

Economic Opportunity: Theme Summary

A total of 140 contributions were posted to the theme by list members (i.e. excluding postings by the moderators or technical team). Many valuable contributions were received on a range of topics, the most frequently raised topics (by message header) being: water and agriculture (various) (20), farmer organisations (7), access to markets (7), urban agriculture (7) and contract farming (6). Whilst some of these topics were also addressed within other messages, the numbers in brackets illustrate the point that the discussion within the theme was both wide-ranging and at times quite diffuse. Several of the topics covered within this theme were also covered in equal or greater depth in other themes, e.g. urban agriculture and contract farming within Growth and Poverty.

The main messages arising from the Economic Theme are summarised as follows:

ACCESS TO ASSETS

1. Water and Agriculture

A lively discussion on water and agriculture took place particularly during the first half of the consultation. Agricultural and non-agricultural uses of water are increasingly viewed as being in conflict in many countries. However, with particular reference to Sub-Saharan Africa, it was argued that neither aggregate water availability nor water rights should be an obstacle to the achievement of household food security. Rather, it was argued that the water access issue for poor farmers in Africa centres on the "small-scale 'infrastructure' that brings the necessary control of water into crop production". Further contributions emphasised that this should not be considered solely a question of irrigation development, highlighting alternative techniques for water control in rainfed systems, such as rainwater harvesting. Successful uptake of small-scale water control and irrigation has been documented in a large number of countries in Asia, Africa and Latin America. Two contributors praised the approach taken in Asia by the NGO IDE, which combines: technology development (e.g. treadle pumps and mini-drip irrigation); encouraging competitive supply of the necessary equipment to smallholder producers, and assistance to those producers to access output markets (especially for horticultural products) that allow them to achieve a good return on their investments. However, it was also observed that uptake of improved water control technologies is nowhere near fast enough in many countries to enable smallholder agriculture to realise its poverty reducing potential. Constraints identified to more widespread uptake of small-scale water control and irrigation include: legal and institutional hurdles (often introduced by colonial authorities); post-independence governments' preference for large-scale schemes; the paradox that small-scale, relatively simple technologies may fail to attract influential development practitioners to champion them, and, in Sub-Saharan Africa, the weak incentives for water control investments provided by some current land tenure systems.

Given the relatively slow spread of small-scale water control technologies, cases were also made for complementary large-scale irrigation development and, with particular reference to Africa, the importance of rehabilitating existing irrigation systems. Also, given the competition for water, particularly in semi-arid areas, we need advances in "farm-water science" to increase the productivity of water use. Arguments were also advanced for greater attention being paid to wastewater recycling (primarily for urban and peri-urban areas?).

2. Access to Land

This received much less attention within the theme discussions than might have been expected. One contribution, with a particular focus on Africa, emphasised that secure rights to land are important for many of Africa's poor, both to reduce their vulnerability (to various forms of asset loss / dispossession) and to give them a secure base on which to build (including assisting access to finance). It pointed out that the titling debate is moving on from the situation portrayed in the Moderator's opening comments. On the one hand, more efficient (decentralised) ways of recognising title are being developed in response to justified (pro-poor) criticism of previous approaches. On the other, there is increasing recognition that, whilst traditional tenure regimes still function well in many places, they are failing to cope with conflicts arising from high land pressure in peri-urban areas, southern Africa's communal lands, west Africa's cocoa belt (where there are large numbers of immigrants) and also with other sources of conflict over rights (e.g. threats to land used by pastoralists). Hence, a more active approach to land rights does have to be taken. A second (NGO) contribution reflected grassroots sentiment about "farmers' right to access and control the material and institutional resources that ensure they can produce, buy and exchange food". This includes not just land, but seed, indigenous knowledge etc. The point that, without security of land tenure, farmers are easily and legally displaced by industrial farming interests, was reinforced.

Land redistribution also needs to be tackled in some countries both to assist poverty reduction efforts and to reduce political tension. Purely market-based approaches are generally rejected by beneficiary representatives, so "a mixed approach involving both state and market" was encouraged. Before its recent reorganisations began, DFID had developed a reasonable understanding of these complex issues. They were, therefore, urged to resume their active role in international (as well as country-level) discussions on land policy in Africa, to channel the pressure for more ideologically-based land policy towards policies that will be genuinely good for the poor.

