THE CRISIS IN AGRICULTURAL AID:

How aid has contributed to hunger

Background Paper for ActionAid

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SUMMARY

This paper shows that overseas aid to agriculture - rich countries' spending that is supposed to increase food security in developing countries – has long failed to sufficiently help poor farmers and has often made them poorer. The context is where around 923 million people are undernourished, a figure which has increased by 75 million due to the current food price crisis. Over 2 billion people – a third of the world's population - endure a lack of essential vitamins and minerals even when they consume adequate amounts of calories and protein.

Part one of this paper shows:

Agricultural aid levels have collapsed over the past three decades as hunger has risen in many countries

Donors are now spending only half as much in real terms on agricultural aid as in 1980 - $3.9 billion in 2006 compared to $7.6 billion in 1980. Aid to agriculture now accounts for just 3.4 per cent of aid budgets even though 75 per cent of the world's poor live in rural areas.

- The European Union spent E50 billion on subsidizing its farmers in 2006. By contrast, EU aid to farmers in developing countries amounted to E891 million – 56 times less.
- Donors spend about the same on administering their own aid programmes as they do on agricultural aid.

Declining funds are not spent in countries where most hungry people live

Agricultural aid is very poorly targeted:

- The ten countries that account for 69 per cent of the world's hungry people receive only 20 per cent of all agricultural aid.
- The ten countries with the highest proportion of hungry people receive only 10 per cent of all agricultural aid.
- Over the past three decades, donors have cut agricultural aid significantly to some countries and regions where hunger is deepest, notably in South Asia.

The international target of halving the number of hungry people will not be met

The UN's Food and Agriculture Organisation (FAO) projected, before the onset of the current food price crisis, that the world could meet the Millennium Development Goal of halving the *proportion* of hungry people in the world – from 20 per cent in 1990 to 10 per cent in 2015. However, the World Food Summit goal of halving the *number* of hungry people in the world is likely not to be met -

by 2015: there will be still be 582 million undernourished people in developing countries.

Donors' current 'aid effectiveness' agenda does not address these issues

The process that donors began with the Paris declaration on aid effectiveness in 2005 ignores the major issues raised in this report. The declaration says nothing about ongoing aid conditionality (the practice of using aid to push market liberalization reforms), or crucial aid quality issues such as prioritizing assistance to countries where hunger is deepest. It also says nothing to imply that there is any particular urgency about transforming international aid to agriculture.

Part two of this paper shows:

Donors' spending focus within agricultural aid budgets bears little relation to the needs of poor farmers while critical areas of funding have been massively cut

Major changes in the types of agricultural aid provided over the past three decades are to the detriment of small farmers. Donors have cut their aid for activities that academic studies show reduce hunger the most. Aid in support of 'structural adjustment' programmes – ie, agricultural liberalization and privatization – has massively increased, and has been at the expense of support for critical areas:

- aid to help produce staple food crops – critical given many countries' food deficits – has been reduced fourfold in real terms;
- the provision of key inputs such as such as seeds and fertilizer has been reduced thirteen-fold;
- rural credit to farmers to enable them to invest in new crops has become almost non-existent.

Donors know little about the impact of their agricultural aid. What is known suggests that they have done almost nothing to promote global food security. Recent aid reviews of the World Bank, European Commission and DFID show huge deficiencies in aid quality.

Many donors take very few steps to evaluate the performance of their agricultural aid. The evaluations that do exist often show grave deficiencies and, in the case of the World Bank and the EC, amount to devastating indictments.

- A recent review of agricultural aid during 1991-2006 from the World Bank – the largest donor to agriculture - concludes that projects have not helped countries develop a long-term strategic approach to food insecurity or helped countries sufficiently increase agricultural productivity.
- An evaluation of the European Commission's aid to rural and agricultural development covering the period 1995-2005 concludes that,

despite some successes, EC aid is 'limited… fragile… or hardly visible' while projects 'fail to achieve significant global impact'.

Agricultural aid programmes are plagued by poor management and coordination among donors

Aid to agriculture shows growing overlaps and duplication among donors with the proliferation of separate global and regional initiatives and separate funds, despite the decline in overall aid. The fact that various donors have been pursuing separate agricultural strategies in developing countries has prompted the then World Bank director for agriculture and rural development to accuse donors of 'havoc and confusion and waste'.

Part three of this paper shows:

Aid used to push agricultural liberalization has deepened hunger in many developing countries and left their agricultural sectors worse off

Agricultural aid has for the past 25 years been used to promote 'liberalized' agricultural policies in developing countries, entailing the privatization of state agencies and liberalization of agricultural trade. This has been done either in specific aid projects, by making aid conditional on promoting liberalization policies or by the general 'advice' that has accompanied aid programmes. Numerous studies show that hunger and poverty have deepened in many countries as a direct result. The World Bank has been shown to have an ideological commitment to a failed economic model which, a recent internal review shows, has rarely been based on actual country analysis.

Despite some of their claims, donors are continuing to use aid to push a failed economic model on the poorest countries

Despite considerable historical evidence that state-led approaches can work best in agriculture, donors retain their fundamental commitment to agricultural liberalization with an active role for the state firmly off the agenda.

- Although the use of conditionality has declined – since there is little left to privatize or liberalize in agriculture – research for this report shows that World Bank aid conditionality is continuing to be used, in countries such as Rwanda, Ethiopia and Burundi, to press countries to liberalize their agricultural sectors.
- The European Union's Economic Partnership Agreements (EPAs) are a new form of aid conditionality, whereby entire aid programmes are conditional on developing countries promoting a package of liberalization policies. Weak safeguards mean that small-scale farmers will be exposed to sudden competition from EU agricultural imports. EU strategy is to create larger markets for European companies, a goal on which officials have often been explicit.

Aid, together with policy 'advice' and pressure accompanying it, is promoting 'high-tech' farming that primarily benefits Western businesses

Agricultural aid directly promotes agribusiness by donors pressing for 'high-tech' solutions to global hunger in their policy advice to developing countries. The increased use of fertilizer, chemicals and Genetically Modified Organisms (GMOs) is seen by most donors as part of the 'solution' to global hunger; behind this, lies an industry of manufacturers, scientists linked to corporations and foundations. USAID is leading the push for countries to adopt GMOs in their farming while the World Bank is strongly supportive, despite evidence that biotechnology companies have yet to introduce a single GM crop that actually increases yield.

The global food system is dominated by a small number of companies but even in rare instances when donors recognize there is a problem they continue to do nothing to address it. Donors such the UK's Department for International Development (DFID), for example, continue to promote completely insufficient *voluntary* codes of behaviour for companies to abide by (or not).

Donors have chosen to avoid focusing their agricultural aid on the hundreds of millions of smallholder farmers

Donors' agricultural aid has prioritized the interests of global corporations over smallholders; yet most of the world's 450 million farmers are smallholders, and 85 per cent of them cultivate less than two hectares. In most developing countries, small-scale farming needs to be at the central of agricultural strategy.

- 'Low-input' agriculture – farming that does not rely on expensive inputs such as fertilizer or chemicals – has essentially been bypassed by donors. Research on organic farming, for example, is non-existent in most developing countries and accounts for just 1 per cent of rich countries' total research budgets.
- Donors have long prioritized the promotion of export crops rather than food staples, yet domestic markets are generally much bigger than export markets for poor countries. Many macro-economic reforms of the type promoted by donors are not targeted on, and are not even intended to affect, millions of smallholders who produce for home consumption.

PART ONE:

AID THAT NEGLECTS THE POOR – AID LEVELS AND RECIPIENTS

Introduction

Hunger is endemic in the world today and increasing. Around 923 million people around the world are undernourished, a figure which has increased by 75 million due to the current food price crisis.[1] As of mid-2008, a full 37 countries required external food assistance to feed their people.[2] Yet even this is the tip of the iceberg: over 2 billion people – a third of the world's population - endure a lack of essential micronutrients (vitamins and minerals) even when they consume adequate amounts of calories and protein.[3] Still worse, UN agencies estimate that 4-5 billion people (up to three-quarters of the world's population) consume iron-deficient diets.[4]

If this is not a crisis, it is hard to know what is. The UN's Special Rapporteur on the right to food has stated that 'it is time that hunger and famine are seen as a violation of the human right to food'.[5] He argues that governments have a 'positive obligation' to 'take immediate steps… to eliminate hunger'.[6] Not only are they failing to do this, their policies are contributing to the crisis.

This paper is the first major recent analysis of agricultural aid – rich countries' spending that is supposed to help farmers in developing countries. Part one finds that:

- Agricultural aid has collapsed over the past three decades even as hunger has risen in many countries
- Declining funds are not spent in countries where most hungry people live
- The international target of halving the number of hungry people will not be met
- Donors' current 'aid effectiveness' agenda does not address these issues

<u>Aid effectiveness – is it really on the agenda?</u>

In September 2008, world governments will meet at a High Level Forum in Accra to review steps towards aid effectiveness outlined in the Paris declaration agreed in March 2005.[7] This declaration commits donors to respect developing country leadership over development policies ('ownership), to aligning their policies to developing countries strategies ('alignment') and to better coordinate and complement their aid programmes ('harmonisation').

