Contribution a new FNS strategy

Gerrit Holtland

Introduction

A renewed FNS strategy of the Dutch government should be based on an analyse of *who* the future poor will be and *why* they are poor. Next, we ask: what system changes are needed to support them in improving their livelihoods? And what can be the role of Dutch organisations?

Who are the poor in 2030?

The main data on Poverty in 2030 are well know[1]:

- 23% of the world population is expected to live in poverty by 2030.
- 90% of them will be Africans (up from 56% in 2015).
- 82% of them will live in rural areas and earn their living primarily in farming.
- 70% of the African poor will be women.

So, the vast majority of the poor in 2030 will be (female) African smallholders. Nearly half of them will live in a five large countries: Nigeria, Ethiopia, DRC, Tanzania and Madagascar.

What are the problems of poor African households?

In a longitude in six country study[2] rural poor to rank their problems into 11 categories. The table gives the 2016 data on the five most important problems (the other problems had very low scores).

	Pests & disease		Climate	Prices	
	Crops	Livestock		Inputs	Markets
Ethiopia	8.5	4.8	2.0	3.0	2.0
Nigeria	6.2	4.5	3.6	1.4	2.0
Tanzania	3.5	2.0	1.1	2.0	3.0
Malawi	7.5	5.0	4.8	3.5	6.0
Uganda	2.2	4.0	2.5	2.5	2.5
Niger	10.0	n.a.	7.0	3.2	2.0
Average	**6.3**	**4.1**	**3.5**	**2.6**	**2.9**

In all countries pests and diseases are the most important problem. Market prices is only an issue in Zambia where large farmers scooped up huge fertiliser subsidies rendering smallholders uncompetitive.

Often pests and diseases are interpreted as a kind of unfortunate natural disasters. However, in virtually all of the cases, good control measures are available. Yet, the poor do not have access to the inputs and skills needed to apply such measures. In this sense the challenges posed by the pests and diseases represent the general lack of access to input (e.g. seeds) and skills for poor farmers.

Why are so many African rural families poor?

This question can be answered at different levels. While many people think that poor natural resources is the main problem, in fact many poor live in areas with a favourable agroecology. Demographic problems are a second factor: some areas are underpopulated (making infrastructure/services very expensive); others are overpopulated. High population growth aggravates the problems as sustainable livelihoods have to be found for a growing number of youth.

A third, probably most important dimension is that the poor farmers are neglected:

- The agricultural sector has been a milking cow for political elites. Across Africa smallholders generate the bulk of exports. Yet, while Asian elites plough the money generated back in the sector, African governments spend less than 10% of their budget on agriculture. Countries like Ethiopia and Rwanda are an exception and indeed saw a serious reduction in poverty in return.

[1] WB 2019. Accelerating poverty reduction in Africa.
[2] Data from the WB survey on Living Standards Measurements

- The private sector also focuses on serving the growing middle class in the cities. One example is the financial sector. While agriculture represents 20-35% of GDP in SS African countries, less than 5% of the bank loans go to the sector. Even MFIs prefer urban shopkeepers with a high turnover above smallholders with limited collateral and risky agricultural loans (although rural poor repay their loans better). The costs of issuing loans is 80% higher in rural areas.
- Public services are notorious poor in rural areas. Especially poor education is critical, as it blocks the future prospect of youngsters who face the choice between migration, poorly paid informal jobs in cities or joining local militia.
- The donor community is not much different: while 78% of the poor rely on farming for their livelihood, less than 10% of ODA goes to agriculture. And all too often the money does not reach the farmers. One of the disappointing findings in recent years is that also fair-trade initiatives do not manage to get the money down to the level of smallholder families.

Many small farmers and pastoralists are already net food buyers. Until 2030 it will become increasingly difficult for them to produce their own food at competitive prices. As large farms are modernising, small-holders will be pushed out of the markets. Yet, if they cannot make their land more productive, they will have to revert to selling their labour and/or their land.