Reinforcing the message about asset distribution, list members were referred to the findings of a cross-country study conducted by IWMI of irrigation and its relationship to poverty in Bangladesh, China, India, Indonesia, Pakistan and Vietnam. This study found that farm performance in terms of output per hectare was higher on the more equally distributed (and also smaller) land holdings on studied irrigation schemes in (South)East Asia than on South Asian schemes. Water access was found to broadly follow access to land within the schemes. The report commends the "distribute first and grow" approach pursued in China and Vietnam as being more successful than the South Asian approach to try simply to "grow first" and address (re)distribution later.

ACCESS TO MARKETS

3. Market-Driven Development

Contributors to the theme emphasised the importance of making markets and market opportunities central to (agricultural) development planning and policy. Although much lip-service is nowadays paid to the principle that development approaches should be "market-driven", there is still a "strong tendency to production oriented measures and strategy and then looking around for a market". One possible reason for this is that decision-makers within agriculture are more likely to have a production background than a marketing one. Where

market research is undertaken, there tends to be too much wishful thinking, rather than realism, as reflected (for example) in a tendency to opt for supposed export market “opportunities” at the expense of real opportunities within domestic markets. The cost of ignoring market factors is failed projects and aid recipient countries still have to pay for these even when they were poorly designed in the first place. One contributor suggested that what is needed is an injection of a private sector mindset into public agencies. “Every project or DFID intervention should include markets and marketing as a central concern.”

4. Improving the Efficiency of Existing Agricultural Market Systems

The efficiency and effectiveness of existing informal agricultural market systems – and the traders and other service providers within them – were debated. It was observed that, in Asia at least, farmers nearly always have some form of access to markets through collectors (assemblers); the issue is how large the marketing margins is. Whilst informal market systems can be highly competitive and hence effective at transmitting demand/price changes to producers, the fragmented nature of the marketing system can contribute to high marketing margins. Two examples of this were given. Firstly, the large number of links in the chain means that numerous intermediaries all have to take their margin. Secondly, at each stage of the chain (including wholesaling) there are a large number of small players, all of whom have to live off their trading margins from small consignments, hence necessitating high margins per unit.

Various interventions that could (inter alia) contribute to raising farm gate prices were discussed within the theme:

4.1 Market Information Provision

There was a debate the importance of publicly provided market information and, secondarily, on whether such activity should focus on providing current market price information to aid producers in their bargaining with traders (and traders in their arbitrage activities). One view was that most information provided by such systems is of little relevance to producers, who are often several steps removed from the market where information is actually collected and who anyway have little flexibility to respond to short-term price changes. By contrast, longer-term price analysis and information on broader market demand movements may be more useful and there is a role for extension in communicating this. Another contributor pointed out that “collectors trade on information”; hence, appropriate current price information is needed by producers for bargaining purposes. However, whilst advances in technology (mobile phones, the internet, FM radio) have created new possibilities for information dissemination, there are still doubts as to how many producers will be reached by these media. Meanwhile, other critical practical questions concerning public market information systems remain to be answered, such as how the consistent, long-term collection of reliable information can be sustainably achieved (without ongoing donor support).

4.2 Transport Systems

Several contributions highlighted the importance of improving transport systems, which can encompass port infrastructure, roads, tracks and efficient use of vehicles. Better transportation

will assist not just agricultural marketing, but also a range of rural non-farm activities. It was pointed out that market intermediaries often obtain part of their profit from the supply of rural transport services, which could often do with being more competitive.

4.3 Policy Commitment

Noting the importance of attractive crop prices to smallholder livelihoods and investment incentives, a few contributors noted that governments are still inclined to suppress prices to provide cheap food to vocal urban interests. This takes us into the political dimension of agricultural policy making (below).

Drawing on experience from grain markets in Southern Africa, the question was posed as to what is required for more efficient private market systems to develop, including the participation of larger, “formal sector” players. It was noted that greater private investment (both national and international) in agricultural market development is discouraged by the habit that politicians and officials have of intervening in markets on an *ad hoc* basis, ostensibly to correct for market failure, but often for their own personal or political ends. Developing more efficient private market systems may require a 10+ year time horizon, during which time *ad hoc* public intervention is replaced by constructive efforts to put in place essential building blocks for private market activity, including reliable crop forecasts, improved transport infrastructure and, where possible, systems of warehouse receipts that can simultaneously tackle challenges of trade financing, product standardisation (grading), market information and contract enforcement. A number of participants (reflecting experience across continents) echoed the call for DFID and other donors to commit to this sort of long-term market development agenda.

