this report of the potential role of intermediaries/cooperatives and associations in helping smallholders engage in commercial agriculture (para 22 of this report)

67 Q 22

68 See written evidence on Orphans and Children made vulnerable by AIDS, International Development Committee, Session 2003–04, HC 573 (Ev 95)

69 Q 87

70 Q 63

71 Ev 37 – 42

37. Pest management can contribute to raising farmers' incomes, particularly if techniques require a low level of inputs.<sup>72</sup> Integrated pest management systems and use of biological controls have significant potential.<sup>73</sup> Witnesses also emphasised the role of publicly-financed plant breeding, which has to be followed through with effective seed production and distribution. Crops must be adapted to local environments and to the particular needs of smallholders rather than solely focused on the requirements of commercial farms. This will not occur without government support. Smallholders need traits in plants such as drought and weed-resistance, good storage and on-farm consumption characteristics, as well as higher yields.<sup>74</sup> Developing these traits will need to be done while minimising financial outlay. **None of the practical solutions mentioned here are panaceas, but they will prove helpful to different segments of the smallholder population, and are examples of the kinds of innovation which should be strongly encouraged by DFID and other agencies.**

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72 Q 97

73 Q 98, 99

74 Q 96

## 3 The key actors and their roles

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### The balance between state and private sector involvement

#### *Governance issues*

38. During the period of structural adjustment programmes in the 1980s and 1990s, the role of the state in delivering agricultural services was cut back severely. The motivation for this came largely from the perception that government agencies were highly inefficient and unable to do the cope with the task in hand.<sup>75</sup> In particular, Ministries of Agriculture have performed badly suffering from “over-centralisation in relation to the capacity of government to run a centralised system”.<sup>76</sup> Lack of resources has also been an issue, as has the tendency for Ministries of Agriculture to be bound up with the distribution of patronage. In some cases 80–90% of budgets are spent on staff salaries.<sup>77</sup> Although the rationalisation of agricultural ministries has not really been effectively tackled in any African state, the current trend towards de-centralisation holds promise.<sup>78</sup>

39. However, excessive de-centralisation can itself lead to problems. Local politics come into play and there is a lack of support for, or development of, professionals working in the local context. Such de-centralisation has sometimes discouraged high-calibre national professionals from taking up employment in the public sector. De-centralisation will also have to be planned carefully, with due regard to the limited capacity of local government. Even so, some level of de-centralisation is needed to ensure that services being delivered are responsive to local needs. Christie Peacock put a strong case for an increased role for Ministries of Agriculture, particularly in encouraging information exchange, coordination and agricultural planning: “What is lacking very often, however, is a really coherent local level strategy that co-ordinates people and I think the Ministry of Agriculture could play an important role in that”.<sup>79</sup>

40. Many witnesses also drew attention to the link between low productivity and policies which promoted the rolling back of the state on the basis of a mistaken belief that the private sector would take over its role. Christie Peacock told us that:

“you could point to probably the late 1980s as a point when there was a lot of structural adjustment being imposed often on a lot of African economies. There was a strong pressure to retrench staff and reduce the role of the state. A lot of this was down to the belief that if the state withdrew the private sector would somehow miraculously come into the vacuum. In our experience in east Africa this has simply not happened.”<sup>80</sup>

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75 Q 51

76 *Ibid.*

77 Q 12

78 Q 15

79 *Ibid.*

80 Q 12

Peter Hazell pointed out that current thinking is that there should be a reintroduction of a role for the state, but that this should be limited to the creation of an enabling environment:

“It should ensure that contracts are in force, that we have quality standards, food safety and things like that. The private sector is supposed to take care of everything. There is not a single country in this world that has developed its agriculture on that model. Even this country still has a great deal of government intervention in services for agriculture...”<sup>81</sup>

41. One of the consequences of the model of declining state involvement in Africa is that most small farmers have access neither to basic services, nor to many markets or credit. As a result, they cannot purchase adequate quantities of improved seeds and fertilisers—all the keys needed to unlock agriculture’s potential.<sup>82</sup> The private sector has simply not filled the role previously played by the state. In present-day Africa, the lack of agricultural services, whether provided by the state or others, has caused a crisis in agriculture—or at the very least a stagnation and failure to increase productivity to meet growing needs. Some level of state involvement seems necessary. To allow this to happen, better governance is crucial.

42. But it is not true to say that in every case the private sector has failed to fill the gaps left by state withdrawal. Research findings show that the liberalisation of agriculture in developing countries, which gathered pace about 15 years ago, has in some cases created an enabling environment for the private sector to support smallholder production of cash crops. Smallholder cotton in Mozambique and Zambia provides an example. Private companies are advancing inputs and purchasing cotton and giving farmers a better service than the former parastatals, albeit under conditions of effective local monopoly. Conversely, in the case of staple food crops, smallholders in liberalised markets have generally not proven to be an interesting market for private sector service providers. Colin Poulton further illuminated the distinction between cash and food crops in terms of successful private sector involvement:

“In countries like Uganda reductions in poverty in the 1990s have been closely linked to expansions in cash crops after the liberalisation of the cash crop sector, say coffee, for example. In food crops the picture has been much more mixed. You have informal market systems. You do not have very large quantities of private capital going in there. You have these fiercely competitive markets with lots of small players where private players do not have the same incentive to assist the producers in their production activities, whereas in the cash crop sectors they are often assisted by buying companies. Coffee processors might also assist in investing in a farm’s production. They will give them credit, they will give them technical advice, etc. That does not really happen in the food crop sector”.<sup>83</sup>

**43. We recommend that DFID urgently addresses the damaging gap in agricultural service provision. A greater role for government in funding agricultural services, despite its well-known drawbacks, may be unavoidable. We are convinced of the need**

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81 Q 51

82 *Ibid.*

83 Q 51

for state involvement in service provision.<sup>84</sup> The World Bank is usually the lead agency in discussion with governments about the broader policy environment and, as such, we urge DFID to exert pressure on the World Bank to alter its policies. DFID should encourage national governments to reform their Ministries of Agriculture and to develop strategies for agricultural development following consultation with key stakeholders. DFID is in a very strong position to achieve this within the Poverty Reduction Strategy framework and in the light of increasing levels of budgetary support.<sup>85</sup>

### *CDC and venture capital*

44. Venture capital is in very short supply in the poor countries. It has the potential to create highly beneficial development results, such as the strong focus on growing value in business, enabling high returns to be achieved, and the use of equity rather than debt as the investment instrument. In theory, CDC Group plc (formerly the Commonwealth Development Corporation) investments will be followed by substantial private sector investment motivated by the high returns achieved by CDC capital. Within the agricultural sector of poor countries, however, there are relatively few attractive opportunities for venture capital investment. On the whole the sector requires more “patient capital”.<sup>86</sup> Nevertheless, there are a surprising number of occasions where businesses financed by venture capital have worked with smallholder farmers. An example is the company Flamingo Holdings, of which CDC Group plc holds a 14% share. Flamingo owns a number of companies in Britain and Africa bringing together a major Kenyan supply base with distributors in Britain. Kenyan suppliers provide pre-packed and prepared vegetables and cut flowers to major supermarkets such as Marks & Spencer, Sainsbury’s, Safeway and Tesco. The group employs 7,000 staff worldwide and in 2002–03 had a turnover of £160 million.<sup>87</sup>

45. CDC told us that investment in the agricultural sector in the developing world can be attractive under some circumstances, but is hindered by market distortions if producers have to compete with producers in the developed world.<sup>88</sup> Structural weaknesses are also seen as an obstacle: these include inefficiencies where products are marketed through parastatal bodies and the high ancillary cost of primary production.<sup>89</sup> **While venture capital is not likely to be an instrument that will drive agricultural development, it has the potential to work in some areas. Much of agricultural development will need to be supported by other instruments, which demand lower returns.**

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84 Evidence shows that, although state involvement may not be desirable in the long-term, it is needed at the early stages of agricultural development with the aim of kick starting markets rather than replacing them. Qq 12, 51. See also A Policy Agenda for Pro-Poor Agricultural Growth, Dorward A.; Kydd J.; Morrison J.; Urey I. *World Development*, January 2004, vol. 32, no. 1, pp. 73–89(17)

85 Q 105

86 ‘Patient capital’ refers to a longer-term investment which, whilst still requiring high returns, will not require them immediately.

87 See [www.flamingoholdings.com/F-Holdings%20Public/flamingo\\_holdings\\_public.htm](http://www.flamingoholdings.com/F-Holdings%20Public/flamingo_holdings_public.htm) and Ev 56–7

88 Ev 56–7

89 *Ibid.*

## The role of NGOs

46. NGOs play a key role in smallholder agricultural development. The sector is able to be flexible and experimental, and can harness the energy of committed individuals. NGOs undertake a variety of roles: local NGOs and international NGOs based in developing countries provide services to farmers including loans for, and access to, inputs and extension advice, taking on roles previously undertaken by the public sector; international NGOs are intermediaries between the local NGO and the aid agencies and also provide capacity development and technical advice; and local and international NGOs undertake advocacy work.

47. In a climate of the increasing use of budget support, NGOs have felt that their funding is threatened. In the past the Committee has strongly supported the argument made by DFID's Permanent Secretary, that NGOs need to demonstrate to national governments that they are an effective channel for delivering services through contracts with government.<sup>90</sup> The political reality is that national governments tend to operate within a culture of patronage and, as a consequence, persuading them to deliver services via NGOs is difficult. **We encourage DFID to renew its efforts to make national governments understand the potential of NGOs. DFID should also ensure that its increasing use of budget support is not a barrier to smallholders benefiting from the way that NGOs work. It also appears that, relative to their importance in agricultural development, the NGO sector may be under-investing in lesson-learning and knowledge management. We recommend that DFID continues to support NGO activity in this area. This will require particular attention to strengthening NGO capacity.**

## New technology and research

48. The critical role of research into agricultural technologies was stressed by witnesses to the inquiry. Hybrid seeds, adapted over successive rounds of breeding to local conditions, were an indispensable component of the Green Revolutions. Yet support for the international public research programme (such as the Consultative Group on International Agricultural Research—CGIAR) has been in decline, while in many poor countries national agricultural research systems are in an unsatisfactory state: “In the rich countries, public investment grew just 0.2% annually between 1991 and 1996, compared with 2.2% per year during the 1980s. In Africa, there was no growth at all...”<sup>91</sup> Michael Lipton stressed in evidence: “it is very important that a system of agricultural research support should be that: support, and not doing it instead of the countries concerned”.<sup>92</sup> George Rothschild made a convincing argument about the need to further develop partnerships with low capacity National Agricultural Research Organisations (NAROs) in developing countries:

“Capacity building through partnerships, that is one of the best ways of achieving that [development of national institutions]. That may well mean either south-to-south partnerships or north-to-south partnerships and that is where we are seeing a

90 International Development Committee, Eighth Report of Session 2002–03, Department for International Development: Departmental Report 2003, HC825: para 33 and oral evidence from Suma Chakrabarti (Q 20)

91 Slow Magic: Agricultural R&D a Century After Mendel, IFPRI, 2001

92 Q 102

major attrition of capacity, not least in this country, of institutions which still have the capacity to be able to do that".<sup>93</sup>

49. Private research into agricultural technology now accounts for more of the total than public research does and is inevitably focused on the needs of richer farmers, mainly in high and middle income countries.<sup>94</sup> Private investment in agricultural research in 1981 was US\$4 billion, rising to over US\$7 billion by 1993.<sup>95</sup> It is estimated that less than 6% of private sector agricultural research is carried out in developing countries, and of this nearly half is by multinational company affiliates (the "big five" multinational agribusinesses: Bayer/Aventis, Dow Agro, Du Pont, Monsanto and Syngenta). Figures cited in 2002 indicate spending of US\$10.8 billion in private research in the developed world, compared with US\$0.7 billion in the developing countries.<sup>96</sup> We have already mentioned in our discussion of practical solutions the need for crop research to tackle the needs of poor farmers.<sup>97</sup> Furthermore, in private breeding programmes for commercial agriculture, saving labour is a key objective, but this could be damaging to the employment-generating effects of smallholder agriculture.

**50. DFID has been in the forefront of encouraging new methods of funding agricultural science in poor countries, based on competitive bidding and peer review.<sup>98</sup> We commend DFID's renewed commitment to agricultural research and offer the following observations for DFID to consider when formulating its policy:**

- **The importance of finding the right balance between funding the international public systems (CGIAR), the national agricultural research systems (those that are pure public and those which are industry-controlled); and the development science capacity of the UK.**
- **The need for CGIAR to build alliances with research centres in developed countries. The UK science base has a major role to play in supporting CGIAR, which lacks scientific capacity in many areas. Additionally, DFID should continue to use the UK science base to support National Agricultural Research Organisations which seriously lack capacity.<sup>99</sup>**

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93 Q 103

94 *Slow Magic: Agricultural R&D a Century After Mendel*, IFPRI, 2001, page 10

95 *Changing Contexts for Agricultural Research and Development*, in "Agricultural Science Policy: Changing Global Agendas" Edited by J.M.Alston, P.G.Pardey & M.J.Taylor. Published 2001 for the International Food Policy Research Institute by the John Hopkins University Press, Baltimore and London

96 These figures are derived from the following report to DFID: *Rural Enterprise Technology Facility (RETF) Supporting pro-poor private sector rural enterprise development*, Scoping Study CNTR 01 2596. Final Report. March 2002. by N.M. Rothschild & Sons Ltd, Cambridge Economic Policy Associates Ltd, Overseas Development Institute, Natural Resources Institute

97 See para 37 of this report

98 See for example: *Strategies for pro-poor agricultural research, development, and technology transfer in Bolivia: An analysis of the options for future activities* by DFID, Consultancy report: Anderson et al 2001 and *Making demand-led research effective and pro-poor*. A discussion note commissioned by RLD DFID, Simon Anderson, Imperial College

99 Qq 102, 103

- **The need to understand the reasons why DFID's Rural Enterprise Technology Facility initiative has been slow to bear results in terms of public-private partnerships to develop technology for the poor.<sup>100</sup>**
- **The need to determine how best to organise publicly-funded agricultural research to ensure that it is demand-led and relevant to the needs of smallholders.**

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100 See: <http://www.cepa.co.uk/docs/Rural%20Enterprise%20Technology%20Facility%20Summary.pdf>

## 4 Conclusions for DFID's strategy

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51. The Green Revolutions in Asia delivered dramatic increases in agricultural productivity and transformed the continent's agriculture. But the context of agricultural development in Asia and in Africa could not be more different. In Africa, population density varies widely and agriculture is diverse both in what it produces and the methods which it uses. We have discussed the respective roles of small and large-scale farming in the future of agriculture and we believe that agriculture needs to be understood as a process in which small-scale farming will ultimately give way to medium- and large-scale commercial agriculture. In much of Africa, the immediate emphasis will need to be on smallholder farming, which can be both efficient and operate commercially.

52. DFID's strategy should not contain blanket prescriptions. DFID's policy needs to be sensitive to context and will require differing approaches in different areas. DFID's strategy should be a mixed one, incorporating roles for small, medium and large-scale agriculture as is regionally appropriate. The strategy should help smallholders build capacity to access and take advantage of markets, but it should also work on developing markets. At the same time, it is vitally important that DFID commits itself to finding sustainable solutions to the recurring problems faced by smallholders. One of the fundamental problems is that of agricultural finance. DFID needs to learn from the impact of past policies and take in the best elements of earlier and more recent models of agricultural development.

53. We see a stronger role for African national governments paying for and coordinating the delivery of some agricultural services, beyond the already widely-accepted role of funding research. The relative strengths of the public and private sectors need to be recognised, and here the distinction between cash and food crops is particularly helpful. But while accepting that agriculture cannot function without some state involvement, the continuing weaknesses of national governments and, in particular, Ministries of Agriculture must also be acknowledged. And it is here that we see a major role for DFID.

54. DFID has a comparative advantage in technical assistance, capacity building and institutional reform and development. DFID has built a strong relationship with many African governments and needs to use the leverage it acquires through budget support to prioritise agriculture. The Poverty Reduction Strategy model and use of Memoranda of Understanding allow DFID to encourage public expenditure in developing countries to focus on pro-poor agricultural policies and reform of Ministries of Agriculture. Streamlining staffing and some de-centralisation is likely to help agricultural ministries work more effectively and deliver responsive services. DFID should offer national governments assistance in handling what can amount to transitions in political economy. DFID has a role to play in advocacy with the World Bank and other financial institutions which need persuading of the need to re-integrate the state in delivering agricultural services.

55. Trade reform has been another area of strength for DFID and one to which the Committee has given significant attention. We endorse and welcome DFID's work on international trade issues. But we recognise that international trade reform will not help the poorest, small-scale farmers, if they are unable to take advantage of new opportunities because of a lack of capacity, or access to key services. In the short- and medium-term,

regional trade is more likely to deliver benefits to the poor in Africa. We call on DFID to use its expertise to support agriculture in Africa through developing regional trade.

56. As we have indicated within the report, we believe that agricultural research plays an significant role in agricultural development. We emphasise the need for research to be targeted towards, and to produce, affordable solutions to the challenges faced by smallholders. Research must not be used to create expensive new inputs which smallholders will have difficulty accessing and which will further disadvantage them in the market place. National Agricultural Research Organisations (NAROs) could benefit more from UK and international expertise. CGIAR should develop a closer supportive relationship with NAROs. DFID should give bilateral aid to NAROs and DFID country teams need, as a matter of urgency, to examine the relationships they can develop with these institutions.

## Conclusions and recommendations

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1. The creation of an enabling environment for agriculture is essential, but by itself it will not succeed unless services are also provided to farmers (by the private sector or the government). Farmers have to be able to take up the market opportunities which the enabling environment aims to create. In its policy paper, DFID have finally recognised the need to move beyond the mere creation of an enabling environment. (Paragraph 13)
2. Some commentators may have a romantic attachment to smallholder farming: if so, we do not share it. We are convinced that the process of economic development necessitates an eventual reduction in the role of agriculture, particularly small-scale agriculture. But the central issue is one of timing and circumstance. (Paragraph 17)
3. Where there is a decline in agricultural activity (or where it becomes less labour-intensive), policies should allow people to make what might be termed “good exits” from farming. (Paragraph 18)
4. Aid agencies and national governments must re-emphasise the short- to medium-term strategic importance of labour-intensive agriculture and devise new strategies which take account of lessons learned and trends in the global economy. The role of smallholder agriculture has to be understood as part of a process of development in which small-scale agriculture plays a key role at the initial stages, but will ultimately evolve into medium- and large-scale farming. An approach that recognises this will also need to consider the way in which people make their exits from agriculture. (Paragraph 23)
5. It is essential that agricultural strategies tap into the potential of the African domestic market, which in the short- to medium-term holds greater potential than the broader global market. (Paragraph 25)
6. New strategies for agriculture in the poorest countries must focus on the needs of smallholders. (Paragraph 26)
7. Much more support is needed to enable small farmers to engage in the transactions which would be normal for most other businesses. What is needed is support for practice-based research across a broad front: from the practical difficulties faced by farmers, to working out how national and regional agricultural policies may be developed to reduce risk and provide incentives to farmers, at acceptable fiscal cost. We cannot emphasise strongly enough the need to bring sustainable solutions to the financial needs of smallholders. (Paragraph 27)
8. We conclude that DFID’s strategy for agriculture must include the promotion of mechanisms to increase smallholder access to inputs. In particular, smallholder access to fertiliser and seed is vital to increasing agricultural productivity in the majority of cases. (Paragraph 29)
9. Micro-finance lending is usually provided on the basis of borrowers’ track record and consists, at least initially, of very small loans with short maturity periods. To

make a difference, agricultural loans have to be larger and longer than those typically offered to micro-finance starter-borrowers. Such services are generally not viable for commercial banks but there may be potential for state involvement in the provision of low interest, somewhat longer-term loans. There is a role for donors and international agencies (World Bank/IMF) to play here. (Paragraph 30)

10. DFID has reduced its focus on land in recent years and should now seek to regain lost expertise. Detailed analysis of land issues need to be incorporated into agricultural and other development policies. (Paragraph 32)
11. We recommend DFID scale-up its work on water technology and policy as it is vital to helping smallholders raise productivity. (Paragraph 33)
12. We support DFID's focus on creating an enabling environment through infrastructure development, but there is now a pressing need for the policy to move beyond this. (Paragraph 34)
13. This is vital that any agricultural strategy considers emerging evidence about the devastating demographic and socio-economic effects of the AIDS pandemic. (Paragraph 35)
14. The DFID-supported inputs for work programmes in Malawi are promising, and in our view warrant continuing support on an increased scale. Animal loan schemes (such as those for goats supported by Farm Africa in Kenya) can be very helpful in building up household assets, especially those under the control of women. Practice-based research into creating warehouse receipts systems, also DFID-supported, could develop the infrastructure of local commodity trade, thereby improving the competitiveness of local agriculture, and also provide farmers with tradable instruments which can pay for inputs. (Paragraph 36)
15. None of the practical solutions mentioned are panaceas, but they will prove helpful to different segments of the smallholder population, and are examples of the kinds of innovation which should be strongly encouraged by DFID and other agencies. (Paragraph 37)
16. We recommend that DFID urgently addresses the damaging gap in agricultural service provision. A greater role for government in funding agricultural services, despite its well-known drawbacks, may be unavoidable. We are convinced of the need for state involvement in service provision.<sup>101</sup> The World Bank is usually the lead agency in discussion with governments about the broader policy environment and, as such, we urge DFID to exert pressure on the World Bank to alter its policies. DFID should encourage national governments to reform their Ministries of Agriculture and to develop strategies for agricultural development following consultation with key stakeholders. DFID is in a very strong position to achieve this within the Poverty Reduction Strategy framework and in the light of increasing levels of budgetary support. (Paragraph 43)

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101 Evidence shows that, although state involvement may not be desirable in the long-term, it is needed at the early stages of agricultural development with the aim of kick starting markets rather than replacing them. Qq 12, 51. See also A Policy Agenda for Pro-Poor Agricultural Growth, Dorward A.; Kydd J.; Morrison J.; Urey I. *World Development*, January 2004, vol. 32, no. 1, pp. 73–89(17)

17. While venture capital is not likely to be an instrument that will drive agricultural development, it has the potential to work in some areas. Much of agricultural development will need to be supported by other instruments, which demand lower returns. (Paragraph 45)
18. We encourage DFID to renew its efforts to make national governments understand the potential of NGOs. DFID should also ensure that its increasing use of budget support is not a barrier to smallholders benefiting from the way that NGOs work. It also appears that, relative to their importance in agricultural development, the NGO sector may be under-investing in lesson-learning and knowledge management. We recommend that DFID continues to support NGO activity in this area. This will require particular attention to strengthening NGO capacity. (Paragraph 47)
19. DFID has been in the forefront of encouraging new methods of funding agricultural science in poor countries, based on competitive bidding and peer review. We commend DFID's renewed commitment to agricultural research and offer the following observations for DFID to consider when formulating its policy:
  - The importance of finding the right balance between funding the international public systems (CGIAR), the national agricultural research systems (those that are pure public and those which are industry-controlled); and the development science capacity of the UK.
  - The need for CGIAR to build alliances with research centres in developed countries. The UK science base has a major role to play in supporting CGIAR, which lacks scientific capacity in many areas. Additionally, DFID should continue to use the UK science base to support National Agricultural Research Organisations which seriously lack capacity.
  - The need to understand the reasons why DFID's Rural Enterprise Technology Facility initiative has been slow to bear results in terms of public-private partnerships to develop technology for the poor.
  - The need to determine how best to organise publicly-funded agricultural research to ensure that it is demand-led and relevant to the needs of smallholders. (Paragraph 50)

# Formal minutes

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**Tuesday 7 September 2004**

Members present:

Tony Baldry, in the Chair

Mr John Battle

Mr Tony Colman

Ann Clwyd

Mr Andrew Robathan

Tony Worthington

The Committee deliberated.

Draft Report (DFID's Agriculture Policy), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs entitled "Background and acknowledgements" read and agreed to.

Paragraphs entitled 'Summary' read and postponed.

Paragraphs 1 to 56 read and agreed to.

Postponed paragraphs entitled 'Summary' read again and agreed to.

*Resolved*, That the Report be the Seventh Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order 134 (Select committee's (reports)) be applied to the Report.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Several papers were ordered to be reported to the House.

[Adjourned till Tuesday 14 September at 9.45am]

## List of witnesses

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### Wednesday 12 May 2004

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**Dr Lea Borkenhagen**, Livelihoods Programme Development Manager, Oxfam, **Mr Andrew Jowett**, Director, Harvest Help, **Dr Christie Peacock**, Chief Executive, FARM-Africa, and **Mr Colin Williams OBE**, Director, International Development Enterprises Ev 1

**Dr Peter Hazell**, Director of the Development Strategy and Governance Division of the International Food Policy Research Institute, Washington, **Dr Michael Hubbard**, International Development Department, University of Birmingham, **Mr Colin Poulton**, Research Fellow, Department of Agricultural Sciences, Imperial College London, and **Dr Steve Wiggins**, Overseas Development Institute Ev 11

### Tuesday 25 May 2004

**Mr Stephen Carr OBE**, an independent expert on African agriculture, and **Mr Jonathan Coulter**, Natural Resources Institute, University of Greenwich Ev 21

**Dr Michael Lipton CMG**, Research Professor of Economics, Poverty Research Unit, Sussex University, **Professor John Mumford**, Professor of Natural Resource Management, Imperial College London, **Professor George Rothschild**, Co-ordinator, Independent Advisory Committee of DFID's Renewable Natural Resources Research Strategy Programmes (RNRRS), and **Dr Colin Thirtle**, Professor of Agricultural Economics, Imperial College London Ev 29

## List of written evidence

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*Written evidence, from those who have also given oral evidence:*

1	Mr Stephen Carr OBE	Ev 37
2	Mr Jonathan Coulter	Ev 37; Ev 38; Ev 41
3	Oxfam	Ev 42; Ev 47
4	Joint memorandum: FARM-Africa, Harvest Help and Oxfam	Ev 50
5	Professor George Rothschild <sup>102</sup>	Ev 51

*Other written evidence:*

6	CDC Group/Actis	Ev 56
7	Department for International Development	Ev 57
8	Mr A P Jones	Ev 61
9	Natural Environment Research Council	Ev 62
10	Nuffield Council on Bioethics	Ev 63
11	Professor John Perfect	Ev 64

## List of unprinted written evidence

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Additional papers have been received from the following and have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1, (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Specimen warehouse receipts, submitted by Mr Jonathan Coulter

Forthcoming article, 2004, *Development Policy Review*, 'The Emergence of Supermarkets with Chinese Characteristics: Challenges and Opportunities for China's Agricultural Development', Dinghuan Hu, Reardon, T., Rozelle, S., Timmer, P. and Honglin Wang

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<sup>102</sup> (on behalf on the Chairpersons of the Independent Advisory Committees of four of the DFID's Renewable Natural Resources Research Strategy Programmes)

# Reports from the International Development Committee since 2001

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The Government Responses to International Development Committee reports are listed here in brackets by the HC (or Cm) No. after the report they relate to.

## Session 2003-04

First Report	Trade and Development at the WTO: Learning the lessons of Cancún to revive a genuine development round	HC 92-I and II (HC 452)
Second Report	Development Assistance and the Occupied Palestinian Territories	HC 230-I and II (HC 487)
Third Report	International Development Committee: Annual Report 2003	HC 312
Fourth Report	Kenya: DFID's Country Assistance Plan 2004-07 and Progress Towards the Millennium Development Goals	HC 494 (HC 857)
Fifth Report (First Joint Report)	Strategic Export Controls Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny	HC 390
Sixth Report	Migration and Development: How to make migration work for poverty reduction	HC 79

## Session 2002-03

First Report	Afghanistan: the transition from humanitarian relief to reconstruction and development assistance	HC 84 (HC 621)
Second Report	International Development Committee: Annual Report 2002	HC 331
Third Report	The humanitarian crisis in southern Africa	HC 116-I and -II (HC 690)
Fourth Report	Preparing for the humanitarian consequences of possible military action against Iraq	HC 444-I and -II (HC 561)
Fifth Report (First Joint Report)	The Government's proposals for secondary legislation under the Export Control Act	HC 620 (Cm 5988)
Sixth Report (Second Joint Report)	Strategic Export Controls Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny	HC 474 (Cm 5943)
Seventh Report	Trade and Development at the WTO: Issues for Cancún	HC 400-I and II (HC 1093)
Eighth Report	DFID Departmental Report 2003	HC 825 (HC 231, Session 2003-04)

## Session 2001-02

First Report	The humanitarian crisis in Afghanistan and the Surrounding Region	HC 300-I and -II (HC 633)
Second Report	The Effectiveness of the Reforms of European Development Assistance	HC 417-I and -II (HC 1027)
Third Report	Global Climate Change and Sustainable Development	HC 519-I and -II (HC 1270)

Fourth Report (First Joint Report)	Strategic Export Controls: Annual Report for 2000, Licensing Policy and Prior Parliamentary Scrutiny	HC 718 (CM 5629)
Fifth Report	Financing for Development: Finding the Money to Eliminate World Poverty	HC 785-I and -II (HC 1269)
Sixth Report	DFID: Departmental Report 2002	HC 964 (HC 357, Session 2002-03)



# Oral evidence

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## Taken before the International Development Committee

on Wednesday 12 May 2004

Members present:

Tony Baldry, in the Chair

John Barrett  
Mr John Battle  
Mr Quentin Davies  
Mr Piara S Khabra

Chris McCafferty  
Mr Andrew Robathan  
Tony Worthington

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*Witnesses:* **Dr Lea Borkenhagen**, Livelihoods Programme Development Manager, Oxfam, **Mr Andrew Jowett**, Director, Harvest Help, **Dr Christie Peacock**, CEO, FARM-Africa, and **Mr Colin Williams OBE**, Director, International Development Enterprises, examined.

**Chairman:** Thank you very much for helping us with this inquiry. As the select committee has gone about its work, one of the things that caused concern was that we felt insufficient attention, particularly in Africa, was being given to agriculture. Sustainable livelihoods had all too often become subsistence livelihoods. It was one of the few issues on which we had not seen eye to eye with DFID. We are very glad that DFID have now produced their consultation paper on agriculture, I think largely as a consequence of our continuous representations<sup>1</sup>. We have quite a big agenda to cover this afternoon with two lots of witnesses. Please decide amongst yourselves who answers the questions. Do not feel that everyone has to answer every question.

**Q1 Tony Worthington:** Can I thank you for your papers? It seems to me that there is something quite remarkable happening among the agriculture NGOs as a consequence of the consultation paper and other interests in agriculture. Something is fizzing around and I would be interested to know what has been happening.

**Mr Jowett:** We were stirred into action over the *Eliminating Hunger* paper<sup>2</sup> two or three years ago which did not really mention agriculture in a strong enough way. That galvanized certainly myself and a dozen other NGOs into coming together and trying to feed into that consultation. We have tried to keep going since then.

**Q2 Tony Worthington:** My notes say, “Why is agriculture important?” It seems extraordinary that someone should have thought that was a worthwhile question. It is remarkable, looking back over the last seven years of DFID, how rarely we

have talked about agriculture and all aspects of agriculture. Why do you think it dropped off the agenda so much?

**Mr Williams:** I do not know. You will have to ask DFID, but there is no reason for it to. It is still the case and was the case that 90% of people in sub-Saharan Africa are dependent on smallholder farming. Therefore, if you invest in that, you will invest in poverty reduction. That is the reality. You can analyse yourself in lots of directions and there are lots of issues and needs. I think HIV/AIDS is one issue that has diverted attention. The issue of hunger or food security as opposed to increased production may also have diverted our attention a bit. You can analyse that in a number of directions and that may be the reason, but you will have to ask DFID. The reality from the other end—I live in Africa—is that rural livelihood driven by small scale farming is still the way in which people are going to escape poverty and if we can invest in that we will achieve something.

**Dr Peacock:** I think there has been a perception of past failure of agricultural projects. Particularly a lot of very high profile, World Bank financed projects have become quite notorious. I think a lot of projects have been tarred with the same brush. A lot of these rather large scale projects were very poorly designed, poorly conceived, often with rather over-ambitious, unrealistic expectations of them. A lot of the successes have been completely obscured and we would certainly argue from all our experience that there is a lot of small scale success around. I think this is worth looking at and analysing. I would also cite the absolute focus on the Millennium Development Goals as another possible reason why agriculture has dropped off people’s agenda. There is not really an explicit agricultural food production type of goal, a higher level goal, and precedence is given to the very clearly defined health and education millennium targets where there are perhaps much more tangible outcomes from a certain amount of investment. If you put 20 million into primary schools in Tanzania, you know pretty much how many schools you are going to get out at the other end;

<sup>1</sup> *Agriculture and poverty reduction: unlocking the potential*, a DFID policy paper, Department for International Development, December 2003. See <http://www.dfid.gov.uk/pubs/files/agripovertyreduction.pdf>. This document is referred to throughout this oral evidence session.

<sup>2</sup> *Eliminating Hunger: Strategy for achieving the Millennium Development Goal on hunger*, Department for International Development, May 2002.

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whereas agriculture has always been a more complex sector that perhaps is not so amenable to that sort of rather simple cause and effect relationship.

**Mr Jowett:** Can I add a couple of points to underline why agriculture is so important? As well as Colin saying that the vast majority of sub-Saharan African people live in rural areas and rely on farming, we have to remember that within that the majority are women and they have additional responsibilities. We also know from good research that improving productivity in agriculture leads to a high impact on poverty relative to other areas of investment and that the distribution of created wealth is more even than with other routes. We should not forget the wider benefits of agriculture to do with the natural resource base and sustainability. Underneath all this is the bottom line which is food security. Improving agriculture and productivity is probably the best way to deal with food security, in the medium term certainly.

**Q3 Tony Worthington:** I wonder if there is something in people's minds as well that development equals fewer and fewer people living off the land, the British model. Is it 2% living off the land? Development means going in that direction and you are looking for issues elsewhere to be about development. What I am reading now is that more and more people state that you have to have large numbers of people living off the land in Africa for there to be an increase in prosperity, which is a completely different perspective.

**Dr Borkenhagen:** One of the things we are trying to say here is that both tacks are necessary to follow to increase prosperity. That is, because it has been shown that investment in small-scale agriculture is the thing that makes the largest difference in poverty reduction—not commercial agriculture which leads to greater disparities in wealth—we need to invest in small-scale agriculture. At the same time, there is also the necessity to invest in broader urban developments, small-scale manufacturing industries and other types of infrastructural work that might connect rural production and urban production. We are not proposing a singular answer and that everything should be directed towards small-scale agriculture. However, because it has been so left out of the main policy picture and because it has such an enormous impact, it should be brought to the forefront of the table. The issue is to facilitate people increasing productivity on their land (or value from production) and also encourage expansion of the manufacturing or other sectors too.

**Q4 Tony Worthington:** Can I come explicitly on to Africa and the contrast between what people say about Asian miracles and what has not happened in Africa, where you just look around and you can see so many conspicuously wrong things, like lack of property systems, where irrigation should have

occurred, dependence on outside sources of fertilizer and so on. Above all, productivity has not increased. Why are there all those seeming failures?

**Dr Peacock:** Both Lea and I have worked for a spell in south east Asia. There it is obvious to see the massive public sector investment in infrastructure to support the whole green revolution thing, whether it is in irrigation systems or fertilizer systems, credit systems or whatever. That is in stark contrast to the level of investment post-war in Africa. We have to get very serious about investing in rural Africa. It will take resources. It is not an easy thing to do but we all passionately believe that it is possible to improve things in rural Africa and improve African agriculture.

**Mr Williams:** There are new opportunities which perhaps did not exist before. You can now fairly easily see the opportunities for using irrigation with smallholders. You can see farmers in peri-urban environments in Africa using cellphones which you would not have seen five years ago, which improves their information. There are new technical opportunities. There are new environments which, if we understand them and invest in them, will give farmers in Africa a much better chance. That is the reality. That is where 90% of the people are dependent. That is where progress has to be made and it can be made. We can see it all the time.

**Dr Borkenhagen:** One of the issues that we have been talking about is raising productivity but we also would like to put forward that raising value at the farm gate as well as increasing prices are going to have complementary effects on increasing incomes.

**Q5 John Barrett:** I would like to ask if, while agriculture has maybe fallen off the agenda, livelihood programmes and livelihood approaches have come onto the agenda? Is this a major change in policy or are livelihood programmes agriculture under a different name?