The Paris declaration is welcome in itself but does not address the major issues raised in this report. It says nothing about ongoing aid conditionality (the practice of using aid to push market liberalization reforms), or important aid quality issues such as prioritizing assistance to countries where poverty and hunger are deepest. Neither does it mention the imperative of involving intended aid beneficiaries (ie, people) in aid design; rather, it is solely focused on relationships between governments.[8] It sets no targets on gender equality, which is fundamental for progress in agriculture and makes no new commitments on increasing aid, vaguely committing donors simply to 'intensify our efforts' to increase aid.[9] More fundamentally, it says nothing to imply that there is any particular urgency about transforming international aid to agriculture.

Progress towards international hunger targets

'It appears that hunger has increased every year since the 1996 World Food Summit. This makes a mockery of the promises made by Governments at the World Food Summits held in 1996 and 2002, as well as the promises contained in the Millennium Development Goals. This is not acceptable.' Jean Ziegler, UN Special Rapporteur on the right to food[10]

The international community has set two major goals in reducing hunger:

- Millennium Development Goal one, established in 2000, set a target of halving the *proportion* of people suffering from hunger between 1990 and 2015.
- The World Food Summit (WFS) in 1996 committed the international community to halve the *number* of hungry people from 1990 to 2015.

Proportion of people
From 1990 to 2005 the proportion of undernourished people in the world declined from 20 to 16 per cent. Projections before the onset of the current food price crisis by the UN's Food and Agriculture Organisation (FAO) were that the world could achieve a halving of the proportion in hunger (ie, to 10 per cent) by 2015.[11] However, the FAO now notes that rising food prices have pushed the figure back up to 17 per cent, reversing the earlier gains.[12]

Number of people
The number of hungry people in the world has risen from 823 million in 1990 to 923 million today. After declining between 1990 and 1997, the number increased – by 23 million – up to 2003, and has increased again during the present food crisis.[13] By 2015, the FAO estimated, even before the current food crisis, that there would still be 582 million undernourished people in developing countries – 170 million short of the World Food Summit target. [14]

Table 1: Number and percentage of hungry people

	Undernourished people (millions)	FAO projection	Percentage undernourished	FAO projection

	1990	2015	1990	2015
Developing countries	823	582	20	10
Sub-Saharan Africa	170	179	36	21
Near East/North Africa	24	36	8	7
Latin America/Caribbean	60	41	13	7
South Asia	291	203	26	12
East Asia	277	123	16	6

Source: FAO, *The state of food insecurity in the world, 2006*, 2006, p.12

As table 1 shows, the biggest challenge is in Africa. The proportion of Africans who are hungry is set to substantially decline between 1990 and 2015 but this hides wide variations among countries, and only half a dozen African countries are expected to reach Millennium Development Goal one by 2015.[15] Moreover, the *number* of Africans living in hunger is likely to increase. Major challenges also remain in South Asia and for many countries in the Near East and North Africa.

Who are the hungry?

Around 80 per cent of undernourished people live in rural areas, and 20 per cent are in urban areas. The majority in rural areas are smallholder farmers – thus, producers of food. They will typically eke out an existence on a small plot of land, with little irrigation and access to few inputs such as seeds or credit to finance investments. They will often live in remote areas, with few roads, on increasingly degraded land with poor access to local markets. Around a fifth of the hungry are families without land at all, struggling as poorly paid labourers.[16] Women make up the majority of the hungry yet produce 60-80 per cent of the food for household consumption in developing countries while owning only 1 per cent of the land.[17]

The collapse in international aid[18]

International aid to agriculture has collapsed since 1980. Table 2 below shows that in 2006, donor spending of just $3.9 billion was almost half the level of spending of $7.6 billion in 1980 (in constant dollars). As a proportion of all aid, that to agriculture now amounts to just 3.4 per cent compared to 16.8 per cent in 1980 - a fivefold reduction. Thus even though 75 per cent of the world's poor live in rural areas, only 3.4 of all international aid is devoted to their primary activity – agriculture.

Table 2 – Aid to agriculture and total aid ($ million, constant 2005, commitments)

	1980	1990	2000	2006
Total aid	**45,306**	**55,326**	**72,048**	**118,765**
Aid to agriculture	**7,592**	**6,706**	**3,701**	**3,985**
Percentage	**16.8**	**12.1**	**5.1**	**3.4**
Aid to agriculture (% all country aid)				
Australia	22 (2.7)	43 (8.5)	86 (5.3)	58 (3.0)
Austria	.. (..)	.. (..)	14 (2.6)	9 (0.9)
Belgium	.. (..)	0.4 (0.3)	63 (8.4)	68 (4.5)
Canada	115 (21.6)	115 (5.2)	76 (4.6)	124 (7.0)
Denmark	71 (15.9)	53 (9.3)	187 (13.1)	37 (2.8)
Finland	.. (..)	80 (15.4)	2 (0.8)	7 (1.1)
France	185 (7.8)	346 (10.5)	136 (3.6)	196 (2.2)
Germany	489 (7.9)	190 (3.8)	108 (2.4)	321 (3.4)
Greece	.. (..)	.. (..)	.. (..)	2 (0.9)
Ireland	.. (..)	.. (..)	13 (5.7)	26 (4.2)
Italy	15 (21.5)	216 (10.5)	55 (4.8)	.. (..)
Japan	741 (10.1)	807 (7.7)	367 (4.0)	347 (2.5)
Luxembourg	.. (..)	.. (..)	.. (..)	5 (2.5)
Netherlands	309 (19.5)	181 (11.4)	67 (1.7)	75 (0.7)
New Zealand	.. (..)	.. (..)	.. (..)	9 (3.0)
Norway	55 (14.8)	34 (4.4)	39 (3.1)	76 (3.1)
Portugal	.. (..)	.. (..)	3 (0.7)	1 (0.8)
Spain	.. (..)	46 (6.2)	42 (2.7)	51 (2.0)
Sweden	18 (2.6)	340 (13.1)	18 (1.3)	134 (4.5)
Switzerland	48 (26.6)	86 (12.2)	79 (8.3)	47 (3.7)
UK	99 (4.7)	134 (8.1)	133 (2.3)	125 (1.9)
US	1,121 (12.4)	593 (6.6)	415 (3.7)	583 (2.5)
BILATERAL TOTAL	**3,288 (10.25)**	**3,263 (7.8)**	**1,905 (3.7)**	**2,300 (2.5)**
AfDF	159 (34.2)	133 (21.0)	121 (11.1)	221 (13.6)
AsDF	391 (39.5)	963 (47.3)	133 (10.4)	140 (12.2)
European Community	590 (23.3)	110 (7.4)	313 (3.4)	322 (2.7)
World Bank – IDA	2,300 (32.7)	1,911 (23.3)	912 (12.1)	870 (10.2)
IDB special fund	440 (29.1)	165 (21.9)	81 (18.7)	.. (..)
IFAD	425 (59.7)	161 (62.9)	235 (57.6)	130 (32.4)
MULTILATERAL	**4,305**	**3,442 (25.7)**	**1,796 (8.8)**	**1,684 (6.3)**

TOTAL	**(32.5)**			

Source: oecd.stat database of the Creditor Reporting System, accessed 16 May 2008, www.oecd.org. Nb. figures are rounded

There are some other noteworthy, and disturbing, features about these figures:

- Only one bilateral donor (Canada, a relatively small donor) now provides more than 5 per cent of its budget to agriculture. The UK's DFID provides a miniscule 1.9 per cent.
- The largest donor to agriculture – the World Bank – now provides just one tenth of its lending to agriculture compared to around a third in 1980 – in real terms, it is providing 5.5 times less now than in 1980.
- The European Commission now provides a miniscule 2.7 per cent of its aid to agriculture, compared to nearly a quarter in 1980.

The European Union spent E50b on domestic support to its farmers in 2006.[19] By contrast, its aid to farmers in developing countries amounted to E891m (the combined total from individual EU states and the European Commission) – 56 times less!

Donors spend about the same on administering their own aid programmes as they do on agricultural aid! In 2006, donors spent $3.97b on their 'administrative costs' and $3.98b on agricultural aid.

Types of agricultural aid

The Development Assistance Committee lists 18 activities that constitute agricultural aid, and which are used for the statistics in this report. These are listed in table 5 below. The DAC definition excludes rural development (which is classified as multi-sector aid) and food aid. So the agricultural aid statistics capture activities where agriculture is the main objective of aid, not all activities that might contribute to (or, in fact, undermine) agricultural development.

Cuts in donor spending have been matched by falls in aid staff devoted to agriculture. USAID agricultural staff fell from 250 in 1985 to less than 50 in 2003.[20] DFID has also reduced the number of staff working on rural poverty both in country offices and in London.[21]

The trend since 2000

At the G8 summit in Evian, France in June 2003, leaders committed themselves 'to work towards reversing the decline of official development assistance to agriculture'.[22] In that year – 2003 – aid to agriculture stood at $3.8 billion. Yet in the following year – 2004 – agricultural aid actually fell to $3.5 billion. The subsequent year – 2005 – saw a modest rise, but only to $3.7 billion, but which was still below the 2003 level. As of 2006, agricultural aid levels have just crept above the 2003 level, by a modest (and completely inadequate) $207 million (in constant 2005 $).[23]

Compared to 2000, agricultural aid levels have risen by a meager $284 million, as table 2 shows – however, as a proportion of all aid, that devoted to agriculture has continued to fall since 2000. Indeed, of the 28 donors listed in table 2 above, only 9 devote a higher proportion of their aid to agriculture now compared to 2000.

