

## **A Note on Agricultural Development Cooperation Perspectives**

### **Lessons learned**

Experience of the last four decades clearly shows, that sustained poverty reduction in pre- and incipient-industrial economies can only be achieved by agricultural and rural development. Urbanization and industrial development would not do on their own, and be it for the shortage of foreign exchange and investment finance. In an initial development phase they depend on the agricultural sector for its market, factor and social contributions. The growth of agricultural total productivity (by technical progress and investments) works as a key to poverty reduction. It engenders real growth of wages and land-rent as well as falling food prices depending on price, market and trade policy. Added are multiplier effects in the rural economy, a further immediate contribution to poverty reduction. As empirical studies prove, education, agricultural research and extension as well as road-building are the most important levers state and development cooperation can apply for poverty reduction. But they only work where agricultural policy provides for: firstly a distribution of land titles that distributes land-rent and offers security for farm management, secondly an agricultural price- and trade policy allowing for sufficient innovation and investment incentives, and thirdly an innovation policy transmitting the results of applied agricultural research into broad practice. Where these provisions are not established, opportunities of poverty reduction by agricultural and rural development will of necessity remain unused.

### **Distorted world markets impeding agricultural development and poverty reduction**

Where under free import-conditions the heavily dumped world-market prices for food take effect on home markets, large segments of urban food demand are 'pinched', so to speak, from domestic producers. Where at the same time production and marketing of agricultural non-food commodities are not supported by government as to research, extension, infrastructure and trade, nothing much will be left resembling financial competitiveness on world markets which, in turn, are distorted by substantial cross effects of food prices. As experience with such liberal price- and trade policy bears out, thereupon measures of innovation policy tend to be neglected, too. Even with emphasis on support and development of the social and material infrastructure of the agricultural hinterland, poverty can hardly be reduced then, since the rural economic circuit lacks basic purchasing power. Rather an unbalanced migration into urban areas results, where on account of lacking industrial competitiveness and tight state budgets poverty would concentrate.

Liberal agricultural policy thus prevents an efficient poverty reduction under the present regime of heavily distorted world market prices as can be seen particularly in smaller agricultural developing economies. In contrast, larger developing countries try harder to fend the paralyzing influences of distorted world markets off their agricultural sectors by direct and/or indirect subsidies. The agricultural policies of India, China, Indonesia, and Viet Nam demons-

trate such effects, but their resistance seems to crumble. In China for example hidden rural unemployment is hiking, since the agricultural price- and trade policy has been liberalized as a result of the WTO accession, until now without any compensative subsidies to agriculture. An adjustment by falling back on safeguard measures with respect to food imports appears quite possible.

### **Development cooperation bypassing the agricultural sector**

Development cooperation, too, is taking the unfavorable and consequently dysfunctional agricultural market environment prevailing since some 20 years as given and consequently more than halved their financial efforts with respect to agricultural development. For instance the so-called Poverty Reduction Strategy Papers simply – with grand jargon – bypass the problems of agricultural development, though some 80 % of the poor live and work in the rural areas. There is a fundamental incoherence between agricultural policies of industrial nations and their development cooperation or, spelled more precisely, over the years development cooperation policies have abided by the signals of a distorted world market price-regime and thus neglected agricultural development. Such approach, however, cannot achieve significant poverty reduction in pre- and incipient-industrial economies.

### **Policy reactions in DCs**

The large Asian developing countries have until now, respectively until lately, not without any good reason and for the benefit of poverty reduction stuck to minimum import protection for agricultural products, moderate input subsidies and to an effec-

tive governmental agricultural innovation policy.

In other regions, however, considerable poverty and food insecurity problems persist. In Sub-Saharan Africa a trend of falling per capita food production continues. Urbanization rates of 4 to 5 % p.a. and growing foreign exchange scarcity render food imports dependent on external sustained grants. On account of infrastructural and organizational weaknesses of agricultural policies in Sub-Saharan countries as well as of maturation periods of innovations of up to 20 years, a problem of poverty reduction and food insecurity of global political significance has arisen. In South and South-East Asia productivity-reserves of the "Green Revolution" are currently being depleted. In some countries and areas serious agronomic problems in the intensive rice- or wheat production already occur. There, further development is in particular a question of future allocations of funds to the agricultural innovation policies as well as of price- and trade-political conditions. From China to India, country by country the question arises whether the previous home market-oriented and moderately import-protected agricultural price policies should be maintained, or whether the food markets, with or without compensations to producers, should be liberalized.

Perspectives of poverty reduction in Sub-Saharan and Asian countries depend on future adequate policies of economic and rural development in the first place. This applies to Sub-Saharan countries in particular, where on account of neglected rural infrastructures and agricultural policies as well as stagnating industries and medium-sized business, rural to urban migration means urbanization of poverty to an extent. In Asian countries, higher growth rates of small business and services and much

lower urbanization rates render such problems more tractable. Sub-Saharan Africa and South Asia will depend on further assistance in the fight against poverty and undernourishment.

### **Sustained food aid necessary**

On account of agricultural neglect by development policies Sub-Saharan countries will have growing food import requirements to be financed. Industrial countries with food-surpluses will have to shoulder the task to fend for this situation with sufficient food-aid. Distribution would have to be handled through targeting systems (e.g. food for work, food stamps, fair price shops) in order to minimize market disturbances. Thereby Sub-Saharan countries would not be abused as a global sink for agricultural surplus in face of a general neglect of their agricultural sectors. Lasting poverty reduction in Sub-Saharan Africa, too, cannot be achieved without successful agricultural and rural development. A broad body of experience with development policies since 1955 supports this conclusion.

### **Rural development requiring a balanced agriculture policy and concentration of DC-interventions**

But rural development is a puzzle and not an easy one at that. Integrated rural development (1975-85) was a centrally planned and implemented multi-sector approach. It fell apart on account of allocative inefficiencies, coordination problems, controversies over regional priority setting as well as allocation of funds and financing problems of so-called follow-up costs. Furthermore agricultural innovation policy was marginalized. Poverty reducing impacts evapo-

rated in spite of an avowed target group- and poverty orientation.

Rural poverty can hardly be reduced without effective governmental innovation policy (production-technical progress, extension, adult education, agricultural credit, development of rural infrastructures). The central state has to develop the guidelines of such policy, finance its carrying structure, provide for compatible price-, market- and trade policy and make available the necessary budgets and central organizations. Implementation calls for concentration of central DC-measures on a very few dominant bottlenecks as well as decentralization.

### **Decentralization in a perspective of social change**

Coordinated planning and implementation cannot do without districts, communities and agricultural cooperatives having a major hand in it. Decentralization requires a hierarchically balanced political-organizational system as well as adequate administrative and fiscal competences with a sufficient legal basis, which, however, takes a while to establish. The same applies to administrative capacity building. In the end, human resources, institutions and organizations at this level are decisive for successful agricultural and rural development and poverty reduction. And an according change of socio-political structures, value systems and institutions does neither come by command nor overnight – but a favorable policy frame for agricultural and rural development certainly makes a decisive difference as we have seen time and again over the last four decades.

Bonn, 8. August 2002

H. Brandt