**Dr Peacock:** That is a very good question that has been baffling us, to be quite honest, in the way DFID presents it. We believe that the livelihoods approach is nothing more than a comprehensive view. If you like, it is good development practice. It is a comprehensive view of the way that people live. When that is applied in rural areas and people still get the bulk of their living from agriculture, agriculture should then automatically feature large in action that comes out of the analysis. Certainly in my personal experience, from talking to DFID and DFID staff, it appears that there is a paralysis of analysis and it is not leading into any practical action where you have to make choices and apply priorities to resource allocation as a result of your analysis. I think we have not really seen that outcome from the application of the livelihoods approach.

**Mr Jowett:** In Africa, yes, you are right. We should be talking about agriculture when we talk about rural livelihoods, which does not take away from the need to be investing in the opportunities and

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efforts to diversify people's income and reduce the risk of farming. There is not a lot of option for most people.

**Q6 John Barrett:** Is the livelihoods approach just confusing?

**Mr Jowett:** I think it was an excuse not to invest in agriculture because you are identifying other marginal opportunities that you could take forward. Great, but we are missing the core of the problem here.

**Dr Borkenhagen:** What these two have responded to is the question of livelihoods in DFID whereas livelihoods, because it is a very wide term, can be interpreted in different organisations in different ways. I think it might be useful to separate those two issues. The comments that were made are very apt for what has gone on in DFID with the livelihoods work and the important place that agriculture should hold within that whereas there are other interpretations of livelihoods. For instance, Oxfam has a remit that includes urban livelihoods, which indeed may be connected to agriculture, but is also to do with workers in factories producing textiles, for example. For us it is very much to do with the power that people have to live lives that are economically sustainable, whether it is through wage labour or agriculture production. Agriculture is a very key part of this.

**Q7 Mr Davies:** I wanted to come back to something that Dr Borkenhagen said, which was that productivity was not everything, and you were not even quite certain about the virtues of increasing productivity. The important thing was to increase value at the farm gate. What is the difference between increasing productivity and increasing value at the farm gate?

**Dr Borkenhagen:** I would like to correct that. I did not say that I believed productivity should be left behind. I think it is incredibly important to keep moving forward on increasing productivity for small scale producers and poor producers. However, at the same time, they could also benefit by increasing value or adding value at the farm gate. What this means is something like milling that would transform, say, rice or some other grain into something that could be sold as a different product, that is, flour. When you sell something as just a grain and then you sell it as flour, you can increase the price of that and that is the value increase.

**Q8 Mr Davies:** Maybe there is a confusion of language because productivity is output per unit of factor of production employed and if you are increasing value at the farm gate you are increasing the value of the output. Therefore, output per person, labour productivity or output per unit of land i.e. capital productivity is increasing. It seems you are striking an antithesis that does not really exist. What you really mean is that you like the idea of productivity being increased and that is a good thing.

**Mr Jowett:** Yes, be it high yields or a better price.

**Q9 Mr Davies:** Yes, but that is an increase of productivity and that is an increase in value at the farm gate. It is the same thing, is it not?

**Dr Borkenhagen:** We are looking for farmers to be doing better, whether it is by producing more and increasing value at the farm gate by increased productivity, or whether it is by the price going up of the good, or whether it is being able to transform that good through basic processing so that they get more money for the good.

**Q10 Mr Davies:** All of that amounts to an increase in productivity.

**Dr Borkenhagen:** It amounts to increased income to the farmer.

**Q11 Mr Davies:** In the case in point, it is probably an increase in both labour productivity—that is to say, an increase in the output of the man or woman hour invested—and in land productivity, so we can shorten the debate by just saying that we like productivity. Is that right?

**Mr Williams:** It is also an increase in the development of effective markets for agricultural produce at local level and the sub-regional level as well as at the international level. The market development side is one we have all been afraid of because it has been such a disaster in many areas. If you are going to increase production you have to increase things in the market and the market systems have to develop. That is where the higher values come in.

**Q12 Mr Robathan:** I would like to turn away from productivity, whether at the farm gate or the production of grain per acre, and turn instead to the public policy, the government policies of ministries of agriculture in developing countries and how they have had an impact on this. I would like to set the scene by a rather lengthy quote because I think it is very relevant. This is from DFID's e-consultation and you may recognise it. "A traditional focus of ministries of agriculture has been upon food production self-sufficiency, often associated with a significant state involvement in agricultural production and marketing. Over recent years reappraisal of the role of government has encouraged a withdrawal of the state from commercial agriculture towards a role focused on making rural markets work and the provision of basic rural services that the private sector cannot provide. The process has not been straightforward. Reforms have often been partial and sometimes reversed, creating policy uncertainty and undermining the overall impetus for reform. There are few success stories." That is a pretty damning indictment of public policy in developing countries and brings into question the role of the state and how it has worked in agricultural policy. What were the problems of past policies and lending agencies in supporting agriculture? What went wrong?

**Dr Peacock:** Historically, it is similar in a way to Britain. There were large, subsidised extension systems in many African countries that followed on from the colonial service. There were large cadres of people not necessarily very well resourced, and through these people a lot of the old agricultural projects were run, whether it was the World Bank or whoever funded it. Certainly in my professional life you could point to probably the late 1980s as a point when there was a lot of structural adjustment programmes being imposed on a lot of African economies. There was very strong pressure to retrench staff and reduce the role of the state. A lot of this was down to a belief that if the state withdrew, the private sector would somehow miraculously come in to fill the vacuum. In our experience in East Africa this has simply not happened. Over the last 10 to 15 years there has been a vacuum and a total lack of support to smallholder farmers, which I think is one of the biggest problems currently facing the development of smallholder agriculture. There have been very, very few serious efforts—I cannot personally think of one in Africa—where ministries of agriculture have really been seriously reformed and their role tackled in any serious, comprehensive way. Perhaps the National Agricultural Advisory Service (NAADS) Programme in Uganda, where people are trying to privatise agricultural extension is one example, where people are trying to tackle this at the moment, but generally ministries of agriculture remain pretty ineffective. Currently, certainly in all the countries that we work in, 80–90% of their budget is spent on staff salaries, releasing very little for operating costs to make these people effective. One of the roles that FARM-Africa plays is in implementing projects through these extension staff because they are there, they are capable and they just need a little bit of help to make them really effective. Rationalising the role of the ministry of agriculture has not really been seriously tackled anywhere in Africa to my knowledge.

**Q13 Mr Robathan:** What you are saying is that the ministries of agriculture are largely ineffective?

**Dr Peacock:** For many purposes they are.

**Q14 Mr Robathan:** You are also placing a large amount of responsibility on the shoulders of multinational organisations, structure adjustment programmes, etc., which may be a little unfair.

**Dr Peacock:** The fiscal discipline, if you like, that was imposed had an impact in all sectors, not just in agriculture but also in health and education and everywhere. It was a shattering experience for many agricultural economies and led to school fees being introduced in Kenya, for example, which have now been withdrawn. It hammered agricultural ministries, like virtually all ministries in Africa.

**Mr Williams:** We also need to make sure we look at what has gone right. I do not know why, particularly for Africa, we are always looking at what has gone wrong. Quite a lot has gone right. Maybe it started with the groundnut scheme when that went wrong in 1953. The extension system in

Zambia at the moment is quite good. It is funded by SIDA; it is having good results. There are patches like that all over Africa and in other parts of the world. The issue is what are the expectations. On the production side, good technical support would be of value to farmers and is not available in the private sector. It needs to be available in the public sector. You have talked about finance. Keep finance out of government and keep it out of NGOs. They have all done it badly, but it is improving in the private sector particularly if people understand it locally. If we look at the market side, I have never seen a government in any part of the world being good at market development. I have never seen NGOs being good at market development. We are much stronger on the production side. We are looking for the government to provide technical support for farmers. It is across the board. It is not only ministries of agriculture that are ineffective. You will find the same with health and other areas. I am not sure it is much worse than in any other parts of the world. If you talk to an Indian farmer he may not see an extension worker from one year to the next but he does not complain about it. If we concentrate on those things that are important, I think we will find the farmer himself or herself has huge strengths and values that they are beginning to exercise and gain confidence in. If we can find those strengths then we can make progress.

**Q15 Mr Robathan:** I am a farmer so perhaps I should declare an interest. The centralist agricultural policy in Europe has not been a great success. I think most people would probably agree. I am not saying the western world is fantastic, but the developing world is what we are looking at. There has been some success in the past but what do you think the key themes should be for developing policies in agriculture for government, for ministries of agriculture developing policies in the future, or do you think that governments are best to stay well out of managing agricultural policy?

**Dr Peacock:** We would like to see governments playing a smaller but more effective role whereby they are facilitating, particularly at the local level, a range of people—private sector, farmer organisations, community based organisations, NGOs and the government—working together to come up with local level plans. One of the very positive things that I see happening in Africa at the moment is the decentralisation of a lot of government down to district or provincial level. There are opportunities within that for the ministry of agriculture to play that local facilitating role, getting people together, perhaps a little bit of co-ordination, a little bit of stimulation, exchange of information, to make effective agricultural plans, and it is those plans that I would see as a real opportunity for people like DFID to invest in ultimately. What is lacking very often, however, is a really coherent local level strategy that co-ordinates people and I think the ministry of agriculture could play an important role in that. We see the need for

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much stronger farmer organisations as well. I think there is a fantastic future for farmer organisations to play a role in providing support to their members, inputs for facilitating marketing, and I think the Uganda National Farmers' Association is quite an interesting model. The way that it is evolving recently is quite interesting. We also need to look at a mix of provision of input supplies and marketing—private sector, NGOs, farmer organisations, again facilitated by the ministry of agriculture, perhaps also bringing in things like infrastructure development, targeting roads so that they go to a place where there is increased production rather than going somewhere else. This kind of co-ordinating role for the benefit of improving agricultural production would be very useful.

**Mr Jowett:** Also on the positive side, all of us here represent NGOs and we see lots of really great success stories in the programmes we support in Africa, often through our African partner organisations. African farmers have the capacity to significantly improve their production and their profitability at the same time as being custodians of the resource base they live in. It is not maximising production at all costs.

**Q16 Mr Robathan:** But, Mr Jowett, you are not referring there to public policy. You are referring to the work of the farmers themselves rather than to government policy?

**Mr Jowett:** That is right, but they do need some support in this. They need exposing to new ideas, they need to see how things work, they need to be given some encouragement to try new things out with a lot of horizontal learning from each other. Who is going to make that happen? At the moment it happens in these isolated projects which we are all involved in, but in order to scale that up to have wider impact we need different mechanisms, and again that is where government can play a key role. The skills are there, the resources are there, if we can bring them together beyond small projects.

**Dr Borkenhagen:** Can I add something to that? The first thing is that national governments can play a role in securing land rights for farmers or citizens more broadly. I am not saying land tenure necessarily or land reform but perhaps the national governments can support policies in law that protect established legitimate claims. Secondly, the national governments can play a very large role in supporting women agricultural producers and women who are involved in processing farm products. Quite often women are the ones who lose out in benefiting from national policies, for example, the provision of information, the process of land titling and therefore lose control of a key asset. By paying attention to the women farmers and farm workers, governments will have knock-on impact on their children's health and education levels. Thirdly, national governments can play a role in preventing the dumping of surplus food, even through food aid. Food dumping depresses local market prices for the food. If in some way the governments can say no to food dumping, this is

going to have an effect on the local agricultural markets and the prices farmers will get. Fourthly, they can also push to secure contracts with, for instance, supermarkets that are expanding their reach into agricultural production systems in different places all over the world, including Africa. They can seek to have greater security in these contracts such that the farmers' productivity is bought for that year and the next year and the following year, and also that there is input through those particular contracts in terms of locally appropriate technologies, information, even health care. Fifthly, governments also have a role in providing appropriate technology to small-scale agriculturalists and this means technology that is demand driven and that might particularly be focused on farmer-to-farmer exchanges—we have found that particularly effective in Nicaragua and Honduras and El Salvador in our projects—rather than, say, commercially focused technologies that are not really appropriate for small scale farmers in all cases.

**Q17 Tony Worthington:** Can I come in on the issue of supermarkets and generally the interaction between African agriculture and our world, where you can see in the supermarkets evidence of African products, whether they are flowers or beans and peas and so on? Is that leading to greater prosperity because the power of the supermarkets is so colossal and the whole enterprise seems to be external?

**Mr Williams:** It is usually the better-off farmers who can deal with the supermarkets and the intermediaries who are very demanding intellectually and in terms of standards, etc. You will find that that is very good for improving the prosperity of people who are not that poor, but it is good, and if we can ease the burden of standards and so on that will help. You will not get a Ugandan pineapple in Tesco because it is too big and nice and juicy, so it is good but it is not helping the poorest farmers, and the standards side of it is possibly more bureaucracy than standards.

**Q18 Chris McCafferty:** Can I take you back to that word "productivity"? What I have observed is that raising standards of productivity has been part of your answer to every question so far, even to Andrew's non-productivity question. Productivity did creep in there. What do you perceive as the main obstacles to agricultural productivity?

**Mr Williams:** In one sentence?

**Q19 Chris McCafferty:** I suspect it is more than that.

**Mr Williams:** It is a problem of inputs in terms of the accessibility of inputs that make you more productive. You can go through the whole value chain. There are constraints on reaching the highest value and if you try and attack those constraints at each point in the value chain then you will make progress from the point of pre-production right through to market. There are constraints at each level and there are opportunities at each level.

**Q20 Chris McCafferty:** What are the constraints?

**Mr Jowett:** In Harvest Help's experience external inputs are important. You can raise productivity with just the right person assisting the farmer to try new things and improve the way they farm their small piece of land. For me it is this huge empty sea out there of hundreds of thousands of farmers with zero support, and with skilled workers (and it is a skilled job) you can achieve an awful lot. If I were to do one thing it would be to re-invent the training programme for field staff who work for whoever—the government, outgrow schemes, NGOs, whatever. We have got a real shortage of skilled people who can work with farmers to help them do better with what they have got. It is a major constraint.

**Dr Borkenhagen:** One of the obstacles is that land is increasingly fragmented and that people have increasingly precarious access to it and therefore are unable to maintain consistent or increased productivity.

**Q21 Chris McCafferty:** Why is that? Why is the land increasingly fragmented?

**Dr Borkenhagen:** There are a number of different reasons. Some of them include massive changes in health. Some are environmental changes that really are quite exogenous and do not have any local drivers. Some of them are also to do with the privatisation that comes from large scale commercial investment in agriculture. Those are just three examples. To return to your main question, a second obstacle to agricultural productivity aside from fragmentation of land is food aid and food dumping which reduce the local market prices and therefore basically make moot any market activity that farmers would want to engage in. A third broader issue is that, whether you are talking about very local markets or large scale international ones, if poor people are not facilitated in attaining market access, market security and market fairness they would not be motivated to or have the ability to increase productivity.

**Q22 Mr Davies:** I have a question for Dr Peacock who has not answered this question yet. I think FARM-Africa, while of course not excluding other important issues, has generally in answering this question put the emphasis on market access, a phrase that Dr Borkenhagen used a second ago. I wonder if you would like to tell us a bit more from FARM-Africa's perspective what you see as the major obstacles to market access and what you think the policy conclusions from that ought to be both for domestic governments and for foreign donors?

**Dr Peacock:** To be honest, we have not done that much because we often work with very marginalised people who are trying to produce enough for home consumption. We are just starting to learn about it, for example, in our project in Kenya, the Meru goat project, where now we have managed to more than quadruple milk yields. There is now masses of milk at home, there is milk

for local sale, and we are just starting to get into processing of milk and improved marketing. There is no doubt that the key to this is infrastructure. All of you I know have travelled in Africa and you know how lousy many of the roads are. Infrastructure has got to be improved. It is a physical thing for perishable goods in particular. Information as well has to be improved and the explosion of mobile telephones in many African countries, as I am sure you have all seen, is changing a lot of that very quickly. It is an area that we are just learning about ourselves because we are having sufficient success such that we are generating enough surplus.

**Mr Williams:** If you are looking for particular solutions, a real improvement in short haul transport, moving goods from the farmer to the roadside, the first stage to market, would have a huge impact on incomes of small farmers as one technical solution. If we are looking for technical solutions we should be looking in those areas where there are real constraints.

**Q23 Mr Davies:** Can I stop you there? You might think that that was an ideal opportunity for massive entrepreneurship because the capital threshold required to buy a truck and go round a few villages, collect the produce and take it to the nearest town is not impossibly high, one would think, even in the conditions of Africa, and the immediate improvement in the market price and therefore productivity would be quite substantial. Why is this not happening?

**Mr Williams:** It is a question of the viability of motorised transport. I think there is a technical opportunity there that will make progress. I do not know what the solution is; otherwise it would have been found. Secondly, 90% of small farmers farm for one season in a year, whereas they could be farming the whole year. Water is not that bad in Africa. A lot more farmers could be irrigating and farming the whole year round. These are technical opportunities to assist and intervene on. I think that is a good one and we should be looking at it.

**Q24 Chris McCafferty:** Dr Peacock, you mentioned earlier the need for effective agricultural plans and that you saw opportunities for DFID there. What are the implications for DFID's overall strategy in terms of raising productivity?

**Dr Peacock:** I think there are huge opportunities for DFID to re-engage in agriculture and other donors, and I know the World Bank is also re-thinking their lending in this area. I would like to see a much more balanced aid programme. I and my colleagues are deeply concerned about the trend towards more and more resources going into direct budget support, leaving DFID itself with much less room to manoeuvre within particular sectors. That was why we welcomed the Country Assistance Plan that was recently developed in Kenya which seemed to have a much more balanced approach to development, supporting the government but also supporting other sectors, civil society and so on. In countries where there are weak democracies,

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growing democracies, that would be the sensible approach. There is the big question: is there a sector investment programme for agriculture? Is this what DFID should do as they do for health and education and others? There may be some resistance within DFID to this but I think it needs to be explored and each country is different, of course, but there are a lot of opportunities for DFID to explore new funding mechanisms. I very strongly believe that we all have to recognise that to have good quality aid costs money. It cannot be done on the cheap and it is better to do good development rather than lots and lots of bad development. I fear that with DFID's recent increase in their budget over the last few years, which is fantastic, there is a terrible tendency for shovelling money out the front door as fast as they can in big dollops because they have got so much of it. I would much prefer to see higher quality aid, well-managed, focused aid, and I think that could have a significant impact on agriculture productivity if it were targeted at the grass roots. To do this requires perhaps the exploration of new funding mechanisms and district level agricultural plans as one possible route.

**Q25 Chairman:** The reality is that DFID are now moving much more towards budgetary support. What you are seeing is writing out cheques for central treasuries of other governments for health and education, HIV/AIDS programmes and that kind of thing, and so it is going to be more difficult to get money for agriculture. A few weeks ago you would have found me cast adrift on the Atlantic Ocean in a boat going to Bonthe, which is an island off Sierra Leone, because the outboard motor had broken down, so all we could do was sing hymns. Eventually we managed, after many attempts, to get the outboard motor going and it was a slightly worrying moment. Bonthe struck me as being an example of the problems that we all have in that this is a very fertile island that used to produce rice and palm oil, and where Wellsbourne helped them develop coconut trees which were shorter so that you did not have to climb so far to pick the coconuts, and piassava, which is a sort of rattan which was used to make the bristles in brushes for which they used to have quite a good market. However, during the years of conflict all of that collapsed so now in Sierra Leone they are importing rice. The price of rice in Freetown is now higher than it has ever been. They are not doing anything with palm oil. The piassava market has collapsed. I am not sure what has happened to the coconuts. What stopped anything happening was two things. One was a complete lack of leadership. Who was going to get a grip on this? Who was going to get the co-operatives going again? The other was a lack of finance. Little short of bringing in an African agricultural credit bank of some kind, I do not see the Government of Sierra Leone funding agricultural credit, I do not see DFID funding agricultural credit, so, other than NGOs coming in with money which is often not the right disciplines because it tends to be soft money or not

the right market rates of interest so you do not have all the market disciplines; how do NGOs like FARM-Africa see this working out? Do you see the need for an African agricultural credit bank or somewhere where farmers could go and get credit to get themselves going? Otherwise I just do not see how you get the motor going to buy the seed to start the whole thing off.

**Dr Peacock:** No. I am a very strong believer in the often vital role of credit and micro-finance. I would say that virtually every single success story of ours in Africa has pretty much involved some form of credit, whether it is in an informal way, such as goats given to a women's group, for example, and kids born and lent on to new families, so it is a very local level thing based often on traditional savings and credit systems (of which there are many in Africa) or in a more formal use of cash systems of revolving funds to support new enterprises. Certainly in the livestock field, which is my area of speciality, that is often the first step for a lot of people out of poverty, to acquire the ownership of livestock: small livestock and big livestock and more livestock eventually perhaps. That is a big economic driver in many parts of Africa which I think is very important to recognise. Historically there have been terrible failures of government credit programmes and as a result in many cases a very bad credit culture has developed because people have got away with not paying in many instances, with the exception of women, who are the most incredible repayers of credit generally and have the most remarkable repayment rates in my experience. They take credit extremely seriously but are often prevented from obtaining any form of credit because of the barriers and the collateral requirements and all these kinds of things. It is a really big constraint for a lot of women. I see credit as being very important. It probably needs to be along the lines of more non-profit type bank style things, and KREP in Kenya seems to be doing quite well from what I hear, and these kinds of models, even a role perhaps for a farmer organisation to provide credit eventually to its members as a service. I think credit is absolutely vital.

**Dr Borkenhagen:** Oxfam over the past couple of years has been working with some more progressive banks, Etimos in Italy and Rabobank in The Netherlands to facilitate providing loans to establish co-operatives. This has not been an activity, as you were saying, that has been taken over by NGOs or has been done by requesting assistance from the development agencies. Rather, Oxfam has played a role in guaranteeing the loan on behalf of the farmers and the co-operative to the bank, so it has minimised the risk of that loan and has been effective.

**Mr Williams:** Increasingly productivity sector organisations in the market are participating in and encouraging that and that will increase.

**Q26 Mr Davies:** I just want to amplify the important issue of land tenure which is allied to what you have been saying. There is a perception

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if you take the long view you will not get farmers to invest anyway unless they are certain that they will continue to get the benefit of the investment. If you want investment to be provided you have to ensure that people have security of tenure. Then we have the most interesting de Soto hypothesis which says that unless people can be clear about their property rights less capital will be available because it will not be possible to provide secured lending. If one thinks about it, it is a challenging hypothesis. What do you think the importance is in the business of improving agricultural productivity of securing effective land tenure rights and what policy conclusions do you think we should be drawing from that?

**Dr Peacock:** Certainly this is fundamental. When I first arrived in Ethiopia in the late eighties land was redistributed every year. Farmers did not know from one year to the next what land they would get which was an absurd situation. It depends on what sort of investment you are talking about, the length of time and so on, as to how secure your land has to be. Certainly in terms of long term soil improvement, soil conservation measures, you want very long term rights of use over the land. I would also look more broadly at the rights of pastoralists, for example, for grazing which have been eroded over many years in Africa and establishing those rights is equally important to food production and to livestock production. It is absolutely vital that we work within the land reform programme in South Africa, which is quite a radical change in redistributing the huge chunk of land and our role is to try and help people get some production out of the land they acquire. At the moment there is clearly a trend of land going out of production as part of this land reform process, which is undesirable but there have been strong political pressures driving this forward. Clearly, securing rights of access to land is critical to long term agricultural development.

**Q27 Mr Davies:** You have to be very specific if we are going to draw the right policy conclusions. When you say you want rights to land what we are talking about surely is that if the rights are to have any real impact, any economic significance, they have to be property rights. It has to be possible to transfer them; otherwise they are not any good as collateral for loans. What you are saying is that this is an obstacle to development in these countries. People do not have property rights in that sense.

**Dr Peacock:** There are very particular issues for places like Ethiopia. There have been state concerns within Ethiopia that if land was privatised there would be a massive landless class created after the next drought. That is the Ethiopian situation, and perhaps in Malawi there is the same difficulty in this area, but I think there are ways round that.

**Q28 Mr Davies:** We have had some clear testimony from FARM-Africa and could I ask Dr Borkenhagen, because I sense from the Oxfam paper—which I have read, as always with interest—that you do not agree with that: in the

paragraph on “Land rights and economic and social stability” you say, “We are concerned that DFID’s approach supports a ‘willing-buyer, willing-seller’ arrangement in land reform.”<sup>3</sup> Surely a “willing-buyer, willing-seller approach” is what Dr Peacock and I have been talking about. You do not share that analysis?

**Dr Borkenhagen:** A ‘willing buyer, willing seller’ approach assumes equal power in a market exchange. We reject this because there are so many inequalities in land distribution and land rights. In our discussions earlier, before we came today, we did talk about land rights and rights of tenure issues. As I said earlier on, what is important and what we agreed among ourselves before, and what I think Dr Peacock was very much in agreement with, is that what we support is that people should have legitimate rights to access, use, own and control land. This may be enabled by written down titles so that the title owner can sell them, but it does not have to require the writing down of land ownership, and indeed does not have to imply land reform at an operational policy level—not necessarily formal land tenure. To ensure people invest in their production, it is necessary for them to have secure rights. This is important for DFID to consider for women because they unusually have less power in land rights.

**Q29 Mr Davies:** When I say “property rights”, my question is based on the suggestion that both men and women would be able to hold those rights. It would be scandalous and against Human Rights Act principles if it were otherwise. I think that is a red herring.

**Dr Borkenhagen:** I was not making that point; I was making a different point. For there to be legal binding titles to land in order for people to sell them, there are certain classes of less powerful people that are going to lose out. Whether those classes are men or women will be context specific.

**Mr Davies:** That is a different point. I want to establish whether the principle would be desirable, whether we should have property rights as we understand them in this country. It is a different issue what the pragmatic problems might be of achieving such a regime. You may have to look at the registration of rights. There is a bit about that in de Soto’s book, as you probably know. The impression I get from your written submission was that you did not share the view that we have just heard from FARM-Africa which I have tried to summarise. It is important that we should know that. Maintaining solidarity between NGOs is less important than opening up the whole issue to public debate and getting the right policy response.

**Chairman:** It seems to me there are whole areas like land reform, land rights, land tenure, where they clearly do have a shorthand for something substantial behind them. Perhaps Andrew would be kind enough to do an idiot’s guide for MPs on the politics of land rights, land tenure and land reform, because there is obviously a whole politics of

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shorthand here and I think what we have been seeing is a bit of what Quentin said, you trying to reconcile these bits of shorthand into policy. If we could understand what the shorthand was about it would be more helpful for us. Does that make sense?

**Q30 Mr Davies:** But, Chairman, I do want to make one point if I might, and that is that there are genuine differences of view. They should not be disguised or hidden and we want to know what the differences are.

**Mr Jowett:** I am not going to try and answer that!

**Chairman:** You have made that point. Andrew, you can now say something.

**Q31 Mr Davies:** One side of A4 only.

**Mr Jowett:** We will put something together for you.

**Q32 Mr Davies:** You can make it a consensus document.

**Mr Jowett:** No, we will not do that. We will put forward the arguments. We will send that in in writing<sup>4</sup>. Can I just make one point, because this discussion started after a discussion on access to credit and whether or not you needed land title for access to credit. You do not. There are dozens of locally managed credit programmes having a significant input that do not depend on land title serving as collateral. Usually there is a savings programme in place, or other assets maybe, or guarantors may be used or insurances, so it is a bit of a red herring, this argument over access to credit in terms of needing land title.

**Q33 Chris McCafferty:** Can I turn to something completely different? The funding of NGOs has changed, as you are very well aware, quite dramatically over the last ten years. In times gone by there was access to general aid funding and now you are in a situation where for the most part you are being paid to provide a contracted service and those contracted services are generally speaking based on policies of donor governments or aid agencies. Does that cause a conflict of interest and how should NGOs interact with national governments and what is the appropriate role of an NGO in your view?

**Mr Williams:** Are you talking about national governments like Malawi?

**Q34 Chris McCafferty:** I am talking about donor governments because generally speaking the contracted service is through donor governments or aid agencies, although of course it can be through national governments, but I am interested in donor governments and aid agencies where you may have a contracted service, being a contracted service provider.

**Mr Williams:** We receive money from DFID, from USAID, from the EU, and we have had to develop a whole new set of skills in each case to deal with that. The goalposts change quite frequently, which

means another set of skills and that is reality. From our perspective all the time we are trying to pursue our own long term strategy through those changes. They are not always negative but I think it helps us also to be a bit more professionally accountable than we may have been in the past on the one hand. On the other hand sometimes there is a bit too much detail required that may not be relevant.

**Q35 Chris McCafferty:** You said that sometimes you are able to deliver your own strategy. Is there not a conflict of interest?

**Mr Williams:** Of course; yes, there is.

**Q36 Chris McCafferty:** What is the nature of the conflict? Can you give me an example of one?

**Mr Williams:** I can give you one example of wanting to concentrate on a certain technical area, such as market development, where the donor was far more interested in concentrating on hardware inputs on the production side and, more than that, where our interest was the position of the small farmer and getting the best deal and the lowest costs for the small farmer but the donor was particularly interested in developing local manufacture which we did not think was the priority interest of the small farmer.

**Dr Peacock:** It is always very difficult to generalise about NGOs because they are so different, every single one of them, and the roles that they play and the roles that they want to play are very different. There are some that just earn their living, if you like, by doing contracts, providing services to people, and that is a legitimate thing. I think there is a danger in many African countries, partly driven by donors, of a blurring of NGOs with consulting companies, if you like, and private sector contracting service suppliers. A lot of NGOs, certainly FARM-Africa, see their role as being independent, trying to innovate and do new things and be independent of government but working with government, being able to pursue their own strategic objectives through accepting funding from a range of different donors and trying to spread their risks that way. It is extremely difficult therefore to generalise about NGOs in this way but I think we see an important role for NGOs as being part of this mix of suppliers of services to farmers, indeed suppliers of services to government. We have just got a contract to provide training to the Ethiopian Government in pastoral development, for example, which was a big breakthrough for us. We viewed that as a very big breakthrough, but it was very much in keeping with our own strategic objectives and supporting what we thought was a very good programme of work.

**Chairman:** There is also going to be another important role for you, it seems to me, which is that if governments increasingly move into budgetary support NGOs increasingly are going to be the only people out in the field and we are going to be increasingly reliant upon you to tell us whether the budgetary support is working, because one is not necessarily going to know that in Addis or Nairobi.

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**Mr Battle:** Some NGOs are now getting the contract to monitor the budget support which puts them in quite difficult positions sometimes, I would suspect.

**Q37 Mr Khabra:** DFID has issued a policy paper and the International Development Select Committee has decided to hold an inquiry into the effectiveness of the agriculture policy of the Department. DFID's policy paper highlights its commitment to trade reform, because that is important as far as agriculture is concerned, and identifies work to raise product standards as influencing the ability of farmers to participate in international markets. I know for a fact that agriculture is important for people in developing countries as well as in poor countries because the large population depends on their livelihood from agriculture. I can give the example of India where there are small farmers who depend on agriculture. So far in developing countries they have been pursuing agriculture policies which are to the disadvantage of developing and poor country farmers, so do you think raising product standards is a sensible thing to do and could the regional trade agreements deliver results in the short term?

**Mr Jowett:** Can I just make a general point in responding to that and maybe pass the question on because we are not that involved in the big global trade agreements and their effects? The vast majority of farmers that we work with in southern Africa are on the margins of all this globalisation. They are interested in improving food production on their farm for their own consumption. Broadly speaking that is still what the game is about. I fear sometimes that debates move too far towards globalisation and big trade issues and we are missing what is the major point, which is how we are going to support those millions of farming families to reduce their vulnerability—whatever jargon you want to use—or increase their food security by producing more from the same piece of land on a sustainable basis. I accept your point is important but I do not want us to get too deflected from the core issue here.

**Dr Borkenhagen:** There are three broad areas of farming. You have the large scale commercial farming, you have the medium sized land holders, and then you have people who are really mixing and matching, doing a bit of subsistence agriculture at some point during the year, perhaps working as a waged labourer in the town for some part of the year and perhaps also working on a farm as a labourer for another time. What you have are very different kinds of lives that can be led through agriculture. The point that was just made is that these last two categories are huge. The commercial sector right now is indeed expanding and, as you were saying, supermarkets—also retailers and manufacturers of products—are imposing particular standards on food production. What is happening is that the commercial sector is drawing from this quite often landless third group which is looking for wage labour and they come in and work in these factory fields. The question is, first

of all, what is the impact of standards in that realm? Part of the impact is that right now the people who bear the cost for raising those standards are the farmers themselves. Quite often they are relatively wealthier farmers to start with but, for instance, Tesco impose standards on the farmers from whom they buy of about \$120 per farm that the farmers themselves have to pay in order to meet the standards, such as having toilet facilities on the farm and having other sanitary measures put in. The point is: the costs and the risks of transforming their production systems to meet those standards are being borne by the farmers and the farm workers, not by the supermarkets or the manufacturing agri-business companies. Agri-business companies are in a far better position to do so, however. What we at Oxfam, and also with the Ethical Trading Initiative which DFID also funds, are trying to do is to get that risk to be borne by the larger companies who can afford to bear it more than the farmers can, whether it is the slightly wealthier farmers who own these farms that feed into these agricultural global supply chains or whether it is the workers themselves, quite often women, who are having to meet those standards themselves, for instance, in relation to not having children on the farm at the time of harvesting.

**Q38 Mr Khabra:** Is it really essential to raise standards? There must be some reason for wanting to raise standards, in order to disqualify poor farmers' products so that they cannot be sold in the market at all. What are those reasons? Is it just to protect their own interests or for health reasons or what?

**Dr Borkenhagen:** Primarily it is risk aversion strategies by the agricultural production or retailing companies. They do not want to be caught out. If they are saying they are selling something that is organic, if in fact it is found to have a particular amount of pesticide on it then consumers can take them to court or whatever are the proceedings that can follow after that the retailers are avoiding potential risk to reputation by saying, "We have met such-and-such standards". The standards are mostly to do with health and safety, and some of them are to do with labour practices. By meeting the standards in some areas of their supply chain, they minimise the possibility of being brought to book by consumers or consumer groups or investment groups.

**Mr Jowett:** If I understood your original question correctly, I do not think the answer for African farmers in general is the big export of cauliflowers or sweet peas. That is not what we are trying to argue for.

**Mr Williams:** And we stay clear of Tesco and the toilets as well.

**Q39 Chairman:** Obviously with different commodities there are going to be different issues, for the cotton farmers of Burkina Faso or Bali or Benin or for the cocoa farmers of Ghana or Sierra Leone. We take the point. What one does not want

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to have is a situation whereby everyone is doing high politics in Cancún and forgetting that for the vast majority of farmers in Africa what they are really trying to do is get a living and sell their produce to local markets and regional markets.

**Mr Williams:** I think the huge progress is to get in at the bottom end of the market for the vast majority of farmers. If we can be part of a process that makes that shift, that is where the big impact on poverty is going to be.

**Dr Borkenhagen:** I also think that DFID is very well placed to understand exactly what you just said, that is, the relationship between these international trade regimes and the small scale farmers that we are discussing today. The impact of the trade regimes followed directly to those farmers is not that well understood. We want to have more direct linkages so that we can feed back to policy making. I think that, at least on the

macroeconomic side, DFID is extremely well placed to do the macroeconomic analysis and we who are more in the field are well placed to do the analysis of the conditions of the rural poor.

**Mr Williams:** We sometimes forget that DFID in one form or another and through several guises, through ODA and ODM and NRIN and TPI, has been working with small farmers for 60 or 70 years and the knowledge that they have built up is immense and we are slightly concerned that they are throwing it all away. They have a huge amount to offer, particularly in supporting research, the technical stuff, in local areas, much more than most other donors.

**Chairman:** That is a huge message that we can finish on. Thank you very much for your papers, thank you very much for coming and giving your evidence, and thank you very much for the further paper that you are going to give us.

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*Witnesses:* **Dr Peter Hazell**, Director of the Development Strategy and Governance Division of the International Food Policy Research Institute, Washington, **Dr Michael Hubbard**, International Development Department, University of Birmingham, **Mr Colin Poulton**, Research Fellow, Department of Agricultural Sciences, Imperial College London, and **Dr Steve Wiggins**, Overseas Development Institute, examined.

**Chairman:** Thank you very much for coming. I am sorry we are taking a little longer but, as you can see, it is a big agenda, and I am also sorry to colleagues for having to cut them short on one or two occasions.