In the last 2-3 years, and latterly in response to the food price crisis, some donors have pledged to increase their aid to agriculture. The World Bank announced in March 2008 that it would increase its spending on agriculture[24] while the EU has also committed to spending more on aid to agriculture in its 2008-13 budget as compared to 2001-07[25].

Spending on agriculture is vital for poor countries since most of the hungry live in rural areas and many countries depend on agriculture as their primary economic activity. Evidence suggests that every 1 per cent increase in agricultural yields reduces the number of people living on less than $1 a day by 0.83 per cent.[26] Academic studies suggest that there is a positive correlation between agricultural aid and growth in agricultural output.[27] Donor spending on agriculture is also critical given the dependence of many African countries on agricultural aid – in 24 sub-Saharan African countries, for example, donors account for 28 per cent of government agricultural spending; for Mozambique, Niger and Rwanda, the proportion is more than 80 per cent. [28]

Yet the poor level of donor spending on agriculture is matched by government neglect. In most developing countries public spending on agriculture is stagnant or declining compared to spending on other sectors – from 1980 to 2004, the share of agriculture in national budgets declined from 7 per cent to 5.3 per cent in Sub-Saharan Africa, from 15 per cent to 7.4 per cent in Asia and from 8 per cent to 2.5 per cent in Latin America.[29] African governments currently spend only 4-5 per cent of their national budget on agriculture (compared to 8-14 per cent in Asia). This is despite the Maputo declaration of 2003, in which they committed to spending at least 10 per cent of their national budgets on agriculture within five years, as part of their commitment to reach Millennium Development Goal one.

The result of this neglect could hardly be more serious. As the FAO notes, in a statement of simple common sense, the countries with the least hunger tend to have higher expenditures on agriculture whereas the countries enduring most undernourishment tend to spend less.[30]

There are various estimates as to the cost of achieving the goal of halving world hunger. One recent analysis, by the International Food Policy Research Institute (IFPRI) is that African governments need to be spending $32-39 billion per year on agriculture, compared to their current spending of $9.8 billion – a more than threefold increase that will be impossible without major increases in international aid.[31]

Why has agricultural aid declined?

There are various reasons for the decline in aid.[32]

- One major reason has been the dismantling of the state's role in agriculture and the introduction of market-based approaches. 'These have reduced the field for public investment', a report for DFID notes.[33]
- Another has been donors' increasing focus on the social sectors within aid budgets, notably health and education.
- The World Bank notes one reason as 'opposition from farmers in some donor countries to supporting agriculture in their major export markets'.[34]
- The perception by some donors that many agricultural aid projects have failed.
- There has also been increasing competition from emergency food aid – a quick fix for hunger - which was equivalent to half of aid to agriculture in 1981 but three times as much by 2001.[35]

Addressing climate change

'The financial resources industrial countries have pledged so far [for climate change] are a small fraction of what will be needed to finance adaptation in vulnerable developing economies.' World Bank[36]

Unless aid levels significantly increase, climate change will become even more serious and progress towards reaching the MDGs will be undermined still further. Agriculture produces around 20 per cent of the greenhouse gases that lead to global warming. Farmers can reduce these emissions by practices that improve soil organic matter, reduce usage of nitrous oxides, improve water-use efficiency, avoid deforestation and improve livestock feeds which reduce animals' methane emissions.[37] Agriculture is also the sector most vulnerable to climate change, with crop failures and livestock losses already imposing high costs on the poor.[38]

The World Bank notes that no estimates are available for how much aid is needed to address climate change but the figure is 'likely to be large in relation to total current aid flows to the sector'.[39] Also noteworthy is the view that 'climate change implies a return to a higher level of state support to agriculture', to ensure successful adaptation and mitigation, meaning a 'revisiting of the states versus markets debates in agriculture'.[40]

Spending on the 'hungriest' countries?

'Development assistance does not target the neediest countries'. FAO[41]

Not only have agricultural aid levels been declining, donors have also failed to spend funds on countries where hunger is deepest; indeed, they have cut aid most deeply to these countries. Evidence abounds:

- The FAO states that during the 1990s the countries with the highest prevalence of hunger received the least aid and witnessed cuts in aid of 49 per cent compared to overall cuts in aid to agriculture of 24 per cent.[42]
- Figures for 1998-2000 show that countries where less than 5 per cent of the population were undernourished received three times as much as per agricultural worker as countries where 35 per cent of the population was undernourished.[43]
- OECD figures from 2001 note that the 13 countries where 70 per cent of the world's undernourished people live received just 40 per cent of aid to agriculture.[44]

Table 3 - Proportion of agricultural aid to different regions

	1980	1990	2000	2006
Sub-Saharan Africa	24	39	34	35
South/Central Asia	42	26	23	22
Central/South America	10	9	12	13
Middle East/North Africa	9	5	7	18
Far East Asia	15	19	17	6
Other	0	2	7	6

Source: oecd.stat database of the Creditor Reporting System, accessed 16 May 2008, www.oecd.org. Nb. figures are rounded

Table 3 shows that the regions where hunger is deepest – Sub-Saharan Africa and South/Central Asia – have received the bulk of agricultural aid. Most noticeable, however, is the near-halving of the proportion of aid to South/Central Asia from 1980 to 2006. In real terms, this region received $3.2 billion in agricultural aid in 1980, but only $881 million in 2006 – yet South Asia is the region with the largest number of hungry people in the world and India is the country with the largest number (212 million). Sub-Saharan Africa's increasing proportion of aid masks a fall in aid in real terms – from $1.8 billion in 1980 to $1.4 billion in 2006.[45] Figures from the World Bank show that Africa has received just 15 per cent of all World Bank agricultural aid in 1991-2006 – the same percentage as to Europe/Central Asia and Latin America/Caribbean, regions where hunger is far less deep.[46]

Amazingly, aid to African agriculture began its long decline right after the famines in 1984/85, notably in Ethiopia.[47]

Misleading figures

The World Bank has been the largest donor to agriculture, but the overall figures can be misleading. A recent review of the Bank's agricultural aid to Africa showed that of total lending of $4.5 billion during 1991-2006, $2.8 billion has been investment lending while $1.7 billion has been lending for structural adjustment (ie, liberalization reforms). Of the investment lending, once the aid for emergencies is deducted, the amount of Bank funds truly *invested* in African agriculture amounts to an average of $67 million per country – 'this is only little more than the size of an average loan for an agricultural intervention in Africa', the review notes. And even that lending 'has been scattered over numerous activities – and thus has been scarcely enough to have sustained impact'.[48]

Hunger is highly concentrated; 69 per cent of the world's hungry people (567 million of the 820 million in developing countries cited by FAO before the current food crisis) live in just ten countries. But agricultural aid is not focused on these countries. Table 4 shows the ten countries with the largest number of hungry people (left column) and the ten countries with the highest proportion of hungry people (right column).

Table 4: Countries with largest number and proportion of hungry people, and agricultural aid to those countries

Countries with largest number of undernourished people	Number of hungry people	Agricultural aid (2006) ($m constant 2005)	Countries with highest proportion of population undernourished (percentage)	% of people hungry	Agricultural aid (2006) ($m constant 2005)
India	212	261	Eritrea	73	3
China	150	19	DRC	72	65
Bangladesh	43	89	Burundi	67	19
DRC	37	65	Tajikistan	61	10
Pakistan	35	67	Sierra Leone	50	2
Ethiopia	31	94	Liberia	49	0.4
Tanzania	16	104	Zambia	47	71
Philippines	15	9	Haiti	47	38
Brazil	14	19	Ethiopia	46	94
Vietnam	14	79	Mozambique	45	112
TOTAL	567	806		--	414

Source: FAO, *The state of food insecurity in the world 2006*, Table 1, p.33ff; oecd.stat database of the Creditor Reporting System, accessed 16 May 2008, www.oecd.org. Nb. figures are rounded

This table shows that:

- The ten countries which account for 69 per cent of the hungry people in the world receive $806 million in agricultural aid – this is only 20 per cent of all agricultural aid. Some of these countries, like China, India and Brazil, have substantial domestic resources to address hunger, but others, like Tanzania, Ethiopia and Pakistan, do not.

- The ten countries with the highest proportion of hungry people receive only $414 million in agricultural aid – only 10 per cent of all agricultural aid.

It is perhaps no surprise that a recent review of World Bank aid to African agriculture criticizes the Bank for 'very small' agricultural aid programmes to a number of countries, including the DRC, Mozambique and Sierra Leone – all of whom are in the above table and among the 'hungriest' in the world.[49]

PART TWO:

AID THAT MISSES THE POOR – POOR QUALITY OF AID

Introduction

'After fifty years of experience, most donors remain confused about how to package, coordinate and deliver aid to accelerate agricultural and rural development in Africa'. Carl Eicher, Michigan State University[50]

It is generally recognised that the quality of spending on agriculture is more important than the overall level of spending.[51] Yet there is considerable evidence indicating that agricultural aid is of extremely poor quality in focusing on alleviating hunger.