Indeed, many investors are vying for the land of the poor. Land grabbing is a major problem. Large (inter-)national companies obtained large tracks of land via the government. Urban elites (ex-civil servants; politicians, rich entrepreneurs) own large herds or rent large tracks of prime agricultural land. Supermarkets and wholesalers in fruits and vegetable invest backwards in the supply chain. .In Ethiopia hundreds so called hortipreneurs rent land from smallholders and employ their children as labourers. In return for their land and labour, smallholder families get 25% of the profit made on their land.

Whatever a country's specific history and circumstances, a number of measures have proven especially fruitful in reducing inequalities across the region: increasing productivity among small-scale farmers, ensuring women's access to land, reversing urban favouritism in services and economic opportunities, promoting labour-intensive industries, setting minimum wages, limit tax evasion, strong social protection programmes and ending all forms of exclusion (UN; Combating Africans' Inequalities).

The political economy in Africa changed dramatically since the turn of the century. In the last quarter of the 20th century African societies suffered from a total collapse of the economy (due to SAPs) and the urban middleclass was the main source of socio-political unrests. Since 2000 Africa recorded impressive economic growth and a substantial middleclass developed. Urban incomes increased rapidly, but rural incomes much less. While the share of agriculture in the GDP typically halved from 50% in 1990 to 25% in 2020, the share of people living from agriculture was only reduced from 75% to 65%. This means that farmers earned 67% of the national average in 1990 and this dropped to a mere 38% in 2020. In practice the marginalisation of smallholders is considerably worse if one takes into account that they benefit much less from the growth of the agricultural sector than larger farmers.

With such a rapid marginalisation it can be no surprise that many African states are challenged by movements thriving on rural poverty. They operate under the flag of Islam or ethnicity, yet the main reason for success is the breach of the social contract between the state and its citizens. Many countries that were stable a decade ago, now lost control over substantial parts of their territory is long: Burkina, Mali, Niger, Chad, Nigeria, Central African Republic, Cameroon, DRC, Sudan, Ethiopia[3], Mozambique, etc.

What support do the African rural poor need?

As agriculture is the main pillar in the livelihoods of the poor of 2030, they need support to make their land and herds more productive: better access to inputs, skills, finance and markets. The latter is not a problem in Africa; (the urban) demand for agricultural products is solid and prices are favourable.

Access to knowledge and skills is the most critical one; not only on pests and diseases but on the whole production process (seeds; fertilisers; GAP). Research on inequality in both rich (Pikkety) and poor

[3] In Ethiopia this does not refer to the recent civil war in which a former elite is fighting for political power. It refers to widespread social unrest in rural areas, based on the feeling of being left out. Land issues are at the core of this. In 2018 such unrest brought the present prime minister into power.

countries (Oxfam) consistently shows that access to education is the main equalising force. For rural poor this means adequate extension services for adults (many of whom missed out on education when young; especially women) and good vocational training for the youth. The latter can be either in agriculture or in any other sector that gives them better opportunities on the (urban) labour market.

Uganda and Ethiopia are landlocked countries with a history of conflict. Both recorded strong growth in the last 25 years. Yet, government policies were different. Ethiopia invested heavily in education, social protection and agriculture-led development (services & infrastructure benefiting the rural poor). Uganda maintained good levels of spending on health and education, but invested less in social protection or agriculture, and failed to tackle persistent inequalities in land ownership. As a result. inequality fell by 15% in Ethiopia since the 1990s, and rose by almost a third in Uganda. (WB 2019. Accelerating Poverty Reduction in Africa)

Better access to skills should be accompanied by better access to inputs (agro-dealers; roads) and to finance (MFIs; particularly women). Depending on the context this can be complemented with support on marketing (e.g. dairy coops), natural resource management (e.g. title deeds) or irrigation development (for horticultural production that is critical in the fight against malnutrition) etc.

In order the strengthen or revitalise the social contract between the poor and their national states, the services should be offered in coordination and cooperation with (local) government. To ensure that the support leads to sustainable system changes, it is best provided via sector development programs that combine support to (commercial) service providers of the poor with support to the enabling environment.

A clear and consistent focus on women and youth is needed. In the latter case the aim should not always be to keep them in the area or in farming. In many (marginal) areas youngster have a better future when they migrate to town; well-functioning TVETs are critical to ensure they get decent jobs there.