**Q40 Mr Davies:** I do not know whether our experts listened to the previous part of the discussion but, as they can perhaps see, what some of us are trying to do is to introduce as much rigour and clarity as possible into this very important debate because we have a responsibility when it comes to derive policy conclusions and we cannot discharge that responsibility unless we have made every possible effort to clear our own minds of any confusions or contradictions there might be. That was why I was trying to establish earlier on whether or not poverty reduction, wealth creation, even improving means of subsistence, is all about productivity increases or whether it is not; whether it is about something else. I think we have agreed now that it is about increasing productivity and that is a good thing. We need to establish whether there is a trade-off, whether there is a contradiction between improving productivity and wealth in one sector of the agricultural market, let us say, the smallholder, the subsistence farmer, as against the commercial farmer, the supplier of the international supermarket chain or what-have-you, whether there is a positive trade-off or a negative trade-off, and that is my first question to you. Is investment by multinationals in agricultural products in developing countries problematic or is it unambiguously a good thing or, if it is ambiguously a good thing, what are the ambiguities?

**Mr Poulton:** I would have thought that large scale investment in agriculture was a good thing. I would have thought that the biggest thing that is

constraining it probably is getting access to the land if they want to do large scale production. Currently it is very difficult to find large parcels of land which are available for new large scale investment and so when that land is available I would have thought that unambiguously it was a good thing to have additional investment in that. If there is some sort of programme of forcing smallholders off their land to make room for new large scale investment I would say that that is where you start getting into it being a bad thing.

**Q41 Mr Davies:** There is a lot of land in Africa which is apparently very under-employed and indeed some which is under-populated, so there may not necessarily be a problem there. One obvious way of reconciling the desirability of allowing small farmers to keep their property rights and indeed to have every incentive to maximise the return from that property, while also introducing new technology, driving the access to markets—we have just learned that access to markets is terribly important, and I am talking about access to global markets, and raising farm gate prices and productivity—would be to have multinationals, supermarket chains, what-have-you, directly or through intermediaries deal with, say, co-operatives of farmers, who would retain their property rights. They might have a marketing co-operative, the marketing co-operative might sign a contract with Carrefour or Aldi or Tesco or whoever it may be to provide a certain number of vegetables, so many tonnages with these specifications at this time of the year. That is just an example of what one could conceive. What about that sort of model? Is that a fanciful model, is it a practical model? If it is a desirable model how do you get to it being implemented?

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**Dr Hazell:** If I understand the bigger question, it has to do with whether commercial multinational type agriculture is harmful to the interests of the developing country. To a large extent the answer is probably no because these are creating new products, new markets, things that traditional farmers are not currently doing. I think the real answer is that if you just allow it to be a large farm, a commercial sector activity, then you are missing out on a really important opportunity to involve many small farmers in these new markets. There are things that organisations like DFID can do to make sure small farmers have that new opportunity too.

*The Committee suspended from 3.52 pm to 4.07 pm for a division in the House*

**Q42 Chairman:** Peter, would you please recap? You were the last one to speak.

**Dr Hazell:** I was saying that commercial agricultural development, including multinationally funded investments, can be helpful for economic growth in African countries. They do not necessarily have to be harmful if they are creating new markets, new products and they are not pushing farmers out of those markets. What they are creating is a real opportunity and with the right kinds of investments and policies one can link small farmers into those new market chains and you can get not only growth but a lot of poverty reduction out of it too.

**Q43 Mr Davies:** I am grateful for what Dr Hazell and Mr Poulton have both said in answer to that question. It would be very peculiar if we came to the conclusion this afternoon that investment was a bad thing. We are talking about financial investment, introducing new technology, creating human capital by the training that goes along with the new investment, because we would have to revise the science of economics if we thought those things undesirable. It is gratifying that we have not embarked on that particular enterprise. However, there are always distribution or welfare issues that arise in any structural change in economics; one knows that, somebody loses, at least in the short term, and one wants to mitigate their problems and there may be good arguments for maintaining a healthy smallholder structure. I put forward one; somebody else might put forward another, hypothetical model of how the two things could be reconciled. Nobody has been tempted to respond to that. I wondered whether anybody on the panel might like to do so, a model whereby the Wal-Marts, the Tescos, might deal with co-operatives of smallholders. Is this an organisation which you think would be a marketing structure which would be economically viable and therefore feasible?

**Mr Poulton:** I think there is a lot of potential in that model. I would point, for example, to work that CLUSA and CARE have been doing in Mozambique where in a fairly short period since the mid to late 1990s they have perhaps got 30,000 farm households organised into very small and local associations of maybe 30 households and then a slightly bigger level which maybe takes in six or

seven of those organisations, and these contract with a range of agri-businesses, some of which are working for the export market—cotton companies, cashew processing companies, for example, others of which are serving domestic market needs, and the role of the farmer organisation is to contract and to reduce the costs to the company faced with contracting with all the individual producers separately. There are often links into credit providers and the return to the credit is assured through the marketing link that these farmer organisations have. I think the experience there is that it is beneficial that there has been an external organisation like CLUSA or CARE which has been assisting to get the farmer organisations together so that they are not totally dependent on one particular business, and they have the flexibility to contract with a range of businesses. CLUSA and CARE, overseeing the whole programme, will be constantly making associations aware of what opportunities there are so that they are not just bargained down to a really poor position by one business which is their only contracting partner. You need to maintain some independence whilst stressing the linkages with agri-businesses.

**Q44 John Battle:** Chairman, I sometimes wonder if it is because I have a beard but I have noticed on all our visits from this committee that I have tended to end up with pastoral people, whether it was the Bedouin in Palestine, the Ethiopian pastoralists, the pastoralists in Ghana who move their cattle round from village to village, or most recently I was with pastoralists in western Afghanistan. I just wonder, looking at the lives of people who live a nomadic way of life, what the future is for them and what it should be for them. Some suggest to me that we should put them on reservations and turn them into tourist places for people like me to visit occasionally. Others suggest that they can be incorporated into the agricultural system of a country. Others say that is incompatible with providing primary health care and education. I would just like your view: what is the future for pastoral peoples in developing countries? Any at all?

**Dr Wiggins:** The future of pastoralists is a very good and difficult question to answer. Trying to find some way whereby you can provide services flexibly, whereby you can guarantee access to grazing—which Christie Peacock was talking about earlier—and to water rights, these are key elements which are in there for the future of pastoralists. If you ask then what is the policy implication of that, when you look at the fate of pastoralists, particularly in Africa, over the last 20 or 30 years, the inability to get a seat at the table of policy making, the inability for the pastoralist voice to be heard, has been a critical problem with pastoralists. They have usually been highly marginalised and in many cases, certainly 20 years ago, it was outside experts, range ecologists and so on, who designed exactly what the projects would be with little reference to the livelihoods of the pastoralists. It is a question of flexibility and

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probably a governance question, of providing some kind of voice so that pastoralists can say what livelihoods they want, what services they want.

**Q45 Tony Worthington:** I ask the same question I asked earlier. Something went wrong or seemed to go wrong. There was a big move away from agriculture as a theme in development. We are told of funds, we are told of focus. If you were looking in the *post mortem* sense as the coroner on this, what went wrong? Why did this happen so that we can anticipate the future better?

**Dr Hazell:** There were three reasons. The first was that there was a sense that we had beaten the world food problem back in the late 1980s/early 1990s, that in the rich countries like this one we had plenty of food to give away. The green revolution in Asia had transformed that continent from hunger to surpluses. Even India has 60 million tonnes of surplus food it does not know what to do with today. Farm prices were plummeting. The food problem had been solved. It was all about distribution so the urge to grow more food, even in Africa, was not there like it used to be. At the same time the agenda broadened. Environmental concerns became very important in the 1990s. Agriculture was bad suddenly because it was environmentally destructive. The environmentalists were very powerful in shifting the agenda. There was concern about human rights, about poverty, about women's rights. There was a lot of mission creep in the international agenda which meant that there was less money for agriculture but it was not just agriculture that disappeared. It was economic growth generally. Growth slipped from the World Bank's agenda where I used to work, and also from the agenda of several other important donor agencies. I think third and probably least was the sense of failure. There had not really been that much failure. Foreign assistance in Asia had been dramatically successful in the sixties, seventies and eighties. We transformed Asia. Look at it today. All the historical and economic analysis of those investments over the last 30 or 40 years show that it gave incredibly high returns and had tremendous impact on reducing poverty in Asia. The sense of failure was more in Africa where we tried in many ways to bring the Asia solution to Africa and it did not work and we did have a lot of failure, particularly in the big irrigation investments, the farm credit and so on. But then some of that contraction may have been right. The World Bank pulled back from credit schemes and irrigation schemes that did not work and that was a huge chunk of their lending. Maybe that was not so bad but the mistake was not finding new things that did work on the scale required and that really worked in Africa. That is the agenda still today, to find the right investments that will work in Africa.

**Q46 Tony Worthington:** How important is what I picked up in this place, the CDC message that investment in agriculture had been tried in Africa and had failed? Whether that was true or not I am

not arguing, but there was that powerful message and a withdrawal by CDC and, I assume, other development bodies from agriculture.

**Dr Hazell:** There was a lot of failure. The World Bank has an external auditing department and for a long time they were showing that the failure rate for projects in Africa was around 70 or 80% compared to about 40% elsewhere in the world. Again, it was mostly in certain sectors like credit and irrigation. There were winners. Agricultural research has consistently been a winner for the World Bank and everyone else and investments in rural roads have always paid a very high dividend. There are successes. We have recently completed a study in Africa looking at a number of success stories in agriculture, successes that were identified through a postal questionnaire. If you look at the hybrid maize revolution in eastern and southern Africa, the cotton revolution, the cassava revolution, there are exciting things happening now with peri-urban dairy farming for smallholders in Kenya and Uganda and beginning to happen in Ethiopia. There have been real successes in conservation farming and horticultural exports too, of course. There are real successes out there. They just have not been of the scale that you need if you are really going to transform Africa. That is again the problem with the commercial farming, the multinational approach. They help 30,000 farmers here and there but you have to help tens of millions of farmers.

**Q47 Tony Worthington:** I think you used an expression there like, "if we are going to save Africa". That makes me think about ministers, it makes me think about government departments and it makes me think about UN organisations. I still have not got a clue what those bodies are supposed to be doing. I just feel they are not doing anything.

**Dr Hubbard:** On the issue of policy and aid, adding to what others have said, going back to your prior question as well, a further more recent reason for moving away from agriculture was a relative failure of not only projects in Africa, as Peter Hazell has pointed out, but also of sector programmes in the mid and late 1990s, one of the reasons being that they found that the agricultural sector is much more diverse, and more mixed in with private interests than, let us say, health and education. To answer your second question, one would need to explore more issues about the role of the state in relation to aid as well.

**Q48 Tony Worthington:** Does anyone want to do that?

**Dr Hubbard:** I will continue a little if you like. My interpretation of this is that if one goes back to what we call the structural adjustment period in Africa one notes that the fiscal crisis in Africa in the eighties and the nineties tended to be much more severe than in other parts of the world. The impact on the state tended to be much heavier and the rundown in state services as a result much greater. I would argue, and I have put something before you, an excerpt from a

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publication called *Developing Agricultural Trade*<sup>5</sup>, that there were two results which emerged in Africa particularly from that period. First of all, there emerged a mismatch between existing public services and new public services required by agricultural trade as a result of liberalisation. With liberalisation you do see market development, particularly in the easier areas, those surrounding imports and so forth, but it was much more difficult through that structural adjustment period to alter the role of the state, in other words to change public services to agriculture to make them appropriate to the new circumstances. The state tends to be sticky. People are in there for jobs, particularly because of the crisis. Everybody is desperate to hang on to their jobs. Getting change in the state is extremely difficult and the sector programmes by the mid and late 1990s, which included reforming ministries of agriculture I think have made very slow progress and there is a need for a change of direction on that. The other main impact from the structural adjustment in the early 1990s is that, particularly in Africa, governments with lower capacity both liberalised much more than, say, a state like India, but also experienced a greater decline in their public services. Thirdly, related to that and unexpectedly perhaps, the collaboration between the state and private sector and NGOs has been much weaker in Africa coming out of that process. If you take India or Sri Lanka facing the crises of the late 1980s, early 1990s, they liberalised much less, state services are much less run down but there is a greater effort to find new solutions to work locally. District planning holds up much more.

**Dr Wiggins:** Can I make one small addition to that and it is on the nature of failure in African farming? If you look at the experience over the last 25 years in parts of southern Africa you can see some sensational successes of state-led agricultural development. One thinks, for example, of the efforts of Zambia in the 1970s and the 1980s, organising hybrid maize production which elicited huge additional amounts of hybrid maize from far-flung corners of Zambia, such as Eastern Province and Northern Province, and one thinks of the experience of Zimbabwe from 1980 to 1986 when the Grain Marketing Board organised smallholder production of maize using hybrid varieties, fertilizer, backed by credit and other inputs, and what was the increase? It was something like twice the amount of maize produced by smallholders in Zimbabwe within just six years. These were spectacular successes but they were successes that were unsustainable because of the cost of the subsidies that went in there, the cost of the state operations. One sympathises a little with the ministries of agriculture who, having created what was a supply side miracle that was their stated policy objective, found that financially it could not be sustained. You may sympathise with policy

makers who then say, "Where did we go wrong? What do we do now?", the technology worked; the production was there, but it was financially unsustainable. You feel a little sympathy for an African policy maker looking at, say, their Indian colleague where India organised much of their grain production along similar lines of heavy state intervention, but in the Indian case, thanks to the size of the Indian economy and the degree of industrialisation, it has been possible to do that. The costs have been sustainable.

**Q49 Chairman:** The inquiry the Committee is carrying out is into agriculture so that we can make a response to DFID's consultation paper. Is this really an African problem? Last year I was in Brazil. One looks at the work that has been done in Amazonia, now growing large quantities of soya for China and huge investment by China in Brazil growing soya. We have seen in Vietnam, some might think rather unhelpfully, huge amounts of coffee being produced from a completely standing start. First, is this an African problem? Secondly, we have been getting conflicting advice as to what is the future of farming in Africa. We have seen two very helpful discussion papers, both from people connected closely with the ODI, Simon Maxwell saying that the future of farming is larger farms, and Michael Lipton saying that the future of farming is that you have to have sustainable smallholdings. I think it was you, Peter, who was saying that actually there have to be millions of people in Africa who have got to earn their livelihoods off the land, but I suppose you could, if you went back 300 years in England, have seen the same sort of thing. The idea that only 2% of the workforce earned their income directly or indirectly from agriculture even 50 years ago seems very strange. I have two questions. Is this really an African phenomenon; should we need only to worry about Africa, and, secondly, what is the future? Are we really looking for sustainable livelihoods in the real meaning that people are not starving and earning a living from lots of smallholdings in Africa, or should we be looking at going back to Zimbabwe and Zambia for ways in which we can encourage more farming in Africa to be commercial so that it can compete in the rest of the world? Indeed, if it cannot compete in the rest of the world what is its future?

**Dr Hazell:** Context is very important in understanding this small farm problem. In a country like this one farms should be big and commercial; small farms are either in niche, high value markets or they are hobby farmers. In a poor country where labour is cheap and capital is scarce and often land is scarce, small farming is economically not only viable; it is the most efficient form of farming. As countries grow and labour becomes more expensive farmers expect to earn a higher income to keep up with their urban counterparts, then farms do have to get bigger, but it is quite appropriate for Africa to have small family farms at this stage of its development, and also in much of Asia, and there are many more small farmers in Asia than in Africa, incidentally. Aspirations are much lower at that

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<sup>5</sup> *Developing Agricultural Trade: New roles for government in poor countries*, by Michael Hubbard, International Development Department, University of Birmingham, with Marisol Smith, Frank Ellis, Gideon Onumah, Andrew Shepherd, Peter Lewa and Renu Kohli, published by Palgrave Macmillan. See pages 12–13, 28–29, and 204–205.

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level of *per capita* income and a small farm can meet those aspirations. As countries develop people will leave the land. As the economy grows and diversifies there are more opportunities that pull them out and there are also more opportunities to grow higher value products as people's diets get better. You get emerging middle classes and so on, so there are a lot more opportunities, a lot more pathways out of agriculture as countries grow. In a poor country, however, most people have no choice but agriculture. The economy does not offer alternative livelihoods on any scale. Agriculture is economically efficient. Small farms can move ahead. I think Simon Maxwell is wrong. He does not understand that Africa can get quite a lot of development out of growing more food grains. It is a food deficit continent. If you look at the structure of market demand in Africa right now they have about ten billion dollars a year of traditional exports, the coffee, the tea and so on, they have about eight billion dollars of non-traditionals, the new and exciting horticultural products and processed foods. They have about two billion dollars of intra-Africa trade in agriculture and then they have \$50 billion worth of domestic Africa-wide demand in basic food staples, including crop and the livestock products. Fifty billion dollars is the 800lb gorilla in the game. That market is going to double over the next 15 years. The other markets may not. In fact, traditional exports are declining. The non-traditional is extremely competitive. Once we all have a carnation in our buttonhole we are not sure where that market is going. The traditional food staples, the \$50 billion dollar market today, is going to double. A lot of small African farmers can double or triple their income over the next ten years by increasing their productivity in food staples. Simon does not understand that and he is wrong.

**Q50 John Barrett:** I asked in the earlier session about this change from agricultural policies to livelihood policies in trying to find out if this was just a change of name with a bit of re-branding of something that did not work, or is there a strategic change from agricultural policies to livelihood policies, bearing in mind that for the small farmer agriculture is their life and it is their livelihood? Is there something more going on there or is it just a case of re-branding? Is there something more substantial there?

**Dr Wiggins:** A couple of us discussed this because it is an interesting question. I think we would rather say that the switch away from agriculture came from other reasons which have been rehearsed in this meeting and the one before, and the fact that that arose at the same time as the livelihoods framework is perhaps coincidental. The livelihoods framework is a very powerful one for focusing on the real lives of people at the bottom of the pyramid and I think it would be a severe judgment on the livelihoods framework to accuse it of having misled us.

**Dr Hubbard:** To follow on from what Peter was saying a moment ago about the opportunities in the future for small farmers in Africa, adopting a broad

livelihoods view of that adds value because we must not forget that the majority of African countries are small, some only micro countries compared with the populous countries, for example, of Asia, and that people are going to be making their living in diverse ways, even if they are managing to exploit opportunities arising from the need to feed the increased population in their countries. African populations are going to be more and more on the move. Successful small economies tend to be open economies and it is probably no accident that the structural adjustment process in Africa has resulted in an opening of these economies substantially more than larger Asian economies. That is going to be a fact of life. We should not be throwing the livelihoods approach out at this point.

**Mr Poulton:** My perception is, like Steven's, that the livelihoods approach came to prominence at a time when there were ongoing debates about where agriculture should fit into development strategies and donor assistance, and therefore, depending on the individual concerned, you could either use a livelihoods framework for saying, "Clearly agriculture is critical to these people's livelihoods", or you could use it to emphasise diversity. A lot of studies came up in the last five years which were showing, as if this was a fact that had been under-emphasised before, that actually livelihoods were quite diverse and the expression was often diversification away from agriculture, so, depending on where your position was in the debate on agriculture or not, you could take the livelihoods framework one way or the other. It does have a lot of good things about it. I guess if it was to be strengthened it would be in the way it is used rather than the framework itself. I sometimes think of it as a bit like a SWOT analysis because although it has dynamic elements in it, it is largely a snapshot of people's livelihoods and opportunities at a particular time, and within the SWOT it under-emphasises the "O" and it does not really have any strategic direction in terms of what were historic growth narratives, what would theory tell us in terms of ways forward for rural development in an economy like this, so you do not have a bigger picture within which you can interpret the opportunities for the individual households that you are looking at, and if you can combine those two I think you will do very well.

**Q51 Mr Battle:** There has been a movement in recent times of government state withdrawal from agriculture and a view perhaps that it should be the private sector, the industry should be business and the market. What is your view of that? Should it be pushed harder? Should it be reversed? Where does it work and where does it not work?

**Mr Poulton:** First of all, in terms of the experience with market liberalisation, I will try and make a summary which others can add to or challenge. I would say that you have to differentiate between crop types—and I will say something about cash crops and food crops—and areas of high potential, accessible areas have been better than more marginal areas. There have been a lot of successes

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that have come through bringing private capital and management expertise into African cash crop sectors and there are very few where production or yields have declined for more than a very temporary transition period after liberalisation there. In countries like Uganda reductions in poverty in the 1990s have been closely linked to expansions in cash crops after the liberalisation of the cash crop sector, say coffee, for example. In food crops the picture has been much more mixed. You have informal market systems. You do not have very large quantities of private capital going in there. You have these fiercely competitive markets with lots of small players where private players do not have the same incentive to assist the producers in their production activities, whereas in the cash crop sectors they are often assisted by buying companies. Coffee processors might also assist in investing in a farm's production. They will give them credit, they will give them technical advice, etc. That does not really happen in the food crop sector and so you have not had the same sort of supply response and you have not generally had the same sort of yield response in food production as you have had in cash crops.

**Dr Hazell:** At the risk of generalising can I be a little bit more provocative and say that this has probably gone too far? Like many fashions in development assistance, they tend to get carried to an extreme. One of the victims of structural adjustment programmes was the public sector. Part of the sense of failure was that government agencies were highly inefficient and could not do the job, so development assistance should find other channels. Those channels included the NGO sector, the private sector and so on, and support to government agencies, the need to rebuild them, re-staff them, train them, re-define their functions, sort of got lost and they have been left in the wilderness. The idea was that somehow the private sector was going to come in and take over this role and that has been one of the big myths in Africa in particular. The theory now is that the government should be back but it should be there just to create the enabling environment. It should ensure that contracts are in force, that we have quality standards, food safety and things like that. The private sector is supposed to take care of everything. There is not a single country in this world that has developed its agriculture on that model. Even this country still has a great deal of government intervention in services for agriculture, including credit. One of the consequences of this model in Africa now is that most small farmers do not have access to basic services, they do not have access to many markets, they do not have access to credit, they have enormous difficulty obtaining seeds and fertilisers and all the key things they need to increase their productivity and their livelihoods. The private sector is not filling that role. It is supporting commercial farming and it is supporting some of the best commercial areas but it is not going to go out there and help the vast majority of small African farmers who do not live anywhere near a road or a market. In Asia, as has been

mentioned, the public sector played a key role during the early stages of the green revolution. The public sector did set up parallel marketing agencies. It put a floor price in the market, it provided credit, it provided seeds, it subsidised fertilizer. In the early stages that was not hugely expensive. The big subsidy costs came later. Those interventions played a key role during the first 10 or 15 years in launching that agricultural revolution and in making sure small farmers were part of it. The mistake was not to phase them out and as more and more of the inputs got used the costs of the subsidy went up. India right now wastes about ten billion dollars a year on input subsidies which it does not need to. They have served their purpose. The lesson that we are all taking from Asia to Africa seems to be, "You should not do this. It would be a terrible mistake". We are throwing the baby out with the bathwater. Government interventions to ensure provision of key services, not just the enabling environment, are very critical indeed in the early stage of agricultural development. We need to find innovative institutional solutions to do for Africa what was done in Asia but without getting trapped into those inefficient and increasingly costly public parastatals. That is the challenge. It is not to throw it all away and to say that Africa is going to develop through privatisation. That is not going to happen and if we stick with that agenda we are going to waste the next ten years too.

**Dr Hubbard:** I would like to stress the need for innovative approaches, not trying to recreate, as Steve Wiggins said, the monolithic controlling ministry of agriculture. As we saw, those solutions were not sustainable. This also relates particularly to the role of aid agencies in that process. If we can go back to their attempts with sector programmes in the mid to late nineties, trying to reform ministries of agriculture as whole units has not been successful. I would suggest that there are two things that an aid agency wishing to encourage a more exploratory creative approach to rebuilding essential public services can do. First of all, it has to adopt a service-by-service approach to reforming public services to agriculture and rural development rather than bundling them up and saying, "Okay; we are going to reform this ministry of agriculture". Generally speaking, public services to agriculture break down into three categories: assisting inputs, assisting outputs and setting and enforcing standards, ie regulating. Foreign agricultural trade is included in that. A service-by-service approach, looking at how best those public services that are now needed can be delivered with an open mind on an evidence basis is going to be more fruitful than talking about reforming ministries of agriculture. The second point is that whenever there is talk of reforming ministries of agriculture think decentralisation. A big problem in the failure of monolithic ministries of agriculture in Africa has been over-centralisation in relation to the capacity of government to run a centralised system. Again, provocatively, I would argue that much of Africa is still a frontier society. Urban

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areas are springing up rapidly. The role of district plans integrating road development with urban development and markets, working with local organisations, is absolutely critical in this way. To sum that up, a service-by-service approach and thinking decentralisation is likely to be more fruitful than talking about reforming ministries of agriculture as a whole.

**Q52 Mr Khabra:** Over recent years the role of the state has been less and less in agriculture and the private sector has moved in and there has been a trend in market liberalisation. In view of those new trends can you cite examples of where the private sector has successfully replaced parastatal marketing boards in remote areas? Is the distinction between food and non-food crops relevant? How do longer term trends and short term fluctuations in agricultural commodity prices influence the design of agricultural development strategies?

**Mr Poulton:** As I said earlier, when we come to look at the impact of liberalisation there is a rather crude but probably valid distinction we can make between the performance of cash crop systems (not just traditional cash crop systems but perhaps my examples will come from there) and food crops produced for local or national consumption but certainly not for export, and I think that the record in cash crop sectors is generally better. It is not that they are without their problems but you can see examples of quite rapid expansion in production of cotton in a number of countries. There have been state-run examples of very successful cotton sectors but in liberalised cotton sectors in southern and eastern Africa more of them have seen quite large increases in production, and in some cases yields, than have not. You could probably generalise that too many of the export cash crop sectors have been liberalised, so there is a distinction there.

**Dr Wiggins:** Replacing parastatals in remote areas (by the private sector)—I stand to be corrected but I cannot think of a good case in which that has taken place, but then you may ask, “Why would that not take place?”. The problem here is that remote areas are often areas of low natural potential so you could turn that question round. You could say, “Let us look for some highly successful farming in this world that is in remote areas”, and we end up with New Zealand where you could not be more remote from the world markets and yet New Zealand has a highly successful private sector agriculture. The difference is, of course, that New Zealand has some extremely good natural resources, albeit highly remote. One of the problems for most parts of Africa that are remote is that remoteness also correlates very often with rather poor natural resources which are probably never going to have a particularly productive agriculture. The other question I would like to shed some light on is the very pertinent question about the short term fluctuations in prices and the great worry there is about the long term decline in commodity prices. Here is a statistic that I only learnt a few months ago. Over the last 20

years in Bangladesh the real wholesale and retail prices for rice, and also the prices received I think by farmers at farm gate for paddy rice, have halved. Yet if you look at the agricultural performance in Bangladesh, the enthusiasm of farmers for intensifying their paddy fields has been in no way mitigated by that fall in the real prices. The fall in the real prices is extraordinarily good for the poor of Bangladesh, including many of the rural poor who are net food buyers. The way that has been achieved is of course by getting down the costs of production by applying technical innovations, so the protection ultimately in any kind of commercial farm sector, whether you are small or large scale, is the ability to innovate and get your costs of production down so that you are not booted out of the market when the market turns hostile.

**Q53 Mr Khabra:** Would you agree with me that these new trends, big business moving into the market and the state giving up, are very damaging to the interests of the small and poor farmers? There is no protection for them at all because they cannot compete at all when a monopoly moves into the market and they do not benefit. Therefore, there is a need for some kind of protection from the state.

**Dr Wiggins:** If you get a monopoly as economists we would all agree there is a danger of being exploited. The question is trying to create situations with private sectors where you have got competition and, Colin, you have been doing some work on that on the cotton sector in Africa that might be a pertinent answer.

**Mr Poulton:** On the world trade trends, unquestionably as world prices are falling it makes the task of agricultural development to contribute to poverty reduction somewhat more difficult. You have to get higher productivity to get the same potential for accumulation or consumption multipliers out of your agriculture. Where it is clear that protectionist policies in the west are contributing to these low prices, and I think the cotton case is probably the single most obvious case here, efforts to scrap or reduce that northern protectionism are very important things to do. However, it is not the whole story. In some cash crops the general problem is world over-production and it has been countries like Brazil, Indonesia, Malaysia that have been increasing their production at the expense of Africa and it has to be a question of Africa getting its productivity up. It has been falling behind the other countries and it has been losing its capacity to compete, so it is focusing on the supply side capability of African producers as well. When you come to food crops, particularly cereals, you have an even bigger trade-off because a higher price for producers is a bad thing for your domestic consumers and, as Steve has said, the majority of households in an African country, and particularly the majority of poor households, are net consumers of these grains. Therefore, if you are going to provide some sort of price support for your producers in a country you have to be pretty sure that you are at the same time

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enabling your producers to respond to that higher price so that you achieve your growth benefits and you can taper out your support fairly quickly. Otherwise you are just ending up with a tax on consumers without getting the benefits from the producers. Price support would have to come with what we have been talking about, with support services into producers so that you get the benefit.

**Q54 Mr Davies:** Can we come back to the business about ministries of finance? The general consensus seems to be, and we have heard bits of it this afternoon, that the record of ministries of finance in Africa in the last generation or so varies between the disappointing and the ghastly. One of Margaret Thatcher's great phrases was, "Never bring me a problem unless you can bring me a solution". Dr Hubbard this afternoon, thank you very much, has come up with some solutions. As I understood it one was to split them up between the support for inputs, support for outputs and regulatory functions, and decentralise them. It is very useful to have that concrete suggestion. Let us suppose that we have confidently made the right analysis of the problem and we have got the right diagnosis that may be that or with other things added to it, and we will not go into that now. The question is what influence we as donors can have on that process because you are getting into pretty intimate political constitutional issues when you are trying to influence the structure of government in the countries that you are lending to, not specific policies but the structure of governments, and one realises that that is a difficult and delicate area to move into. Do we have suitable leverage to influence that kind of issue? Is there sufficient consensus between donors? Are they as willing to reach a consensus on that subject as they are on some other subjects where they are trying to influence donees? Is this an area where we might not only concede that there is the right political solution but be able to contribute helpfully to its implementation?

**Dr Hubbard:** I welcome that question. What I tried to do was suggest directions in which donors seeking to help in this area might channel their thinking, not suggest any blanket, one-size-fits-all solution. There are two things essentially. First, the experience of sector programmes in agriculture has not been particularly successful. Second, look therefore to using the possibilities that present themselves from alternative aid instruments, budget support, for example, which DFID is moving strongly towards, and to traditional project approaches which lend themselves to local initiatives. I stressed earlier the decentralisation element in that. Why would budget support perhaps provide a better forum for donors working with governments to reform essential public agricultural services? Budget support generally speaking enables a higher level of dialogue and one problem with sector programmes in agriculture is that the reform of the sector lies essentially at the higher levels of government, such as the ministry of finance and particularly the office of the president.

One is much more likely with budget support to be around a table with people at the highest levels of government. That is absolutely critical in public service reforms. To sum up, allying this with a traditional project approach, may be worth exploring. It would perhaps also enable an easier interface with NGOs, who tend to work locally on the ground with specific problems.

**Q55 Chairman:** Let us go quickly round the table. Is there anything that you would like to say on this or any other matter you feel that we have not asked you questions about?

**Mr Poulton:** "What do we do with the ministry of agriculture?" is a critical question. I am very much with Michael on the general trend towards decentralisation. I am very much with him in terms of thinking about how should services best be delivered, that it should be done on a service-by-service basis, although I would tend to stress that one of the critical things when it comes to service delivery is that services are co-ordinated at the point of delivery because if I am a private investor and I want to invest in input supply but there is no extension advice and there is no decent output markets and there is no credit available to the producers my business is not going to go. You have to have some way of making sure that the range of services is available in an area, so co-ordination of service provision at both national and strategic level and at local level is a critical thing and it is likely to be local planning where the ministry of agriculture has a key role that will bring that about. An issue which we have talked round but is absolutely critical is just the whole business of the accountability of the people involved in public service delivery. I do not know how long this has been the dominant problem, but certainly if I talk to people in DFID offices now what they are engaged in is policy dialogue with governments where they are trying to keep the state out of what they consider should be private activity but they have no confidence that they can put money into the complementary public goods which would make private markets work better because they do not trust the state agencies that would be involved in that, and getting accountability of the state agencies, particularly the ministry of agriculture (though not only that) is critical. Sector support or budget support for doing that I am not entirely sure about. It strikes me that if you had donors lined up saying, "We are appreciating the importance of agriculture"—and DFID seems to be doing that at the moment and USAID seem to be doing that, and the World Bank are doing that—and if donors are lined up saying, "We would love to support your agricultural sector but we are not just going to disperse money because we have got that pressure. We want to see your agricultural development strategy. We want to see that multiple stakeholders have been involved in its development, that it has involved your NGOs and your civil society, it has involved farm organisations where they exist, it has critically involved private sector representatives," we have a credible strategy—

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**Q56 Mr Davies:** Even the structure of your government. That is the point I raised. That is the most difficult one, is it not?

**Mr Poulton:** Yes— “—and you are serious about working on how your ministry of agriculture is organised to support this thing, then we will put money into it and we will monitor it on performance”, which I do not think has happened in the past. At the moment the fact that donors are interested in agriculture in perhaps a new way recently is an opportunity to try and put that leverage in. It is also a huge threat that if the donors I mentioned, all of whom say, “We want to invest more in agriculture”, go ahead and just fire money in without those pre-conditions they will probably end up with exactly the same performance as we had in the past.

**Q57 Mr Davies:** That is very clear; thank you very much. My next question is largely to Dr Hazell because one of the things that has come out this afternoon which I feel we need to pick up, and he brought it out very strongly in his presentation, is the enormous contrast between the success of the green revolution in Asia and its failure in Africa. We cannot do this job without focusing on that. The contrast was presumably not caused by differences in technological development and change, new strains of crops because by definition they were available anywhere, so was it conducive environmental factors? Was it sociological factors, perhaps including land tenure and property rights that we were talking about earlier on this afternoon? Was it government policies? Was it any of those or something else? Can you set up a hierarchy of causality for us to help us understand this very striking contrast?

**Dr Hazell:** What was missing was the pre-conditions for successful agricultural growth. Africa does not have the infrastructure. Today if you look at road density in Africa it is a tiny fraction of what India had in the 1950s before its own green revolution. Most farms are just not connected to the market. Transport costs are horrendous. Fertilizer costs four or five times the world price for most Africans.

**Q58 Mr Davies:** Not so in India, you are saying?

**Dr Hazell:** No. India had six times the road density in 1950 that most of Africa has today, but today they have much higher density in India. I was talking about 1950. It was one of the pre-conditions for the green revolution. You must have distribution systems. The governments in Asia invested in fertiliser distribution, seed multiplication, seed distribution. They invested in R&D. You had marketing institutions. All these things were missing in Africa. The green revolution technology—improved rice and wheat varieties had less relevance for Africa given a much smaller irrigated area, but there are plenty of technologies on the shelf for Africa. Most African farmers grow improved varieties of crops today. They are just not putting in the complementary inputs that give the high yields. The conditions are not there. I think

what really made the difference in Asia though was political commitment. India made a conscious decision in the sixties to transform its agriculture to feed itself. The US used PL480 food aid as a political weapon and Indira Gandhi said, “Never again”, and suddenly billions of dollars went into Indian agricultural development. You saw this across Asia, the real commitment. It has not been there in Africa. We can keep imposing conditionality. Huge amounts of money have gone into buying policy and institutional change in Africa over the last 25 years and it has not worked. The governments have not had the same goals or the same agenda as the donors. What is new and really exciting right now in Africa is NEPAD, the New Partnership for Africa’s Development. This is where heads of state from very large countries like South Africa and Nigeria have come together and said, “Look: it is time Africa took its own initiative. We are tired of living with the mistakes of everybody else, particularly the donors. It is time we were in the driving seat”, and they have proposed an economic development programme which has agriculture as its key. They are saying, “We need to improve our governance. We have got to improve our infrastructure, we have to have science and technology and we have to have markets that work”. They are offering a contract with the rich countries: “We will do all these things for Africa ourselves. We will even increase our budget shares for agriculture to 10%”.

**Chairman:** We are pretty well up to speed on that. That is a question we can answer on the examination paper.

**Q59 Mr Davies:** We could answer it much better having had that quite detailed list of lessons to draw. My last question is this. Do we face a terrible quandary because if we succeed in increasing productivity, which we all know we want to do, we will therefore be on the whole reducing commodity prices, we will be turning the terms of trade against commodity producers? We will be ensuring that the productivity gains are largely consumed by consumers rather than by producers. We will therefore be undermining the essential incentive with which we hope to start, so are we in a quandary here and, if we are in a quandary, how do we get out of it?