Part two finds that:

- Donors' spending focus within agricultural aid budgets bears little relation to the needs of poor farmers; critical areas of funding have been massively cut
- Donors know little about the impact of their agricultural aid. What is known suggests that they have done almost nothing to promote global food security. Recent aid reviews of the World Bank, European Commission and DFID show huge deficiencies in aid quality
- Agricultural aid programmes are plagued by poor management and coordination

The focus of activities within agricultural aid budgets

There have been major changes in the types of agricultural aid provided over the past three decades, almost all to the detriment of small farmers. This is illustrated in the following table.

Table 5 - Percentage of total agricultural aid by activity

	1980	1990	2000	2006
Agricultural policy and administration	*6.4*	*20.7*	*46.3*	*19.9*
Agricultural development	15.8	12.3	12.8	21.6
Agricultural land resources	1.3	2.1	5.4	2.5
Agricultural water resources	29.2	12.6	10.6	19.5
Agricultural inputs	*11.3*	*3.3*	*3.5*	*1.9*

Food crop production	*7.4*	*6.6*	*4.9*	*3.3*
Industrial crops/export crops	5.6	3.8	0.7	4.0
Livestock	3.8	2.0	2.9	4.3
Agrarian reform	0.0	7.1	0.2	1.3
Agricultural alternative development	0.0	0.0	0.0	4.5
Agricultural extension	1.3	0.8	1.1	4.8
Agricultural education/training	1.8	1.3	1.6	1.4
Agricultural research	2.9	4.3	4.3	5.5
Agricultural services	4.4	16.7	0.1	0.5
Plant and post-harvest protection and pest control	0.1	0.0	0.7	0.3
Agricultural financial services	*6.1*	*5.1*	*2.9*	*1.8*
Agricultural cooperatives	2.0	0.4	0.5	0.8
Livestock/veterinary services	0.5	0.8	0.7	1.8

Source: oecd.stat database of the Creditor Reporting System, accessed 16 May 2008, www.oecd.org. Nb. figures may not add up to 100 per cent due to rounding

The most important changes, italicised in the above table, have been:

- Support for structural adjustment. Aid to 'agricultural policy and management' (which includes support to government ministries of agriculture) shot up to a fifth of all aid in 1990 and to nearly a half by 2000. This reflects the degree to which agricultural aid was captured by the promotion of agricultural liberalization and also reflects a shift from funding projects to funding the agricultural sector as a whole.
- A halving of the proportion of aid devoted to 'food crop production' (which means mainly staples like maize and rice) from 1980 to 2006. Support for this activity has collapsed from $564 million in 1980 to just $133 million in 2006 (in constant dollars). This decline is especially serious given structural food deficits in many African countries and the fundamental role of staples in ensuring food security.
- The collapse of aid for agricultural inputs such as seeds, fertilizer and machinery from 11.3 per cent of all agricultural aid in 1980 to a miniscule 1.9 per cent in 2006. In volume terms, donors provided just $66 million for agricultural inputs in 2006, compared to $860 million in 1980 (in constant dollars) – a thirteen-fold reduction.
- The collapse in support to agricultural financial services, meaning rural credit to farmers - a vital activity that enables them to borrow small amounts of money to buy inputs or to diversify into producing other crops, for example. Donors provided just $71 million for this in 2006 compared to $466 million (in constant dollars) in 1980.[52]

No credit to farmers
The OECD's 'policy guidance' for donors notes:

> 'For the past two decades…most donors have provided very little funding for rural finance and as part of structural adjustment programmes many

partner countries [*sic* - developing countries] have ended their substantial involvement in this area of activity. This has left a vacuum in the supply of seasonal credit for small producers.... In much of the developing world today, the inability of poor rural households, particularly female members, and enterprises to access credit on competitive terms to invest in new economic opportunities means that their incomes *are lower than they need to be*'.[53]

This is a *de facto* recognition that donor policy has contributed to poverty.

A review of 262 World Bank agricultural aid projects to Africa between 1991 and 2006 found that precisely none were free-standing rural credit projects while only 38 had some credit or financial services activities. Even then, many of these were part of structural adjustment loans, intended mainly to develop the private financial sector.[54]

The importance of agricultural research and development

Table 5 above shows that the proportion of agricultural aid devoted to research and development has risen from its 1980 level, but this masks the fact that donor spending has been static in volume terms since then – donors allocated $221 million to agricultural research in 1980, and $219 million in 2006.[55] Neither has there been any growth in agricultural research and development as a proportion of agricultural GDP in the developing world since 1981.[56] This has enormous implications. It is agricultural research that can provide new knowledge to farmers, helps develops improved techniques to increase yield, manage water or use natural resources sustainably. Academic and donor studies suggest that among all types of agricultural expenditures, that on agricultural research and development is the most critical to growth in food production.[57] For example, it is estimated that Bangladesh's production of rice – the country's staple food - is ten times greater as a result of developing modern rice varieties than it would have been without research.[58]

The entire group of 50 Least Developed Countries received only $22 million worth of aid funding for agricultural research in 2003-05. Donors funded only $12 million worth of agricultural education and training and $9 million of agricultural extension in these countries. The low level of donor funding has meant that government funding has also suffered. UNCTAD comments that 'the low level of donor support for agricultural research in LDCs makes it very difficult for LDC governments to sustain sufficient public investment in agricultural research'.[59] Indeed, developing countries as a whole spend just 0.5 of their agricultural GDP on research and development. [60]

While developed countries have failed to increase their aid for agricultural research in developing countries, they have been busy increasing their own agricultural research budgets. From 1980 to 2000, for example, developed countries increased their spending on agricultural research from 1.4 per cent of their agricultural GDP to 2.4 per cent.[61] This is contributing to a growing divide between rich and poor, likely to produce what some analysts are calling 'agricultural technology orphans'.[62]

However, some donors are now increasing their aid to agricultural research. DFID states that it is committing £200 million to this area over five years.[63] This area requires an increase in public funds; only 2 per cent of total agricultural research expenditure in sub-Saharan Africa came from the private sector in 2000, for example.[64]

What spending on agriculture reduces rural poverty the most?

One might expect aid programmes to be guided by an answer to this question but this does not appear to be the case. Research by IFPRI has found that spending on agricultural research, education and rural infrastructure are the three most effective types of investment for reducing rural poverty. In India, China, Vietnam and Uganda, for example, investments in these areas had the biggest impacts.[65] Agricultural research is especially critical:

- in Tanzania, where such investments had a large impact on rural poverty, raising 40 people out of poverty per million shillings (£400) spent and have the largest impact on incomes. Investments in rural education and roads also had large impacts in reducing rural poverty.[66]
- in Thailand, where additional spending on agricultural research and extension improves agricultural productivity the most and is the second most powerful way of reducing rural poverty. Spending on rural electricity reduces poverty the most and has the second largest impact on productivity.[67]

Other policies can also be important. In Kenya, IFPRI found that spending on irrigation produced the largest reductions in rural poverty, followed by spending on roads and agricultural research and extension.[68] Irrigation is critical in Africa, where only 4 per cent of the land used for agriculture is currently irrigated.

Donors *have* increased their aid spending on education over the past two decades (which lies outside the scope of this study since it is not part of agricultural aid). But as for aid to rural infrastructure, such as road-building which is critical to reduce transport costs, a recent report for the OECD notes: 'Despite infrastructure's recognized importance, many governments and donors have slashed their infrastructure investments in rural areas in recent years'.[69]

The poor performance of agricultural aid

Many donors take very few steps to evaluate the performance of their agricultural aid, and consequently know little about it. A recent report by Britain's National Audit Office states that 'many multilaterals have substantial programmes with a rural focus. But most of these institutions do not analyse their effectiveness or spending in rural areas'.[70] A previous report for DFID noted that 'little evidence exists regarding the relative advantages and effectiveness of different aid instruments or mechanisms for agricultural development' and that many assessments of performance are anecdotal.[71]

Four years ago, two prominent agriculture experts commented in a widely-quoted paper:

> 'Given that it is possible that the "failure" of many past agricultural initiatives contributed to a decline in the allocation of funding to agricultural development, one might consider that it would be important to have a robust monitoring and evaluation system in place if decisions on resource allocation… are to be based at all on past performance. However, donors do not seem to have reached this conclusion'.[72]

Academic studies suggest that such systems still do not exist.[73]

What evaluations of aid do exist suggest that much agricultural aid is of poor quality. A DFID study from 2004 noted that less than 50 per cent of donor agricultural projects are rated as 'likely to be sustainable due to weak specification of objectives, poor policy design and the adoption of homogenous approaches to rural areas that are actually diverse.[74]

A recent academic study of agricultural aid policy in Zambia – where donors fund a fifth of the government's agriculture budget – notes that donor projects suffer from 'lack of sustainability, poor monitoring and evaluation, overlapping interests, diversion of public sector officials time away from core government activities and a lack of effective coordination'. Meanwhile, public sector research into agriculture 'has come to a standstill in Zambia', reflecting donor preferences to promote the private sector.[75]

Three recent evaluations of agricultural aid point to serious problems:

