

Growth and Poverty – Overall Summary

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This is the overall summary of the growth and poverty discussion group bringing together the key points emerging from the six week debate. Before starting, we would like to thank all the participants of this group, who have made it such a worthwhile process. Participation has been excellent both in terms of the numbers and quality of contributions. We have been an exceptionally active discussion group with 190 contributions (excluding moderators) from 78 individuals amounting to around 120,000 words. In total 401 people have subscribed to this mailing list.

It is very difficult to condense this huge volume of material into a short summary. We have tried to extract some of the key messages and identify points of consensus and debate. However, we are conscious that the result is somewhat telegraphic, and that much of the richness of the discussions has been lost.

This summary is structured around the following headings:

- 1) The contribution of agriculture to growth and poverty reduction
- 2) Alternative strategies for agricultural development
- 3) The changing context of agriculture
- 4) The political dimension of agriculture
- 5) The role of DFID

1) The contribution of agriculture to growth and poverty reduction

1.1 Agriculture, growth and poverty

One of the key messages arising from the discussions has been to reassert the importance of agriculture as the motor of growth and poverty reduction in the poorest countries. Contributors to the forum have put forward numerous arguments to support this assertion:

- The majority of the poor (and the majority of the population in the poorest countries) continue to live in rural areas, and largely depend on agriculture for their livelihoods.
- Agricultural activities account for the greatest share of household production and consumption for the rural poor.
- Agriculture is part of a commodity chain with a wide range of upstream and downstream actors, employed in labour intensive activities. Estimates of the value of agriculture to GDP may understate the full contribution of agriculture because they only consider production.
- Multiplier effects. Agriculture generates widely shared income that tends to be spent locally.
- Indirect effect on real wages. Rising agricultural productivity leads to higher wages in the farm and non-farm sectors. They may also result in lower food prices - i.e. an increase in real wages.

Although it was generally agreed that most examples of mass poverty reduction have started with rises in agricultural productivity, it was also acknowledged that the contribution of agriculture to growth and poverty reduction has varied greatly in time and space.

In time:

- There appeared to be a consensus that agriculture is particularly important for kick starting growth and poverty reduction at early stages of the development process. Increased productivity of staple foods leads to improved nutrition and real incomes, which creates the preconditions for subsequent growth in the non-farm sector.

- At later stages in development, linkages between the agricultural and non-agricultural sectors become more important. Two conditions are essential for growth: (i) agriculture must become more productive using less labour per unit output, and (ii) non-agricultural opportunities must be available so that labour released from agriculture can be used even more productively. There was some debate about the desirability of the movement of labour out of agriculture into the non-farm and urban economy (in particular where this fuels rapid urbanisation), and several contributors called for this process to be carefully managed. However, it was generally accepted that the movement of labour out the agricultural sector is a normal part of the development process, and that the agricultural share of GDP tends to decline with time.

In space:

- Participants drew attention to the differences in agricultural systems between Asia and Sub-Saharan Africa. Green revolution technologies that led to large-scale increases in the productivity of irrigated agriculture in Asia have been far less successful in rainfed agricultural systems in Sub-Saharan Africa.
- One contributor suggested that in areas of low agro-ecological potential it is doubtful whether agriculture will generate much growth. However, agriculture may still be worth supporting in such conditions in order to avoid the costs of long-term welfare support.
- Contributors emphasised the diversity of farm types, and the need to avoid a “one size fits all” approach. It was emphasised that within broad categories, such as smallholder farming, there are significant differences in terms of the balance between self-provisioning and production for the market. The linkages between agriculture, growth and poverty depend greatly on the nature of the farming system.

1.2 Agriculture, nutrition and hunger

The role of agriculture in improving nutrition has been a particular focus of this discussion group. Contributors have referred to research evidence on the links between improved nutrition and economic growth. They have also suggested that there is a strong connection between improved nutrition and other MDGs, such as child and maternal mortality. It has also been emphasised that nutrition is a goal in its own right. One contributor suggested that the global mortality statistics for hunger may be comparable to the 3 million annual AIDS deaths.

These arguments provide additional reasons to invest in agriculture that go beyond generating incomes and growth. They may justify greater investment in agriculture even where growth linkages may not be particularly strong, for example in low potential areas and farming systems characterised by self-provisioning. Many contributors have called for DFID to focus more explicitly on reducing hunger and improving nutrition, and to reaffirm its commitments to the World Food Summit targets and the hunger target in the MDGs.