**Dr Wiggins:** Yes, it is a quandary. If there was one thing to add to the discussions of today, and it is another light on the difference between Africa and Asia, it is the role of demand. When you look at a country like Malawi, for example, one thing that would make a difference would be if the city of Lilongwe were five million people strong, and that would be five million reasonably well paid people working in the urban sector to provide a demand for the agricultural produce that can be produced there. You may ask, “Why wasn’t the Zambian experience of Namboard (the grain marketing parastatal agency) and what was a small green revolution sustainable?” The answer is that there

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was not sufficient demand to push up the prices enough to allow people in distant areas of Zambia to produce the maize that was needed.

**Q60 Mr Davies:** So it is part of the answer to my second question too? Okay.

**Dr Hubbard:** We must not forget the international dimension in that and that a lot of the market supply at the present time is coming out of subsidised arrangements. We must not forget the Doha round and the possibilities which arguably are crucial for future supply to these markets. These markets—the domestic markets in Africa—

are being contested. The large cities, particularly the coastal cities, are fed with basic grains to a very large extent by subsidised imports at the present time. The impact of removing EU or US subsidised exports would be, studies indicate, to raise prices and hence create domestic market opportunities.

**Chairman:** Thank you. This is a discussion we could go on with for a very long time because it is a fascinating topic. I am conscious that colleagues may have other meetings and we have been disrupted by a vote. Thank you very much for coming. We will read and re-read the transcript of today's evidence because it has been really interesting.

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**Tuesday 25 May 2004**

Members present:

Tony Baldry, in the Chair

John Barrett  
Mr John Battle  
Ann Clwyd

Mr Tony Colman  
Mr Piara S Khabra  
Tony Worthington

*Witnesses:* **Mr Stephen Carr OBE**, an independent expert on African agriculture, and **Mr Jonathan Coulter**, Natural Resources Institute, University of Greenwich, examined.

**Chairman:** Thank you very much for the briefings and Stephen, thank you very much for coming all the way from Lilongwe, because that is presumably where you have come from. Thank you very much, it is a long way. We are extremely grateful, although no less grateful to you, Jonathan, for having come from Greenwich. Thank you very much. Today we are looking at practical solutions.

**Q61 Mr Khabra:** I hope you will agree that most of the evidence so far has highlighted the need to focus on smallholder agriculture. Some say that the future of agriculture lies instead in large-scale, commercial development. As agriculture does not alone have the potential to provide the motor of poverty reduction would it be possible for you to tell me whether developing small-scale agriculture is merely a mechanism for short-term poverty alleviation, or does it drive broader rural development? Even if it effectively reduces poverty, can it be more than a short term sticking plaster? Furthermore, does smallholder agriculture have a future? If not, why should DFID support it?

**Mr Carr:** I would not like to spend too long on that question, if I may, because it was also dealt with last time. In a country like many of the countries of Africa, particularly the one I live in now, but I have lived in a number of others, it is not simply a matter of asking which is the more efficient method of production. Inevitably you have to ask the question: if you displace 100,000 people off their land in order to have commercial agriculture, what are you going to do with the 100,000 people? That is a question very few people have an answer to. When people moved off the land in this country, with the consolidation of farms a couple of hundred years ago, you had an industrial revolution going on at the same time, which was capable of absorbing all those people who were turned off the land. You do not have much of that going on in Africa today. There is equally the argument that smallholder agriculture can of itself be more efficient. If I may be allowed to give just one example of that, I was on the board of what is the biggest agricultural corporation in Africa and we were commanded by the Malawian Government to produce 10,000 acres of maize on our farms commercially. It cost \$125 a tonne, 80% of that was foreign exchange because we had combine harvesters and tractors; local people could produce the same maize at \$30 a tonne and none of it was foreign exchange. I think this is one of the answers to that question. Essentially one has to say, if in a

country you have 85% of the population living on smallholdings and you are going to displace them and turn those into large estates, what are you going to do with those people?

**Q62 Mr Khabra:** Personally I feel that this emphasis is moving away from support for the small farmers. If you look around the world there are huge numbers of small farmers in various parts of the world and they are the ones who suffer from poverty. If this emphasis on support for small farmers moves towards commercial development, there is a risk that the small farmers will lose their support, therefore the poverty reduction which is going to take place will be further delayed, depending on the hope that big commercial development, manufacturing or whatever, will finally help the farmers in the villages. I do not think so.

**Mr Coulter:** I do not think there is much I can add here to what Stephen has already said. There are countries where you will see a similar situation occurring as occurred in Britain. For example, if you go to Guatemala and places like that many small farmers are able to go wetback to the United States with the large amounts of remittances coming in, but this is not a normal situation in developing countries. There is a need to create employment for a large number of people on the land and this does not necessarily mean one should not have large-scale commercial farming; there may be a lot of complementarity between them. I do not see this as a big issue frankly.

**Q63 Tony Worthington:** One of the universals which seems to come across is that there has been no agricultural miracle in Africa, compared with Asia, where there was tremendous growth in productivity and that there is a need for smallholder farming to increase its productivity. By that people now are not tending to mean that more people should be moved off the land because of the problems you have just alluded to, but that other things should occur which would lift productivity. What are the priorities in those other things which should occur? What are the obstacles?

**Mr Coulter:** I should like to add something but I am sure Stephen will have a lot to say on that. One needs to think about the whole chain, the marketing chain and the services, the pre-production and the marketing services to the producers, really making that very efficient. You need to think about things like on-farm storage, which is still a problem after

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many projects, to try to improve it. People lose a lot of their crop and dispose of it early at poor prices simply because they think the weevils are going to get it. There is a potential for reducing considerably the margins between producers and consumers and giving producers a better share of the final consumer price and this can be fed back. The producers can use some of this revenue to increase productivity to invest in fertilisers, mechanisation and things like that.

**Mr Carr:** The Asian miracle was built on two things: fertiliser and seed. In the last 15 years of the last century, fertiliser use throughout the whole of South and East Asia increased by not less than double in every country and in countries like Vietnam it went up six fold. China only feeds 1.4 billion people because it uses 800 kilos of fertiliser on every hectare of arable land. India only feeds one billion people because it uses 200 kilos of fertiliser on every hectare of arable land. For some reason people are expecting Africa to feed itself without using any fertiliser. In the last 15 years of the last century, fertiliser use in Africa stagnated completely and in a number of countries went down.

*The Committee suspended from 2.48pm to 2.56pm  
for a division in the House*

**Mr Carr:** In that I believe that production is a central feature to relieving rural poverty and if you do not focus on production then you are not focusing on one of the central issues, there has been some quite circular thinking on this. Because people have not been helped on their farms to increase productivity, they have therefore run out of food before the start of the next harvest, they therefore have had to leave the farm and go to do very poorly paid work somewhere in order to remain alive. An analysis has then been done of this and people have found that 40% of farmers' income comes from off farm. We have then had this great thing about not focusing on agriculture because 40% of the income is derived off farm. If you had helped them on their farms that 40% would not have existed, they would not have gone off and worked elsewhere. If I might revert back to the fertiliser issue; at the meeting on 12 May Dr Hazell brought up the fact that the adoption of hybrid maize in southern and eastern Africa had been comparable to the Asian miracle and had in fact trebled yields of maize. The sad thing about that is that that was perfectly true ten years ago. That has now all faded away again because with the removal of price distortions and subsidies people can no longer afford the fertiliser and the seed. The situation we have in Malawi, and it is quite typical of a number of heavily populated countries—what I am saying now does not apply to places like the southern Sudan or Chad, but to places where land is now becoming in short supply—is that we are removing 160,000 tonnes of nutrients from the soil every year, we are putting 70,000 tonnes back with fertiliser and about 10,000 tonnes back from organic sources. We are draining the soil of 80,000 tonnes of nutrients every year, so soils are getting less and less fertile.

Trying to build prosperity on starving soils really does not make for a very good strategy. People have stopped looking at this issue because subsidies do not work and I am the last person who would suggest we go back to subsidies. Smallholder credit does not work—I can elaborate on that but it does not for very poor families. So people have said they see no way of getting fertiliser to people, therefore let us look downstream or upstream or at institutional issues or something, but let us not focus on this crucial issue of how we can increase productivity, because we do not know what to do. This is why I have been looking at alternatives and it is something which needs to be done. If we continue to deny African farmers access to the one thing which has transformed the agriculture of all the rest of the world, we can expect to go on with the same kind of failure we have had for a number of years. What I have done myself is to say “Right, what have farmers got to offer?”. The only thing they have to offer is some free labour, labour which is available in the dry months of the year. In Malawi, with the help of DFID and partly as a result of the evidence to this Committee last year, this year we are offering 180,000 people employment in their own community, on work chosen by them. This year it is going to be overwhelmingly rural roads, because that is what they need to get access. They do not get paid in cash, they get paid with a voucher for adequate quantities of fertiliser and of good quality seed. I believe we are killing four birds with one stone. Firstly, we are supplying people with fertiliser and seeds, so they can now produce enough food to keep them going until the next harvest. The second thing we are doing is putting in rural infrastructure: this year roads and in the future, I hope, micro-irrigation, re-forestation and soil conservation. The third thing we are doing is providing private importers of fertilisers and seed, and only the private sector is involved, with a stimulus in the knowledge that there is going to be a given market for their product because 180,000 people are going to be buying it. Finally, what we are doing is pushing this fertiliser and seed out into hundreds of small shops which normally sell coca-cola and soap and sugar, because we can say “We can guarantee that you will sell 50 bags or 60 bags or whatever it may be of fertiliser because we have that number of people with vouchers here”. All I am saying is not that this is a universal panacea, but what I do believe is that we have to see how we can give farmers in Africa access to the two things which have transformed Asia. If we cannot do it with subsidies and we cannot do it with credit, then we just have to use our imagination and think of other ways in which it can be done. I am just suggesting one which I have done.

**Q64 Tony Worthington:** We went to Malawi last year and I got very despondent for the reasons you said: this is a country which is going downhill very quickly for reasons of soil depletion and other things. There seemed to be no answer at all within the country to

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the fertiliser problem, in that people did not keep animals any more for security reasons in the bits we were in, there seemed to be no strategy of rotation of crops, there seemed to be a growing dependence on outside multinationals in order to get fertiliser or dependence upon fancy seed rather than what the farmers could gather and there seemed to be no government. These were issues which should be dealt with by strategic thinking by the Government to help the farmers find a way forward. Is that all true? That is the impression we had.

**Mr Carr:** On rotation of crops, I quite agree. Ninety-six per cent of southern Malawi arable land is planted to maize. That is an entirely logical decision by people who have less than half a hectare of land in that God made maize an incredibly efficient crop and if you have a very limited area of land, you can produce more quality calories off a square metre of maize than you can off anything else. That is an entirely logical decision by farmers which one cannot fault. Why is the Government not doing anything about it? What the Government would like to do is go back to the old days of subsidised fertiliser and subsidised output prices. They cannot pay for this out of their own budget and the donors will not pay for it. So the Government is left asking what they can do because they know of no other way of getting fertiliser into people's hands. May I just raise one more issue there? People very logically ask why they rely on fertiliser, why they are not using organic means of raising soil fertility. For the last 15 years my main job in Malawi has been trying to help farmers to use organic means of raising their soil fertility. At the end of 15 years and about \$60 million of expenditure, with the EU coming in, the World Bank coming in, IFAD coming in to support ideas which I pioneered, we now reckon we have 85,000 farmers using these technologies. What horrifies me is that when I go to an international meeting and say we have 85,000 farmers, I am warmly congratulated. That is less than 5% of the population at the end of 15 years of work by some of the best agriculturalists in the country—not me, other people who are actually doing the job. I have just had to come to the conclusion that we do not have 300 years to wait while people adopt organic methods and this is why I am now putting my focus on saying that if we cannot restore nutrients to the soil by organic methods, then we are going to have to use fertiliser and we are going to have to apply our minds and our efforts to see how we can do that without direct subsidies and in the absence of smallholder credit.

**Q65 Tony Worthington:** Without a Minister of Agriculture, without a government?

**Mr Carr:** Yes, we can get into a major issue there. The Ministry of Agriculture is very ineffectual. Over the last 40 years the World Bank has put something like \$160 million into strengthening the planning, extension and research divisions of the Malawian Ministry of Agriculture and I think all of us would admit that the planning, research and extension of the Ministry of Agriculture is poorer today than it

was 40 years ago. We have this big problem now of, if you have a Ministry of Agriculture which does not function, what then do you do?

**Q66 Chairman:** I missed, maybe the Committee missed, where the money is coming from for your seed and fertiliser? I appreciate that they are doing public works and road building but who is actually funding the seed and fertiliser?

**Mr Carr:** DFID.

**Q67 Chairman:** How much?

**Mr Carr:** For the one year £2.5 million and now we have funds for another 80,000 people out of a bit of money the World Bank had left over which they did not know what to do with. DFID paid for 100,000 people and the World Bank is paying for 80,000.

**Q68 Chairman:** This replaces the targeted—

**Mr Carr:** No, no. The targeted inputs programme will give each person in the country 10 kilos of fertiliser. DFID has called this new initiative *Inputs for Assets*, not *Work for Fertiliser*, in that, quite rightly, you are building up assets within the community. You are not just giving people work. They finish up with a road or a bridge or an irrigation system or something. So DFID has called it *Inputs for Assets*.

**Q69 Chairman:** Why did you think the targeted inputs programme should be abandoned?

**Mr Carr:** The targeted inputs programme giving 10 kilos of fertiliser to 2.6 million families has come under increasing criticism. When it started it was supported by four donors. They have all pulled out and DFID is the only one which is left. The “targeted” has ceased to have meaning because every year we are handing it out to 2.6 million families and we do not have 2.6 million farming families actually. However, they are handing out 2.6 million packages to rich and poor, large scale, small scale. DFID is looking for a way out and this *Inputs for Assets* is giving them an alternative. The other thing about it is that it is self-selecting. DFID has put about £250,000 of this £2.5 million to monitor this programme and see whether this is going to work or not. One of the things they are looking at is whether it helps the poorest members of the community. The answer is certainly yes. The dry season is a time when wealthy people marry off their daughters, dance all night and play ‘bawo’. They do not get up at four o'clock in the morning and go chipping at rock hard soil to make a road. It is the poorer members of the community who are benefiting from this British initiative.

**Q70 Chairman:** Why, after all your efforts, are so few farmers taking up organic? Why, after so much effort, do you only have five per cent of farmers taking up organic? What is the resistance to organic inputs?

**Mr Carr:** Because, as with organic farming elsewhere, the results are not immediate. If you switch over to using trees and so on, it is several years before you really start seeing an impact and it is

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difficult for farmers. They are suddenly asked to do a lot more work than they used to do and they do not see much impact.

**Q71 Chairman:** Without being mischievous, it logically follows from what you have been saying that if we were simply to give a cheque to the Ministry of Agriculture by way of budgetary support, this would not work.

**Mr Carr:** In a way the World Bank has been giving the Ministry of Agriculture budgetary support for the last 40 years and a hole in the sand would have been just as useful.

**Mr Coulter:** May I just add a proviso to this? What we are talking about here is a scheme which has been developed for a country which is in very dire straits. I would not particularly relish that being applied broadly over Africa as a whole because what you get into is a massive production of grain, again back in the scenario which was highlighted by Steve Wiggins in the previous session, where you are getting over-production without regard to the market. One really needs to get people in Africa producing much more in relation to the market needs. If this had been done since independence, one would not have so much of a problem now<sup>6</sup>.

**Q72 Chairman:** Quite a lot of countries are in dire straits. I could cite Sierra Leone importing rice when they could perfectly well produce their own rice, importing palm oil when they could produce their own palm oil. Quite a lot of countries are in the same position as Malawi.

**Mr Coulter:** Yes, but there are countries like Mozambique and Tanzania which are not in this situation and if one promotes very high production of grain in Malawi, and while some scheme is needed, you could get to the point where you are robbing Peter to pay Paul and the people in Mozambique would not have an outlet. That has been a bit of a problem in northern Mozambique whose natural market outlet for surpluses is Malawi. I would just mention another thing on this question of “no government”. Is it because since independence we have had too high expectations of what governments would really perform? I have had the good fortune of going to live in Latin America before coming to Africa and I realised that 150 years after independence many of the problems I came to see in Africa had been there a long time. Maybe we should have expected governance problems in the first place.

**Chairman:** I do not think Africa has another 150 years to wait.

**Q73 John Barrett:** To follow up what you were saying about access to markets but in contrast to what you were saying, when we visited Malawi it did seem quite depressing and people were getting starter packs, we saw the infrastructure was not there, the production at the basic smallholder level was not happening. If things are to move on, we are expecting smallholders to have access to markets,

but would they be able to take advantage of market access because of the lack of capacity, lack of facilities, lack of transport, lack of other services they may need? If we are looking at smallholders and saying they must get access to these markets, do they have that capacity? Do we need to be saying that DFID need to be exploring areas they are not exploring just now, so that they can get that increased production, which we did not see in Malawi, but if it did happen how would it then get taken forward and how would these products have access to markets? How would the smallholders gain that knowledge or capacity they do not have now?

**Mr Coulter:** What I am going to propose to you is a long-term game plan. You have to think in terms of 10 or 15 years. In terms of markets for cereals in Africa, you can take two positions. On the one hand you could regard cereals, in particular maize, as a political crop and say you are not going to touch it with a barge-pole. There are so many politics involved; so frequently you find government grandstanding in terms of intervening in the market for short-term political gain, or for short-term profit as we saw in the case of the Malawi food reserve, which I am afraid is qualitatively not exceptional, though quantitatively it is. The amount of perverse politics around the grain market is very great. You can either say, forget about grains, we shall just concentrate on cash crops and do a few local activities with NGOs, or maybe something like the scheme we are talking about here. Personally I do not think that is a very good idea, because what you are going to find is that there is going to be increasing hunger and increasing dependence on food aid and the situation will get worse. Food production can be a driver to development, so one really wants to find ways of increasing it. What I would suggest to you is to take a very long-term approach. This is not something you can do in terms of three-year projects, you are going to need co-ordinated effort of a range of donors working together and also working together with stakeholders in the countries concerned, and that means not just working with the Government. In areas of marketing you cannot really expect the governments, because of various political factors I understand (I do not really blame them for it), to come up with the goods on marketing. There are too many short-term pressures. One needs an open dialogue, including the private sector, the millers, the farmers, and other parties and to try to bring them to a few very core initiatives which I would call “building blocks” to improve the performance of markets. One of these—and I know it is a very difficult area—is to try to sort out crop forecasting. Major international companies will buy grain in countries like Malawi and Zambia, if the government allow them and there is not a lot of intervention, but the lack of an accurate crop forecast is a real problem. If you are going to come and take a position in northern Mozambique and Malawi you need to know roughly whether prices are likely to go up or are likely to go down and that depends on forecast production. When forecasts are subject to all sorts of government or even donor spin, all sorts of pressures to push it

<sup>6</sup> See also Ev 37, for further comments by Mr Stephen Carr OBE.

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up, push it down for appearance's sake, you really have a problem. So that is one building block I would suggest the donors need to get hold of and work on and apply a little pressure. I know it is difficult. Another "building block" is roads and that is where we see most activity now. There is a lot of work going into infrastructure to improve communications. Another "building block" I want to suggest to you is warehouse receipt systems, something which I have worked on since 1992. Have you ever seen a warehouse receipt or are you familiar with the system? This is a specimen of a federal warehouse receipt from the United States. This is a transferable silo receipt from South Africa<sup>7</sup>.

**Q74 Chairman:** Maybe you would like to hand those in so when we come to our report we might like to include them in the report. Is that all right?<sup>8</sup>

**Mr Coulter:** Yes; sure. The document can be a paper document or it can be electronic. In fact the way to go now is definitely electronic. It can be done in Africa where you have the internet system working in major towns. Together with that you need a system for grading the grain and you need a network of warehouses which can be licensed by a licensing authority, and the system needs to be strictly regulated. These are warehouses which are holding other people's goods and if you get one or two major scams they can be discredited for ever. It has to be regulated in a Prussian-type fashion. Think of that in Africa. Anybody who meets certain criteria can be licensed and those failing to perform are suspended or closed down. The system is financed through licensing fees. If you are licensed to run a warehouse and to issue these documents you pay fees. Where does this exist? You can find it worldwide, but particularly you will get regulated systems of warehousing in North and South America.

**Q75 Chairman:** Help us understand. We can understand the mechanics, but what are the benefits of the system.

**Mr Coulter:** The benefits are that it helps kill a number of birds with one stone, in terms of the poor performance of markets. One of the problems you have is the lack of product standardisation. If you are sitting in Lilongwe and you want to buy grain in Nampula, you have to get a sample of that grain to buy it. With this system you can buy it sight unseen because it is graded. The market lacks transparency; the system can put the farmer on equal footing. A farmer group can come and deposit their grain in the warehouse, get it graded correctly and then sell it to a miller who is 500 kilometres away. It can be linked with the provision of market information; lack of market information is a problem. It can assist in the enforcement of contracts, if a third party is acting as guarantor to the delivery of the grain; there are very few forward contracts in the African grain trade, certainly not involving smallholders. It can open up regional trade. The traders can arbitrage between warehousing in neighbouring countries if they know

the price of the grain in the two locations and the cost of the freight between them. It can increase the access to trade finance and lower the cost. The scheme which we have promoted in Zambia is allowing grain to be financed in dollars, at dollar rates of interest rather than local currencies. These are internationally traded commodities. Initially banks will be very reluctant to lend in international currencies, but the fact is that they will. Because you are separating the control of the assets from the ownership of the asset, the banker can start financing against the intrinsic value of the collateral, rather than against the credit history of the borrower.

**Q76 Chairman:** You very kindly sent us a note on warehouse receipts<sup>9</sup>. Are there any academic papers which you have written for which you can give us the references so we can download and read them in greater detail. Would that be possible? That would be helpful.

**Mr Coulter:** I wrote the first internationally available book on the subject with the FAO<sup>10</sup>; it has been translated into three languages. In 2001 I wrote this article (with Gideon Onumah), which talks about experience in Zambia<sup>11</sup>.

**Chairman:** That is fantastic. We need to get our minds around how this is more than just creating a market and that article will be extremely helpful.

**Q77 Mr Colman:** May I say that my father was a farm labourer up in Norfolk, terrible back-breaking work in the 1940s and 1950 pre-mechanisation? We now have the sugar beet barons who have ripped out the hedges and we have this ludicrous situation there. We have nothing to be proud of in terms of our own agricultural system, but I should hate to see Africa not advance on from the terrible conditions which were in farming in this country and which I see over so much of Africa. When I went to Africa in 1964 I worked for Bruce McKenzie in my spare time and with Jomo Kenyatta on the land reform legislation. My questions really relate to the other key assets. You have mentioned fertiliser and seeds, but not land tenure and water. Both of those were possible and the tremendous take-off of smallholder agriculture by African farmers taking over the white farm holdings in Kenya was extremely impressive. You have not mentioned tenure at all. De Soto believes the answer to everything in Africa is perhaps tenure, ownership. What is your view on this?

**Mr Carr:** One needs to be very careful about some of the things which are said and written about this which assume the traditional methods of tenure do not offer security. I have had the good fortune of working in virtually every country in Africa and time and again one finds people being told that local people do not have security of tenure, yet if you just think about it, you have many hundreds of

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<sup>9</sup> Ev 38

<sup>10</sup> *Note by witness: Agricultural Services Bulletin* 120.

<sup>11</sup> *Note by witness: Coulter, J. P. and Onumah, G. E. (2002) 'The role of warehouse receipt systems in enhanced commodity marketing and rural livelihoods in Africa', Food Policy, Vol. 27, No. 4.*

<sup>7</sup> Not printed. Photocopies of these receipts have been placed in the Library.

<sup>8</sup> *ibid.*

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thousands of farmers in Africa who have planted tea, who have planted coffee, who have planted cocoa, who have planted oil palms, who have built dairies. If they did not have a sense of security of tenure, none of those things would have happened. A great deal is said about the local systems of tenure not being secure, which just is not true. It amused me greatly when I lived in a village in Uganda for ten years that officially nobody had any land of their own. All land belonged to the state. Yet the local chiefs' courts were entirely occupied with arguments over land between individuals and as far as they were concerned the land belonged to them and had belonged to their father and their grandfather. The fact that some Act somewhere said that it did not belong to them, it belonged to the state, meant nothing to them whatsoever. I am sure there are situations in which there is insecurity of tenure which may be undermining development, but, to give one further example, the World Bank decided this was a factor in Malawi in 1964 and introduced the surveying of land and the issuing of tenancy agreements. I was asked 20 years later to go back and review what impact this had had. I managed to lock up about 30 chiefs and village headmen for an entire morning and said I would not let them go until they told me what difference it had made. Eventually I had to let them go because nobody could think what difference these pieces of paper made.

**Q78 Mr Colman:** Did you ask the banking institutions the same question, as to whether this would enable lending?

**Mr Carr:** Yes, but they had never been used as collateral and if you look at this, very, very few banks are going to take a smallholder's holding as collateral. To go into a village and confiscate the home of a local person is going to arouse so much antagonism that very few commercial banks would be prepared to do it. All the moderately successful and some unsuccessful schemes in Africa are based on the security of a group of people being guarantors of each other and not of a half-acre piece of land or a three-quarter-acre piece of land. Even if a bank took it over, what are they going to do with it? I have seen some very ugly scenes in the early days, the 1950s, when English commercial banks decided to start lending to slightly larger smallholders and then tried to take over people's farms because they had not repaid their debts. They were met with considerable violence and very quickly pulled out of that particular activity. I am not making a sweeping statement, that nowhere does it have an impact, but far too many sweeping statements have been made on the other side saying that this is a major hindrance to development when there is really very little evidence of that fact. As far as water is concerned, the huge advantage of Asia is that its water runs downhill and in much of Africa the water does not run downhill. People keep coming to Malawi and asking why we are not using Lake Malawi to irrigate Malawi. It is for the very simple reason that as soon as you start pumping water substantially uphill with petrol which has to be carried for 2,000 kilometres, it does not pay. It is not

because people are fools: it just does not pay. We do not have that huge advantage of the Ganges basin and the very heavy rainfall of places like Indonesia where water comes down, can be captured and used for irrigation. It does not mean to say there is not great scope for catching water and having micro-irrigation. It is something on which I am focusing at the moment just in Malawi and I hope to have some impact.

**Q79 Mr Colman:** Mr Coulter, do you want to pick that up? Can you also pick up what has not been discussed when talking about agriculture and that is the role of pastoralists and the situation in terms of their customary land rights in this situation.

**Mr Coulter:** I am not going to talk about pastoralists because I am not much of an authority on the subject. The point about land tenure is that one of the main reasons for having title to land is as collateral for loans. However desirable that may be, it is not going to happen very soon. This brings me back to asking where you are going to find alternative collateral for the farmers to raise money. Let me ask you where you might find alternative collateral for farmers to raise finance? We know about group lending, solidarity lending, things like that. The only other way I can think of is from these warehouse receipts.

**Q80 Mr Colman:** The contractual arrangements which Flamingo Holdings have for instance with some 10,000 smallholders in Kenya is very interesting. These are very small shambas where no more than 25% of the acreage is given over to producing a cash crop and there is a pre-purchase agreement of the crop coming off that shamba. That has been running now for three years and is looking to expand throughout East Africa. They are bringing it to Zambia as well.

**Mr Coulter:** Yes, that certainly is an alternative, where you have contract farming schemes. Apart from that, where you do not have contract farming schemes, the possibility of turning the stock in trade into collateral through the system I have been talking about is a very important one. There is something else I should like to mention on this now or later, if I may.

**Q81 Mr Colman:** Please do, if it is in the same area of land tenure and water which we are discussing at the moment.

**Mr Coulter:** It will keep. It is something I want to come back to.

**Q82 Mr Colman:** Do you wish to say anything further about water? The Chairman has often talked about treadle pumps being one of the major ways to help small-scale agriculture and that we should particularly encourage the production of treadle pumps.

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*Mr Carr:* I introduced treadle pumps into Malawi.

**Q83 Chairman:** You deserve a knighthood for that. We were slightly surprised that there was nowhere in Malawi manufacturing treadle pumps and that the only treadle pumps appeared to come in from—

*Mr Carr:* They are being made in Tanzania at the moment. Responding to that question, what one has also to remember and it is crucial to all the things we are talking about now, is that if you were to go to a Chinese farmer and ask him to think back to a time when nature restored fertility and when the amount of work which had to be done to feed the family very adequately was only 80 or 90 days a year, he would have to go back 5,000 years. If you ask an African farmer today and all he has to think of is his own grandfather. I lived in a village in southern Sudan at the beginning of the 1950s where we were two people to the square mile, practising slash and burn agriculture, which is one of the most efficient forms of agriculture in the world and we were using less labour for the whole productive system than the Chinese farmer at that time was using for making compost. There has been no need to intensify. There has been no need to irrigate, because you could feed yourself more than adequately very simply because you had endless quantities of land. It is only since I have been in Africa, when I have seen the population more than quadruple, that suddenly there is pressure on land. If I could revert a little to saying where the kinds of things I am talking about are, the need for inputs so as to increase production, it is in those countries in which land has now become the constraint instead of labour. It is in those countries you are going to see people starting to have to resort to micro-irrigation because they are now short of land, so they have to intensify its use. As you fly across India, parts of India, you see thousands of what they call tanks shining underneath you, these are ponds of water from run-off, and I am now trying to duplicate that in Malawi where people catch run-off and then practise irrigation in the dry season. The reason why people have not done it is because there has been no need to. If you could feed your family without doing any of these things, why do them? The change has taken place so quickly. The population of Malawi in 1902 when there was a census was 720,000. In 2002 it was 12.5 million. It has never happened anywhere in the world before. People have had to make an agricultural transition such as no human beings have ever had to attempt before and it is not surprising that they have not yet caught up. Those of us who know a bit more about intensifying land use have to help them. We know how you can intensify land use and we have to find ways of doing it. One last point about this fertiliser issue as it applies to AIDS. You can use fertiliser to intensify land use because you are short of land. It can also be used for families who are getting short of labour. If you have AIDS afflicted families who now have less labour than they would normally have done, if you can double your yields, which you certainly can, with the use of fertiliser and good seed, then it means a family could feed itself off half the area of land and not have to do so much work. You

have the one side where you look at Ethiopia, Rwanda, Burundi, Highlands of Kenya, Malawi, where land is now in short supply. These are the places where restoring soil fertility is important. Look on the other side to people who are short of labour and you look at the AIDS families in Africa and say that is another area where fertiliser and good seed would help a family which may not be short of land, but is unable to cultivate it adequately.

**Q84 Chairman:** Do your last two answers not highlight a real policy dilemma for us all? The last few sessions of this Committee have been all about AIDS orphans. All of us had some fairly difficult sessions last week talking to children in Uganda who are AIDS orphans. We were beginning to get the impression that there is a problem with large numbers of people of working age dying from HIV/AIDS and that is happening in some parts of Africa. I think what you were also saying though was that there is a real problem, which one has seen in Ethiopia, one has seen in Malawi, of increasing population. Are there not some policy issues which we have to grapple with on population control?

*Mr Carr:* A Malawian elderly couple rely for their support in their old age on having one decent son who will look after them; in order to get that you have to bear eight children. Fifty per cent of all children born in Malawi are dead by the age of 21; that leaves you on average with two girls and two boys over the age of 21. One of the boys is going to hive off, in days gone by to Zimbabwe or South Africa, to look for work and you are left with one boy out of the eight children to whom you gave birth in order to look after you. As long as you have a situation like that, no kind of legislation or policy is going to have any impact at all on reducing population growth rates. It is only when people have a reasonable sense that the children they bear will live, that they will begin to curtail the number of children they have. At the moment in much of Africa you are talking about child death rates of over 100 per 1,000. In the case of Malawi I am glad to say we have dropped from 235 per 1,000 down to 190 per 1,000. Compare this with England at seven or eight per thousand. You are not going to get people in that situation to think in terms of reducing their family size. It is not a matter of policy with regard to child spacing, it is a matter of policy to see that women who bear children can have some hope of keeping them alive.

**Q85 Mr Battle:** Could I ask you to say a little bit more about the AIDS pandemic please? I was very struck from two angles. Perhaps I will blend two themes together, micro and macro, around the HIV/AIDS question. We met with the Department of Agriculture, we met staff, trained technologists, engineers, economists, highly trained technical people and of the 24 in the room, six would not be with us in two years' time. What I was massively aware of was the stripping out of expertise and trained people at a very high level in that society who just would not be there to keep the society either improving or ticking over. Then go back to the

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villages and a massive awareness of the death of people in villages, people who were queuing up for food, not least because they could not manage their farms with one mother and two small children left behind when the man had died. What do you see as the way through and is it such a devastating impact now on Malawian society and the agricultural economy in particular that much more needs to be focused on HIV/AIDS work?

**Mr Carr:** You have the two impacts on the economy. One is, as you say, that you are losing your better educated people. The number of agricultural field staff in Malawi has dropped from 3,000 to 1,200.

**Q86 Mr Battle:** Because of AIDS?

**Mr Carr:** Yes, largely because of AIDS.

**Q87 Mr Battle:** From 3,000 to 1,200.

**Mr Carr:** Yes. The electricity generating company has actually, to the great surprise of most of us because AIDS is still not publicly discussed, said that they just could not keep up their services because the time it took to train an electrical engineer was greater than the time that they were serving and that they were losing them so quickly from AIDS that they just could not replace them. That is the problem at one level. At the level of the farmer you have to distinguish between the two situations which I have been trying to look at in this. The one situation is in Mozambique, southern Sudan, Zambia, where land is not a constraint at all, you are only using a tiny fraction of the land and the constraint is labour. In that situation I am quite sure AIDS is having a real impact on families who can no longer cultivate the two or three hectares they used to cultivate. In Malawi we are not seeing that impact. If 70% of your population have less than one hectare of land, it means to say that there are still people left who can cultivate that small plot of land. You are going to see the impact in countries which are thinly populated because it is labour which is a constraint and not land. In places like Ethiopia, Rwanda, Burundi, Malawi, you are going to see much less impact because the farm size is so tiny that somebody is going to be left who is able to continue to look after it. The problem is that the one or two people who are left may now have to be supporting six or seven or eight children, orphans, who are a real drain on them. Instead of having to feed two or three people, that piece of land perhaps has to feed eight or nine. That is where the impact of AIDS is going to come in. The labour of that one person and that little piece of land now has to feed more people than it had to before.

**Q88 Mr Battle:** At the moment we know the Americans are putting a great fund behind HIV/AIDS. We do not quite know yet where the money is going but the intention seems to be there and they have put a number on the money for Africa for HIV/AIDS. I tend to be a person who looks at policy from the ground floor upwards and then knits the micro together to build the macro. What would you

suggest in policy terms, whether it is DFID departments or international donors, we should be proposing in the light of what you have just said?

**Mr Carr:** The evidence which is coming out of Uganda actually is that it is the openness about AIDS—and it really is open. I lived in Uganda for many years and I go back frequently. In Malawi AIDS apparently did not exist until about 18 months ago. It was just something which could not be spoken about, whereas in Uganda it has been completely openly spoken about. Because it has been openly spoken about, you have had a situation in which people have realised what AIDS is and how it is contracted and the evidence in a paper in *The Lancet* a month to six weeks ago was that it was actually a change in behaviour which was leading to the decline in HIV infection<sup>12</sup>. It was not drugs, it was not condoms, it was an actual change in people's behaviour which was the main reason why there has been such a sharp drop in HIV infection in Uganda. This goes against everything that many people said. They said it was hopeless to try to change people's attitudes: condoms, condoms must be pushed. This article says that is not the case; that the evidence is that it was because people were aware and began to realise the implications and therefore changed their behaviour. It is a matter of openness. Still in Malawi young people say they have never known anybody who has died of AIDS and ask what all the talk is about. Nobody ever dies of AIDS: they die of malaria, they die of a long illness, they die of something, but you never ever die of AIDS. In Uganda you can stand at the side of a grave and the brother will say "All you young people there, do you know what he died of? He died of AIDS and unless you change your behaviour that is where you are going to go". In most of Africa that is unthinkable. It is getting this openness, this willingness to talk about it which is the only way. As long as it keeps being swept under the carpet, it is just going to go on spreading.

**Chairman:** We must get our Committee Specialist to dig us out that article in *The Lancet* and to circulate it. I am afraid *The Lancet* is not bedtime reading for many of us but that would be a very interesting article to read.<sup>13</sup>

**Q89 Ann Clwyd:** Who do you think should be delivering agricultural services to the rural poor? What is the role of central government, the private sector, donors, multilateral agencies and the NGOs? How should public and private sector involvement be balanced?