<u>Evaluation one: The World Bank</u>

The Independent Evaluation Group (IEG) of the World Bank undertook a major review of the Bank's aid to African agriculture from 1991 to 2006 and produced its report in October 2007.[76] The IEG stated that 'the central finding of the study is that the agriculture sector has been neglected by both governments and the donor community, including the World Bank'. But more than 'neglect', the review concluded that Bank projects:

> 'have not been able to help countries…develop a long-term strategic approach to address the basic factors that create food insecurity – that is to help countries increase agricultural productivity sufficiently to arrest declining per capita food availability'.[77]

In particular, none of the ten largest borrowers from the Bank received consistent support across all agricultural sub-sectors. Rather,

> 'The lending support from the Bank has been "sprinkled" across various agricultural activities such as research, extension, credit, seeds and policy reforms in rural space, but with little recognition of the potential synergy among them to effectively contribute to agricultural development'.[78]

Other highlights of the review were:

- Investment lending 'performed below par' with 60 per cent of agricultural projects in 1991-2006 rated as satisfactory.[79]
- Aid for water management in rain-fed areas suffered from 'poor monitoring and evaluation' and 'it is difficult to tell what has worked and what has not'.[80]
- Support for rural credit has been 'limited' and suffered from 'weak implementation of Bank guidelines'. Also 'limited' was the Bank's contribution to promoting improvements in transport infrastructure.[81]

The review, which also included an analysis of the failings of liberalization (see next section) was described as a 'blistering, devastating critique' by Jeffrey Sachs while a former Bank economist, Professor William Easterly, told the media: 'Here's your most important client, Africa, with its most important sector, agriculture, relevant to the most important goal – people feeding their families – and the Bank has been caught with two decades of neglect'.[82]

The World Bank now claims that 'the quality of donor support to agriculture is improving', and that the share of World Bank-supported loans to agriculture rated satisfactory or higher increased from 57 per cent in 1992 to 88 per cent in 2005.[83]

<u>Evaluation two: The European Commission</u>

An evaluation of the European Commission's aid to rural and agricultural development covering the period 1995-2005 was published in June 2007.[84] It concluded that EC aid, despite some successes, was 'limited... fragile... or hardly visible'.

> 'Interventions aimed at increasing agricultural production and yields tend to have positive results, but only in concise areas or regarding specific products... There is little information on impact [sic] of EC interventions on agricultural productivity and on producers' income'.[85]

In particular, the review noted that although EC aid had improved since the last evaluation in 1994, 'it is nevertheless the case that the relevance of such programmes to reducing poverty at a general level is restricted by their poor efficiency. Thus even if used on a large scale, they fail to achieve significant global impact'. The review also noted that 'the food situation has improved in visited countries but no formal links can be established between the EC interventions and this improvement'. And also that 'integrated rural development programmes are characterized by ..... poor sustainability', which 'is still not considered by intervention managers as a factor of success'.[86]

This research also analysed other recent EC evaluation reports of its aid to particular countries and regions. Only a small number consider agricultural aid, and they show mixed results.

- An evaluation of aid to Ghana claimed that the EC's rural development projects had increased access to safe water and sanitation but have been 'less effective' in improving agricultural productivity and diversification.[87]
- Agricultural aid to Tanzania has sometimes achieved 'excellent impacts', notably in increasing productivity and access to credit, but 'they have remained limited by the lack of a coherent rural development approach'.[88]
- Aid to India has increased the 'economic potential of direct project beneficiaries' especially by increasing their agricultural yields, 'but failed to make a wider impact on the economic situation of rural poor [sic] and other groups in India'. In particular, 'it was a challenge for most of the rural development and agricultural projects to reach the poorest of the poor in the targeted communities, and also to include women in income-sharing schemes'. The evaluation concludes: 'despite positive results from some of the EC-financed projects… the impact of these projects is small when measured against the scale of the environmental and social challenges that India faces'.[89]

EC aid has long been criticized for its lack of focus on poverty. An NGO study of EC aid to African agriculture concluded that there was no evidence that it was focused on the basic needs of small farmers or on poverty; when EC aid reached the poor it was usually in the form of food aid only. Instead, EC aid has been focused on other areas such as funding commodity associations and privatizing agricultural extension services. In Zambia EC support to the privatization of veterinary services has failed to improved them, instead resulting in a high livestock mortality rate among small farmers who cannot afford treatment.[90]

Like other donors, the EC has in the past clearly neglected agriculture. The EU's strategy for Africa, for example, its then flagship strategy document produced in October 2005, considered agricultural strategy in just one paragraph in its 38 pages of text.[91] The EU, however, has produced a subsequent agriculture policy paper, entitled Advancing African Agriculture, in July 2007. It outlines a number of worthy approaches to agriculture but fails to offer any alternatives to conventional donor policies which are clearly failing.[92]

<u>Evaluation three: DFID</u>

There have been two recent evaluations of DFID's policy towards agriculture – a report by the National Audit Office (NAO) published in March 2007 and an internal report produced in April 2007. Although both focus on the management of the aid programme rather than the impact in developing countries, they came to a number of important conclusions.

The NAO report uncovered the extraordinary fact that the average number of days per year that DFID staff based in country spend in rural areas is merely five! Staff in countries such as Rwanda, Nigeria, Pakistan and Ghana spent less than 3 days per year in rural areas.[93] It is perhaps not surprising that the NAO concluded that 'DFID should have more explicit recognition of the rural poor in its analysis, planning and monitoring of country assistance'.[94]

DFID's own evaluations claim that nearly three-quarters of rural projects achieve their objectives while the internal evaluation claimed some project successes in support to land rights and 'seeds for development', for example.[95] However, the NAO report concluded, after analyzing 18 of DFID's country assistance plans (CAPs), that 'the attention paid to rural poverty was only weakly related to the scale of rural poverty' – only one third of the CAPs identified rural livelihoods as a priority for support.[96] The internal evaluation also found that the CAPs generally failed to provide a rationale for supporting or not supporting agriculture and that it was 'striking' that the 2006 White Paper on development did not devote substantial space to agriculture.[97] Moreover, there was no evidence to suggest that DFID has devoted more attention to agriculture since it produced its policy strategy on agriculture in December 2005.[98] Some of DFID's largest country programmes – such as India, Pakistan, Bangladesh and Tanzania, all of whom are among the 'hungriest' countries – received no new agricultural commitments in the last three years considered by the review.[99] The evaluation stated that 'DFID is leaving agriculture support to other donors'[100]– however, no other major donor has been prioritizing agriculture either.

Aid management: 'Havoc and confusion and waste'

Agricultural aid programmes are also plagued by poor management and, especially, poor coordination, among donors.

There have been major changes over the past 30 years in how agricultural aid is delivered, from 'integrated rural development' projects in the 1970s, to structural adjustment lending in the 1980s, to support for Poverty Reduction Strategy Papers (PRSPs) and sector-wide approaches (SWAPs) (ie, aid support to a specific overall sector) since the mid-1990s and, more recently, direct budget support (where donors provide aid directly into the national budget of governments deemed to be committed to poverty reduction). These mechanisms have all suffered from major problems:

- The move towards multi-sectoral programmes, combined with donor pressure to increase support to rural social services, has often made it difficult for governments to develop a national agricultural strategy because agriculture is often eclipsed during the transition from project to multi-sectoral aid – partly since agriculture ministries have little clout in many governments.[101]
- Current SWAPs also have a mixed record of helping developing countries – sometimes strengthening government coordination of donor support to agriculture but often re-centralising agricultural policy and doing little to stimulate other actors, such as the private sector, in promoting agriculture.[102]
- As for budget support, an internal evaluation for DFID notes 'the weak evidence that budget support promotes agricultural growth'[103] – yet DFID delivers a quarter of its overall bilateral aid in budget support, a proportion that is increasing[104]. An internal evaluation for DFID calls on DFID management to combined budget support 'with more traditional projects targeted towards agriculture'. [105]

The problems are, however, clearly as much with governments as donors and are compounded by the poor focus on agriculture in many PRSPs. Some PRSPs pay scant attention to agricultural strategy and there is often little way of monitoring governmental agricultural policy. According to the OECD, for example, 'the pattern so far with PRSs [sic, PRSPs] agricultural and rural sector approaches is to give more attention to financial management systems and financial reporting than to qualitative reporting and impact monitoring'.[106]

Participation of the poor – it would be nice

All donors stress the importance of poor peoples' participation in the design of policies, yet this rarely happens in agricultural policy. The rural poor are practically invisible to donors and many developing country governments, often lacking the capacity to make their voices heard, or else are ignored. A study for DFID and the World Bank notes that 'the prioritization of agricultural expenditures depends upon the extent to which sector stakeholders are involved actively in the budget process'; yet in many if not most developing countries, the rural poor simply do not participate in the budget process.[107] While 'participation of stakeholders' receives token mentions in donor aid policies, more detailed statements on how farmers groups should participate are almost universally lacking.[108]