What can be the role of the Dutch?

The Netherlands is in an excellent position to serve the needs of the future poor. The Dutch agricultural knowledge system is the best in the world. This relates to technical issues (e.g. horticultural & dairy) as well as to soft skills (practical education, training & extension) and farmers organisations (coops).

A range of Dutch organisations have decades of experience with agricultural development projects (SNV, Solidaridad, Agriterra, etc.); others joined later and are more oriented to international trade (IDH, CBI). Many companies have substantial hand-on experience as well in Africa: Friesland Campina, a number of seed companies, several agri-processors. Wageningen Universities and other educational institutes are an asset. And so are institutes in the area of seed and veterinary inspection, plant protection etc.

These stakeholders should join hands in dairy and horticultural sector programs. Traditional agricultural development organisations should take the lead as they have the most intimate knowledge about the opportunities and challenges of the poor. They should cooperate with relevant Dutch firms, educational institutes and other institutions.

Annex: The historical paradox on agricultural extension in Africa

In the six decades since African countries became independent, they went through three main stages. The first 15 years was dedicated to building new institutions and investing in state led development. This was financed by international loans.

By 1975 this turned sour as investments were insufficiently productive while international interest rates hiked. The resulting SAPs lead to a shrinking economy and a collapse of the purchasing power of the population. So, the agricultural development projects in the 1980's and 1990's that focused on increasing productivity ('Farming System Research and Extension') failed as there was no effective demand and the investments needed to enhance productivity could not be recovered due to very low market prices.

This led to a fundamental change in agricultural development discourse and policies since 2000. The focus shifted from improving productivity to improving market systems. Governments cut the number of extension workers seriously and donors embraced new concepts like Value Chain Development (VCD), Markets for the Poor (M4P), Market System Development (MSD), and Contract Farming (CF).

However, in the same last two decades the demand for agricultural produce strongly increased. Strong economic growth and rapid urbanisation led to a growing middle class, ready to pay high prices for more diverse, more processed and better-quality food. This applies especially to dairy and fruit & vegetables. Today demand for these foods exceeds supply in most parts of Africa. Buyers are sourcing from all over their country; collecting F&V from individual farmers and milk from small village cooperatives. Prices are high and investments in agricultural productivity give quick and solid returns.

The general assumption is that high prices translate into higher production and productivity. This indeed applies to commercial farmers; however, this is not correct when it comes to poor smallholders. They have insufficient access to input and to knowledge & skills to respond to market incentives. Inputs can be supplied by the private sector. Education, training and extension are public goods that governments need to provide. Rural youth will benefit from investments in (agricultural) vocational training; their parents (mothers) from investments in extension. The returns on these investments will be high; in economic terms and in social terms (reduction of inequality).

Recent country experience supports the importance of spending on rural public goods. Ethiopia and Rwanda invested more intensively in rural public goods like extension and agricultural infrastructure as well as, in the case of Ethiopia, productive rural safety nets. Malawi and Zambia, on the other hand, have focused on private goods instead, most notably input subsidies and maize floor prices. Aggregate cereal output (and yields) increased substantially in all four countries. In Ethiopia and Rwanda, this increase has come along with a substantial decline in poverty, but not in Malawi and Zambia, where most of the subsidies are captured by the larger farmers. The policies are also fiscally unsustainable. (WB 2019. Accelerating Poverty Reduction in Africa)

The focus of donors on (vertical) value chain development after 2000 is understandable but it is time to reverse some of the changes. While the impact of value chain programs on the livelihood of the poor is largely unknown (or even doubtful; see several IOB reports), it is clear that they did lead to a neglect of (horizontal) institutions responsible for a wide range of services and investments that are very important for the rural poor: vocational training, extension, veterinary services, plant protection, watershed management, irrigation systems, rural roads etc.

In this context a renewed Dutch development strategy should focus on improving smallholder production via better access to inputs and skills via a combination of support to the private sector (farmers; rural SMEs) and capacity building of government organisations and institutions.