**Mr Coulter:** From having looked at the situation in many countries in Africa, in terms of marketing and also to some extent in supplies, it is difficult to expect government to organise the provision of services to farmers in a logical manner. The political pressures on them are enormous. When they have hundreds of

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<sup>12</sup> The article referred to actually appeared in the *Science Magazine*, not *The Lancet*. See "Population-Level HIV Declines and Behavioral Risk Avoidance in Uganda", Rand L. Stoneburner and Daniel Low-Beer, *Science Magazine*, 30 April 2004, Vol 304, www.sciencemag.org

<sup>13</sup> *ibid.*

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thousands of producers on the one hand of basic grains and millions of consumers, the temptation to grandstand politically and to offer what they cannot deliver is overwhelming. This is why I say that the basic European mistake regarding Africa has often been to assume that big governments such as started here during the Asquith Government in the early 1900s could be adopted in newly independent states. Get that out of our minds; it is just not going to work. People who join government in developing countries very often may have good intentions, but ultimately they join government, they work for government, they campaign for government, they want a job, they want to help their family, their clan and things like that. The public service ethic is not strong enough. The reasons for going for liberalised systems are not the neo-classical arguments of the economist; it is not in any way optimal. If the state functions well it can provide many of these services often quite as well as the private sector. The reason is institutional governance. But sometimes you cannot get the private sector to do everything either. There are certain functions—call them public goods—which need to be created and one needs to think how you can create those public goods but insulate them from the day to day political process and pressures. That is the biggest challenge we have. This country did it in terms of making the Civil Service autonomous in the 1870s, very late in our history, so you would not get the fifth sons of baronets turning up for jobs. This is a challenge of creating institutions to do some very fundamental regulatory activities which the private sector cannot possibly do, but which are distanced from the state. I should like to mention this in the case of the warehouse-receipts initiative. I have seen the work of a number of donors and done some work under contract for some of them. Donors often still go into the countries presuming that governments can do this and that. Sometimes it may be through naivety, sometimes it is because of the way they are set up and are committed. They may be UN-type organisations which are committed to doing the country's bidding, so politically they must recommend the government

does this or that. If I am going to recommend a system for regulating the issue of warehouse receipts in Africa, very rarely would I recommend government does it directly. I would say that governments should pass a law which will appoint a company to regulate the issue of warehouse receipts and then delegate the regulating function to a stakeholder-controlled organisation, even to a commodity exchange, something which has some beefy private sector stakeholders in it, maybe the banks particularly, commercial farmers and things like this. I must say, taking this message to Africa, the warehouse-receipts concept is amazingly popular but when you start talking to government about that (distancing regulation from politics), it can sometimes be a little difficult. It is a little like *lèse-majesté*. However, I am afraid we have to start to be honest about some of these things and they are not things which have to do particularly with Africans, I can see them in Latin America: they are to do with human nature.

**Chairman:** Thank you both very much. Many thanks in particular to you, Stephen, for coming from Malawi. You have given us a lot of food for thought. You have given us food for thought that perhaps all too often we tend to treat every African country, or particularly every sub-Saharan African country, as though they are the same when they clearly are not. Secondly, you have given us food for thought about questions we ought to be asking about budgetary support. If DFID is moving increasingly towards budgetary support, following on from the points both of you have been making about weakness of government, is one then just reinforcing that weakness? Thirdly, you have given us food for thought about whether we at some stage ought to be thinking about the sorts of questions that the Commission for Africa ought to be asking. If the Commission for Africa is going to be working in the first six months of next year, or indeed the whole of next year, for the G8, maybe we need to be giving some thought as to what the Commission should be putting its mind to, because you have raised a number of points today. Thank you very much.

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*Witnesses:* **Dr Michael Lipton** CMG, Research Professor of Economics, Poverty Research Unit, Sussex University, **Professor John Mumford**, Professor of Natural Resource Management, Imperial College London, **Professor George Rothschild**, Co-ordinator, Independent Advisory Committee of DFID's Renewable Natural Resources Research Strategy Programmes (RNRRS), and **Dr Colin Thirtle**, Professor of Agricultural Economics, Imperial College London.

**Chairman:** What we are going to do is to ask questions, but they are really as prompts for topics so all of you feel free to comment. You have obviously heard the previous questions, so please feel free to refer to those.

**Q90 Tony Worthington:** May I move us on to the interaction between the smallholder economy and what happens in the wider world? The most clear-cut example of that is interaction between those markets, the smallholder economy and our supermarkets. You see some instances where it

seems to be a healthy relationship and the one which is always quoted is of flour production within East Africa which would then appear in Sainsbury's and so on. It would be to our standards. Are the general trends in the global economy tending to undermine the smallholder economy? If we are supporting the smallholder economy is this for social reasons or because it is the most effective economic use of the resources in those countries?

**Dr Lipton:** One has certainly to ask the efficiency question; you cannot just ask the equity question as then the very poor country ends up sacrificing large

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amounts of resources simply as a charitable operation. You cannot use production as a charity. The fact is that for most crops in most African situations smallholding is actually a rather efficient way of managing resources. If you are using a lot of labour and you cannot afford much capital, what you want to do is cut the supervision costs of labour, and a family is good at cutting supervision costs of labour because they all know each other and they look after and watch each other and teach other. They are also good at supervising hired labour, if any, because there is not much land and they each have a rather small space to do their supervision over. If you have a labour-based farming system, as almost everywhere—not everywhere—in sub-Saharan Africa does, smallholding does pretty well. There are many studies in Kenya, studies of rice production in West Africa, comparing your large, subsidised, irrigated officer class in the Niger valley and smallholders. You go to a West African smallholding in Sierra Leone and ask whether it is farming: it is all crops mixed up, big chunks which are not farmed. If you actually look at productive efficiency in terms of output per yield of domestic resource cost, it is the small mixed farm which wins, and the large farm is sustainable only because it is subsidised. Generally, quite differently from Europe and North America where large farming wins out because you use lots of capital, in the labour-using African situations small farming is actually pretty efficient. Passing to your point about supermarkets, some wonderful work has been done recently by Tom Reardon<sup>14</sup>, looking at the impact worldwide of supermarkets. There are certain parts of Africa, eastern and southern Africa in particular, where supermarkets are spreading very rapidly and not just in the big cities, but in the rural small towns and over a wider and wider range of crops. They might start with meat and dairy, fruit and vegetables and then they move onto staples and indeed pretty well everything. Supermarkets can be under certain circumstances a very dangerous force for the survival of smallholdings because if you are a supermarket you want to have low-cost procurement, low-cost supervision. If you are meeting standards on things like pesticide use and even more if you are concerned with child labour standards in the West, your problem is not that small farmers are worse at these things, but that it is just much costlier to look after 1,000 small farmers with one hectare than one large farmer with 1,000 hectares. That problem can be solved and the

natural competitive advantages of the small farmer made use of, even in supermarket circumstances, if there is an intermediary, usually a private intermediary, sometimes a co-operative, to link the many smallholders to the large supermarket purchaser. That sometimes worked in Guatemala. Tom Reardon has just written to me, I cannot quote you a paper yet, with some very interesting observations on how this problem is being tackled in China. Intermediation is possible, which enables smallholders to contract efficiently and competitively with largeholders, with supermarkets. It will not happen if the problem is not thought of in advance and tackled in advance.

**Professor Mumford:** I actually have Reardon's paper with me on China, so I can give you a copy of it<sup>15</sup>. It does focus on the fact that these associations are developing. The supermarkets may well increase the size of farms they buy from, but we are still talking about moving from a half-hectare farm to a one-hectare farm; they are still smallholders. One billion people could go out of agriculture and the average size of farms would still be one hectare. Smallholders are not going to disappear; it will still be the predominant form. The supermarkets in many cases are locally owned, so it is a benefit at both ends to the farmer and to local industry.

**Q91 Chairman:** At Sussex you wrote one of the papers which launched DFID's consultation. That is right is it not?

**Dr Lipton:** Yes.

**Q92 Chairman:** Where will we find from you, in an academic paper somewhere, what you see as the role of small-scale agriculture as a means of poverty reduction and as the first steps of a process to large-scale rural development? Doubtless somewhere you have written a kind of blue print to what people should be doing in terms of sustainable small-scale agriculture.

**Dr Lipton:** I was Lead Scholar in the group which worked with the International Fund for Agricultural Development in producing the *Rural Poverty Report* a couple of years ago<sup>16</sup>. What we set out there was really the four components: the technology, the assets, the institutions and the markets. Frankly, development professionals are very much creatures of fashion and we swing from one end to the other. It used to be all technology and green revolution and assets, getting land to the poor. Then it went right to the other extreme: it was all institutions and markets and the technology and the assets were a bit forgotten. If you look at the last 20 years or so, the rate of growth of staples yields from the green revolution has come right down even in India. Asset distribution by way of consensual land reform has also slowed right down, except of course in the

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<sup>14</sup> Note by witness: Reardon, T., Codron, J., Bush L., Bingen, J. and Harris, C. (2001), 'Global change in agrifood grades and standards: agribusiness strategic responses in developing countries', *International Food and Agribusiness Management Review* 2,3; Reardon, T., Berdgue, J., and Farrington, J. (2002), 'Supermarkets and farming in Latin America: pointing directions for elsewhere?', *Perspectives*, 81 (December), London: Dept for International Development; Reardon, T., Timmer, P., Barrett, C. and Berdegue, J. (2003), 'The rise of supermarkets in Africa, Asia and Latin America', *American Journal of Agricultural Economics*, 85, 5 (December); and Dinghuan Hu, Reardon, T., Rozelle, S., Timmer, P. and Honglin Wang (2004), 'Emergence of Supermarkets with Chinese Characteristics', *Development Policy Review*, forthcoming.

<sup>15</sup> Forthcoming article, 2004, *Development Policy Review*, 'The Emergence of Supermarkets with Chinese Characteristics: Challenges and Opportunities for China's Agricultural Development' (*ibid*). Copy placed in the Library.

<sup>16</sup> International Fund for Agricultural Development (2001), *Rural Poverty Report 2001: the Challenge of Ending Rural Poverty*. See <http://www.ifad.org/poverty/index.htm>.

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former communist countries. Those real things, on which institutions and markets work have not been moving as favourably for the poor as they did in the successful days of the early decades of the green revolution. It is very important now to start reviving the rate of growth of yields as it is given by technical progress and also to start reviving the transfer of assets to the poor. The details of these things and how they have been done and can be done and the success stories are spelled out in the IFAD *Rural Poverty Report*.

**Q93 Chairman:** We need to find a copy of that so we can circulate it to the Committee.

**Dr Lipton:** I can leave one with you.<sup>17</sup>

**Q94 Mr Battle:** May I switch to water resources again? I was very struck by an aside of Stephen Carr's. I am left with an impression that Asia is on a mountain and the rivers all flow down; Africa is a basin and the water is at the bottom and we cannot get it up the hill. Are the challenges of irrigation small scale and large scale? A question in the back of my mind is the shift to urbanisation and cities and what impact that will have on rural agriculture and in the light of water resources as a sustainable factor in that. We see a denuding of the land and a movement from the land to the cities because people cannot keep going there for a number of factors and access to water might be a primary one.

**Dr Lipton:** The two questions you have asked are very closely linked together. There is an urban demand for water from people who are willing to pay the market price, especially for domestic water. Some of those people are very poor and badly in need of water. Something like 90% of all commercial offtake of water in sub-Saharan Africa is for agriculture. It is almost all for large farms, yet little of the land of most countries of Africa is irrigated. A generous estimate is that 3% of all the crop land of sub-Saharan Africa is water controlled; in South and East Asia 40% of all the crop land is water controlled. It is quite true that very often the topography is less favourable in sub-Saharan Africa than it is in South or East Asia, but that is by no means always true. We very commonly, going around sub-Saharan Africa, see water bodies, small or large, which are simply not used. I have been along the side of the Limpopo River between Botswana and South Africa on the Botswana side and I have heard small farmers bitterly complaining about drought when there was water in the river below. However, there was no technology, a shallow draft pump, to get that water up and no extension or instruction to explain to these people how that water might be used; mainly, no technology on the market. There are gaps, there are great possibilities for using the available water, but there is at the same time great pressure on such water as the rural areas do get, from the growth of urban domestic demand.

**Q95 Mr Battle:** The technology question intrigues me. I think I remember from school that the Egyptians managed to use a screw pump to get water out of the Nile to the fields and up hill, did they not? Can we still not get water up hill in an intermediate technology fashion? What are the barriers to the technology?

**Dr Lipton:** It is certainly true that not only North Africa, but also Ethiopia have quite a long tradition of irrigation but you also have vast areas of Ethiopia in particular and sub-Saharan Africa more widely where irrigation is quite rare. There are farmer-controlled water systems. The *molapo*, for example, in North West Botswana is a small-scale river diversion. You see that also in several other parts of sub-Saharan Africa. Certainly farmers have invented bits of irrigation for themselves. What is almost always required is some interaction between the farmers' own research process and the formal research system and those formal research systems, both on the water side and indeed domestic national agricultural research systems more widely, are very weak in much of sub-Saharan Africa. You heard about treadle pumps earlier on. One might add micro-drip. Micro-drip systems have been enormously successful in Maharashtra in India in areas with just minimal groundwater, minimal bits of surface water; you can run micro-drip off anything. What you do is greatly increase crop per drop. You increase the efficiency of water by delivering it directly through to the root zone. All you really need is a thin strip of plastic with a hole in the right place and, crucially, something to strengthen the area around that hole so the thing lasts two or three years rather than two or three weeks. That strengthening process and the arrangement of the pipes is where you have to put in a little formal engineering on top of what the farmer does for herself<sup>18</sup>. Yes, a lot can be done.

**Professor Rothschild:** Work is going on, which I think DFID supports through its renewable natural resources research programmes. On water harvesting in Tanzania, for example, they are looking into approaches which small farmers can use. Just to comment on the issue of urban/rural interface, a lot of people in terms of technology now are seeing that as a continuum; they are not seeing a stark division between them and us. For example, you even have urban agriculture in developing countries becoming more prominent. You have peri-urban agriculture; for example those who go to Kenya will see small farmers getting cash income. They also need to grow enough for themselves, because of this burgeoning population, but they are also growing vegetables, in some cases in connection with commercial companies, which are also linked to the export trade, but obviously there is still this great requirement to produce enough domestically for your domestic markets and not to be solely export oriented, which obviously is also an outlet.

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<sup>18</sup> Note by witness: S.J. Phansalkar (2003) *Appropriate drip irrigation technologies promoted by IDEI: a socio-economic assessment*, Delhi: International Development Enterprises India.

<sup>17</sup> *ibid.*

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**John Barrett:** Could I move us on to GM crops and GM technology? What will be the financial implications of increased use of GM technology? Who would benefit from this? As we in Europe and very close at hand in Scotland are very concerned about the testing and the possible impact of GM crops, is it any surprise that African countries which maybe do not have the same capacity to assess the impact of GM crops will follow our lead in Europe and be very wary about their use? What is the likely impact? We sometimes hear of the development of drought-resistant strains of crops, but I do not know enough about that. Can you say a bit more about the impact of GM crops?

**Q96 Chairman:** I think the Nuffield Council have submitted a paper of which you are aware<sup>19</sup>.

**Dr Lipton:** The first thing to say is that it depends on what the trait which has been introduced into the GM crop is for. GM crops, at the risk of being somewhat controversial, are really no different in their risks, their options, their benefits, their costs, what they can do, from the range of plant breeding more widely. This is a new technique of plant breeding. Whenever you introduce a new plant with a different gene set, or a variety of a given plant, into an environment which has not had that plant before, there are possibilities and there are risks. There are interactions which need to be tested before that crop is sold commercially, indeed particularly before it goes to small farmers who may be less able to deal with the risks. That really is a general issue about plant breeding which needs to be taken very seriously, rather than a specific issue about GM. The sort of question one ought to be asking is: what traits do poor people in African agriculture need? If you take the main trait that genetic modification has gone for, it is herbicide resistance, in order that you can put a lot of herbicide on the plant and the weeds and the weeds will die and the plant will survive. That is the main single trait: 60% of all GM plants in the field are bred just for herbicide resistance and another 15% for that plus something else. Frankly, if you are in a country which has mass unemployment and very few other opportunities for work in agriculture, you need herbicide resistance like a kick in the head. That is not an argument against GM at all, because there are also some non-GM crops which resist herbicides. It is just the wrong trait, the wrong agricultural research strategy. What sub-Saharan Africa needs by way of traits for crops, principally, is higher yield in food crops and greater resistance to moisture stress and to the major pests. If you could get that, you would then go on to capacity to survive or not to stimulate striga, if it is one of the crops which does interact with striga. You go to a completely different set of traits. The green revolution was extremely good on the whole at breeding for key traits in water controlled conditions of Asia and for the crops which Asian farmers principally farm. What is

needed is to bring the whole array of plant breeding skills to bear on the traits which are priority for poor African farmers. In that context, coming just specifically to the GM issue which you asked about, GM is a very valuable addition to the armoury of the plant breeder; in some respects it could be transformative. It is a very long way down the road, but there may be the capacity of GM to transfer genes from what are called resurrection plants—plants like cacti, which, if there is a very long period of drought can then resurrect after that drought when the next rains come. Supposing one could introduce genes for that, which have been identified, into maize and then when the rains are three weeks late the maize is ready to revive. It is extremely difficult to do that by conventional plant breeding from within the maize plant; no-one has succeeded yet. If it could be done by transgenics, that would be a tremendous step forward. Similarly, if the present effort to breed high vitamin A varieties of rice were to succeed. You cannot get provitamin A into the part of the rice you eat (the grain) from within rice itself, because the gene which expresses the precursor for vitamin-A-generation in the human body does not exist in the rice plant; but it exists in several other plants such as daffodils, so you introduce that gene into rice, and if it can succeed in the field—and we do not know yet—that would be a great step forward against vitamin A deficiency, and that can only be done by GM. The question I would ask is what are the traits these people need? Is GM the right way to do it? If so, can one get the system of seed supply and delivery and research in place for the small farmer and for the poor so that the farmer has a choice and is not dependent on supply from just one company? Those are all questions to which one might get positive answers, but they need to be carefully looked at.

**Professor Rothschild:** One important thing is that a lot of the controversy has really been derived exactly as Michael says from these particular GM crops which have been linked to a technology which a major multinational company is associated with, in this case weedkiller and Monsanto. There is a lot of what I would call public good work which is going on in international institutes. I used to look after one of those and suffered blockades from Greenpeace and others, the anti-GM lobby, because we were working on genes such as the vitamin A one which Michael has mentioned, the so-called golden rice, but also on GM technology which was needed to reduce pesticide use, the so-called Bt genes. In this case South African smallholder farmers are already using cotton with that gene. They are out there using it and it has great implications for reducing impacts on public health, on the environment, reduced costs of pesticides and so on. The one thing I should say, and DFID has supported quite a bit of work on this, is that none of these things is released in countries where they have no bio-safety regulations in place. There is a major capacity-building exercise out there for use of any of these materials. They are not really dumping things: because of European or British regulations let us go out and toss GMs out in developing countries. That is not on. There are no donors which would support that kind of work.

<sup>19</sup> See Ev 63, and also Nuffield Council on Bioethics (2004), *The use of genetically modified crops in developing countries: a follow-up Discussion Paper* (Working Group: D. Burke, M. Gale, M. Lipton and A. Weale): London.

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**Dr Thirtle:** As the South Africa person around here may I add that they were growing GM cotton until the world cotton price collapsed, largely as a result of George Bush paying off the people who voted for him, the 25,000 cotton farmers in the US who voted for him. The subsidy is absolutely enormous when you work it out on a *per capita* basis. It did work very well. This started out four years ago in Makathini Flats in KwaZulu Natal and they were doing very well indeed with it. It is rather a nice idea because what happens is you buy expensive seed which contains resistance to the boll worm, which is the greatest local pest, and instead of spraying chemicals which amount to something rather like agent orange without any safety equipment and with a backpack sprayer, you actually do not have to do that any more; much less at least. What you are doing is balancing off the extra cost of the seed against the saving in chemical cost and the fact that you do get higher yields. You get higher yields partly because they underused the pesticides, partly because they were expensive, partly because they were so obnoxious to use and, particularly in a bad year, because the pesticide works mostly by the residue being left on the leaves. If you are unfortunate and it rains, it gets washed off again and you are back to square one. The Bt gene does not get washed off because it is inside. All the earlier results look very good indeed. We were afraid that although it was attractive to farmers it might be displacing hired labour, but there was no evidence of that either. Although you are saving labour on your cotton spraying, there is extra harvest and extra weeding to take care of. It balances out and there is even a slight gain in employment. There is nothing really horrible about this, provided the chemical companies do not at some point turn round and start appropriating all of the returns. It was a monopoly input supplier and a monopoly buying the cotton but they had not as yet used their powers in any evil way, which they obviously could do. That is cotton. Bt white maize has been released for the last couple of years. The maize stem borer, which is what it gives immunity to. The answer to your question is that there is no drought-resistant stuff on the ground yet anywhere. Drought resistance is not a trait they have managed to build in. The Bt white maize does actually seem to give good results and for most of sub-Saharan Africa it would be the same kind of story. Mostly it will increase yields. The first work on the cotton was done in China: huge reductions in chemical use, not much increase in yield. In Africa you get a big increase in yield and not that much decrease in chemical use. The difference is how underused chemicals were in the first place. The white maize goes the same kind of way.

**Professor Mumford:** I just want to make a comment about herbicide. I agreed with everything else that Michael said but the herbicide issue is something I should like to take exception to. About ten years ago some colleagues and I conducted a study funded by DFID in a number of countries in Africa and in South Asia on the potential for herbicide use in small-scale agriculture. In Tanzania for example, we found that weed control was a predominant

occupation of women on farms and there was serious doubt about whether it was the most productive use of their time. We heard earlier from Stephen Carr about the mortality rates of children in African countries and one might imagine that the mothers would be better served looking after their children than looking after weeds. We found on farms in Tanzania that up to one third of the land which farmers planted was abandoned before it was harvested because they could not keep up with weeding. We also found, talking to agricultural suppliers, that one of the most common things which was stolen from their warehouses was herbicide. There is a strong demand for herbicide and some potential for it, despite the large amount of labour in rural areas.

**Dr Lipton:** I am sure there are conditions where it is good for farmers, even small farmers, to use herbicides. However, in conditions where you have very high rates of unemployment, and the poorest of the poor are generally those who depend on weeding labour—and if they do not have any land of their own that really is perhaps their main single source of income, that and maybe some harvest labour, maybe some hoeing—one has to be very, very careful before adopting an agricultural research strategy which might throw these people out of work. I am not saying there are not circumstances, especially in upland farming, where there is more land which could be farmed and the only reason you cannot do it is that you have a labour constraint and cannot get the land weeded. Normally I would be extremely cautious about that as an aim for agricultural research.

**Q97 Ann Clwyd:** I should really like to ask you how to get rid of slugs in my garden without using slug killers. It is quite revolting and I have never heard anybody give an answer. I am sure you can tell me afterwards. Can you tell us how pests impact on agricultural productivity? What are the key approaches to tackling that particular problem?

**Professor Mumford:** Pests affect productivity in two ways. First of all they reduce it and, secondly, add to the variability of it. So they make agriculture an unprofitable and risky business. They are a mix of an ecological problem and a social and economic problem. They impinge on the way people behave. People are afraid of them. They have a very broad effect on the agricultural community. They affect the quality of produce which goes into store, so that it limits the opportunities for sale, it affects the timing of crops and they impinge on absolutely every stage of agriculture and all parts of people's lives in rural communities. The opportunities for control need to cover that same range of complexity: to have an ecological component, to have a social component, to have an economic component. As far as slugs go: stale beer in a bowl is a much simpler answer.

**Q98 Mr Colman:** I seemed to spend a lot of time going backwards and forwards to Kenya to try to stop the EU from blocking exports of agricultural produce. The phytosanitary standards of the EU have had the spin-off that a Kenyan company called

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Dudutech, which I am particularly impressed by, is breeding good insects to eat bad insects. Is this particular knowledge from a Kenyan base available more widely? Do people realise what is going on in these countries? With an offshoot of the EU saying pesticides cannot be used, there is this extraordinary situation where the indigenous knowledge is available to deal with this situation rather than through use of pesticides.

**Professor Mumford:** It is a very widely adopted technology. There is a question over whether you would call it indigenous knowledge. There is a tremendous amount of technological development which has gone into the development of bio-pesticides or a bio-control agent.

**Q99 Mr Colman:** These are actually insects which eat other insects.

**Professor Mumford:** Indeed; yes, but they are part of a wide-ranging technical solution in biological control which ranges from predatory or parasitic insects through to fungi and other diseases which can be used against insects or weeds. It takes a lot of technology to make these work. It is not simply a matter of conserving the natural enemies in all cases. In some cases it is; you simply educate farmers about so-called farmers' friends. Keep the insects which prey on your pests in your fields. Do not upset them by the kind of agriculture you adopt. The sort of thing Dudutech is involved in is a much more commercially oriented product. It has the same issues which surround other forms of pest control like pesticides. It needs to be developed technically, it needs to be commercialised, it needs to be registered and regulated so that there is a quality standard. That is something which DFID has been supporting through not only the technical developments, but also registration advice. It helps to meet European standards, because it does not involve conventional pesticides.

**Q100 Mr Colman:** I am assuming it does not deal with Ms Clwyd's slugs, but does it have a commercial application in Europe?

**Professor Mumford:** Yes; indeed. There would certainly be a potential for export, provided there was suitable regulation for the movement of the live insects and fungi to make sure that they were not a threat to some other aspect of European agriculture.

**Professor Rothschild:** These techniques of biological control and alternative approaches to managing pests and diseases are widely used throughout the world. In the African context certainly there has been quite a long history of this. For example, in Nairobi there is a large international institute devoted to that called ICIPE, the International Centre of Insect Physiology and Ecology, and quite a strong national programme. Then, through partnerships which DFID has supported with its own research programmes, work has taken place on the strategic research and to take that out commercially with Dudutech has been a way of doing that. This is all really a component of what these days is called integrated crop management or integrated farming systems where it is a very broad

kind of thing. One of the issues of course is with the burgeoning population in Africa and in other parts of the developing world the need to produce perhaps half as much food again means that any of those losses become critical. It is estimated that with pest diseases and weeds perhaps as much as one third of all food production is lost, if you include the post-harvest side of it, what is in store. If you are trying to feed that number of people, an extra half as many again, and you lose one third of what you have, it is pretty serious stuff.

**Dr Lipton:** There are also some things which are not conventionally considered the sorts of pests scientists do a great deal of research about such as quelea birds and rats, which take an enormous amount of crop, perhaps more in sub-Saharan Africa even than in South Asia as a proportion. Clearly, if it were possible to design promising research which would control those things, there would be a huge impact on humanly consumable food output.

**Q101 Chairman:** This takes us on to our last area which is the brain drain. I remember as a child the father of one of my friends worked at the Tropical Storage Institute; it was a very early offshoot of the ODA, way back under Judith Hart. Have we advanced at all? Have we done anything? Have we ticked any of these boxes in that one had thought way back in the 1950s and 1960s perhaps we had done things on crop storage against rats and so forth? Or is it just that we thought we had done these things and—I choose my words carefully, because they are not meant to be pejorative—post-independence some of the things like the national agricultural research organisations in certain countries have just disintegrated, agricultural leadership has disintegrated and we are back to less than subsistence farming in some countries?

**Dr Lipton:** May I come back first of all to the stored products issue? As far as the main cereals are concerned, the rate of return from improving crop storage is quite surprisingly small when one looks at it.<sup>20</sup> It tends to be over-estimated because people look at the tail end of farmers' own stores and they find them pretty badly messed up by various pests. Of course those stores are controlled on a day to day basis, usually by the wife; and when there is an infected area that is removed. When one actually measures losses in store, which is a very tricky thing to do, they are much smaller as far as grains are concerned than the popular impression. This does not at all apply to fruit and vegetables or to dairy produce, but the idea that there is an enormous bonanza to be made in staple crops by improving on-farm storage is probably a bit too optimistic<sup>21</sup>. Yes, some sub-Saharan African research systems have decayed very badly on account, principally, of the extreme fiscal stress. I think of my good friend Dunstan Spencer, a very fine Sierra Leonean

<sup>20</sup> Note by witness: Boxall, R., Greeley, M., Lipton, M., Neelakantha, S. and Tyagi, D. (1978) *Food Grain Storage Losses in India: A Social Cost-Benefit Analysis*, London: Ministry of Overseas Development.

<sup>21</sup> See note by Jonathan Coulter in response to this: Ev 41

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agricultural economist: this idea that people like that just fly off to get the highest income they can elsewhere is insulting. I know you are not saying this, but some people say this, and it is really not the case. They try desperately hard to work with their national systems, find it infeasible and then go to see whether they can do something for African agriculture somewhere else. Some systems really are at a breakdown point; very many are not. The Kenyan agricultural research system is certainly thriving; the Ethiopian system is recovering to some extent; the South African system is very good. There is a whole lot of sub-Saharan African research systems which are managing but desperately short of funds.

**Q102 Chairman:** Do you think this is an area where DFID should be doing more to help agricultural research in Africa? What would you see as the policy returns on that?

**Dr Lipton:** I am a believer in this area in some sort of matching grant concept. There have been too many cases in sub-Saharan African agricultural research of a donor coming in with a package and the government saying "Oh, we do not need to do any more of that, then!" I do not wish to malign the governments; they are under incredible fiscal pressures and pressures from all parts of their population and that is how they are extremely tempted by democratic processes to behave. But, it is very important that a system of agricultural research support should be that: support, and not doing it instead of the countries concerned. In the countries where that can be achieved, it is a very high return operation, if there are promising research lines, as there usually are.

**Professor Rothschild:** May I make a general comment? You referred to the Tropical Products Institute and all those institutions which were very strong on partnerships with developing countries research partnerships. It is true to say that there is as much a crisis in loss of capacity and institutional strength in this country and in other OECD countries for institutions engaged in partnerships with the African agricultural research systems and others as there almost is in some of those countries themselves. So my view is that if you want to get sustainable outcomes of what you are doing, first of all there has to be a major commitment to building up the national institutions. This has been talked about endlessly.

**Q103 Chairman:** National institutions in Africa?

**Professor Rothschild:** In Africa and in other parts of the world too where these are not well developed. That does imply that even if, as a stage in that, you have capacity building through partnerships, that is one of the best ways of achieving that. That may well mean either south-to-south partnerships or north-to-south partnerships and that is where we are seeing a major attrition of capacity, not least in this country, of institutions which still have the capacity to be able to do that. If we lose that and maybe even change to programme direct budgetary support for science and technology, if agriculture and even less

so agricultural research is not on the agenda of the poverty reduction strategies of countries in Africa, it is not going to get anywhere anyway. There are some very important fundamental issues which I would certainly urge this Committee to look at, as well as just the "What?" of what we are doing, but also the "How?", the "Which?" and the "Who?". That is an expression which several of us have been using in this forum which DFID is currently conducting.

**Q104 Chairman:** You are all academics and we are very grateful to you for sharing your experience with us. George, as I understand it, you are Co-ordinator of the Independent Advisory Committee of DFID's Renewable Natural Resources Research Strategy Programmes. Is that right? Quite a mouthful. Presumably you are giving advice to DFID on exactly that, on what they should be doing in that sort of research, are you not? Is that right?

**Professor Rothschild:** Yes.

**Q105 Chairman:** There must be a fear, if we move consistently to budgetary support, that work such as this work is just going to get missed out?

**Professor Rothschild:** Yes, and may I just say that one of the biggest problems is to build the research into mainstream development, to have a system where that happens so that the research you do is needs driven; it is driven by the real needs of those in poverty, but is not seen as something abstract which you can dovetail with the development process when you feel like it, which is the largest part of what DFID does. At the moment there does not appear to be a clear mechanism for achieving that continuum between research development and application at the farmers' end.

**Dr Lipton:** May I very strongly support that, and also your statement that it really all starts from the government of the country concerned, its civil society, and their strategy and whether agriculture has a place in it? Most of the Poverty Reduction Strategy Papers do not have the word "agriculture" or "agricultural" in them. Uganda is a very striking exception and is a much better paper for that reason. The whole poverty reduction process was supposed to be driven by each developing country, not by the donor community. The developing country was to come up with a plan to reduce poverty by half in 1990–2015. The actual numbers are not all that important, but there has to be a strategy with targets and some set of priorities for meeting them. Obviously, if you cannot provide decent workplaces for people, and 70% of your employment is in agriculture, and agriculture does not loom very large in the thinking of the people who are writing a poverty strategy, not very much progress is going to be made. One does need to start by injecting a basic agricultural concern into those strategy papers. If you ask what it has to do with the West, what it has to do with us because they are *their* Poverty Reduction Strategy Papers and we are just trying to slot in the aid to meet *their* anti-poverty strategies, that is absolutely right. What the West has done is cut its own aid to agriculture in real terms by two-thirds between 1985 and 2003; not as a proportion of

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25 May 2004 Dr Michael Lipton CMG, Professor John Mumford, Professor George Rothschild and Dr Colin Thirtle

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anything, but the absolute value is now one third of what it was almost 20 years ago on the latest OECD numbers which I just looked at earlier today—while, of course, constantly putting up new disincentives to agricultural production in the developing world. Everybody talks quite rightly about EU and US cotton and sugar subsidies, but we also ought to talk about the staples: EU and US support for wheat and maize production, which has the effect of pushing the world price of those right down. You might say, if you are a deficit country in sub-Saharan Africa and you have a lot of poor people that it is good to push the price of these food staples down. In a very, very short run, like tomorrow, that is true, but if these countries are going to use 70% or so of their population in agriculture to feed themselves, then there is not a lot of hope if the most powerful agricultural producers in the world are doing everything they can to make the production of those products unattractive. It is in that context that the agricultural research questions obviously have to be set. The countries are saying “Here’s our poverty. Here’s the role of agriculture in getting rid of that poverty. Here’s what we want to do in that agriculture”. For that, the conditions for agricultural production that we in the West are creating are a very serious part of the problem.

**Professor Mumford:** I want to make a point about the time horizon of these strategies. They need to reflect the ecological and economic cycles and processes which create some of the problems. We cannot have a short-term cycle of projects; we have to have a reasonably long strategy which allows the

people in developing countries and the people in institutions in Britain to have some commitment to see a problem through to its solution. That is vital. We cannot have a three-year programme; we must have at least a ten-year strategy.

**Chairman:** I do not want to prolong this, but I just want to make two final comments. Is not part of the problem with the poverty reduction strategies the same problem that it was only as a consequence of this Committee badgering DFID that DFID came up with an agricultural consultation paper? I cannot remember who it was who said earlier that academic policy and government policy go in fashions. The fashion for the last ten years has been sustainable development, so agriculture fell off the agenda here. In many developing countries agriculture was regarded as not being a particularly sexy subject, however important it was. My last point. When we are thinking of the Commission for Africa and the work the Commission for Africa might do next year, clearly one of the bits we perhaps ought to be looking at is how to strengthen this north-south relationship in research. Listening to what you have all said today, I think it is fair to say that it has obviously become much weakened in recent years. That is partially because not sufficient attention has been given to it here by the donors and there has been too much of a weakening of capacity in the south. I think that is a fair summation and I think your nods are confirmation of that. Thank you very, very much and thank you for sparing us your time and for the references to other reading, which we will do because these are important issues. Thank you.

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# Written evidence

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## Memorandum submitted by Mr Stephen Carr OBE, Malawi

In his response to the Chairman's question number 71 Mr Coulter expressed his concern that giving farmers access to yield enhancing inputs could lead to over-production of grain and consequent problems of marketing. There was no time for me to follow up on that comment and, with respect, I would like to take this opportunity of sounding a note of caution with regard to the discussion of surpluses.

Malawi was regularly exporting 80 to 90,000 tons of maize during the 1980s and was widely commended for being able to produce such a surplus. At the same time the child death rate was 230 per 1,000 which was largely attributed to under-nutrition and 60% of children were seriously stunted. There was, in fact a serious deficit of maize in Malawi masked by the fact that the majority of the population were not able to afford to buy the grain which was on offer in the market. In a country with few opportunities for earning income the only way of guaranteeing that families have access to adequate food is to help them produce it for themselves. I am fully aware that this is not universally applicable and when I started small-holder tea in the hills of Western Uganda, where acid soils gave low yields of food crops, I adopted the opposite approach of providing farmers with a high value alternative cash crop which enabled them to purchase food. There are however plenty of situations in Africa in which child stunting and high child death rates, associated with under-nutrition, give the lie to the existence of any real surpluses of food beyond the community's needs, whatever the market may indicate. In such situations, and where alternative sources of income are difficult to identify, then helping farmers to produce more food for themselves is the safest strategy to improve household food security.

I would suggest that arguments which use a perceived danger of food surpluses to justify limiting help to farmers aimed at increasing home grown food production be related to levels of child death rates and stunting, and be treated with caution.