5. Pre-Harvest Services

One contributor commented that “The farmer is serviced by provision of inputs, planting material, credit, water and extension”. There were debates about the relative importance of some of these services - especially credit and extension – and about how such services were best delivered to farmers. We deal with the former discussion here and the latter in the following section.

5.1 Credit

Several contributors emphasised the importance of credit to rural households in general and smallholder agricultural producers in particular. With respect to India, it was observed that significant funds are earmarked for banks to support small-scale agricultural production, but these rarely reach the intended beneficiaries. A couple of successful examples of (project-based) credit provision to smallholder households in Africa were noted. However, replicable models of sustainable seasonal credit provision are still needed. A lone voice questioned whether small seasonal loans can be provided sustainably at interest rates lower than those charged by informal lenders (commonly considered extortionate) and, therefore, whether, seeking new models of credit provision was really a priority.

5.2 Extension

Discussion of extension was transferred to Science and Technology part way through the consultation. Nevertheless, a number of contributors noted the importance of extension in helping to alert producers to market opportunities and to equip them to respond to these. This becomes more important as market demands become more complex, for example with the rise of supermarkets (which was only briefly discussed within the theme during the first week): "Improving the ability of farmers to market diversified production to better meet the needs of existing and new markets will ... take on increasing importance in the coming years". Other discussions focused on methods of extension delivery and whether under-resourced states can really sustain the idealised model of extension contact with farmers on a one-to-one basis.

6. Farmer Organisations

There was a lively debate on the benefit of farmer organisations and whether or not they deserve a central place in agricultural development strategies. Whilst only a limited number of contributions dealt explicitly with the subject, many others made passing reference to farmer organisations, often as a component of an agricultural "success story". Thus, the balance of the contributions can be said to have been in favour of farmer organisation development.

Proponents noted the valuable role that farmer organisations can play in policy advocacy, as well as their "economic" roles (e.g. assisting access to both input and output markets, realizing scale economies, contributing to value addition), which were the area of greatest controversy. A gender dimension to the debate was also highlighted. Women's self-help organisations can assist in technology access for production and marketing activities, as well as enabling women to articulate their particular concerns in society and to strengthen their bargaining position in a number of areas: "most technologies are bound up in hardware and their products are goods to be sold or used. Questions of access and control are central in determining actual benefits to women."

The record of farmer organisations is clearly mixed. Some contributors suggested that there has been more success than failure when they have been genuine "bottom up" organisations, but the record of "top down" organisations (political creations or subject to political control) is largely one of failure. Reflecting on Latin American experience, another contributor observed that "capable or professional business leadership and real commitment from members" are critical to success.

Critical contributions on farmer organisations pointed to their costs of organisation and administration - linked to collective decision making processes and hence the heightened need for transparency? - which are often greater than the profit margins of private traders. Hence, private suppliers are often more efficient providers of services to rural households, such as smallholder agricultural producers and pastoralists. One contributor, therefore, urged caution in promoting farmer collective active to replace private service providers (although there will be occasions when this is a good strategy), but suggested that a more common aim should be to increase the bargaining power and skills of (organised) farmers in dealing with such service providers.

The same contributor set out CIAT's experience with rural business development in Latin America, Africa and most recently Asia. CIAT's rural business development activities seek to "strengthen the business and market orientation of small-scale farmer associations through business training and coaching", building the capacity of small-scale farmers to diversify their

production activities both on- and off-farm (according to opportunity), whilst not neglecting food security concerns. The experience with rural business development has important implications for the orientation of extension activity. This contributor also believed that proactive rural business development is a necessary complement to creating an enabling environment for agricultural and enterprise development. However, “providing RBDS imply high transaction costs [rural households also need first to be persuaded of the benefits of such services] and thus market forces are not very eager to fill this vacuum”. Hence, some subsidy for such activities is probably necessary at least for an initial period.

7. Contract Farming

Whilst not discussed in huge detail within the Economic Opportunity theme, contract farming was highlighted as an "institutional arrangement" worthy of further attention and support. It has potential to assist in the promotion of agricultural diversification and, more specifically, to overcome some of the barriers to smallholder participation in increasingly competitive and demanding global commodity chains. Contributions within the Economic Opportunity theme highlighted some pre-conditions for contract farming to deliver successful outcomes, including suitable infrastructure, a critical mass of producers ready to contract and a framework to protect the rights and bargaining position of poor producers. It was also suggested that only producers who can achieve a certain level of self-sufficiency in staple food production can/should embark on contract farming.