Agricultural aid programmes are particularly poorly coordinated among donors, a fact recognized by donors in their creation in 2003 of the Global Donor Platform for Rural Development, which is intended to improve coordination. Yet there is little evidence of major successes. In Ethiopia, almost 20 donors were supporting more than 100 agricultural projects in 2005.[109] Aid to agriculture shows growing overlaps and duplication among donors with the proliferation of separate global and regional initiatives and separate funds, despite the decline in overall aid.[110] Coordination suffers in particular from the lack of consensus about the role of the state and market and the lack of inter-ministerial coordination, according to some analysts. The fact that various donors have been pursuing separate agricultural strategies in developing countries has prompted then World Bank director for agriculture and rural development, Kevin Cleaver, to accuse donors of 'havoc and confusion and waste'.[111]

- The review of the World Bank's aid to agriculture states that 'there is little systematic evidence to suggest that Bank support for agricultural development is part of a coordinated approach among donors' to support agriculture; rather, two-thirds of the Bank's country assistance strategies do not discuss such donor coordination while 'of those that do, there is little detail on specifics'.[112]
- Similarly, a review of European Commission aid to rural development and agriculture notes that 'despite significant progress, donors coordination often remains at the level of information exchange without due implementation of co-funded interventions'.[113]

- A recent study of donors' rural policies towards 'fragile states' emerging from conflicts concludes that 'agricultural interventions are inadequate in addressing the causes of vulnerability', and 'consist of piecemeal, project-based approaches with little evidence of coordinated strategy'.[114]

PART THREE:

AID THAT HURTS THE POOR – HOW DONORS HAVE DEEPENED HUNGER

Introduction

The declining aid levels and poor aid quality described in parts one and two are concerning enough, but still only part of the picture. Agricultural aid for the past 25 years has been used to promote 'liberalized', free-market agricultural policies in developing countries. This has been done either in specific aid projects, by making aid conditional on promoting liberalization policies, or by the general 'advice' that has accompanied aid programmes. Lending to promote structural adjustment constituted nearly 40 per cent of all World Bank lending to African agriculture from 1991-2006, amounting to $1.7 billion.[115]

Part three finds that:

- Aid used to push agricultural liberalization has deepened hunger in many developing countries and has left their agricultural sectors worse off
- Despite some of their claims, donors are continuing to use aid to push a failed economic model on the poorest countries
- Aid, together with policy 'advice' and pressure accompanying it, is promoting 'high-tech' farming that primarily benefits Western businesses
- Donors have chosen to avoid focusing their agricultural aid on the hundreds of millions of smallholder farmers

The impact of agricultural liberalization

World Bank and other donor policy has been strikingly successful in its aim of reducing government intervention in agriculture in developing countries. In the 1980s and 1990s, the Bank led the attack on the state's then primary role in agricultural policy in most developing countries:

- as a buyer and seller of farm produce at fixed market prices
- as a provider of training and extension support to farmers
- as a provider and subsidizer of inputs such as fertilizer and credit to farmers
- as an imposer of higher trade tariffs on agricultural imports

Under structural adjustment programmes, parastatal agencies performing these functions were privatized, markets were liberalized to encourage the private sector to replace the role of the state, and trade tariffs were reduced. However, as was perfectly predictable, the private sector rarely moved into the vaccum created by the state's withdrawal. Most countries in Africa, in particular, did not have the institutional foundation – such as a good infrastructure, a diversified rural economy or even a fledgling private sector – to support a rapid liberalization agenda.

Most developing countries' agricultural sectors needed fundamental reform: many of the state-led policies were overly centralised, expensive and inefficient, failing to benefit small farmers sufficiently. But the liberalization reforms – often simply 'shock therapy' imposed quickly – were generally even worse. The result of structural adjustment in agriculture was often a collapse in farmers' access to key inputs (through price rises) and to markets (as the state withdrew its buying function), especially in more remote areas which had few roads to attract private companies. The UN noted in 2005: 'Far from improving food security for the most vulnerable populations, these programmes [ie, liberalization reforms] have often resulted in a deterioration of food security among the poorest'.[116] An analysis for DFID notes that most African countries per capita agricultural GDP fell throughout the reform period in the 1980s and 1990s.[117]

The effects of liberalization on food security – Zambia, Malawi and Ethiopia

A detailed NGO study of the liberalization reforms since the early 1990s to the present-day in Zambia, Malawi and Ethiopia[118] finds their impacts on food security to be mixed, but mainly negative:

- Overall, the number of people hungry or vulnerable to hunger has increased and the poorest farmers have got poorer. The proportion of those living in poverty has remained the same in Malawi and may have slightly decreased in Zambia (in rural areas not urban) and, possibly, Ethiopia, although there ever larger numbers of people require food aid.
- Food production increased but productivity in nearly all key crops has generally declined, although in Ethiopia, the rate of decline has slowed under the reforms.
- Economies have not substantially diversified away from dependence on agriculture, but in Malawi and Zambia there has been some diversification away from a dependence on maize.
- Smallholders' access to inputs such as fertilizer has declined, mainly due to increased prices. In Zambia, use of fertilizer declined from a third to a quarter of small farmers. In Ethiopia, the amount of fertilizer used has increased over the whole period of the reforms but has been stagnant in recent years. The use of fertilizer remains very low in all three countries in comparison with others countries and is far below recommended rates to seriously increase productivity. Access to seeds and credit is also low.
- Liberalization deprived many farmers of access to local markets and made farmers prey to exploitative private traders offering low prices for their produce.
- Major cutbacks in government spending on extension services deprived farmers of important sources of knowledge and advice to aid increases in productivity and diversification.
- Deep trade liberalization was accompanied by generally worsening trade

performance, with imports rising faster than exports, vulnerability to import surges and ongoing dependence on a small number of commodities for export.

The IEG review of the World Bank's aid to agriculture states that the Bank has contributed to improving the macroeconomic environment and fiscal discipline 'in several countries' and that the production of some export crops improved. However, 'the reform process had limited impact on food production' while 'most countries in Africa face exhorbitant fertilizer prices, inadequate seed production, poor transport and limited credit access'.[119] Overall, 'the achievement of the full benefits of the process required active government and donor support to develop and integrate markets, not simply "liberalize" them'.[120]

NGOs have long charged the Bank with an *ideological* rather than evidence-based commitment to liberalization. This appears to be implicitly confirmed in the review which notes, for example, that policy advice, although having far-reaching implications for African countries, has been based on 'insufficient appreciation of the reality on the ground'. Only one third of projects appear to have been informed by analytical work while some privatization processes were 'not accompanied by enough analysis of what would happen afterward'.[121] In a further revealing comment elsewhere, the Bank now states that:

> 'adjustment lending for agriculture…expanded greatly in the late 1980s and 1990s, but included relatively little focus on poverty in project design and analysis. Challenges for future investment in agricultural adjustment programmes include… ensuring that the poor benefit'.[122]

This is a rather extraordinary comment for an institution that has long claimed to be focused on reducing poverty.

Admission of responsibility?

The World Bank's 2008 *World Development Report* on the subject of agriculture contains the extraordinary statement that 'the tendency for donors to seek one-size-fits-all approaches contributed to the failures' of agricultural policy in developing countries.[123] In fact, the World Bank, more than any other actor, has been responsible for pushing a one size fits all model of economic development on the world's rural areas for the past 25 years.

Similarly, a major OECD report on agriculture in 2006, intended as 'guidelines' for members of the DAC, notes that 'a major challenge' for developing countries is to build the capacity of institutions to promote public extension and research services after 'years of under-funding and relative neglect have greatly weakened these institutions to deliver in the new agricultural environment'.[124] The report failed to mention that it was precisely the leading donors who had encouraged the undermining of these services. This occurred despite the widely-known view that 'private extension is generally skewed toward well-endowed regions and high-value crops, while remote areas and poor producers… are poorly served'.[125]

Yet there are few signs that the Bank or other donors have changed their *fundamental* commitment to the agricultural liberalization agenda. It is certainly the case that they have pulled back from promoting *unfettered* liberalization policies in their declared policy statements. For example, the Bank's declared policy now recognizes the importance of sequencing liberalization reforms and that subsidies, for example on fertilizer, can sometimes be beneficial, if imposed smartly and temporarily.[126] However, donors' primary faith remains in market reforms – the 'commercialization' of agriculture - while an active role for the state remains firmly off the agenda in favour of the more limited role of an 'enabling' state. The Bank continues to promote trade liberalization and the completion of unfinished market reforms with an overwhelming emphasis on the role of the private sector. Even more extreme is USAID's strategy on agriculture, which is virtually silent on the role of the state and focuses on 'economic freedom', meaning 'open markets' and private sector investment.[127] DFID is not far behind, noting:

> 'For countries *in the earliest stages* of development the critical importance of overcoming market failure *may* provide *some* justification for the state to play a more direct role in *building and creating markets*' [128]

- a statement hedged with numerous qualifications. DFID, like the World Bank, is a passionate supporter of global trade liberalization and, while accepting that state subsidies may sometimes be needed, this is as long as they are 'temporary measures focused on removing the barriers to the private sector's participation in markets'.[129]

Donors' approach thus still flies in the face of past successes in agriculture. Where agricultural reforms have led to widespread growth, as in much of Asia during the 1970s and 1980s, they have tended to be accompanied by substantial state-led investment in infrastructure, research and extension, input supply, price stabilization and finance.[130] Academic studies show that rapid increases in smallholder food crop production in developing countries have been strongly associated with state investment in infrastructure, research and extension and interventions such as price stabilisation, guaranteed procurement and input supply and credit subsidies[131] – precisely the policies that have generally been opposed by donors.