4 June 2004

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## Memorandum submitted by Mr Jonathan Coulter, Enterprise, Trade and Finance Group, Natural Resources Institute, University of Greenwich

In the recent e-consultation on Economic Opportunity I noted various contributors proposing the use of price policy to stimulate increased agricultural production in Africa. Such views seem to have been influential with the International Development Committee's enquiry on the Malawian food crisis, as their report cast doubt on the private sector's potential role in food markets.

I can understand the frustration of contributors who find that their hard work in favour of African producers is dashed by unattractive markets, some of it due to brazen northern protectionism. However I feel Britain should think twice before giving any encouragement, explicit or tacit, to interventionist policies involving African food markets. Whatever the economic objective of intervention, powerful political imperatives within the countries concerned will tend to defeat the object, and donors are likely to find themselves sucked into an interventionist vortex.

I myself suggested a basic system of price support for maize when advising a landlocked African country in the late 90s—it involved a single floor price for delivery of grain to a few central warehouses, high enough to cover production costs, but low enough to leave the field to the private sector. However, the Government concerned never wished to discuss the report. I would attribute this to the fact that I also recommended a drastic reduction in all other forms of intervention. My proposal was deeply unattractive to local politicians and officials because I was asking them to give up what they most valued, the means to intervene in markets at the drop of a hat.

Local policy-makers often argue that they must intervene because the private sector is weak and underdeveloped, unlike the successful case of South Africa which they (mistakenly) consider to have little relevance to their own situation. However, it is only the ad hoc nature of public policy that causes private sector response to remain weak. There are many local players, and a number of international trading houses who would like to do business north of the Limpopo, but who back off because of the difficult working environment.

Donors need more than good intentions while dealing with such problems. The build-up of Malawi's food reserve was accompanied by donor efforts to endow it with autonomy and distance its management from political manipulation—clearly to no avail. Politicians can drive a horse and cart through such safeguards.

I feel that there is a lesson for us here. Whatever our qualms about "the Washington Consensus", we risk making things worse if we propose a higher profile to Government intervention. We may feel we are pursuing strategic developmental objectives, but those hearing our statements may simply take this as vindication of *ad hoc* and questionable interventions that prevent markets from developing.

This is one of the more intractable problems of development, and there is no quick solution. However, I believe that northern Governments could do much to remedy the situation, if they recognise this problem and apply themselves in a coordinated manner, working closely with African stakeholders, over, say, a ten to fifteen year time horizon. Experience tells me that many African stakeholders and informed opinion makers will rally to such an initiative. The priority should be to put in place “basic building blocks” which cause markets to perform better.

The first building block would be a set of highly professional crop forecasting services, insulated as far as possible from political spin. Trading houses need good crop forecasts to help them decide whether to take long or short positions. Significantly, inaccurate information has caused some international companies to burn their fingers when venturing north from Johannesburg. Most notably, inaccurate crop forecasts were one of the main causes of the Malawi food crisis.

The development of sound transport and communications systems, as mentioned by another participant, are important building blocks which are already paying dividends in many countries.

Another building block with which my own organisation, NRI, has considerable practical experience is “warehouse receipt systems”. This is a magnificent instrument because it can allow countries and entire regions to simultaneously address several shortcomings of existing marketing systems, notably:

- lack of product standardisation;
- low market transparency;
- lack of means of enforcing contracts; and
- high cost and inadequate trade finance.

Governments can manage food reserves with minimal staff, simply by buying and selling warehouse receipts. Moreover, the provision of market information can be linked to a warehousing system, assisting people in arbitraging between stocks in different locations.

However a word of warning is in order: One should only embark on warehouse receipt systems if they can be made trusted and “copper-bottomed”. With this and other attractive concepts, success can be compromised by donor projects of the kind about which another contributor, Brian Cooksey warned us, involving good pickings for local officialdom but failing to provide the trust needed to engender the long-term support of banks and depositors.

My main message therefore is that if donors wish to make a positive impact on agriculture in Africa, and particularly to enhance the driving force of agricultural markets, they should commit to a “long game”. The problems are rooted in deep-seated political realities.

Making progress in the face of these realities requires strong leadership within the donor community.

I share a contributor’s concerns about the role of aid, but can offer a glint of hope based on my observations on the Mali’s agricultural market reform programme between 1981 and 1995: a consortium of Government and six donors working by consensus transformed the country’s marketing system for the good. Why has more not been more widely emulated? Whatever the answer to this question, I believe that local and international players seeking to build better marketing systems will need to work together closely for a long time—and make a masonic-style pact to end the disbursement culture!

The research and other findings behind these conclusions are contained in two articles:

Coulter, JP and Poulton, C (2001) Cereal market liberalisation in Africa, Chapter 6 in: *Commodity Market Reform: Lessons of Two Decades*, edited by T Akiyama, J Baffés, D Larson and P Varangis. Washington: World Bank.

Coulter, JP and Onumah, GE (2002) The role of warehouse receipt systems in enhanced commodity marketing and rural livelihoods in Africa. *Food Policy*, Vol 27, No 4.

May 2004

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**Supplementary memorandum submitted by Mr Jonathan Coulter, Enterprise, Trade and Finance Group,  
Natural Resources Institute, University of Greenwich**

**A PRACTICAL SOLUTION FOR AFRICAN AGRICULTURE WAREHOUSE  
RECEIPT SYSTEMS**

We see warehouse receipt (WR) systems as part of a strategy to address one of Africa’s most intractable policy challenges: how to establish efficient agricultural marketing systems which serve the mass of smallholder producers well, and enhance food security at low cost. Given this opportunity, we propose DFID takes a leading role in establishing an African Warehouse Receipts Initiative.

After more than two decades of liberalisation, Africa’s agriculture continues to be hampered by inefficient markets, with low transparency, high transactions costs and price volatility, limited means by which farmers and other players can manage their trading risks, and weak systems of input supply. Supply of finance to

the sector is low and has been declining as formal financial institutions perceive the sector as high risk and the under-resourced small farmers, who dominate the sector, lack assets which can be used as collateral for loans.

Since the early 1990s, we at the Natural Resources Institute (NRI) have been researching these problems, and developing and piloting solutions in collaboration with local partners in Africa and in Asia (India). We have in particular promoted the establishment of a **regulated system of transferable warehouse receipts (WRs)**. A briefing note is below.

This is a system which can simultaneously lead to a variety of benefits, notably easing access to finance, reducing transaction costs (through the use of standardised grades and trading by description), facilitating the development of exchange trading and shortening the commodity chain linking farmers to end-users.

We have progressed from research to practical implementation, with the support of a range of funding organisations, and collaborating with many local stakeholders, ie farmers, millers, bankers, insurers, Governments and others, in the countries concerned. Implementation has advanced furthest in Zambia where the essential elements of the system are in place, including:

- an arms-length, private-sector-controlled warehouse certification and inspection agency (a notable departure from the common state-centred approach);
- the support of the banking sector;
- suitable private warehouses and warehouse operators certified;
- a secure receipt system adopted;
- warehouse personnel and bankers trained; and
- legal loopholes identified, and the process initiated to enact supportive legislation.

In the first year, 2003, farmers deposited 6,600 tonnes of grain with the system and made a profit of \$35 per tonne. In the 2004 harvest, 60,000 tonnes of storage capacity are expected to be licensed, and the volumes handled will increase sharply towards a target of 200,000 tonnes about three years hence.

We have a particular reason for bringing this instrument to the attention of the International Development Committee. Many Africans are enthusiastic about WR systems because they are seen as addressing one of the main critiques of the approach to market liberalisation adopted by the international community: that of simply “rolling back the state” with little consideration for the institutional framework needed to ensure that liberalised markets work efficiently. However WR systems are about long term development and transparency, and this runs counter to some of the short-term politics which affects the African grain trade. For this reason, the long-term presence and support of key players from within the donor community can help steer the initiative towards a successful conclusion. One also needs the support of ethical players who will eschew quick fixes and insist on high standards; like banking, warehousing is about managing other peoples’ assets.

In the light of this situation we propose DFID takes a leading role in establishing an **African Warehouse Receipts Initiative**. This should be a long-term multi-donor initiative, also involving a few key private sector players, notably in the banking sphere. It should work on a continent-wide basis but focus on countries that are interested and can meet preconditions for success. The aim will be to produce a demonstration effect in favour of the improved system that will eventually get the support of most countries in the continent.

The main activities to be undertaken are as follows:

- To bring about a broad consensus re appropriate strategies, among interested governments and donors, as well as key private stakeholders.
- To identify countries for implementation of WR systems, and help draw up implementation plans and MOUs, as appropriate, with governments and local players.
- To commission studies to confirm feasibility and to fill gaps in information.
- To support implementation in selected countries, including developing bankable programmes.
- To monitor and evaluate implementation.

We are ready to discuss how this initiative might be organised, and to suggest partner organisations with which DFID might try to work.

## BRIEFING NOTE ON WAREHOUSE RECEIPT SYSTEMS

### *What is a warehouse receipt?*

It is a document issued against a deposit of merchandise in a warehouse or silo. It may be in paper form or electronic. See attached examples of paper documents from the United States and South Africa.<sup>1</sup>

Some warehouse receipts are non-transferable and non-negotiable, but the ones we are proposing are transferable and negotiable (sometimes known as warehouse warrants). They may be transferred to a buyer, as a means of selling the merchandise, or to a lender, as collateral for a loan.

The warehouse operator (otherwise known as collateral manager) holds the merchandise in safe custody for the depositor and the lender who has a “security interest” in it.

### *What are the pre-requisites for establishing a warehouse receipts system?*

One needs a legal framework which establishes the rights and obligations of the parties involved. In some cases one can start under the existing legal framework.

Warehouse receipts systems may be regulated or unregulated. The purpose of regulation is to establish and enforce minimum standards, and protect depositors and lenders against fraud and negligence. In most of Africa one needs regulated systems, because it is the only way of gaining the confidence of the banks, and making the service widely available to the public.

The system of regulation needs to be very strict—which in many countries means the regulator should be a non-Governmental entity controlled by parties with a direct stake in its success, notably banks, farmers, traders and food processors, or a commodity exchange which brings together these same parties.

One needs a grading system, so that commodities deposited in the warehouse can be stored in a space-efficient manner, by grade.

One needs a stable policy environment—particularly the absence of unpredictable forms of Government intervention, eg sudden bans on exports and duty exemptions.

One needs significant private sector leadership to institute such a system.

Food aid operators should help “kick start” the system—as part of a long-term exit strategy. They can procure food locally and “recycle” it by buying and selling warehouse receipts.

### *Who may operate a warehouse?*

Any party meeting agreed licensing criteria, who signs up to governing regulations, and who can provide certain financial guarantees against non-performance.

In some countries, typically the case in South America, only non-trading service-providers can be licensed. In other cases, eg USA and Canada, regular trading entities (eg grain elevator companies) are licensed.

Parties failing to perform according to the regulations are suspended or have their licenses revoked. In some cases the regulator may take over the warehouse in order to protect the interest of depositors.

A warehouse operator must pay user fees, typically based on his licensed storage capacity, and this forms the regulator’s source of revenue. The regulator may start operation with a public subsidy, but the aim is to make it self-financing, and free from the recourse to the public purse and political patronage (an aspect brought to our attention by American officials, based on their 88 year regulatory experience).

### *What are the benefits of a WR system?*

It is a system which will contribute to the solution of a series of problems affecting agricultural marketing systems in Africa, ie:

- The lack of product standardisation.
- The lack of market transparency;
  - it can put the small farmer on an equal footing to larger farmers;
  - he can sell further down the marketing chain; and
  - the system can be linked with provision of market information.
- The need for grain to be traded by sample. A WR system can lead to trade by specification.
- Lack of mechanisms for contract enforcement.
- Inadequate and high cost trade finance.
- Lack of intensification and productivity enhancement among small farmers.

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<sup>1</sup> Mr Jonathan Coulter also submitted specimen warehouse receipts for the attention of the Committee. Photocopies of these receipts have been placed in the House of Commons Library.

- Can help make the whole system more price-competitive.

It can be used for food crops, cash crops and non-food items, providing liquidity for trade to take place

#### *Where does the system work?*

The World's oldest profession, bar one? Warehouse receipts have been dug up in Mesopotamia and Ostia Antica.

North and South America is home to some of longest established regulated WR systems. Used for grains, oilseeds coffee, cotton etc.

WR systems are being set up in Eastern Europe, under EBRD auspices.

South Africa has a strong system of "silo certificates" established shortly after the accession of the ANC Government.

The Zimbabwe Agricultural Commodity Exchange established a system in 2000, but Government closed down the exchange.

In Zambia, a system has been set up with technical assistance of the Natural Resources Institute (NRI), and with financial support of Common Fund for Commodities and other donors including DFID. The results are as follows:

- The system is regulated by a stakeholder-controlled body: ZACA Ltd.
- The system enjoys the support of banks, and key members of the trade.
- In the 2003 harvest: there was one operator, with certified capacity of 8,000 tonnes, and 6,600 tonnes of maize were stored.
- In the 2004 harvest, there will prospectively be 3 operators, with certified capacity 60,000 tonnes of maize.
- The target is 200,000 tonnes of maize or equivalent value of other grain per annum.

May 2004

#### **Further supplementary memorandum submitted by Mr Jonathan Coulter, Enterprise, Trade and Finance Group, Natural Resources Institute, University of Greenwich**

I would like to add a note regarding Michael Lipton's contribution, where he refers to on-farm storage of grains. I have since corresponded with him on this matter.

He is right in the sense that on-farm storage losses have often been exaggerated, out of ignorance or by people wishing to attract funds to projects. Michael draws attention to various pieces of fieldwork (Boxall *et al* on Sorghum in Andhra Pradesh, Greeley *et al* on rice in Bangladesh, Miracle and others on maize and guinea corn in Africa) suggesting storage losses of 4–5% and post harvest system losses of 9–10%, giving us as he puts it "respectable but not sensational returns (about 7–9%) on improved bin and other small-scale, home/farm-level investments in better practices".

Higher levels of loss are being experienced by African farmers exposed to an exotic pest called the larger grain borer (LGB) accidentally imported from meso-America. Tyler and Boxall (1984) indicate that the real losses of unprotected grain during a storage season lay somewhere between 10% and 30%, in Tanzania, with open-pollinated flint varieties, primarily due to LGB infestation. In DFID-funded research in the same country, samples of untreated grain stored in five different locations during 2002–03, showed the percentage of insect-damaged grains varying between 40% in eight months to 80% in six months of storage (see website on research on Diatomaceous Earth, [www.nri.org/de](http://www.nri.org/de)).

However, regardless of the exact level of physical loss, the main point I wish to make, and upon which Michael agrees, is that fear of devastation by insects and rodents along with other factors including the need to repay debts, often drives farmers to sell their crop early. In this case, farmers lose major financial resources by having to buy food back to feed themselves in the lean season, or by failing to sell at that time when prices are typically high. In this regard, Michael mentions work by Svenson in South India, showing that this combination of seasonal price variation and forced sale at the "wrong" time cause substantial losses, mainly for poor farmers in foodgrain deficit.

The issues can be illustrated by an example from Honduras, Central America, where a study in the 80s indicated that storage weight losses were 7–8% of the crop stored in farmers' homes. However, most of the damage occurs many months after harvesting, so the loss incurred in the part kept for more than six months is typically much higher. Moreover they often sell their crop early to avoid greater storage loss than they would otherwise occur.

The Central American experience also shows that farmers will pay hard cash to eliminate these losses. In a Swiss-funded project to which my organisation (NRI) has contributed on several occasions, farmers have acquired between 400,000 and 500,000 metal silos of approx 820 kg capacity, mainly purchased at a cost of

about \$60 each. This is a substantial investment for a small farmer, and shows just how important it is for him/her to deal with problems of on-farm storage. Central America also showed how the development of on-farm storage provides a cost-effective and sustainable alternative (or at least a complement) to publicly-managed intervention reserves.

I would like to make sure the record does not convey the impression, albeit unintentionally, that post-harvest projects focussing of better grain storage represent poor value for money.

Reference: Tyler, PS and Boxall, RA (1984) Post-harvest loss reduction programmes: a decade of activities; what consequences. *Tropical Stored Products Information*, 50, 4–13.

28 May 2004

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### Memorandum submitted by Oxfam

#### INTRODUCTION

Oxfam welcomes the opportunity to submit views to the International Development Select Committee (IDSC) inquiry addressing the effectiveness of the Department for International Development's (DFID) agricultural policies. We aim to work closely with DFID in our development and advocacy activities, both in the UK and with DFID representatives overseas. We would like to encourage the IDSC to consult also with producer groups, consumer groups, peasant groups, women's groups, indigenous people's groups, national recipient governments and private sector interests to expand research into the impact of DFID's agricultural work across the world.

Our beliefs and views are based on our own programme learning in 60 countries around the world. We have worked in famine relief and development since 1942. This document is based on consultation with Oxfam GB's Middle East, Eastern Europe and Commonwealth of Independent States region; Southern Africa region; Horn East and Central Africa region; East Asia region; and our Central America, Mexico and the Caribbean region.

Oxfam believes that small-scale farming is a viable means to sustainable economic development. We aim to understand how small-scale agriculture best contributes to growth that is equitable, provides greater stability for demographic change, and is good for the environment. Against this, commercial agriculture—by far the greatest power in agricultural production today—is expanding, and governments and multilateral agreements are supporting it. Commercial agriculture can under certain circumstances support healthy and economically strong livelihoods for the poor. However it is destructive to people's livelihoods and to the environment.<sup>2</sup> The current agricultural system can be deadly in many ways: poisoning our waters, making the lives of peasants and migrant workers unbearable, and ruining the health of ecosystems around the world. Oxfam uses evidence from landscapes and people the world over to show the positive steps that can be taken if small-scale agriculture is supported and commercial agriculture enabled to support *all* people.

Oxfam works in dialogue and collaboration with DFID, especially in providing evidence from poor farmers and producers themselves. We enter this review of DFID's agriculture policies in the spirit of jointly improving the lives of poor farmers around the world. We would like to acknowledge that Oxfam faces very similar criticisms and challenges as those listed below.

DFID has re-orientated its approach to poverty reduction and sustainable development in the agriculture sector. We applaud DFID's re-orientation because we feel it will reduce poverty in a more effective, equitable and long-term manner than past efforts.

The remaining part of this section comments on some of the broad re-orientation of DFID's work in agriculture. It then lists the five key areas we believe are central to enabling agriculture to be a motor for poverty reduction and sustainable economic growth. DFID is already working in some of these areas. Others, we encourage DFID to engage in. We would be pleased to provide some examples from Oxfam's programme on how poor farmers are affected by the issues we raise, should DFID request them.

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<sup>2</sup> Pollan, M 2002. Power Steer. *Sunday New York Times Magazine*, 31 March; Pollan, M 2001. Supermarket Pastoral: Behind the Organic Industrial Complex. *New York Times Magazine*, 13 May; Schlosser, E 2001. *Fast Food Nation: The Dark Side of the All-American Meal*. Boston, MA: Houghton Mifflin; Magdoff, F, J B Foster, and F Buttel. 2000. *Hungry for Profit: The Agribusiness Threat to Farmers, Food, and the Environment*. New York, NY: Monthly Review Press. Nestle, Marion. 2002. *Food Politics: How the Food Industry Influences Nutrition and Health*. Berkeley, CA: University of California Press; White, B 2000. "Nucleus and Plasma: contract farming and the exercise of power in upland west Java," in Li, Tania Murray (ed) *Transforming the Indonesian Uplands: Marginality, power and production*, Harwood Academic Publishers 2000, 344 pp; Goodman, D and M Watts (eds). 1997. *Globalising Food: Agrarian Questions and Global Restructuring*. New York, NY: Routledge; Wells, Miriam J 1996. Strawberry fields: politics, class, and work in California agriculture. Ithaca, NY: Cornell University Press; Carney, J 1994. "Contracting a Food Staple in The Gambia," in Little, P and Watts, M (eds.) *Living under contract*. Madison, WI: University of Wisconsin Press. Majka L and T Majka. 1982. *Farm Workers, Agribusiness, and the State*. Philadelphia, PA: Temple University Press.

**The issue.** There has been rapid change in the world's agricultural sector in the past 10 years. Of the 842 million people who are hungry today, three quarters live in rural areas. Why? The number of smallholding farmers has drastically decreased. The size of commercial farms has increased. Trade of agricultural products is held in the hand of fewer large companies (retailers, manufacturers, processors). The number of landless has increased. People who were once farmers on their own land now are either labourers on that land, or they work in other sectors. This transformation is unlikely to be stopped. Because Oxfam believe small-scale farming can be more economically and socially sustainable to more people than commercial farming we are trying to slow down the transformation away from smallholding farming to industrial and large-scale commercial agriculture. Studies show that substantial economic development is unlikely to occur if there is no prosperous rural sector. A strong rural sector produces food for the inhabitants but also creates consumers for goods produced in urban manufacturing zones, such as shoes or processed food. Therefore, we strongly support poverty reduction strategies that support smallholder farming in rural areas. To do so, we must have integrated programmes that ensure, among other issues: value is added in rural areas and smallholders can have secure and fair access to assets, markets, information and appropriate technology.

**Oxfam supports DFID's move towards facilitating development rather than aid.** We strongly encourage DFID's recent direction that aims to achieve pro-poor growth through working on: market security and fairness at local to international levels, access to markets and assets, disproportionate vulnerability and risk borne by poor producers, policy development in rich and poor countries that focuses on equity, international trade rules, and concentrations of power in the private sector and its increased control over nations' policies and behaviours. These are the key issues that we see in agricultural development. The environment, changes in demography and gender disparities also strongly influence poverty and agriculture, and we encourage DFID to ensure that they are crosscutting issues in all of their work.

**We are pleased to see DFID's commitment to fighting for a "fair and equitable international trading system for agricultural products", for example through CAP reform and pro-poor WTO negotiations.** We realise that this might not an exact match to the policies of other UK Government Departments. Oxfam believes DFID have a key role to play in ensuring coherence in UK Government trade policies that are pro-development and have a positive impact on developing countries. We believe that it is essential that EU markets are open to development countries and that trade distorting subsidies are substantially reduced. At the same time developing countries must be able to provide a measure of protection for their vulnerable farm sectors in the interests of food security and in sustaining rural livelihoods.

**Thinking innovatively to overcome poverty.** We are very pleased that DFID is moving towards a new approach to rural development and agriculture. We would like to encourage DFID to continue to move away from past development approaches and explore new ways of working. A great wealth of experience exists in many organizations around the world working on agriculture and rural development, many of which are supported by DFID. This experience can help DFID find new ways to increase benefits poor people can expect to receive from agriculture, if DFID seeks out engagement with these organizations. In many cases, DFID will find that their need for more research in particular areas will have actually already been met by partners. In other cases, the organisations will redirect DFID to other priorities. For example, DFID's desire for research on getting markets,<sup>3</sup> technologies and institutions<sup>4</sup> "right" is an example of an area where recent shifts in policy and practice need to be taken into account.

<sup>3</sup> This is a fundamental debate in which it has been shown that the market, or economic activity, cannot act as an independent rational actor, but rather is always part of a social system. The debate is and has been hugely important in defining the kind of development approaches taken since the end of World War II and the reconstruction and development activities that followed. The argument has its roots in Adam Smith's proposition that the market acted as an invisible hand with its own logic (Smith, Adam 1776 [1976]. *An inquiry into the nature and causes of the wealth of nations*. General editors R H Campbell and A S Skinner; textual editor W B Todd. Oxford: Clarendon Press.) Karl Polanyi demonstrated the impossibility of separating our economic decisions and our social decisions, and set the stage for arguments in the second half of the century (Polanyi, Karl 1974 [1957]. *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press.) Recently, in the 1980s, the debate emerged again and can be seen still in the e-consultation DFID is presently conducting.

<sup>4</sup> For example, the debate on the role of institutions and their potential for facilitating economic prosperity see Berry, Sara 1989. "Social Institutions and Access to Resources." In *Africa* 59(1): 41–55 and contrast this with Granovetter, Mark. 1985. "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology* 91: 481–510, and with Stiglitz, Joseph. 1989. "Rational Peasants, Efficient Institutions, and a theory of rural organization: Methodological Remarks for Development Economics" in *The Economic theory of agrarian institutions*. Oxford: Clarendon Press. Granovetter's work assumed, like it seems DFID does, that by improving social institutions economic performance can be guaranteed. However, as Berry's work showed, institutions are not outside of the social relations that form them. Uneven power in social relations then help to form the institutions, and institutions do not spontaneously create themselves as outside of social relations of power and different control over access to resources. Further, institutions are culturally relevant, and rather than institutional "gaps" as being the explanatory factor for failure of economic development, cultural norms may better explain this result. For example, see Evans, Peter. 1995. *Embedded Autonomy: States and Industrial Transformations*. Princeton: Princeton University Press, in which the slow advancement of the Korean government sector was in part due to cultural attitudes towards education. DFID should be very wary, therefore, of leaning on institutional solutions that are imposed onto a nation. Rather, the social and cultural dynamics of access to resources, power in social contexts and beliefs in how to engage in economic development must provide the basis from which DFID engages in a nation.

Furthermore research on the impact of commercial farming systems on farmers has been studied thoroughly since the early 1980s.<sup>5</sup>

**We encourage DFID to continue with its reorientation in approach.** It is evident from DFID's documents, *Better Livelihoods for Poor People: The Role of Agriculture* (2000) and *Agriculture and poverty reduction: Unlocking the potential* (2003) that there is a shift in emphasis of work. We would like to encourage DFID to become clearer in that shift, and to encourage DFID to look for more alternative options for the rural poor to overcome poverty.

The old model that DFID have pursued also, rather contradictorily, presents industrialisation as the driver for growth and then emphasises labour transfer from rural areas to industrial zones. In this model, rural poor are only given options for poverty reduction by leaving the land and entering the industrialised world. Oxfam supports DFID's new approach in which rural and urban development are balanced and this in turn helps to provide people with more ways to overcome poverty.

A further change in DFID approach is in terms of markets. We fully support the new approach. The "old" DFID argues also that "getting prices right" enables poverty reduction and that markets, institutions and technology simply need to be improved to allow poor people to overcome poverty. The "new" DFID argues for facilitating growth through agricultural markets by working to balance power in missing or segmented markets. Oxfam's programme experience leads us to view this as a more sensible approach.

**We would like to see greater monitoring and evaluation of DFID activities** so as to improve their effectiveness and impact. In some cases Oxfam's programme have found it difficult to assess DFID's effectiveness on the ground even after several years, in part because implementation has been slow. Likewise, it is difficult to assess DFID's impact on poverty reduction through agriculture because there are few clear indicators of what this means. For example, how many people will have an income, access to education, enjoy gender equity, improve health, and so on, as a result of the contributions that agriculture can make to improving rural livelihoods?

#### KEY RECOMMENDATIONS

**1. Influence private sector engagement in agriculture so as to require their engagement to be pro-poor.** This includes supporting national governments to demand pro-poor terms of engagement, considering measures to limit transnational corporate concentration, facilitating a pro-poor consumer activity, providing information and infrastructure to poor farmers, and enabling poor producers to enter into value chains. Aim through these activities to add value at or near the point of production.

##### *Corporate concentration and producer nation governments*

- DFID could argue for stricter competition laws in the UK and worldwide to reduce concentration of corporate power.
- Facilitate the creation of an international body aimed specifically at regulating corporate activity from one continent to another.
- Work with national governments in poor- and middle-income producer countries to protect their poorer producers and agricultural workers.

##### *Increase Prices at the Farmgate*

- DFID can encourage supermarkets to trade fairly and thereby increase prices at the farmgate.
- DFID should continue its work with the Ethical Trading Initiative, but also extend its understanding and support of the Fair Trade movement.
- DFID can support requirements for supermarket companies to increase transparency at each stage of their supply chain.
- DFID should do more analysis on agribusiness supply chains and the impact on poor farmers in developing countries.

<sup>5</sup> The idea that getting markets right as means to alleviate poverty is based on an assumption that the market efficiently distributes goods, and that every person engaging in a market has equal access to it and means by which to negotiate terms within it. This question of whether this is possible has been thrown out in the 1980s, and it is deplorable that DFID is even allowing it to operate as a base assumption in its work. (It is clear there is ambiguity in DFID's reliance upon that assumption, but it should not even be part of the picture.) For an understanding of the debate in the 1980s, see Bardhan, Pranab. 1980. "Interlocking Factor Markets and Agrarian Development." *Oxford Economic Papers* 32 (1): 82–98, then Hart, Gillian. 1986. "Interlocking Transactions: Obstacles, Precursors or Instruments of Agrarian Capitalism?" *Journal of Development Economics* 23(1): 173–203, and finally various chapters in Pranab Bardhan (ed) 1989 *The Economic theory of agrarian institutions*. Oxford: Clarendon Press. These pre-eminent theorists, among others, argued back and forth on the role of social relations in economic transactions in agriculture, and agreed that social relationships influenced the kind of economic development possible in agrarian settings.

*Contract Farming Agreements and Standards*

- We support DFID's examination of non-tariff based exclusion practices such as standards that apply to labour, environmental, health and safety and production practices, among others.
- We would like to see DFID help producer country governments and producer groups to negotiate farming contracts that support increased in local prices paid to farmers and farm workers; increased investment in skills development of farmers and farming-related workers; and decreased extractive behaviour by the companies. Contracts would require: consistent purchasing by supermarkets or their suppliers and an investment in infrastructure, technologies or capacity of workers.<sup>6</sup>
- DFID may be able to encourage supermarkets to bear the risks borne presently by small farmers of making the transition in processing and farming practices in order to meet new standards. DFID could press supermarket companies to bear the costs of meeting such new standards.

*Infrastructure and Information: Power in Markets*

- We support DFID's present focus on supporting small farming production that will enable farmers to have power in marketing relations with supermarkets or other agribusiness companies.
- DFID would greatly benefit small farmers if it supported more comprehensive extension work with wide coverage and infrastructural support appropriate to poor farmer production, both of which should be aimed at increasing productivity and adding value locally. These could include improving productivity, access to and security in markets, and processing techniques.
- We strongly encourage DFID's support of partner organisations that enable farmers to group together and to form associations as this has great positive impact on farmer incomes. When DFID empowers cooperatives or other associations, these organisations could better influence relevant public policies in their home countries, and therefore DFID's support of associations can have a double impact.

*Corporations, Trade and Dumping*

- We encourage DFID to conduct more macro-economic analyses to help direct corporate activity in a pro-poor way.
- We also encourage DFID to engage in policy dialogue at the level of the CAP or international trade policies in order to limit the ability of large agribusiness corporations to profit at the expense of poor farmers.
- We encourage DFID to work with partners to analyse local grain market distortions due to different forms of dumping, including food aid, to a region.
- DFID could do work on defining appropriate regulations on food aid, which are now under negotiation at the WTO. This could include determining what rules could be agreed at WTO that could prevent Food Aid from being disguised as dumping.

2. **Facilitate technological advancement that puts poor producers first**, as this generally has greater positive impact than commercial production on local food and economic security, environmental stability, migration patterns, and health and disease. When combined with security of assets, appropriate technologies can encourage farmers to invest more in agricultural production as well as a local processing.

*Technological advances in small-scale farming*

- DFID could work to promote technological advances in small-scale farming that have significant positive impact on local food and economic security, environmental stability, migration patterns, health and disease, and willingness for producers to invest in production and sales of agricultural goods locally.

*Locally appropriate technical solutions*

- DFID could focus on locally appropriate technologies needed to improve the lives of the poor. Some regions felt DFID expresses an over-reliance on the role that formal agricultural science and technology can play in overcoming rural poverty.
- DFID could increase support to National Agricultural Research Organizations (NAROs) because they are very well placed to respond to key challenges like achieving food security, enhancing production, protecting natural resources and biodiversity.

<sup>6</sup> Grossman, Lawrence. 1998. *Political Ecology of Bananas: Contract farming, peasants, and agrarian change in the Eastern Caribbean*. Chapel Hill: University of North Carolina Press; White, B 2000. "Nucleus and Plasma: contract farming and the exercise of power in upland west Java," in Li, Tania Murray (ed) *Transforming the Indonesian Uplands: Marginality, power and production*, Harwood Academic Publishers 2000, 344pp.

- Some Oxfam regional staff felt that DFID should change its apparent view that strategic issues, such as agricultural research and development, are better supported at the international level.

#### *Useful training in new technologies*

- DFID might consider using its funds and policy influence not only to support producer nations to press companies to bear the costs of achieving standards, but at the same time DFID could support farmers to meet some of the more reasonable standards.

#### *Inappropriate Technologies*

- We urge DFID to consider the impact of genetically modified crops, because of the concentration of corporate power they enable, and how GM crop regulations affect poor farmers' property rights and their power to enter markets.

3. **Promote small-scale agriculture as part of integrated poverty reduction strategies.** Small-scale agricultural production also leads to increased environmental and social stability than commercial agricultural systems, which are associated with greater disparities between rich and poor. This integrated approach should work to adjust to environmental and demographic changes over time, and to militate against their negative impacts on poor people's livelihoods.

#### *Complexity of Rural Development*

- Women are critical in agricultural production, and DFID could improve their work with women farmers. An explicit gender analysis and gender policy to ensure that women are supported and empowered to effectively and equally benefit from market opportunities related to agriculture is urgently needed in DFID's work. Much more specific work with women is essential if poverty is to be addressed in rural areas.
- We encourage DFID to maintain a view that small-scale agriculture as well as commercial agriculture will continue to be important in rural areas over the coming years.
- We would like to encourage DFID to maintain a view that economic and social relations are complex in rural areas. Small farmers do a range of activities to meet their income and other needs, and DFID's work on agriculture should reflect an understanding of this complexity.

#### *Integration of rural development projects*

- We encourage DFID to continue to redirect its focus and work on understanding and supporting ways for poor producers' goods to be integrated into the local economy. This could include DFID facilitating the creation of manufacturing of locally produced farm goods into products for sale in regional or national markets.
- We encourage DFID not to overemphasise working to increase production in rural areas, but rather to work also on increasing prices and value of agricultural goods.
- A strategy to more explicitly link agriculture to more competitive sectors like the tourist industry needs to be devised in order to facilitate better national synergy among productive sectors in small economies.

#### *DFID needs to work in long-term views to account for climate and demographic change*

- DFID should focus their field level support to programmes that foster resilience of poor producers against climate change (droughts, floods, irregular seasons) and demographic transformations (health, disease, migration).
- DFID could very usefully consider supporting innovative multi-actor, multi-sector approaches to projects addressing climate change and agriculture that can benefit poor communities through the payment of environmental services.
- DFID should directly address the impact of HIV/AIDS on livelihoods and/or agriculture.
- DFID would do well to address how migration—due to reasons of climatic change, disease or conflict—affects people's ability to adopt sustainable livelihoods practices, especially in regard to rapidly changing demands on assets like land.

4. **Promote pro-poor land policies that support poor farmers' and workers' access to, use of and/or ownership of land.** Land access should be promoted as a means to facilitate increased agricultural production, increased food security and the allocation of value to agricultural produce at or near the point of production. DFID should concentrate their efforts on working on women's land rights.

*Land rights and economic and social stability*<sup>7</sup>

- Pro-poor land policies must be supported at all levels, from community to national, because the access and use of land by poor farmers and workers is one of the foremost indicators of economic and social security.<sup>8</sup>
- DFID should support women farmers through aiming to secure them land rights, as their economic stability from land production increases their families' stability in terms of health, education and work.
- We very much encourage DFID to use gender-based analyses in all of its work, especially on land, as women are the first to lose this asset when land rights are weakened across a whole community.
- We encourage DFID both to adopt some of the World Bank's more forward thinking analyses of land issues, but also to help the World Bank in implementing the ideas.
- Development activities that DFID pursues need to expand the remit of work on land access and tenure change.
- We are concerned that DFID's approach supports a "willing-buyer, willing-seller" arrangements in land reform.<sup>9</sup> We do not think this is the best alternative for pro-poor agriculture development, as it does not account for vast disparities in power in a sales agreement.
- The Food and Agriculture Organisation has had little impact on enabling poor people secure rights to land, and we suggest DFID is in a good position to analyse why and to have some influence over a positive change.
- There has been insufficient application of ideas of collective or communal rights in mitigating the impact of the commercialisation of agriculture and the concomitant privatisation of land on farmers. Can DFID support poor farmers movements on this topic?

*Land distribution and environmental health*

- We encourage DFID to analyse the environmental impact of large-scale farming and to then link results from this to proposals for land policies. The aim would be to use land policies as a means to minimize animal disease outbreaks, for example.

*Land rights and control over resources*

- We encourage DFID to support policy and law that protects established legitimate rights (instead of reinventing them through new centralised procedures) and that devolves responsibility for regulation to local level.