8. Urban Agriculture

DFID's interest in understanding the relationships between urban and rural areas was commended. There was also a call from some contributors for DFID to give due attention to the promotion of appropriate technologies for small-scale urban horticulture, agro-forestry, livestock and aquaculture production, plus microenterprises involved in processing and marketing the resulting products, and to the collection, treatment and reuse of urban wastewater. Such activities would both contribute to poverty reduction and benefit the environment in urban areas. Others highlighted the importance of legal issues (strengthening land rights and changing bye laws that restrict livestock ownership) to the development of urban agriculture. Debate then focused firstly on the priority to be given to urban agriculture when the majority of the poor in low income countries still live in rural areas. It was, however, pointed out that the number of urban poor is rising rapidly in many countries. Secondly, there was debate on the extent to which urban agriculture competes with rural production (further restricting the opportunities that poor rural producers have to generate income through sale of “tradable” products). It was suggested that, whilst road networks remain poor and cold chains non-existent, there will be less conflict when (peri-)urban producers focus on perishables such as milk, eggs, vegetables and meat, than when they grow cereals. However, it was also pointed out that many poor urban dwellers (households with HIV were cited) engage in agriculture for survival reasons, hence subsistence-oriented production of cereals, rather than market-oriented production of higher value produce.

9. Political Dimension

Price discrimination against rural producers in favour of urban consumers has already been mentioned. There is a political dimension to this. “More people live in rural areas than urban, although *being less densely settled and less near the seats of power they are often less noticed.*” This is a major contributory factor to current poverty profiles. However, whilst the issue of how to make the voice of the farmer heard within the policy dialogue and decision taking process was raised within the theme, it was not further debated.

Two contributors did, however, observe the problems when donor projects work through host governments or when donors support national policies that give undue powers to politicians and officials, rather than leaving the floor to the private sector. Also, DFID was urged to ensure accountability for use of funds that it provides to other organisations. Providing funds either to Ministries of Agriculture or to multilateral development agencies without adequate safeguards is an inexcusable waste of scarce resources. One of the advantages of projectised aid is that greater accountability for use of funds can be built in than is the case with direct budget support.

SUMMING UP

Four list members posted their own personal summaries of the main points that DFID should take away from the discussion within the Economic Opportunity theme. These are contributions from Dick Tinsley (May 20th), James Biscoe (May 25th), Andy Bullock (May 26th) and Vinay Chand (May 27th).

From the above summary, the key points highlighted by the moderator are as follows:

- Investment to “bring the necessary control of water into [smallholder] crop production” is a priority for food security and smallholder agricultural growth. A combination of approaches will be needed, depending on the area: micro-irrigation; techniques such as rainwater harvesting for water control in rainfed systems; rehabilitation of existing irrigation systems and, in some places, new large-scale irrigation development. Given the competition for water, particularly in semi-arid areas, advances in “farm-water science” are also needed to increase the productivity of water use. The potential for wastewater recycling in urban areas could also be explored.
- secure rights to land are important for many poor households, in Africa and elsewhere. Land redistribution also needs to be tackled in some countries both to assist poverty reduction efforts and to reduce political tension. DFID are urged to resume their active role in international (as well as country-level) discussions on land policy in Africa, to contribute towards policies that will be genuinely good for the poor.
- In order that development approaches are genuinely “market-driven”, “Every project or DFID intervention should include markets and marketing as a central concern.”
- Investment in improved transport systems - encompassing port infrastructure, roads, tracks and efficient use of vehicles – is another priority, to assist not just agricultural marketing, but also a range of rural non-farm activities.
- Given the constraints, both political and technical, on private sector development in agricultural markets, DFID and other donors should be willing to commit to a long-term market development agenda within individual countries.
- replicable models of sustainable seasonal credit provision are still needed.

- The development of independent farmer organisations should be promoted both for the role they can play in policy advocacy and for their "economic" roles. Care should be taken in promoting such organisations that mistakes of past promotional efforts are avoided and that adequate attention is given to leadership development and accountability. The relationships with private market agents (negotiate or compete) should be carefully considered according to local market circumstances.
- It cannot be automatically assumed that smallholder farmers will establish secure and/or remunerative links to liberalised markets. Additional interventions to help them establish such linkages may include: promotion of contract farming, rural business development services and market-oriented extension advice.
- DFID should give due attention to agricultural production, processing and marketing activity in urban, as well as rural, areas
- DFID is urged to ensure accountability for use of funds that it provides to other organisations, both national governments and multilateral development agencies.

Produced by: Colin Poulton

29/5/2004