China offers further lessons, having reduced the number of undernourished people from 194 million in 1990 to 150 million in 2001.[132] Its success has not been due to any 'shock therapy' of the type that the World Bank imposed on other developing countries. Rather than involving a sudden collapse of central planning, China's market-oriented reforms involved a sequencing that first created the institutions required by the market economy and incentives for farmers, such as greater land use rights, and only later to the opening up of markets. Studies suggest that these 'incentives' reforms were more important than market liberalization itself for this success.[133]

Donors' aid to agriculture has promoted, and is still promoting, the agricultural liberalization agenda in numerous specific ways, by:

- Making aid conditional on liberalization policies
- Pushing trade liberalization
- Focusing on export crops not staples
- Directly aiding agribusiness in its promotion of 'high-tech' agriculture
- Failing to promote 'low-input' farming
- Tying a probably large proportion of agricultural aid
- Promoting market-oriented land reforms

Ongoing conditionality

Donors have long made their agricultural and other aid conditional on governments privatizing and liberalizing their domestic agricultural policies. World Bank conditions applied to agriculture accounted for 27 per cent of all the conditions applied to Bank loans in the early 1980s, declining to 4 per cent of all conditions in 2001/02.[134] Conditionality has declined for the obvious reason that there is not much left to liberalize or privatize in agriculture. Yet privatization beyond the agriculture sector has also affected the lives of farmers, such as when the privatization of banks in Mozambique caused the collapse of half the banks in rural areas, in turn reducing lending to farmers by a quarter.[135]

Moreover, conditionality remains routine. A recent NGO analysis found that the number of conditions attached to IMF loans has averaged 13 per loan since 2002 and that a quarter of these contain privatization or liberalization reforms.[136] Meanwhile, two-thirds of loans and grants from the World Bank's International Development Association include conditions promoting 'sensitive' policy reforms such as privatization and liberalization.[137]

The Bank now concedes that its past lending tended to 'over-rely on conditions'.[138] Despite this, the same document notes that conditionality attached to agriculture still continues. It states:

> 'Domestic market reforms and privatization are still the core of adjustment operations, reflecting the fact that recent ASALs [ie, Agriculture Sector Adjustment Lending] have been funded in regions still dominated by state-controlled domestic markets where most marketing and processing (and in Eastern Europe and Central Asia, agricultural production) was handled by parastatals or state-supported entities'. [139]

Research for this paper has discovered a variety of privatization and/or liberalization conditions attached to current World Bank aid to agriculture:

- Aid to Burundi is conditional on 'liberalization of coffee producer prices and marketing and adoption of detailed [sic] plan for further restructuring (including privatization of washing stations)'.[140]

- Aid to Rwanda has been conditional on '10 per cent of rural water supply systems managed by private operators' and 'the privatization of two tea plantations'. [141]
- A $250 million aid loan to Ethiopia has been conditional on the 'share of annual fertilizer sales with regional government guarantees reduced to 200,000 metric tonnes' in a context where the government is being encouraged to reform the market structure for importing and distributing fertilizer.[142]

Ongoing trade liberalization

Aid has also long been conditional on countries liberalizing their agricultural trade by making deep import tariff cuts. In Africa, improvements in countries' trade position as a result of promoting trade liberalization 'did not materialize', the Bank's recent review of agricultural notes; rather, increased imports of cereals to meet domestic needs has 'led to a serious drain of foreign reserves in many countries'.[143] Moreover, trade liberalization has routinely produced import surges that undermine local producers and eliminate jobs in various sectors – such as dairy, maize, sugar, poultry, rice, soya and tomatoes - which have been long documented by ActionAid and other organizations.[144] The FAO has identified 1,217 cases of import surges on just 8 commodities in 28 developing countries for the period 1984-2000.[145] In Haiti, one of the world's 'hungriest' countries, NGO research shows that the incomes of 830,000 people fell after trade tariffs were cut in the three sectors of rice, sugar and semi-industrial chicken production.[146]

The EU's Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific (ACP) countries are free trade agreements amounting to a new form of aid conditionality, whereby entire aid programmes are conditional on a package of policies that include deepening liberalization. Over 35 ACP countries have now initialed EPAs requiring them to liberalize at least 80 per cent of their imports from the EU within 15 years, including the Least Developed Countries. Weak safeguards mean that small-scale farmers will be exposed to sudden competition from EU agricultural imports. What ACP countries get in return – market access to the EU for 97 per cent of their products – is no better than what they currently have and is, moreover, meaningless to poor farmers who do not export anyway but who may be undermined by imports.

Described as 'partnerships' by the European Commission, the latter has tried to coerce ACP countries into accepting EPAs, recently threatening to raise taxes on imports from ACP countries that refuse to initial agreements.[147] The obvious intent is to create larger markets for European companies. European officials have long been explicit about this goal, and thus the need to reduce trade barriers in developing countries, as is apparent in their speeches.[148] The Commission's website page on 'trade and competitiveness' states:

> 'Europe's market must be open to cheap supplies of intermediary goods and raw materials for European producers of value-added products. Restricting this flow of goods raises costs for European companies…We should contribute to the long term creation/development of export

> markets for EU exports, both by encouraging the integration of larger regional markets as well as promoting institutions and policies that favour "inclusive" development strategies in emerging countries'.[149]

Focus on exports not staples

Donor advice has long been focused on promoting export-led agriculture, by pushing for reforms in marketing and exchange rates, for example. Thus export crops have generally fared much better under liberalization than staples.[150] DFID notes that under liberalization 'the impact on [food] crop yields has been marginal at best' while production was not boosted given reduced access to key inputs while liberalized markets demonstrated 'greater price volatility'.[151]

Donors have provided a miniscule amount of aid for 'food crop production' in developing countries (as shown in table 5 above) while their advice has also centred on promoting exports. The focus on exports moreso than staples means that agricultural strategy was deliberately never focused on the majority of people. As the Bank's review of aid to Africa states:

> 'Most food in Africa is produced for home consumption by women farmers, who are not likely to be directly affected by the positive gains in the macroeconomic environment flowing out of the [liberalization] reforms'.[152]

Thus poor farmers may not even be affected by any 'positive gains' from this policy.

It makes little sense for the poorest countries to focus development strategy on export markets. As DFID has noted, in sub-Saharan Africa the domestic market is estimated to be three times greater than export markets for traditional and non-traditional commodities combined. Africa's domestic consumption of food staples is around $50 billion as year – more than five times greater than the value of its traditional commodity exports.[153] Moreover, a key finding of a recent major World Bank report on agricultural trade was that:

> 'a development strategy based on agricultural commodity exports is likely to be impoverishing in the current policy environment in which policy-makers in many countries have mercantilist protectionist reflexes'.[154]

Given that the Bank had been pushing export-led development for the previous 25 years, this was a de facto recognition that it had impoverished countries.

Huge areas of land are devoted to export crops in many developing countries, often controlled by transnational corporations and/or richer farmers, and often replacing land that could be used by smallholders for growing staples. This has often resulted in unequal land holdings and increasing food insecurity.

- In Rwanda, a study by IFPRI shows that growth driven by increasing staple crops, such as maize and rice, and livestock production reduces poverty more than growth driven by export crops.[155]

- In Ethiopia, another IFPRI study concludes that growth in staple crops, notably cereals which provide the largest income sources for most smallholder farmers, 'makes a greater contribution to poverty reduction than any other agricultural or non agricultural sector'. By contrast, increasing exports of traditional or non-traditional crops only marginally reduces poverty.[156]

Aiding agribusiness

Donors' agricultural aid and strategy has prioritized the interests of global corporations over smallholders. Most of the world's 450 million farmers are smallholders; 85 per cent of them cultivate less than two hectares.[157] In most developing countries, small-scale farming needs to be at the centre of agricultural strategy, and history teaches that significant poverty reduction occurs after sharp rises in employment and self-employment income due to higher productivity in small family farms.

Yet while most farmers are smallholders, the global food system is controlled by a handful of giant corporations.[158] The top ten seed companies control almost half the $21 billion global commercial market; the ten leading pesticide firms control 84 per cent of the $35 billion market; while the ten leading retailers control around a quarter of the $3.5 trillion world food market. This means smallholders are unable to capture a fair share from the value chains in markets for high-value agricultural products, such as fruits, vegetables and meat.[159]

The situation whereby private power controls the global food system has been brought about by massive state intervention by 'donors' professing a commitment to the free market. Notable in this are donor-corporate initiatives such as USAID's 'Global Development Alliance', which promotes 'partnerships' with companies such as Monsanto and Chiqita.[160] It follows that most donors still refuse to even recognize there is a problem. The World Bank states in its *World Development Report* simply that 'new and powerful private actors have entered agricultural value chains, and they often have an economic interest in a dynamic and prosperous agricultural sector'.[161]

By contrast, DFID recognizes the high degree of corporate concentration in agriculture[162] but continues to do little about it, promoting only voluntary codes of behaviour for companies to abide by (or not). This is despite a working paper from 2004 informing DFID that 'equity and fairness in trading are almost completely absent from the gamut of benchmarks, codes and standards for corporate responsibility'.[163]

Agricultural aid directly promotes agribusiness by pressing for 'high-tech' solutions to global hunger in donors' policy advice to developing countries. The donor-backed 'green revolution' in Asia in the 1960s and 1970s, which promoted industrial-style agriculture involving technology packages of fertilizer and pesticides often boosted farm outputs and productivity. But it also often deepened the divide between large farmers and smallholders (the latter who could not afford the technology) and led to increasing concentration of land holdings as well as increased the risk of environmental and health through the use of chemical inputs.[164]

Hunger is due not to inadequate food production globally but to poor distribution and lack of income to purchase food. Farmers could increase their productivity with better access to key inputs such as seeds and credit, access to markets where they receive a fair price, and a full ability to practice traditional seed and seed-saving systems and indigenous knowledge. The role of local communities tends to be bypassed in high-tech 'solutions' offered by outsiders.