1.3 Agriculture and gender

This has not been a major emphasis of the discussion group. However, a few contributors have argued that while agriculture contributes to growth and poverty reduction, the outcomes for men and women are very different. Participants have drawn attention to women’s double burden in agriculture and domestic work, and gender inequalities in access to resources, assets and decision making at household, community and societal levels.

2) Alternative strategies for agricultural development

A major focus of the debate was the alternative choices for agricultural development strategies and resulting trade-offs.

2.1 Small farmer development

There was widespread support for the view that smallholders should be the main focus of agricultural development. One participant asserted that “without sustained initial employment-intensive, smallholder-based yield growth in agriculture, probably focussing initially on food staples ... the remaining heartlands of world poverty will not reduce much.” Contributors argued that a focus on smallholder development is justified on several grounds:

- The observed inverse relationship between productivity and farm size.
- The vast majority of farmers are still smallholders. There was a widely supported call for donors to “start where farmers are at”.
- The relative resilience of small farms in the development process suggests that they possess inherent advantages.

However, participants drew attention to a number of caveats concerning the strategy of labour-intensive, smallholder-based, yield growth:

- Smallholders face a number of constraints, in particular the availability of labour and draught animals during periods of peak demand (e.g. planting season). Consequently, smallholders operate in an environment of constrained and sub-optimal decision making (e.g. they do not have full control over key decisions, such as the planting date).
- More generally, there was a discussion about whether the assumption that smallholders have abundant labour still remains valid in rural areas characterised by out-migration, non-farm diversification or a high incidence of HIV/AIDS.
- Continuing declines in commodity prices may offset the gains from increased productivity (see 2.3).
- There was some concern that small farmers are increasingly being excluded from national and export markets because the requirements of food industry supply chains have become increasingly demanding (in terms of quantity, quality, timeliness and traceability requirements).
- One contributor suggested that in an era of declining public services small farms may be disadvantaged.
- It was also suggested that that small farms may be more affected than large farms by market failures arising from transaction costs. One participant referred to the problem of coordinating market transactions between numerous small units, and suggested that this problem may decline as farming operations are scaled up.

Against this background some participants argued that economic pressures and technological progress are pushing farmers towards larger and more capital intensive modes of production. However, there was some disagreement on the desirability and pace of such change.

2.2 Agribusiness

While the majority of contributions emphasised the benefits of small farmer development, some participants drew attention to the value of agribusiness. Several examples were referred to suggesting a wide range of benefits, including employment creation, generating marketing opportunities for outgrowers in the smallholder sector, the development of value-adding processing industries, skills formation, the provision of social infrastructure and services, and strong multiplier effects arising from upstream and downstream production and marketing linkages.

In contrast to these contributions, some other participants sounded a more cautious note on the potential of agribusiness to deliver growth and poverty reduction. A few participants strongly criticised agribusiness on a number of grounds: (i) the tendency to displace small farmers from the land, (ii) labour relations on commercial farms, (iii) the environmental impacts of agribusiness, (iv) the risks inherent in contract outgrowing (fluctuating commodity prices), and (v) competition issues relating to market power of agribusiness.

Although there were clear differences of opinion, the consensus view was that agribusiness has the potential to make a significant contribution to growth and poverty reduction. There are signs that this potential has been under-realised. One participant pointed to the decline in investment in commercial agriculture, particularly in Africa. There were calls for DFID to find new ways to support agribusiness (see section 5.2), and to follow a twin track approach promoting agribusiness alongside smallholder development.

There was also a widespread recognition that agribusiness and smallholder development can be complementary. During the last week of the forum several contributors presented examples of agribusiness firms providing services to smallholders, including input supply, credit, extension and marketing. It was argued that the role of agribusiness in marketing smallholder produce (contract outgrowing) has become particularly significant in the context of the increasing stringency of the purchasing requirements of supermarkets. Furthermore, it was suggested that linking agribusiness to smallholders provides a means to fill the institutional vacuum left by the withdrawal of state service provision. While the benefits of linking agribusiness to smallholders were widely acknowledged, it was also emphasised that development practitioners still do not know enough about what policies are required to encourage such links.