May 2004

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**Supplementary memorandum submitted by Oxfam**

This memorandum provides some clarification on several points raised during the evidence session on May 12th where Dr Lea Borkenhagen gave evidence on behalf of Oxfam.

**WHY DOES LAND MATTER?**

Since 2002 DFID appears to have de-prioritised land. DFID made redundant the post of Land Policy Adviser. Oxfam believes land is one of the critical assets that enables the poor to gain economic and social stability and to improve their household income. DFID should return to placing land centre stage of its rural development strategy.

Many actors assert strongly that land really does matter. For Oxfam GB, "it would be hard to exaggerate the significance of land as a critical asset for the poor in a structurally adjusted, economically liberalised and globalised world. For many people in Africa it remains the ultimate form of social security" (Oxfam land rights website). For the World Bank, "land is a key asset for the rural and urban poor that provides an important foundation for social and economic development." Hence, for the Bank "land policies are of fundamental importance to sustainable growth, good governance, and the well-being of and the economic opportunities open to rural and urban dwellers—particularly poor people" (World Bank, 2003).

For DFID, "land remains an asset of great importance to African economies, as a source of income, food, employment and export earnings. As well as its economic attributes, land continues to have great social value as well as symbolic and ritual associations" (Toulmin and Quan, 2000). DFID also believes that "land

<sup>7</sup> Robin Palmer, "Struggling to Secure and Defend the Land Rights of the Poor in Africa", *Journal für Entwicklungspolitik (Austrian Journal of Development Studies)*, XIX, 1, 2003, 6–21.

<sup>8</sup> Though also see Fortmann, Louise. 1985. "The Tree Tenure Factor in Agroforestry with Particular Reference to Africa." *Agroforestry System*, 2: 229–251. for an explanation of gender differences in control of land and trees.

<sup>9</sup> DFID, 2003, *Agriculture and poverty reduction: Unlocking the potential*, page 3.

policy, land rights and land reform are important for poverty reduction in both rural and urban areas of the developing world” (DFID, 2002). IIED and others stress that more equal distribution of land often leads to faster economic growth.

For the International Land Coalition, “More than one fifth of the world’s population lives in extreme poverty. 75% of these people—some 900 million—live in rural areas. The majority of them are dependent on land for their subsistence. In most cases, their access to land and related resources is greatly limited and very insecure. For most of the rural poor, secure access to land is fundamental to overcoming poverty” (International Land Coalition, 2003). That access to land—and especially for poor women—is being increasingly and severely threatened, which is why Oxfam GB and its partners and allies continue to struggle to secure and defend the land rights of the poor across the globe (Palmer, 2003).<sup>10</sup>

#### THE RISK TO SMALLHOLDERS FROM INAPPROPRIATE QUALITY STANDARDS

Smallholders’ livelihoods are threatened by the imposition of ever-stricter product quality and safety standards by governments and the private sector. African food exports to the EU were reduced by an estimated 64% as a result of the EU’s stricter aflatoxin food standards. This was true despite the aflatoxin standard being totally disproportionate to health risk according to World Bank.<sup>11</sup> Very often smallholders are excluded from supply chains when inappropriate monitoring, testing, documentation processes (evidencing systems) are applied to them. For example, much African smallholder honey is excluded by EU food residues law, not because the honey contains residues, but because most African governments have been unable to get EU approval for their testing laboratories.

The EUREP-GAP Quality Assurance (good agricultural practice) standards being introduced by European retailers currently require annual farm audits. Smallholders are able to meet the required quality, but the costs of audits makes low volume smallholder production uneconomic and the documentation demanded is beyond all but a few African smallholders. The Ethical Trading Initiative is engaging with EUREP-GAP to adapt this standard to the smallholder context. Global sourcing by supermarkets, and their increasing penetration into Southern markets means that private sector standards will have a global impact, excluding smallholders from domestic as well as export markets.

It is hard to argue against improving standards, even where the cost of meeting them, borne by Southern smallholders, far outweighs the benefits to Northern consumers. However implementation should not prejudice the poorest in the supply chain. Evidencing systems should be adapted to be appropriate for smallholders, eg, group certification schemes. The standard setter (governments and private sector) should provide resources to enable smallholders in developing countries to meet them.

#### LIBERALISATION OF NORTHERN AGRICULTURAL TRADE

It is extremely important for OECD countries to provide improved market access for farm products from developing countries—this could give them up to \$30 billion *per annum* extra income. Tariff peaks on processed agricultural products should also be removed. The Least Developed Countries and low-income countries should be granted tariff and quota-free access as soon as possible, and protectionist abuse of non-tariff barriers such as health standards should be halted.

The \$300 billion system of farm subsidies in the US and EU also makes it hard for developing countries to compete in those markets. Worse still, the EU and US dump their subsidised farm produce abroad, destroying the livelihoods of millions of farming families. Cotton exports from the US and sugar exports from the EU are the most scandalous examples of this practice. EU/US subsidies need to be reduced and re-orientated towards genuine social and environmental goals.

While pursuing protectionist policies at home, the EU and particularly the US are pressing developing countries to open up their economies to agricultural imports. It is vital that developing countries maintain the ability to protect their vulnerable farm sectors against international competition.

All these farm trade issues are currently under negotiation at the WTO. Unless they are resolved in favour of developing countries, any talk of a “development round” will ring hollow.

<sup>10</sup> Martin Adams, *Breaking Ground: Development Aid for Land Reform*, (ODI, 2000). DFID, *Better livelihoods for poor people: the role of Land Policy*, issues paper (DFID, 2002). FAO, *Multilingual Thesaurus on Land Tenure*, (FAO, ed Gerard Ciparisse, 2003). IIED, *Land Tenure Lexicon*, (IIED, 2000). *The International Land Coalition* (International Land Coalition, 2003). Oxfam GB’s *Land Rights in Africa* website, [http://www.oxfam.org.uk/what\\_we\\_do/issues/livelihoods/landrights/index.htm](http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/index.htm). Robin Palmer, “Gendered Land Rights—Process, Struggle, or Lost Cause?”, 2002 [www.oxfam.org.uk/what\\_we\\_do/issues/livelihoods/landrights/downloads/genderedrtf.rtf](http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/downloads/genderedrtf.rtf). Robin Palmer, “Struggling to Secure and Defend the Land Rights of the Poor in Africa”, *Journal für Entwicklungspolitik* (Austrian Journal of Development Studies), XIX, 1, 2003, 6-21 [www.oxfam.org.uk/what\\_we\\_do/issues/livelihoods/landrights/downloads/struglin.rtf](http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/downloads/struglin.rtf). Camilla Toulmin and Julian Quan (Eds), *Evolving land rights, policy and tenure in Africa* (DFID, IIED, and NRI 2000). World Bank, *Land Policies for Growth and Poverty Reduction: A World Bank Policy Research Report* (World Bank and OUP, 2003).

<sup>11</sup> Wilson and Otsuki, quoted in *Globalization and the smallholder: a review of issues, approaches and implications*, Narayana and Gulati (World Bank, 2002).

Agricultural tariffs are also under negotiation in US bilateral agreements, eg the Free Trade Area of the Americas, and in EU regional agreements, eg with Mercosul and the ACP countries. In these agreements, the danger is that the developing countries will be in a weaker bargaining position and will accept excessive liberalisation of their own agricultural imports while not obtaining fair access to the rich-country markets. These agreements will also not address the subsidies issue, which can only be tackled at the WTO.

#### THE RELEVANCE OF MICRO-FINANCE AND MICRO-CREDIT

Micro-finance is universally a critical issue in livelihoods and poverty reduction strategies and is a significant part of almost all Oxfam International affiliates programs. Seed money is what all people require to engage in business or to invest in secure assets. The poor are not different in this, and micro-credit programmes have typically addressed this need. There are two issues of concern we would like to raise in regard to micro-credit programmes. On occasion micro-credit programmes do fail to get people out of poverty. Secondly, organisations such as Oxfam are currently either providing such seed money or facilitating the provision of it. Given the growing numbers of poor, and especially the urban poor, DFID should look into ways it can facilitate the extension of seed money to the poor.

*Encouraging the financial sector.* Understanding how to achieve real sustainable development may therefore include:

- (a) examination of the blockages to such banking service extension; and
- (b) thinking of ways to motivate the banking sector to offer full services people in poverty.

*Engaging more organizations in facilitating the extension of financial services.* Oxfam and others are able to help the poor often by facilitating the extension of what would otherwise be services that banks provide. Likewise, we also mitigate the risk that providers of credit take in extending their reach into new areas, and with returns that are often slow and small. What would it take to encourage other agencies, perhaps DFID or private sector, to also become engaged in such facilitation processes?

*Ensuring quality impact of credit and microfinance programmes.* On the whole, projects working on credit could benefit from being clearer on their aims, monitoring and evaluation of their implementation practices, and assessment of their impact.

*Ensuring greater success at expanding from incubation phase to expansion phase of a business or enterprise.* We would like to see many more schemes get the poor past the initial incubation stage of a business or enterprise into the expansion stage. We have found that small-scale enterprise usually needs seed money for the incubation of an idea and expansion of it into a larger programme or business. We need to think more about the varied ways in which we can enable people to develop their business ideas into minifinance, eg a carpenter employing 10 people.

#### INCREASING VALUE ADDED AND INCREASING PRODUCTIVITY ARE NOT THE SAME THING

Increasing productivity will raise value added per unit of good produced. However, we can raise value added without raising productivity, for example, by relocating parts of the value chain from one country to another decreasing the cost to produce and therefore the value added to the good.<sup>12</sup>

Green coffee is traded on world commodity exchanges at its most competitive (lowest) price. Roasted and ground coffee fetches multiple times the price of green coffee. Roasting, grinding and—likely most importantly—branding and distributing are also the less competitive segments of the value chain, where higher profits accrue and better wages are paid. Keeping those parts of the value chain (except distribution), or those parts of value added, in the producer countries would certainly benefit them. These activities may also provide for good profit and higher wages if the rents are shared with workers.

Keeping less competitive segments of the value chain (like processing) in producer countries likely reduces the risk of continued fast deteriorations in their terms of trade (something very important for coffee producers and coffee producing countries). Productivity increases in export goods worsen a country's terms of trade.

DFID should support investment in adding value to agricultural goods in developing countries. This will help them diversify their products for export sale, thereby making them more competitive and improving the country's overall terms of trade. Investing in adding value in agricultural production includes supporting small-scale manufacturing industry for agricultural products. This provides more jobs to residents and, if

<sup>12</sup> If Y is output and P its price, then value added is  $V = PY - pM$ , where pM are the prices paid for intermediate inputs M. Usually, the value added is paid out to  $wL$  and  $rK$ , which are the wages to labour and dividends/interest payments to capital owners and lenders. A firm is productive if its factors are employed efficiently and produce a lot of value added per factor. So, one possible measure of productivity would be  $V/(wL + rK)$ . Usually, measures are more sophisticated and allow for the potential deviation of salaries and dividends/interest payments from the marginal product of workers and capital. Typically today, economists use harmonic means of L and K (such as  $L$  to the alpha time  $K$  to the 1-alpha where alpha is estimated from production) rather than weighted averages (such as  $wL + rK$ ).

done in the rural areas, also provides alternatives to agriculture as a source of income.<sup>13</sup> This also supports our suggestion that DFID take a holistic approach to helping people to overcome poverty—one that will encompass developing the small-scale manufacturing sector as well as the small-scale agricultural sector.

June 2004

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### Supplementary joint memorandum submitted by FARM-Africa, Harvest Help and Oxfam

#### LAND RIGHTS, LAND TENURE AND LAND REFORM

In a technical sense, **land rights** may be said to include one or more of the following: rights to occupy, to transact, to exclude others, to enforcement of legal provisions to protect the rights holder, and to compensation for compulsory acquisition by the state (Adams, 2000). In a broader sense, politically disadvantaged groups have historically struggled to assert rights to land they may once have enjoyed, but from which they have become dispossessed or excluded. They include eg indigenous people in many parts of the world, women, black Zimbabweans and South Africans. Today privatisation threatens the land rights of the poor across the globe. A particular impact of HIV/AIDS has been to undermine the security of land rights of widows. For women, access to and/or ownership of land can greatly strengthen her bargaining position in the domestic sphere and provide the opportunity to secure other social and economic rights, while also enhancing food security and nutrition for her family. But land rights for women are fiercely resisted at many levels (Palmer, 2002).

**Land tenure** may be defined as the terms and conditions on which land is held, used and transacted (Adams, 2000). “Tenure” is derived from the Latin term meaning “holding” or “possessing”, but land tenure is a legal term which refers to the right to hold land, rather than the act of possession. Recent studies stress the social nature of land access and control (IIED, 2000). The land tenure system in a given jurisdiction comprises the set of possible bases under which land may be used. As such this range encompasses both rural and urban tenures and includes ownership, tenancy and other arrangements for the use of land (FAO, 2003). For decades the World Bank strongly promoted the view that Western-style individual tenure was the only path to development, but it has recently come to accept evidence which supports the continuing viability and adaptability of indigenous/“customary” tenure systems in many parts of the world (World Bank, 2003). Land tenure reform (which can be either radical or gradual) refers to a planned change in the terms and conditions on which land is held, used and transacted. A fundamental goal is to enhance people’s land rights and thus provide tenure security. This may be necessary to avoid the suffering and social instability caused by arbitrary evictions and landlessness; it may also be essential if rights holders are to be allowed to manage their land resources, invest in the land and use it sustainably (Adams, 2000).

**Land reform** is generally accepted to mean the redistribution and/or confirmation of rights in land for the benefit of the poor. These may be tenants, farm workers and other disadvantaged groups whose tenure is legally insecure because they use and occupy land belonging to other persons, including land registered in the name of the state. The potential scope of land reform is very wide (Adams, 2000). The most common types of land reform are those dealing with reallocations of land and those redistributing legal rights of ownership. There is a common perception that land reform is the prerogative of developing and transforming economies. The reality is that land policy and the legislative and institutional framework implementing that policy are constantly changing in all societies as political, economic and social circumstances change (FAO, 2003). Women’s experiences of land reform programmes based on titling and registration have been mixed, with very negative consequences in much of Africa, but more positive ones in parts of Latin America, as a consequence of their greater social and political mobilisation there.

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- Robin Palmer, “Gendered Land Rights—Process, Struggle, or Lost Cause?”, 2002 [www.oxfam.org.uk/what\\_we\\_do/issues/livelihoods/landrights/downloads/genderedrtf.rtf](http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/downloads/genderedrtf.rtf)

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<sup>13</sup> We are indebted to Prof. Marc Muendler from the Department of Economics, University of San Diego, for his exposition of these issues.

Robin Palmer, "Struggling to Secure and Defend the Land Rights of the Poor in Africa", *Journal für Entwicklungspolitik* (Austrian Journal of Development Studies), XIX, 1, 2003, 6-21 [www.oxfam.org.uk/what\\_we\\_do/issues/livelihoods/landrights/downloads/struglin.rtf](http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/downloads/struglin.rtf)

Camilla Toulmin and Julian Quan (Eds), *Evolving land rights, policy and tenure in Africa* (DFID, IIED, and NRI 2000).

World Bank, *Land Policies for Growth and Poverty Reduction: A World Bank Policy Research Report* (World Bank and OUP, 2003).

May 2004

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**Memorandum submitted by Professor George Rothschild, on behalf of the Chairpersons of the Independent Advisory Committees of four of the DFID's Renewable Natural Resources Research Strategy programmes**

**A. BACKGROUND**

1. This submission to the International Development Committee (IDC) is made on behalf of the Chairs of the independent Advisory Committees (PACs) of four of DFID's Renewable Natural Resources Research Strategy (RNRRS) programmes (Forestry Research, Livestock Production, Crop Protection, and Crop Postharvest). The Chair of the Plant Sciences Programme Advisory Committee (Prof John Perfect) has forwarded a separate memorandum to the Committee (*Ev 64*), which provides good insights into how individual research programmes contribute to poverty reduction, using the Plant Sciences Programme as an example, but also raises important generic issues on DFID's commitment to agricultural research in the UK and overseas.

2. Before discussing issues relating to DFID's role in agricultural science and technology, it is relevant to briefly summarise the background to the involvement of the independent RNRRS advisory committees in the present round of parliamentary inquiries. This has been as follows.

3. After your Committee's inquiry last June into DFID's 2003 Annual Report, the PAC Chairs of nine RNRRS programmes expressed their strong concerns to the then Acting IDC Chair, Tony Worthington MP, that agriculture, including research, appeared to have a declining profile on DFID's agenda, despite the sector's great importance for poverty reduction in the developing world. The PAC Chairs also pointed out that it was surprising that the DFID had not highlighted the fact that it had invested well over £200 million over the past 10 years in ten successful programmes of research on agriculture, forestry and fisheries that explicitly targeted those in extreme poverty, and that the Department had also supported other bilateral and multilateral agriculture activities. Mr Worthington then extended an invitation for the PAC Chairs to provide a brief summary of key issues of concern, as well as background on the achievements of the RNRRS programmes. This was done last July. The coordinator for the PAC Chairs also encouraged other stakeholders in the UK and overseas to make representations to the IDC on this issue. In October, the Committee published its report on DFID 2003 and flagged the need for the Department to provide a greater "visible" commitment to agriculture in its core agenda. Particular reference was also made for the need to support smallholder agriculture.

4. Since last July, the PAC Chairs, via their coordinator, have had regular interactions with the IDC to pursue these issues further, largely through Mr Worthington. They were urged by him to make a submission to the inquiry currently being conducted by the Science & Technology Committee (STC) into "The Use of Science and Technology in UK International Development Policy and Practice", which they have done. The PAC Chairs' coordinator also urged other stakeholders in the UK and overseas to provide evidence to that inquiry. A copy of the PAC submission to the STC has been provided to your Committee members.

5. Following further consultations by PAC representatives and others with parliamentary groups including the All Party Group on Overseas Development (APGOOD), the issue of DFID's policy on agriculture was taken up with the Secretary for State, Mr Hilary Benn, who led discussions on the topic at an APGOOD stakeholders' meeting in January of this year. DFID prepared a policy paper just prior to that meeting entitled *Agriculture and Poverty Reduction: Unlocking the Potential*, which forms the basis for the present inquiry by your Committee. This policy paper is related to a more substantial issue paper *Better livelihoods for poor people: the role of agriculture* which was distributed for consultation in May 2002 but apparently not finalised as a document in the public domain.

**B. IMPACT SO FAR OF IDC INQUIRIES AND APGOOD ACTIVITIES, AND CURRENT STC HEARINGS**

6. The PAC Chairs involved in this submission believe that the stakeholder submissions, interim reports and preliminary outcomes of hearings of the IDC as well as those of the STC, have, together with the activities of APGOOD, already contributed significantly towards several constructive actions by DFID. These actions include:

- (i) the restoration of agriculture (defined broadly) to DFID's core agenda, as demonstrated by the policy paper mentioned above;

- (ii) extension for a further year of the RNRRS programmes to allow for scoping studies about successor arrangements; and
- (iii) greatly enhanced support for international agricultural research through the Consultative Group on International Agricultural Research (CGIAR) system for 2004–06, and support for the African Agricultural Technology Foundation (AATF).

C. ISSUES STEMMING FROM DFID'S DRAFT POLICY PAPER ON "AGRICULTURE AND POVERTY REDUCTION: UNLOCKING THE POTENTIAL", WITH SPECIAL REFERENCE TO AGRICULTURAL SCIENCE AND TECHNOLOGY (AST)

7. In this submission, we have consciously not dwelt on the overarching reasons why agriculture should have high priority in the DFID agenda. We are also not addressing the economic and social reasons for emphasising smallholder agriculture rather than commercial farming in the context of Sub-Saharan Africa. These major issues has been comprehensively and ably addressed by witnesses in the previous IDC hearing on 12 May 2004 in their oral evidence and in the papers by Dr Peter Hazell and colleagues of the CGIAR International Food Policy Research Institute, Washington DC. The overarching issues are also being discussed in DFID's current E-forum on renewable natural resources and agriculture, for that team in the DFIDHQ Policy Division, preliminary findings of which are being forwarded to your Committee.

8. We agree in principle with most of the evidence presented, and will therefore highlight other matters. Before this, we do wish, however, to refer to two overarching issues:

- (a) the critically important issues of population and food security, which we believe has received far too little attention in the current debates on poverty; and
- (b) DFID's support for "pro-poor" activities.

9. (a) *Food security*: As it is not strongly emphasised in DFID's policy paper on Agriculture and Poverty Reduction, we feel that there is a need to reiterate to the Committee that the global population will rise to nine billion over the next several decades—half as many people again as there are now. Most of these will be in the developing world. Given that about a billion people are chronically malnourished now, there will be a real challenge in ensuring food security in the future. While economic and social policy interventions will be required to address problems of access, markets, trade and so on, the bottom line is that food production will have to increase by around 50% from less land, and with less water and probably less labour—given the trend of the landless to seek non-farm employment. AST to raise production will clearly be critically important in meeting this challenge. In parallel, in Sub-Saharan Africa, there is rapidly rising demand for fuelwood and charcoal for cooking and heating in both rural and urban areas. This must also be supplied from smaller areas of increasing degraded woodland.

*\*\*Recommendation 1: That DFID clarifies its policy on addressing the potential crisis in food security, including the role of AST.*

10. (b) *DFID's pro-poor agenda*: The previous Secretary for State, Clare Short, made it clear in 1997–98 that the major emphasis of DFID's aid delivery was to be directed towards those in extreme poverty. The RNRRS and some other DFID research programmes were accordingly re-focussed on the needs of the very poor. Given the multi-faceted livelihoods of the very poor, it must be accepted that there are complexities and associated high transaction costs for AST and improvements in livelihoods undertaken directly with these communities. In its recent policy statements, DFID has increasingly used the term "pro-poor", which some interpret as being less clearly directed towards those in extreme poverty. If pro-poor means, for example, moving towards commercial scale farming rather than smallholder production, and focusing on non-farm employment opportunities and policy interventions at the national level, then it implies that the impacts on those in extreme poverty may be more indirect—that is through mechanisms sometimes defined as "trickle down". The statistical association between economic growth and reduction in poverty does not seem to hold for those still at subsistence level of livelihoods. Benefits may trickle down, through increased employment in commercial agriculture, but this is scarcely likely to affect the livelihoods of the very poor in remote and marginalized communities. It would be helpful if DFID could clarify where it currently stands on the issue. Specifically, is DFID still concerned about the livelihoods of the very poor, and with this an obligation of accepting higher transaction costs of such concerns?

*\*\*Recommendation 2: That DFID clarify what it means by pro-poor in terms of its agriculture agenda.*

11. Moving on from these overarching issues, we will now focus on several themes that are more concerned with how DFID manages AST rather than what it does in terms of subject matter. The themes include the internal organisation of DFID in terms of AST, DFID's support for institutions undertaking AST, the Department's role in capacity building and institutional strengthening, how research outcomes are integrated with mainstream development and application, the implications of direct budgetary support for AST, and the role of private-public sector partnerships in AST.

12. The DFID Policy paper on *Agriculture and Poverty Reduction* confirms that agriculture is back on DFID's agenda, and as pointed out in the introductory background, we welcome this development. Agricultural science and technology are mentioned, albeit rather briefly, and there is a commitment to maintain a "substantial" programme of collaborative work between the CGIAR, UK institutions and

others, as well as significant additional funding for the CGIAR. However, no examples of the use of AST or its impact on the poor are included—all those given in the Box in the paper are concerned with social and economic issues.

13. DFID has yet to finalise its new research strategy, but it has just released (11 May) a public consultation draft to help develop this strategy entitled *Research Funding Framework 2005–07*. The Framework will also be discussed at the Science & Technology Committee hearing on 26 May. We will not comment on the Framework in this submission, but a number of issues raised below are relevant, and will be mentioned briefly.

14. The last section of DFID's policy paper on *Agriculture and Poverty Reduction* is entitled "Next steps", and this mentions that further consultations with stakeholders will take place, including an E-forum, to help DFID develop its agenda on agriculture. The E-forum is now underway and over 450 contributions have been received on several themes, including science and technology. We understand that your Committee is being kept informed of progress in the Forum, and will receive the wrap-up reports from DFID.

#### D. INTERNAL ORGANISATION OF DFID IN TERMS OF AST FOR DEVELOPMENT

15. (a) *Responsibility within DFID for agriculture/research*: With the continuing reorganisation of DFID HQ, it remains unclear which group(s) has(ve) responsibility for agricultural research. The Agriculture and Renewable Natural Resources Team within the Growth and Investment thematic group in Policy Division deals with agriculture/forestry/fisheries issues, and this team was apparently largely responsible for the paper that forms the basis for the present IDC hearing. Research on the other hand is managed by the Central Research Department, which is distinct from the Policy Division and located as from 17 May 2004 in the Corporate Performance and Knowledge Sharing Directorate. We are not aware of the strength of linkages in terms of joint planning and regularity of communication between the two entities, but perceptions, rightly or wrongly, of those outside of DFID are that these are less than might be expected—given that new strategies are being developed for managing agriculture and other renewable natural resources and AST within DFID. Moreover, other teams within the DFID Policy Division must have some relation to agriculture and renewable natural resources and presumably could have an interest in commissioning new AST research and making use of AST outputs. These include: all four teams in the Sustainable Development thematic group, and at least four out of the six teams in the Social Development thematic group.

*\*\*Recommendation 3: That DFID clarify how responsibilities for AST are assigned within DFID, and in particular the respective roles of CRD and the Agriculture & RNR Team within the Policy Division.*

16. (b) *In-house capacity for AST*: The number of DFID staff with backgrounds in science and technology, and more specifically in AST, has declined considerably since 1998, and most advice to DFID currently comes from its outsourced RNRRS programmes. The Central Research Department is still in the process of recruiting staff, and it is unclear how many of these will have relevant backgrounds.

17. DFID previously had senior positions for Chief and Deputy Chief Natural Resources Advisers, together with technical advisory departments. These posts and departments were abolished as from April 2003 or earlier. With science and technology widely accepted as being of increasing importance in economic growth (as recently demonstrated by Chancellor Gordon Brown in launching the UK's new S&T initiative), we believe that there are good reasons for appointing a Chief Scientist/Chief Adviser (CSA) to take a leadership role in DFID. This individual would provide high level advice to top DFID management, as the Chief Economist already does, and would also undertake communication and coordination between DFID, and other UK government departments and agencies, as well as with international donor agencies and other key organisations engaged in S and T for international development. The CSA of DFID would be a member of the Whitehall CSAIC.

*\*\*Recommendation 4: That DFID ensures that it has sufficient in-house capacity to address S&T issues, including AST, and that it give serious consideration to creating a post of Chief Scientist/Adviser to also take a lead role nationally and internationally in S&T for development.*

#### E. DFID SUPPORT FOR THE CGIAR

18. *CGIAR*: The recent significant increase in funding for the CGIAR during 2004–06 and for the AATF is most welcome, but it is hoped that after evaluation of the RNRRS and bilateral research activities, meaningful levels of funding will be forthcoming for whatever replaces those programmes—rather than the multilateral contributions offsetting these. The main reason being that the CGIAR centres have comparative advantages in some areas such as crop genetic improvement, but, because of funding cuts, as well as other structural problems, now lack the critical mass of scientists necessary to undertake strategic research on a number of major research areas of importance for poverty reduction.

19. Most CGIAR centres have always been dependent on partnerships with advanced research institutions in the UK and other OECD countries as well as national research agencies in the stronger developing nations—and actively seek out such partnerships. DFID should not see the CGIAR as a "proxy" for getting all of its AST done through the disbursement of large tranches of funding and thus low transaction costs. The CGIAR is not capable of responding and this is also not the agreed purpose of that

research system. For the investment in the CGIAR to be of value, DFID must ensure that there is an equally strong commitment to national research programmes if there is to be real impact. This includes partnerships with other research institutions as just noted. Additionally, given that the UK has adopted a principle of untied aid, and an open competitive tendering system for AST in its bilateral programmes, it needs to clarify whether the large additional allocation to the CGIAR for 2004–06 has been made on the basis of careful evaluation of the returns from DFID's investment in terms of impact on the poor, or whether this additional allocation represents unrestricted core funding with no conditionality attached to it.

*\*\*Recommendation 5: DFID should clarify the basis for its increased contribution to the CGIAR, and in particular whether this has been based on full evaluation of returns for the investments made, as is, for example, to be the case for the RNRRS programmes.*

#### F. DFID'S RNRRS PROGRAMMES

20. *RNRRS research programmes and their possible replacement:* As noted in paragraph 6 above, the outsourced RNRRS programmes have over the past 9 years been the main vehicle for DFID to support strategic research for development in agriculture, forestry and fisheries. The programmes were due to be terminated in March 2005, but, largely as a result of the activities of your Committee and associated parliamentary inquiries, have, as noted earlier, been extended for a further year to permit scoping studies for successor arrangements.

21. The recently released public consultation draft for the new research strategy referred to earlier, namely the *DFID Research Funding Framework 2005–07*, appears to have taken little account of what has been done previously or lessons learned from the RNRRS programmes, which have run for almost 10 years, with the total investment exceeding £200 million. This may reflect the limited attention given to the RNRRS programmes in the 2002 Surr report, which has apparently formed the basis for much of DFID's current thinking. A number of the proposed activities for the new Funding Framework are undertaken routinely by the RNRRS programmes and by major development agencies elsewhere; these include extensive exercises to identify stakeholder priorities for poverty reduction, and longer term horizon scanning for future priorities (eg 2020 programmes of World Bank, CGIAR and others).

22. We hope that the extension of the RNRRS through to 2006, and the planned series of consultations on key AST issues will allow for proper evaluation of impact and lessons learned, and thereby provide sound background for the new DFID research strategy. In particular, there is a need to ensure that, whatever system DFID finally adopts for managing research is based on a comprehensive review of the many options available. The Development Research Centre concept, raised in the Research Funding Framework has weaknesses as well strengths, and while perhaps suitable for some of the social science studies, may not be appropriate for all AST or in other sectors such as education, health and engineering. The institutional arrangements for research should depend on the objectives and on the mechanisms envisaged for promotion, uptake and application of research results. These do not appear to have been considered in the consultation draft.

*\*\*Recommendation 6: DFID needs to undertake a comprehensive review of the options available for managing research before adopting a particular model or models. It may also need to consider using several different mechanisms for different types of research for development.*

#### G. DFID AND THE ROLE OF UK RESEARCH INSTITUTES IN INTERNATIONAL DEVELOPMENT

23. In terms of AST, the UK science base has contributed significantly to poverty reduction programmes in the developing world. In the past, much of the work was undertaken by institutions dedicated to research in the developing world, such as the range of institutes formerly within DFID's predecessor ODA, which were then merged into one entity, the Natural Resources Institute (NRI), and finally privatised; and the Oxford Forestry Institute. Valuable work in developing countries has also been undertaken by other UK-based research institutes, supported by the Research Councils such as the BBSRC and NERC, and with co-funding from ODA/DFID, but this has usually been undertaken by individuals or small units, and represents a relatively minor part of their overall agenda of more fundamental and strategic research primarily for the benefit of the UK. In contrast to NRI and OFI, UK institutions supported by the Research Councils receive core funding, and this has a major impact on their viability. The CGIAR centres also receive significant unrestricted core funding from some other donor governments.

24. The untying of aid by the UK to encourage fair and open competition is right in principle. However, some other OECD countries have failed to follow suit in practice, which has made it more difficult for UK scientific research institutions with high profiles in development to compete with counterparts overseas for EU and other donor agency funds. For example, the decline in university core funding in the UK has led to an increase in the overheads levied on research grants, thus making them less competitive. It is definitely not a level playing field. This combined with the lack of core support, means that UK institutions, more exclusively dedicated to scientific research for development, are experiencing major reductions in staff, and associated loss of unique experience vital for DFID's programmes and those of development agencies overseas.

25. One noticeable consequence of this decline in employment and career opportunities is the significant reduction in numbers of young professionals seeking a career in science for overseas development. All this means that the UK, which has long been a world leader in many areas of AST for development, may have to look to other nations to take the high ground in this area, unless steps are taken to address this problem.

*\*\*Recommendation 7: It is suggested that, without compromising its position on the untying of aid, DFID examines options for ensuring that the UK science base continues to contribute significantly to international development. This could in part be achieved by ensuring that funds allocated to the CGIAR are also available for competitive bids by UK institutions.*

#### H. DFID'S ROLE IN CAPACITY BUILDING AND INSTITUTIONAL STRENGTHENING IN AST

26. We have very recently (18 May) prepared a summary of this issue in response to supplementary questions from the STC and consider that it is appropriate to provide an edited quotation from this for the benefit of the IDC.

We suggest that . . . “In the broader context of agriculture, forestry and fisheries, effective capacity building is essential if DFID support for AST is to lead to sustainable development that targets the very poor, and is not dependent on long-term donor intervention. Capacity building has to be a fully integrated part of the development process—best seen as a research-development-application continuum—or run in close association with it. The training must be needs driven and thus be based on a meaningful analysis of what these needs really are. It can be undertaken in-country with local and regional representation, or in OECD countries when this is required. Pressure for the more costly latter option often comes from developed country institutions, including some in the UK supported by the Research Councils, and this requires careful scrutiny to determine whether such training does indeed provide value for money in terms of relevance and likely impact.

27. There has been no explicit contractual requirement for programmes supported by DFID, such as the RNRRS, to undertake capacity building in AST, and few formal mechanisms other than a number of small grant schemes are available for this. The RNRRS programmes have addressed capacity building through various avenues, but principally through partnerships relevant to immediate project needs. These partnerships are almost always interdisciplinary and involve several countries, with developing and developed country partners having equal standing (*added note: some other DFID centrally-funded research programmes do have significant capacity building elements*).

28. Capacity building in these partnerships is focussed on specific projects, and as such tends to be small-scale and discontinuous. This limited approach means that there is no training in core requirements such as research organisation and management or other broader issues needed for strengthening entire institutions. Yet, it is universally recognised that there is a compelling need for institution building on a massive scale, especially in Africa, if sustainable development in the agriculture sector is to become a reality; because of the perennial deficiencies in the educational system, which need to be repaired to bring staff up to research standard. In this regard, it is unfortunate that the CGIAR organisation known as the International Service for National Agriculture Research (ISNAR) has, because of lack of sufficient donor support, been reduced to a single programme within another centre. There is an ever-increasing need for the kind of work undertaken by ISNAR, which should therefore be addressed through other approaches, for example, establishing units for this purpose in individual CG centres or within regional organisations” . . . End of extract.

*\*\*Recommendation 8: There is a clear requirement, and an excellent opportunity, for DFID to demonstrate leadership among the international donor community in developing, funding and managing a coherent long-term needs-based strategy for capacity building and institutional strengthening. This should be integrated or closely aligned with DFID's overall programmes of research-development-application in agriculture and associated sectors, for both central and in-country programmes. However, proper provision has to be made for this in terms of funding.*

#### I. DFID'S ROLE IN ENSURING THAT AST IS APPROPRIATELY INTEGRATED OR CLOSELY ALIGNED WITH MAINSTREAM DEVELOPMENT BOTH CENTRALLY AND THROUGH THE IN-COUNTRY PROGRAMMES

29. Some consider that this is the single most important issue that requires attention at DFID, and it is referred to elsewhere in this submission as the research-development-application continuum. Many donor agencies, not just DFID, have failed to develop effective means of ensuring that important outcomes of demand-led research are further developed and then adopted by or for those in poverty. There appears to be little “joined-up thinking”, let alone practice. To be successful, AST has to be built into mainstream development projects/programmes from the outset and be considered jointly at all phases from problem identification with key stakeholders through implementation and on to application and evaluation. This applies to both centrally managed and in-country programmes. There has to be an accompanying commitment to provide longer-term funding to support such activities—that is, “joined up” funding

30. Currently, there is usually considerable discontinuity between research outcomes being piloted and then disseminated more broadly, and in the use of research results for policy shaping. These breaks frequently lead to loss of momentum in major projects of crucial importance to the poor, as well as loss of key partners in developing countries, the UK and elsewhere.

31. We believe that DFID could learn valuable lessons on how to develop research-development continua from the experiences of its outsourced RNRRS programmes over the past decade, which, in the absence of formal mechanisms at DFID, have developed approaches of their own for addressing these problems. These vary somewhat from programme to programme but all are worthy of scrutiny.