Yet donors continue to overwhelmingly push the use of fertilizer, chemicals and Genetically Modified Organised (GMOs) as the 'solutions' to global hunger. Behind this push lies a giant industry of manufacturers, backed by donors and corporate researchers. One large project was the Africa Fertilizer Summit held in June 2006 in Nigeria during which the participants all called for a massive increase in fertilizer use in Africa. Convened by NEPAD, the sponsors included the Rockefeller Foundation, DFID, USAID, the International Fertilizer Industry Association and Shell Canada.[165] Later that year, the Bill and Melinda Gates Foundation announced a $100 million grant to support the Alliance for a Green Revolution in Africa. Its aim, to increase farm productivity, encourages the use of need seed varieties, irrigation, fertilizer and training for farmers and also the use of GM crops. The Foundation has provided grants worth a further $37 million for genetic engineering research aimed at developing crops with higher nutrition, and which science is led by a former researcher at Monsanto.[166]

The introduction of genetic engineering is seen by some analysts as the driving force behind most of the initiatives pushing for a Green Revolution in Africa.[167] It is the US government, and indeed USAID, that is leading the push for countries to adopt GM in their farming. USAID has delivered millions of tons of GM food aid to developing countries and financed research and lobbied developing countries to adopt GM.[168] The World Bank is also strongly supportive of GM crops and regards Bt cotton, for example, as a 'win-win-win' success for increasing yields and improving farm income.[169]

Yet analysis by NGOs shows that biotechnology companies have yet to introduce a single GM crop that actually increases yield. Indeed, some evidence indicates that yields from GM crop varieties are lower than conventional crops. A recent report by Friends of the Earth notes that in the few developing countries where GM has been introduced so far, the use of pesticides has increased, soil fertility has been reduced, soil erosion has increased, and land ownership has become more unequal.[170] There are particular dangers that poor farmers' traditional practice of seed saving will increasingly be threatened (as farmers are required to sign 'use agreements' with GM seed suppliers) and that it will likely lead to farmer indebtedness by making them dependent on expensive external inputs.[171]

GM research bypasses smallholders. It is estimated that less than 1 per cent of all GM research is targeted at small-scale producers; the rest is devoted to crops that large-scale commercial farms grow in monocultures, often with destructive effects on local communities and the environment.[172]

Lack of focus on low-input farming

The promotion of 'corporate', 'high-tech' farming – often through aid programmes – means that little attention has been paid to more affordable and appropriate farming techniques for smallholders. The fact that fertilizer is being overwhelming pushed as the solution to raising productivity in global agriculture is captured in one statistic – according to the FAO, 'the share of organic research in agriculture is almost nil in most countries and current allocations in developed countries do not exceed 1 per cent of total research budgets'.[173]

Some donors now mention low-input farming in their agriculture strategies, such as the EU's Strategy for Africa, which states that member states should support programmes to boost organic farming.[174] A study for DFID in 2004 which addressed low-external-input-agriculture states: 'There are many examples where innovations such as agroforestry, cover crops or reduced tillage have been successfully adopted by significant number of farmers' and that 'examples can also be found of the successful introduction of technologies that have reduced dependence on external inputs such as pesticides'.[175] However, DFID's policy is that 'local successes have rarely been replicated on a large scale and, by themselves, low external input systems are unlikely to drive productivity gains at the scale required to meet market demand and tackle poverty on a world scale'.[176]

This is contradicted by the FAO's landmark report on organic agriculture of May 2007, which outlines a large number of benefits of organic farming compared to conventional, high-tech agriculture. It states that 'organic agriculture has the potential to secure a global food supply, just as conventional agriculture today, but with reduced environmental impacts'. On the crucial issue of yields, the report notes that 'a modeling for large-scale organic conversion in sub-Saharan Africa suggests that agricultural yields would grow by 50 per cent, thus increasing local access to food and reducing food imports'.[177]

Tied aid

Donors do not report how much of their aid to agriculture is tied – aid which is provided on the condition that recipients buy goods and services from the donor country - and therefore the figure is not known. A study for DFID notes only that 'much' agricultural aid is tied to the purchase of agricultural inputs.[178] The proportion is likely to be very high since a large proportion of aid to agriculture is in the form of technical cooperation – donor spending on consultants, research and training – a large proportion of which tends to be tied aid. Technical cooperation has tended to represent around 30 per cent of aid to agriculture in developing countries.[179] For some of the large agricultural aid donors, the figure is likely to be higher – Japan ties 41 per cent of all its aid (not just to agriculture), for example.[180] As ActionAid has pointed out in its *Real Aid* series of reports, much technical cooperation is ineffective, over-priced, donor-driven and based on a failed development model. Tying aid to the procurement of goods and services from the donor country inflates costs by up to 30 per cent and can provide inappropriate aid. [181]

Market-oriented land reform

The World Bank has been a major funder of land policy and reform projects, devoting $1 billion to this area in 2000-2004 and a further $1 billion in 2004 alone, according to its website.[182] The approach has been market-led, mainly involving the privatization of collective and communal forms of land tenure. In many places this approach has benefited larger farmers and made the poorest, including women, more vulnerable, and pushed many farmers to sell their land to foreign investors (with government support).[183]

One recent World Bank-supported 'market-led agrarian reform programme' in the Philippines, which concluded in 2007, ostensibly aimed to contribute to poverty alleviation and empower the poor. This pilot project was based on a 'willing seller, willing buyer' scheme and was carried out in nine provinces of the country involving 1,000 hectares of land. Independent reports, however, showed that the majority of the land buyers were not poor peasants but local elites, the effect being that the project legalized land grabbing and extracting more resources from poor peasants and local communities. The principal stakeholders – the landless rural poor – played no meaningful role in designing the project.[184]

Landholdings are concentrated in the hands of rich farmers in numerous countries and major reforms to redistribute land to the landless, poor tenants and farm labourers need to be critical features of any good rural development policy. The OECD guidelines for donors' support to agriculture state: 'Recent studies show that a more egalitarian distribution of land not only leads to higher economic growth but also helps ensure that the growth achieved is more beneficial to the poor'.[185] Some states should become much more interventionist in promoting fundamental land redistribution and ensure that landless people are provided with the means to sustain their livelihoods; the market cannot be relied upon to ensure this.

Listen to the donors, then do the opposite

In one sense donors have provided invaluable advice to developing country agriculture over the past 25 years. A general guide for developing country ministers in formulating agricultural policy would be to do the opposite of what donors urge, for example in the following areas.

Donor advice	**Promote instead**
Broadly, promote market-led agricultural development, with a limited or 'enabling' role for the state	Promote more transparent and accountable state-led agricultural development, with a significant role for the market

Privatize parastatal agencies	Make parastatal agencies more transparent and democratic
Leave supplies of inputs to the private sector	State to ensure inputs get to areas where the private sector will not go, at the same time as strategically developing the private sector as a supplier
Liberalize agricultural trade	Retain the option to keep high tariffs on key agricultural goods (the right to protect)
Promote voluntary corporate social responsibility	Promote binding regulation of transnational corporations globally
Focus on export crops	Encourage export crops in certain circumstances to maximise earnings and benefit the poor, but focus on staples
Focus on high-input agriculture	Prioritise needs of smallholders and low-input agriculture
Promote market-oriented land reform	State to intervene more to redistribute land

Various developed country policies affect hunger

This study is focused on agricultural aid, not on all the policies of developed countries that affect hunger and agriculture in developing countries. Food aid, which is not covered as agricultural aid under the DAC definition, has long been known to harm as much as help the poor. Much food aid is simply the dumping of Northern food surpluses onto developing countries, undermining local food prices or farming. Equally, developed countries' agricultural subsidies have tended to depress world food prices and, by encouraging overproduction, also resulted in dumping in developing countries.[186] The UN special rapporteur on the right to food, Jean Ziegler, has noted that 'countries of the North, subsidizing agriculture and selling products at below the cost of production, are displacing millions of farmers in the South out of agriculture, when agriculture is their only comparative advantage'.[187] Subsidies and trade protection in the North have thus reduced the competitiveness of African farmers – this has in itself contributed to the decline in aid to agriculture by reducing the payoff to investments in agricultural development.[188] According to DFID, removing agricultural subsidies in the North could boost rural income in low and middle income countries by up to $60 billion a year.[189]

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