2.3 Cereals based intensification

Several contributors suggested that the principal focus of agricultural development should be to promote the intensification of cereals production, arguing that this offers the best prospects for sustained growth and poverty reduction because staple foods account for the greatest share of household production and consumption for the poor. In response to these contributions, several participants cautioned against a sole focus on raising yields. A risk for producers is that future yield increases would be offset by further declines in cereal prices. However, net food consumers, including many very poor households, would benefit from lower food prices. A key policy goal is to ensure that smallholders do not lose out by being unable to take part in the process of raising yields (for example through lack of technologies, institutions, infrastructure, etc.), as has happened in much of Africa. There was a general consensus that strategies to increase the yield of staple crops should be complemented by actions to promote diversification (within and outside agriculture) and agro-processing.

2.4 Diversification

Numerous contributors have drawn attention to opportunities for diversification within agriculture, moving away from staple crop production towards higher value products, such as livestock, horticulture and aquaculture. The opportunities for the poor to benefit from diversification opportunities depend greatly on capital requirements, risk and marketing arrangements.

Several contributors argued that diversification out of agriculture is desirable in areas where farming has no commercially viable future. There were calls for donors to consider supporting exit strategies in such cases.

2.5 Agro-processing

Several contributors have emphasised the importance of supporting agricultural processing as a means to add greater value close to the point of production. Contributors presented various examples to illustrate that agro-processing is potentially far more remunerative than agricultural production. However, several obstacles were identified. Certain types of agro-processing require a large scale of operation and high initial capital requirements. New entrants often find it difficult to compete with existing operators, in particular multi national companies.

2.6 Low External Input Agriculture (LEIA)

There has been a fascinating discussion on the merits Low External Input Agriculture. Several contributors have promoted LEIA approaches as an alternative to more capital intensive agricultural systems that depend on chemical inputs. Where land and labour are widely available, LEIA systems appear to be economically and environmentally sound. However, increasing land and/or labour scarcity in some areas may call the approach into question. A hotly contested issue was whether LEIA systems could result in environmental damage by increasing the pressure to utilise marginal lands. In spite of these concerns, there was a consensus that LEIA systems are appropriate in some areas, and that they deserve greater recognition in agricultural research programmes and development strategies.

3) The changing context of agriculture

The discussion group has drawn attention to a number of trends in agriculture that are changing the context for development strategies. These include rural-urban migration, urban agriculture, the growth of the rural non-farm economy, the livestock revolution, the increasing integration of the modern food industry, demographic change, the growing importance of regional and cross-border perspectives, land and natural resource conflicts, and the spread of innovation. A common feature of many of these trends is that agriculture is becoming increasingly linked to non-farm sectors and the urban economy. This requires policy makers to take a broad view of agriculture and its wider linkages.

Some agricultural trends that received particular attention in the debate are outlined below:

3.1 Urban agriculture

Several contributors have discussed the increasing importance of urban and peri-urban agriculture. Research suggests that about a third of urban residents in East Africa rely on farming for a significant portion of their incomes.

Contributors to the forum have explained the growth of urban agriculture in terms of push and pull factors. There has been some debate as to whether urban agriculture should be interpreted as a sign of economic distress (reflecting, for example, the impact of conflict, drought, weak economic growth and retrenchment policies), or whether it is driven by opportunity. One participant has suggested that new opportunities have arisen in urban agriculture as a result of policy change, new technologies (plastic, drip irrigation, improved seeds) and empowerment of women.

Urban and peri-urban agriculture offers important benefits to development because of its strong market orientation. It has also helped to diversify urban livelihood strategies, but carries certain risks. For example, urban livestock farming is often associated with animal disease and waste management problems, as well as increasing water demand.

There has been general agreement that donors need to give more attention to urban and peri-urban agricultural development. Priorities emphasised by contributors include: (i) learn more about these livelihood systems, (ii) assess the risks and benefits, and (iii) make urban and agricultural policies more complementary.

3.2 Livestock revolution

The implications of the “livestock revolution” have been discussed by several contributors. Projections (made by IFPRI) suggest that by 2020 the livestock sector will account for more than half of total global agricultural output in financial terms. Contributors have emphasised that the livestock revolution creates both opportunities and threats for smallholders. While livestock are one of the main assets owned by the poor, most of the growth in the sector has been associated with large-scale livestock producers. The key challenge will be to create an enabling environment for pro-poor livestock development, including appropriate policies, laws, programmes and livestock services.