*\*\*Recommendation 9: That DFID develops appropriate mechanisms for linking research with mainstream development so as to maximise the returns from its investment in AST, and that this is based on full evaluation of other models including its own RNRRS programmes.*

#### J. DFID AND POLICY FOR DIRECT BUDGETARY SUPPORT

32. DFID has increasingly emphasised the importance of Direct Budgetary Support (DBS) for developing countries to enable them to determine their own priorities, including AST for poverty reduction, with the assistance of poverty reduction strategy papers (PRSPs). As your Committee is aware, although most of the poor in developing countries are dependent on agriculture, the ministries and line departments responsible are usually weak, and the sector is therefore often not accorded the priority that it deserves—let alone AST.

33. This implies that it might be difficult, if not impossible, for DFID to influence the development agenda of partner nations in terms of the inclusion of agriculture and AST, indeed any particular sector—if DBS becomes the norm—without conditionality or change forecasts, and even if the poverty reduction strategy papers (PRSPs) are appropriate. The question then is what would be the role of the central policies on agriculture and AST currently proposed by DFID in its new Research Funding Framework? At another level, the same question could be posed in relation to CRD's relationship with the DFID country programmes, which will be accorded far greater responsibilities for development, including budget management.

*\*\*Recommendation 10: DFID needs to clarify how it will manage the agriculture/AST agenda if Direct Budgetary Support is to be the preferred mode of aid delivery to achieve poverty reduction. It also needs to clarify whether those responsible for agriculture and RNR as well as AST are likely to be called upon to help drafting PRSPs.*

#### K. DFID AND PRIVATE SECTOR INVOLVEMENT IN AST

34. Over the past two years, DFID has undertaken a number of reviews to identify suitable mechanisms for attracting investment by the private sector in AST, as well as in the development and application of research products. This has led to the Department co-funding the African Agricultural Technology Foundation (AATF), which supports the development of technologies that are affordable for small farmers.

35. Much has been written on the issue of private sector engagement with AST for the developing world. By and large, it is true to say that the private sector is not attracted to invest in pro-poor AST for the developing world, as the returns are too small. Furthermore, many of the products of such AST are international public goods, and thus private companies cannot appropriate the returns. Most private sector involvement that does take place is leveraged through partnerships with the public sector organisations. This however presupposes that there is a strong public sector partner, which in many developing countries is not the case, especially in Africa.

36. A number of the larger multinational agribusinesses have established foundations and other entities, whereby biotechnology products and technologies, including some under IPR protection, are donated to researchers working on pro-poor technologies in developing countries. A number of the livestock vaccine programmes, currently of interest to DFID, fall into this category. We conclude that there is role for the private sector in AST for those in poverty, but that this is likely to be limited for the foreseeable future.

*Professor Rothschild also submitted an memorandum to the Science and Technology Committee, as part of their inquiry into 'The Use of Science in UK International Development Policy'. This memorandum will be included in a Science and Technology Committee report, HC 133-II, when it is published.*

May 2004

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#### Memorandum submitted by CDC Group/Actis

*What is your assessment of the scope for venture capitalists encouraging commercial agriculture in light of your experiences with Kenyan horticulture (eg Flamingo Holdings)?*

CDC's experience of investing in agriculture in Africa and Latin America suggests that investment in this sector in the developing world can be commercially attractive where certain specific conditions apply. These are that the business should not be competing with producers in the developed world, has high growth potential, a product with high added value content and a clear route to market (which will often be for export and also tend to avoid commodity markets). These features mitigate currency and commodity price risk,

making the more attractive to prospective purchasers and therefore more liable to generate the sorts of returns that investors seek. Other types of commercial agriculture and particularly primary agricultural production generally do not produce the level of returns required by commercial investors.

The particular features which militate against equity investment in this sector in emerging markets are market distortions in the developed world and structural failings in the developing world.

- **Market distortions.** High levels of state subsidy to farmers in the developed world undermine the viability of agricultural production in the developing world in general, but particularly in Africa. US and EU agricultural subsidies leave developing country agribusiness with limited opportunities to access the world's largest markets and operate profitably. One of the consequences of these market distortions is to focus investment in areas which do not have to compete with subsidised alternatives, such as horticulture.
- **Structural weaknesses.** Where agricultural products are marketed through parastatal bodies, as occurs in many developing markets, inefficiencies arise which deter investors. Further deterrents are provided by the ancillary costs of primary production, such as the need to build roads to improve access to market and to provide schools and medical care. None of these attract public funding and their cost reduces returns.

Where conditions are propitious, on the other hand, investment in agriculture can be profitable commercially and developmentally, as in the case of CDC's investments in Flamingo Holdings in Kenya and Tatepa, a branded tea business in Tanzania. Homegrown, for instance, part of Flamingo Holdings, is a successful commercial enterprise, which sells Kenyan-produced flowers and vegetables in the UK. Part of its production comes from some 1,000 smallholder suppliers or outgrowers, clustered in two main groups around the towns of Thika and Machakos near Nairobi. The company operates a full support policy for these outgrowers providing them with the seed, technical expertise and training that they need to produce a high quality product. Fresh produce is collected daily by Homegrown and taken to Nairobi depots for cooling, grading and preparation. The outgrowers adhere to a Code of Practice (COP) drawn up by Homegrown and auditing is undertaken by a Crop Development Unit staffed by trained Kenyan university graduates. The COP meets EU standards on issues such as crop husbandry and hygiene. The outgrowers specialise in baby corn, fine and extra fine beans.

Homegrown's scheme provides advice and a market for smallholders. Over US\$3 million annually is injected into the rural economy in Kenya, enabling the families involved to educate their children and improve their standard of living. It is a good example of beneficial links between international markets and rural agricultural communities in Africa.

June 2004

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### Memorandum submitted by the Department for International Development

#### ANALYSIS OF DATA ON TRENDS IN BILATERAL ASSISTANCE TO AGRICULTURE

This brief presents a preliminary analysis of data on trends in bilateral expenditure on agriculture. The analysis is based on recent data from the OECD International Development Statistics (IDS) database (<http://www.oecd.org/dataoecd/50/17/5037721.htm>), and DFID's published Statistics on International Development (1998/99—2002/03).

#### DATA SOURCES

Two IDS databases provide expenditure by sector:

- DAC Table 5—data by *type* of bilateral expenditure by *sector* in national currency.
- CRS Table 2—data (total ODA/OA and Other Official Flows) by *sector* in constant US dollars to allow comparison with other donors.
- DFID's publication provides data on bilateral and multilateral expenditure by type and by sector.

#### QUALIFICATIONS—CATEGORISING AGRICULTURE

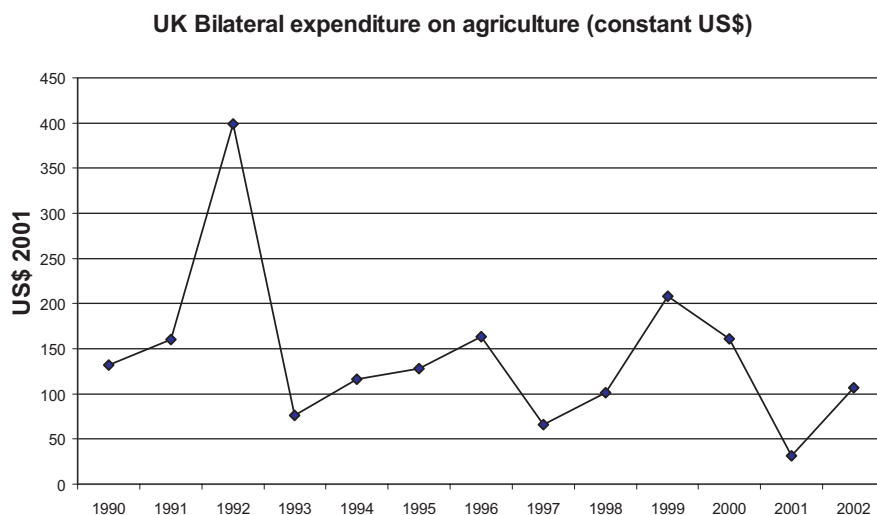
The IDS databases categorise agriculture as follows: "Including agricultural sector policy, agricultural development and inputs, crops and livestock production, agricultural credit, co-operatives and research".

In the DFID classification, agriculture falls within the Rural Livelihoods category, which includes: Agriculture policy, Renewable Natural Resources Research, Land Policy and Forestry production. In the data reported in the DFID spreadsheet, bilateral expenditure on agriculture is classified as total rural livelihoods less Forestry.

Although reporting years are different, the expenditure data in the IDS and DFID sources are broadly similar (with the exception of 2001, where IDS data shows a sharp dip in expenditure as compared to DFID data which shows a slight increase over 2000).<sup>14</sup>

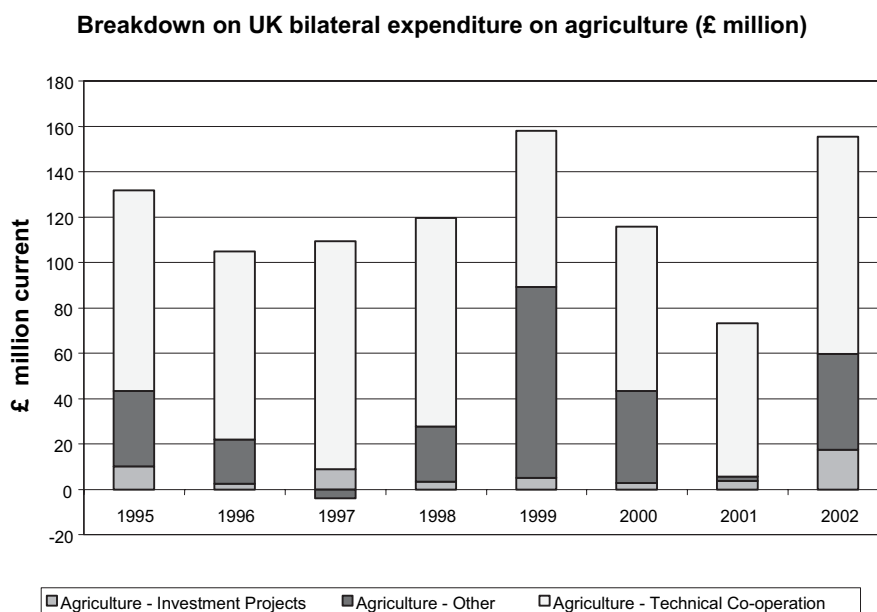
TRENDS IN BILATERAL EXPENDITURE

Bilateral expenditures comprise the major share of UK aid and assistance expenditure on agriculture. Following a peak in real expenditure on agriculture in 1992, there has been no discernable trend in real expenditure during the 1990s.



Source: CRS2

Expenditure on technical cooperation has dominated throughout the 1995–2002 period, whilst expenditure in the form of investment projects has remained at or below 10% of expenditure on agriculture.

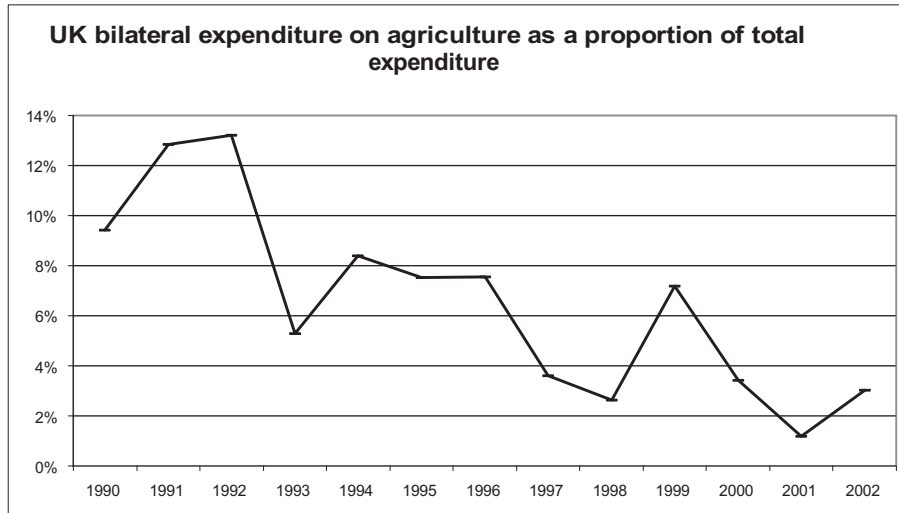


Source: DAC5

<sup>14</sup> The UK submission to the OECD DAC is on a calendar year basis under ODA and OOF, but does not include a portion of UK subscription to FAO and UNESCO, CDC exchequer advances and World Bank and Regional Development Bank promissory notes.

EXPENDITURE ON AGRICULTURE AS A PROPORTION OF TOTAL BILATERAL EXPENDITURE

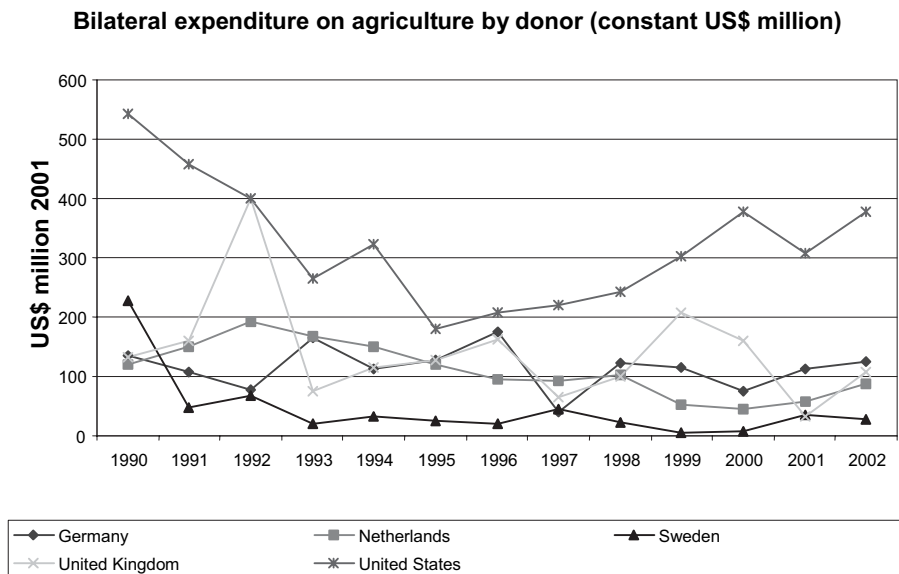
Although total bilateral expenditure has increased during the 1990s, expenditure on agriculture as a proportion of the total has fallen sharply from a peak of more than 10% in the early 1990s to below 5% in the early 2000s.



Source: CRS2

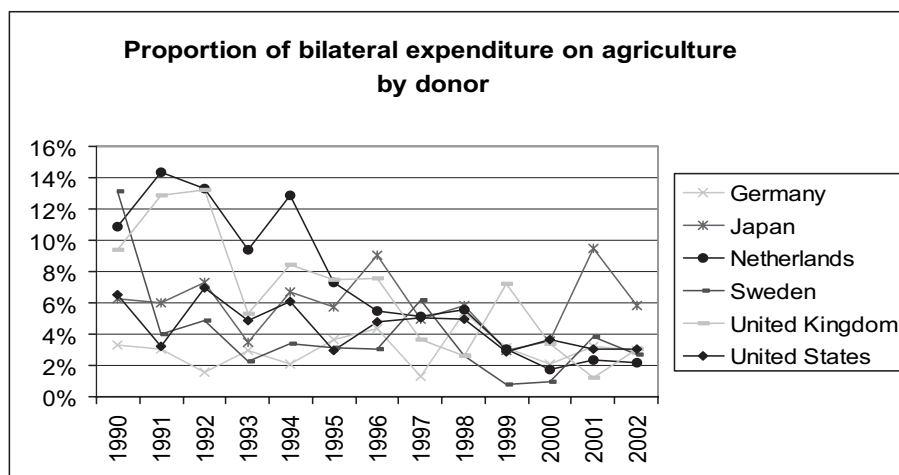
COMPARISONS WITH OTHER DONORS

With the exception of the United States, other donor expenditure on agriculture has also remained relatively constant or fallen over the period.



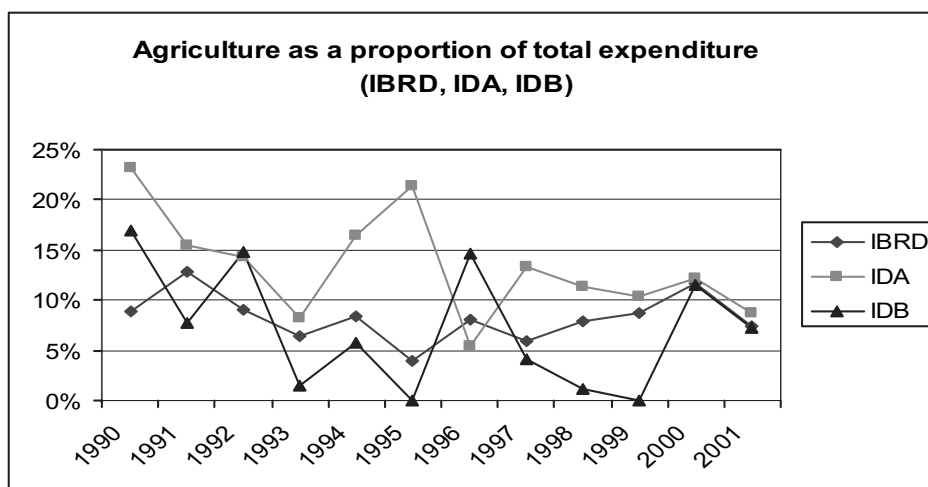
Source: CRS2

As a proportion of total expenditure, expenditure on agriculture has also fallen sharply in most donor programmes (selection depicted below), with the exception of Japan where the proportion has recently risen as high as 9%.



Source: CRS2

Similarly, **World Bank** expenditure on agriculture as a proportion of total spend has fallen significantly since the early 1990s, although this probably reflects the effect of several large (capital) projects. Trends in bank lending to the sector also vary between regions: general down in relative terms if Africa but remaining large and probably increasing in India.



Source: CRS2

MULTILATERAL FUNDING

Multilateral expenditure (DFID file) has increased in the period 1998–2003, but has remained at about 10% of bilateral expenditure.

Multilateral expenditure (excludes Banks and EU)

	FAO	IFAD	CGIAR +	Total Multilateral agriculture
1998–99	5,274	2,155	6,943	14,372
1999–2000	5,439	2,713	7,121	15,273
2000–01	14	2,752	7,599	10,365
2001–02	6,621	2,728	8,205	17,554
2002–03	6,117	3,000	7,900	17,017

Source: DFID Statistics on International Development

June 2004

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**Memorandum submitted by Mr A P Jones**

COMMENTS ON *AGRICULTURE AND POVERTY REDUCTION: UNLOCKING THE POTENTIAL*, A DFID POLICY PAPER

I. REVIEW

1. The document hits the nail pretty well on the head in terms of the need for an agriculture strategy if the millennium development goals are to be approached: “. . . there is no realistic alternative—and no more important challenge—than to make agriculture work.”

2. The emerging strategic consensus seems sensible. If I have understood it well, a pragmatic not ideological or blue-print approach is recommended based on evaluating what worked in particular circumstances and building on best practice. This said there are common elements which might be treated as a menu from which one would typically draw:

- Concentrating on resource poor small farmers;<sup>15</sup>
- Addressing trade and policy linkages between rich and poor nations and regions (including through EU agriculture policy reform and the WTO);
- Development and introduction of appropriate technology;
- Infrastructure and support services (including financial markets) provision; and
- Assisting with domestic policy reforms with a clear recognition of roles for both public and private sector in terms of policy formulation and implementation.

3. From the supporting documents it is clear that high quality discussions taking place on the various strategic elements and how each might best be addressed.

II. CHALLENGES

4. Based on my experience I believe projects and programmes which are successful, in their own terms, can be developed within this framework. The main challenges being that resource poor small farmers may well have few realistic options for change, particularly when the “hot house” support of a project (or internationally funded programme) is withdrawn.

5. The second challenge concerns how to shift, from what are inevitably relatively small scale project type interventions, to nationally run and funded programmes “scaling—up”. This challenge is inevitably exacerbated where counterpart institutions are weak and are perhaps declining significantly in terms both of physical and human resources. It is further exacerbated where weak governance and corruption are pervasive; as is the case, for example in Central Asia.

6. Although I can make no claim to have read all the suggested papers closely, I haven’t seen anything suggest these particular challenges are being addressed yet.

III. SUGGESTION

7. As an initial contribution to a discussion of the above challenges, I believe there is a key role that might be played by long-term UK based training in rural and agricultural development either within programmes and projects or on a stand alone basis.

8. In my career overseas I only once worked alongside a national counterpart whose understanding of rural development thinking was what might be described as cutting edge. Many had taken on the terminology but lacked the in depth understanding to actually apply it. Working alongside counterparts who understand development as industrialisation and the role of agriculture as transferring surpluses (labour and financial) to support industrialisation, led me to conclude that even successful projects would unwind once external support was withdrawn.

9. As a foreigner there were inevitably aspects of the local situation which I could not fully understand, consequently my own efforts were inevitably flawed. It seems to me, that a well trained cadre of national experts in rural/agricultural development would combine both international level expertise and local knowledge. Inevitably a programme of training would have to allow for leakages as trained individuals took their skills elsewhere and some would only benefit marginally. Nevertheless, I would suggest that establishing groups of high flyers in the public sector institutions (which in the areas I have worked in recently will come to rely increasingly on “new blood” as the Soviet era staff retires) as well as in the private sector would be immensely beneficial. One could also anticipate “external” benefits to training as individuals tend to be pro- the nation in which they train. Finally I would suggest training really does play to a British strength we have almost 20 universities which offer courses in Development Studies with many more offering training in Agricultural economics which include options on policy and international development.

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<sup>15</sup> A valuable contribution to the discussion on this point is provided by ODI Agricultural Administration (Research and Extension) Network Paper 27: NGOs and Agriculture at the Margin, J E Sumberg, December 1991.

#### IV. NEXT STEPS

10. The above comments and discussion are inevitably just outline points. I would be very happy to continue to be involved in their evolution in the context of the development of DFID's agricultural strategy, possibly co-ordinating discussions on training. Obviously this would require a far greater input than I have made so far, for which I would expect some recompense. Whether this possible or not I hope this small contribution is felt to be useful.

May 2004

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#### **Memorandum submitted by the Natural Environment Research Council (NERC)**

NERC is one of the UK's seven Research Councils. It funds and carries out impartial scientific research in the sciences of the environment. NERC's comments are based on inputs from the Centre for Ecology and Hydrology (CEH), the foremost UK centre for the sciences of ecology and hydrology. CEH has a long history of carrying out research for DFID and ODA, mainly in water resources, tropical agriculture, forestry and agroforestry.

#### COMMENTS

*Is the approach to agriculture in terms of poverty reduction and growth strategies right?*

- Separating agriculture from broader consideration of renewable natural resources may not lead to the best solutions. In particular, the separation of agriculture from forestry is often an artificial one as farmers need both tree and crop products to meet their daily requirements. Similarly, water resources are crucial to short- and long-term productivity.
- Policy development must be built on sound evidence, which should include outputs from applied socio-economic and biophysical research. We therefore welcome the commitment to "*maintain a substantial programme of agricultural research bringing together expertise in developing countries, the CGIAR, the UK and elsewhere*".

*DFID's method of support for agricultural research*

- Increased funding of R&D research in the Consultative Group on International Agricultural Research (CGIAR) centres may undermine the very good and worthwhile activities conducted by national centres unless these also receive long-term support through funding and collaboration. The presence of high-salaried CG centres in a country already creates a "brain drain" from national centres to CG centres. The building and maintenance of national research and extension capacity, run by national experts, aided by long-term partnerships with UK research institutes, should be part of DFID's strategy for agriculture and poverty reduction. DFID's Civil Society Programme should also ensure that NGOs take advantage of knowledge generated by local and international researchers.

#### NERC RESEARCH CENTRES AND COLLABORATIVE CENTRES

##### *NERC Research Centres*

- British Antarctic Survey (BAS).
- British Geological Survey (BGS).
- Centre for Ecology and Hydrology (CEH).
- Proudman Oceanographic Laboratory (POL).

##### *NERC Collaborative Centres*

- Centre of observation of Air-Sea Interactions and Fluxes (CASIX).
- Centre for Observation and Modelling of Earthquakes and Tectonics (COMET).
- Centre for Polar Observation and Modelling (CPOM).
- Centre for Population Biology (CPB).
- Centre for Terrestrial Carbon Dynamics (CTCD).
- Climate and Land Surface Systems Interaction Centre (CLASSIC).
- Data Assimilation Research Centre (DARC).
- Environmental Systems Science Centre (ESSC).

NERC Centres for Atmospheric Science (NCAS).

National Institute for Environmental eScience (NIEeS).

Plymouth Marine Laboratory (PML).

Scottish Association for Marine Science (SAMS).

Sea Mammal Research Unit (SMRU).

Southampton Oceanography Centre (SOC).

Tyndall Centre for Climate Change Research.

Further information on all these centres can be found on the NERC web site [www.nerc.ac.uk](http://www.nerc.ac.uk)

April 2004

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### Letter to the Chairman of the Committee from the Nuffield Council on Bioethics

Thank you for giving the Nuffield Council on Bioethics the opportunity to contribute to the International Development Committee's consultation about the agricultural policy of the Department for International Development (DFID). We welcome the opportunity to submit evidence.

As you may be aware, the Nuffield Council has recently considered the potential contribution of genetically modified (GM) crops to agriculture in developing countries. I have pleasure in enclosing copies of the Council's publications on the topic: *Genetically modified crops: the ethical and social issues* (published in 1999) and a new Discussion Paper, *The use of genetically modified crops in developing countries*, published in January 2004.<sup>16</sup> We highlighted some of the recommendations in this Paper in a letter sent to DFID on 5 January 2004.

We support the view of DFID that agriculture has a fundamental role in the reduction of poverty. Many people are poor, and therefore hungry, because they can neither produce enough food on their small farms, nor obtain enough employment by working on those of others. Enhancement of yields on small farms tends to increase the demand and hence rewards for poor labourers. Improving the productivity of small farms is by far the best means of achieving a substantial reduction of food insecurity and poverty (paragraphs 2.4, 2.9–2.11).

We are aware that achieving food security and reducing poverty in developing countries are highly complex issues. We do not claim that GM crops will eliminate the need for economic, political or social change, or that they will feed the world. However, we do believe that GM technology could make a useful contribution, in appropriate circumstances, to improving agriculture and the livelihood of poor farmers in developing countries. We should like to draw your attention to recommendations in the Discussion Paper that are specifically relevant to DFID's agricultural policy:

- In particular cases, GM crops can contribute to substantial progress in improving agriculture, in parallel to the (usually slow) changes at the socio-political level. GM crops have demonstrated the potential to reduce environmental degradation and to address specific health, ecological and agricultural problems which have proved less responsive to the standard tools of plant breeding and organic or conventional agricultural practices. **There is an ethical obligation to explore these potential benefits responsibly, in order to contribute to the reduction of poverty, and to improve food security and profitable agriculture in developing countries** (paragraph 4.48).
- Much of the current privately funded research on GM crops serves the interest of large-scale farmers in developed countries. Consequently there is a serious risk that the needs of small-scale farmers in developing countries will be neglected. It appears that research on these crops will have to be supported primarily by the public sector. **We therefore affirm the recommendation made in our 1999 Report that genuinely additional resources be committed by the UK Department for International Development (DFID), the European Commission, national governments and others, to fund a major expansion of public GM-related research into tropical and sub-tropical staple foods, suitable for the needs of small-scale farmers in developing countries** (paragraph 6.16).
- **In determining which traits and crops should be developed, funding bodies should be proactive in consulting with national and regional bodies in developing countries to identify relevant priorities** (paragraph 6.17).

We note that DFID has agreed to an increase of £30 million over the next three years in support for CGIAR and we welcome this commitment. The role of the CGIAR in research on GM crops is strategically important. But funding for the CGIAR has fallen in real terms since 1990. Although it spends about US\$360 million per year, less than 10% is directed to research on the genetic modification of crops.

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<sup>16</sup> Not printed.

#### CAPACITY BUILDING

- It is of particular importance that developing countries improve their capacity to independently review and assess the use of GM crops in specific situations. **Since means for the development of the required expertise are limited in most developing countries, we welcome and endorse the United Nations Environment Programme and the Global Environment Facility (UNEP/GEF) undertaking of promoting the building of capacity in relevant expertise** (paragraphs 5.24–5.25). We are aware that DFID currently supports this initiative and also seeks to devise guidelines for participation by the public in decision making processes for biosafety frameworks.
- Local communities should be included as far as possible in decision making processes, for example by means of consultations with stakeholders. In this context, formal and non-formal programmes that promote the dissemination of balanced information, communication, education and training of those involved are essential. In particular, farmers need to be informed about the technological potential and management requirements of GM crops. Expectations are sometimes inappropriately high, and knowledge about specialised farm management practices may be absent. **We recommend that companies marketing GM crops in developing countries share, with governments, the costs of:**
  - **locally appropriate schemes to elicit small-scale farmers' preferences regarding traits sought by GM-based breeding;**
  - **their participation, where appropriate, in plant breeding; and**
  - **subsequent mechanisms to improve dissemination of balanced information, education and training about the use of GM crops** (paragraph 5.33).

#### IMPACT OF EUROPEAN POLICY

- The freedom of choice of farmers in developing countries is being severely challenged by the agricultural policy of the European Union. Developing countries might well be reluctant to approve GM crop varieties because of fears of jeopardising their current and future export markets. They may also not be able to provide the necessary infrastructure to enable compliance with EU requirements for traceability and labelling. **We recommend that the European Commission (EC), the UK Department for International Development (DFID) and appropriate non governmental organisations which monitor the agricultural policies of developing countries examine the consequences of EU regulatory policies for the use of GM crops in developing countries. We recommend that the European Commission establish a procedure to report on the impact of its regulations accordingly** (paragraph 5.50).

#### ACCESS TO GM TECHNOLOGIES

The challenge for the public sector, especially where research is directed at agriculture in developing countries, is how to access GM technologies without infringing intellectual property rights (IPRs). New initiatives which recognise the potential of these constraints to inhibit research into crops relevant to developing countries are crucial.

There are some public/private partnerships which have been established in the past to make available GM technology owned by companies such as Monsanto or Syngenta for “public good plant breeders”. There is also the recent initiative of the AATF which aims to promote the sharing of technology and has already received support from the major companies (paragraph 6.15). We note that DFID is providing £5 million to the new African Agricultural Technology Foundation (AATF).

- Access to plant genetic resources is critically important for the development of GM crops which are suited to the needs of developing countries. **We welcome the decision by the UK Government to ratify the International Treaty on Plant Genetic Resources for Food and Agriculture. Access to resources falling under the Treaty is of crucial importance in the development of crops suited to developing countries. We recommend that in the negotiations regarding the standard Material Transfer Agreement (MTA), the UK Government aims for provisions that exempt users in developing countries from payments, where commercial applications arise from material covered by the MTA. Where exemptions are not appropriate, differentiation of payments should take into account the level of development of the country in question** (paragraph 5.15).

*April 2004*

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#### Memorandum submitted by Professor John Perfect, Independent Chairman, DFID Plant Sciences Research Programme

The Committee is aware of the long-term commitment of DFID and its predecessor organisations to support for agriculture as a primary driver for rural development and the most significant direct contributor to improving the quality of the lives of the rural poor in the developing world. As ODA the department

earned international plaudits for its innovative approach to the management of agricultural research through a series of long-term outsourced programmes that have operated with only minor changes for almost 15 years under its Renewable Natural Resources Research Strategy. The Strategy itself underwent major review and revision in 1995, but at all stages the value of the contribution to development from DFID funded RNR research has been reaffirmed in internal and external reviews and through the vitality and impact of the diverse partnerships established to promote validation and uptake pathways. I have had a long-term personal involvement with these initiatives, initially as a practitioner in UK agricultural research, then as manager of the Crop Protection Programme and now as Chair of the Plant Sciences Research Programme Committee.

The DFID consultation paper makes a strong case for a continued commitment to agriculture as a cornerstone of the fight against hunger and poverty and I am happy to see this position reaffirmed. I am less satisfied with the treatment accorded to research and see no discussion that relates to optimising the benefits from an investment that must now exceed £250 million in technology generation through centrally funded research—and considerably more if associated bilaterally funded initiatives are taken into account. There is appropriate concern over the market-related issues that influence impact and uptake from agricultural research but there seems to be little realisation that such issues are an integral part of the activity of the present day RNR programmes. Remote scientists disconnected from the realities of technology uptake are largely a thing of the past and this change in attitude has been actively fostered by DFID itself through the protocols guiding management of its research programmes. Notwithstanding the financial investment, considerable creative energy has been expended in developing extended networks of skilled and knowledgeable individuals from many public and some private sector constituencies that are now delivering benefits to agricultural development. If DFID does not sustain its long-term commitment to this process much will be irrevocably lost; many initiatives will founder; available technology will not be transferred; impact will not be secured. It is not sufficient to leave the responsibility for the identification and delivery of appropriate agricultural research to the private sector since market forces at levels that generate benefits for smallholders operate with returns that are too low to be attractive to multinational commercial enterprise.

In concept the RNR was an ambitious and forward-thinking venture, based on a matrix of commodities and technologies and seeking to secure returns from their integration in systems-oriented activities with a strong socio-economic underpinning. It was, however, complex and seldom achieved the levels of integration envisaged at the design stage. It is thus appropriate to reconsider the framework for future commitments to agricultural research. However, within the constraints of the existing framework much has been achieved and individual programmes have increasingly oriented their work in ways that clearly show both relevance and impact. Current thinking needs to build on these achievements without rasing the ground in search of a new, perhaps intellectually satisfying but untested model.

The achievements of the DFID Plant Sciences Research Programme (PSRP) illustrate what can be done when UK scientific resources are deployed in long-term partnership with third world institutions under the management of energetic, resourceful and committed UK institutions. The PSP was originally framed to provide a balanced programme of work across the various aspects of plant science relevant to agricultural production and has yielded useful outputs in a number of fields. However, the driving force of the programme has increasingly been its work in genetic improvement and promoting access to, and uptake of, appropriate varieties of crops such as rice, pearl millet, chickpea, potato and banana.

At the molecular level research sponsored by the programme has generated transgenic potato and banana with resistance to nematodes that will provide environmental benefits through reduction in pesticide use and increase production with no modifications to existing practice where pesticide is not used. Collaborative programmes are under way in Bolivia and in Uganda. Molecular technologies have also been deployed to develop marker-assisted techniques that have accelerated the development of drought and disease resistant varieties of pearl millet, a crop that is critical for food security in the marginal agricultural land of the Indian subcontinent and Africa.

Amongst the most innovative and exciting work of the Programme has been its increasing involvement with developing and validating participatory techniques with farmers for varietal selection and plant breeding; this provides a means of accelerating the rate at which new germplasm becomes available to the farmer and enhances the benefits of genetic diversity for adaptation to local environments through farmer choice. Striking successes have been achieved in Eastern India and in Nepal. In the latter new rice varieties have improved grain quality, increased yield up to 50% and secured up to 25% increase in market prices. New varieties are spreading from farmer to farmer and the work has impacted on the lives of tens of thousands of farming families. It has also led to adoption of participatory approaches for rice and other crops by the Department of Agriculture. The potential for impact outside Nepal is enormous since participatory plant breeding can reduce the time taken to bring new varieties to farmers' fields by up to 10 years. In Eastern India similar success has been achieved in activities sponsored by the RNR in partnership with DFID India. Participatory plant breeding has led to the development of varieties that have come to dominate upland rice production in the three states where work has been conducted because of their increased resistance to drought and lodging, higher grain yield and improved market performance. A financial analysis based on an impact assessment conducted in 2002 suggested that the cumulative benefits over the succeeding 10 years were likely to exceed £200 million. A startling return on investment.

The work described above is the product of years of collaborative science and partnership building across a range of public and private sector establishments and a diverse palette of technical specialisms and enthusiasm. Such networks are powerful and convincing forces for change. They exist now as a result of DFID's long-term commitment through the vehicle of the RNR Strategy. Some continuing long-term strategy is required that builds on the strengths and successes so far demonstrated. To do so effectively it must use human resources to good effect and I believe this should include the extended networks of the existing PSRP as well as the key technologies they have developed and now promote so effectively. Attrition over the years has severely diminished the technical expertise available in DFID and I am convinced that the decision to outsource research management was a wise one that has paid dividends. My reading of the consultation document leads me to the suspicion that DFID intend to relinquish the responsibility for oversight of their research investment to the CGIAR through reallocating funding committed to UK led research programmes. I hope this is incorrect.

May 2004

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A memorandum was also submitted to this inquiry by Prospect, entitled *The use of SET in UK international development policy*. This memorandum has not been printed as part of this volume, as the Science and Technology Committee will be printing it as part of their inquiry into *The Use of Science in UK International Development Policy*, HC 133-II.

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