3.3 Environmental change

A number of environmental themes were addressed by this discussion group:

- Environment-poverty linkages: environmental degradation is particularly harmful to the poor, who are the most dependent on natural resources.
- The need for more reliable information on the current status of land use and natural resources.
- The links between technological change and environmental degradation. Contributors have noted positive examples, for instance improved soil and water conservation techniques in the Sahel. Some contributors have argued that technology driven yield increases have reduced pressures to cultivate marginal lands.
- The environmental risks of pesticides have been discussed by several contributors.

3.4 HIV/AIDS

This topic has received surprisingly little attention by the discussion group. However, a few contributions have pointed to the importance of agriculture in addressing the causes and consequences of HIV/AIDS. Agriculture is the main source of livelihood for the majority of people globally affected by HIV/AIDS. The sector is particularly threatened by the pandemic, which is removing labour power and leading to a rapid attrition of agricultural extension capacity. HIV/AIDS has a significant impact on all the major classes of asset or capital, and on most institutions.

Contributors have called for strategies to mitigate the impact on agriculture. In addition, it has been suggested that agriculture can also play a role in HIV/AIDS prevention. Agricultural development is closely linked to determinants of infection risk, including migration and nutrition status. There is also a link between good nutrition and the efficacy of ARV therapy. In order to take more account of the links between agriculture and the HIV/AIDS, there is a need for further research and more interdisciplinary ways of working.

4) The political dimension of agriculture

Several participants have drawn attention to the politics of agriculture. One contributor reminded the group that “political issues and constraints underlie all our discussions, and challenge the relevance of our proposed solutions to rural poverty.” Contributors identified several obstacles to change, including vested interests that may block reform, the relative weakness of farmers as a voting/ lobby group, and the lack of incentives for policy makers to promote pro-poor policy change. The path of reform is often uncertain and erratic because it involves trade-offs between different interest groups at different points in time.

It has been argued that donors have tended to stick to technical prescriptions for policy change and have ignored the political dimensions of reform. In some cases aid has proved to be counterproductive because it

has strengthened the power of bureaucrats and politicians, and has provided the resources to delay reform. Budget support for agriculture was viewed by several contributors as being particularly risky in this regard. Another general criticism levelled at donors is that they have been overly concerned with the achieving the ideal policy result, and have not given enough attention to who will deliver change and how. Donors may need to be more strategic “accepting a less than ideal situation for some time, but possibly with a greater chance of getting nearer something better in the end.” Reform processes need to be carefully managed, timed, sequenced and packaged in order to maximise support and minimise opposition from vested interests. Several participants have argued that donors should not restrict themselves to working with government, but should increasingly support private sector and civil society organisations, as well as broad social movements, who can put pressure on government to deliver policy change.

5) The role of DFID

5.1 The priority of agriculture within DFID’s programme

There has been widespread concern amongst the discussion group regarding the decline in aid levels for agriculture over the past 20 years. There has also been a strong perception that agriculture has become marginalised in DFID’s agenda. One participant discussed DFID’s Public Service Agreement and Service Delivery Agreement, and commented that “the word 'agriculture' does not figure once in the PSA or the SDA”. Another contributor has contrasted the UK government’s professed commitment to the World Food Summit goal and the MDG hunger target with the lack of resources directed at these goals. Another suggests that DFID has paid “scant regard to requests and justifications for agricultural development projects in poverty eradication programmes generated by African countries.”

Many contributors have praised DFID’s policy papers on agriculture, and have welcomed DFID’s engagement in the agricultural policy debate. However, there is a sense of frustration that this does not appear to have translated into action. In the words of one participant: “the crucial points are already well formulated in the two DFID policy papers on [agriculture and] poverty reduction ... why are we still discussing about what so many of us have long accepted as necessary action?” Another commented that “DFID should not go on reflecting what to do next, but must get on with action now and in a significant, transparent and accountable way.”

There have been numerous calls for DFID to restate its commitment to promote agricultural development. Contributors have suggested several entry points for DFID to renew its focus on agriculture: (i) reaffirming DFID’s commitment to the World Food Summit and MDG hunger targets, (ii) the Commission for Africa, and (iii) the Comprehensive African Agricultural Development Plan (CAADP). Several participants have suggested that DFID should adopt explicit spending targets for agriculture. One called for “dated targets for reviving the proportion of aid from the UK, and if attainable for the EU and World Bank, supporting - in a broad sense – smallholder and employment intensive agriculture.”

5.2 Priorities for agricultural development

Participants have provided numerous suggestions on what DFID needs to do to support agriculture:

- Research and extension was a particular emphasis of contributors’ recommendations. Suggestions included the need to focus on appropriate technological development (e.g. LEIA approaches), to revitalise adaptive research, to use a range of media in new ways to communicate extension messages, and to reorganise extension services to support broader rural enterprise development (see also science and technology group).
- Technical assistance and capacity building for ministries of agriculture. One participant recommended that DFID should establish a team of in-country technical advisors.

- Invest in water management and irrigation as a means to boost productivity and reduce vulnerability.
- Engage in land tenure reform issues. DFID is in danger of losing capacity on land tenure reform (see also economic opportunity group).
- Promote access to agricultural credit.
- Develop new approaches to supporting agribusiness. Recommendations have included: (i) DFID to play a proactive role in promoting regulations for agribusiness, (ii) strengthening incentives to support links between agribusiness and small farmers, and (iii) establishing a DFID team to promote agribusiness development. In addition, it has been proposed that DFID should consider establishing an agribusiness investment fund. This would mainly be financed from private sources, but DFID could play a supporting role by: (i) providing loan guarantees and underwriting debt, (ii) committing equity and grant funds, and (iii) providing grants for the provision of social infrastructure and community projects.
- Support urban agriculture
- Promote agro-processing close to areas of production.
- Attend to marketing issues (e.g. market information, market research, marketing services and technology).
- Waste management and recycling of organic wastes as fertilisers.
- Support rural business development services.
- Support exit strategies where farming does not have a viable future.

5.3 How does DFID need to change?

Participants have pointed to several areas where DFID needs to change its way of working in order to support a renewed focus on agricultural development:

- Lesson learning and sharing best practice. This discussion group has frequently emphasised that there are no ready solutions, and that agricultural development is always a learning experience. In order to support lesson learning DFID needs to share best practice across country programmes. Several contributors have implied that DFID and other donors are weak in this regard, and that institutional memory is lacking. One contributor laments that “we could have access to a vast treasure of project progress reports, internal, external and even impact and ex-post evaluations of every kind of measure which show us what does work and why, and what does not. But these treasures lie dormant on millions of computers, because we have not found suitable methods to institutionalise learning processes.”
- Partnerships. Several contributors have emphasised the importance of DFID working in partnership with a range of organisations (e.g. governments, EC and EU donors, multilaterals, UN system, G8, CGIAR and other research institutes) in order to promote agricultural development. It has also been argued that DFID should engage more with private sector and civil society organisations on

agriculture. The importance of DFID consulting with a wide range stakeholders (especially NGOs) on new policy initiatives has also been highlighted.

- Taking account of political economy. There seems to be some divergence of opinion between contributors arguing that DFID should restrict its support to countries with a good policy and governance environment, and others who point to the need for DFID to engage in countries with difficult governance (e.g. post-conflict situations).
- Flexibility. One contributor comments that “predictions are becoming much more uncertain. Donors will have to accommodate growing uncertainty by [demonstrating] more flexibility and increasing the speed of reaction to unexpected developments.”
- Limited use of budget support. There has been very little enthusiasm for budgetary support instruments throughout the forum. One participant argues that “budgetary contributions are generally a gift for politicians and bureaucrats. In most cases, but not all, it is better to follow a project approach allowing enough time for the cycle and with all the linkages.” There appears to be a consensus that donor agencies need to be more cautious and selective when channelling funds through the public sector.
- Numerous contributors emphasised the importance of evidence based policy making and research. There was also a call to support developing country policy researchers and policy makers.
- Examine the incentives operating within DFID. Several participants argued that disbursement pressure in development organisations has led to inappropriate interventions, waste and poor results.
- Investing in human resources and skills development within DFID. Several participants have pointed to the importance of staff training and self-directed learning to increase DFID’s capacity to support agricultural development. Contributors have warned of the pitfalls of DFID attempting to disburse more money with fewer staff.
- Taking forward the findings of the forum. Several contributors have suggested that DFID should use the findings of this forum as a basis for dialogue with governments and other stakeholders.

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