



CAPSA

Flash

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Short Article

Agriculture Development Today: Where are the Technological Multipliers?

It is widely known and accepted that since the pro-longed boom of the 1990s, agriculture has not found significant public and private investment in Asia. While this may partly change with the growing private investments in palm oil and starch plants for the biofuel industry, there are still only a few signs that the basic process of neglect is going to change, even though in Asia poverty is predominant in rural areas. It would seem that the most accepted current way to tackle poverty is best described as good old-fashioned rural development. The recipe consists of the classic combination of public investment in roads, irrigation, electricity and communication, the latter two sectors increasingly finding public-private partnerships for investment. The new element today is handing out cash, which is becoming popular.

Central in the classical approach is that local and central government create conditions for rural economic growth. Public and private investment in agriculture is supposed to dovetail in this process. One could expect the emphasis in public investment in agriculture to focus on new varieties, technology and improved pest and disease control and maybe a bit of help in post-harvest, processing technology, product development and market access. These are exactly the main markets that the private sector may have difficulties in supplying, under conditions of locally thin demand, especially where thin demand induces subsidies, which may distort rural input markets in the longer run. Keeping this in mind, it is very interesting to note that in recent loans taken by Indonesia, Viet Nam and Pakistan, farmer empowerment seems to be the main binding concept. The central idea is that farmer organizations need to be strengthened. The approach is very similar to the local grant based community/rural development methodology. Typically local government and central government have resources available and local communities are induced to formulate their needs and wishes and if these are found to be viable, a local grant is given, and a bit of public local investment is realized, usually in small roads, electricity, buildings, etc.

The long time observer could conclude that this type of agriculture investment copies the current best practices in rural development. One could also say that the ideas of the 1950s have come back, with cash transfers as an optional throw-in. While there is nothing

wrong with that, it is important that the hard core of increasing farm productivity is not neglected. It is well known that the public investment in research and development of agriculture has suffered in popularity because many evaluations found that only the related government institutions grew in size while the effect on increase of productivity remained difficult to measure. The point, however, is that when the bulk of the agricultural yield increase had taken place in many Asian countries in the 80s, the efforts needed to include secondary crops in productivity increases led to growth in public research, simply because the complexity of the task multiplied. Soybean, maize, cassava and many other crops of lesser national importance, but with local dominance in their respective producer centres are grown in many different agricultural zones with a comparative advantage.

Now it seems that there has been a substantial underinvestment. Long time gaps in investment in research are as bad as lags in investment in infrastructure; the consequences, stagnant productivity and farm incomes, creep in slowly and are difficult to turn around. In analytical work in the 80s and 90s it was generally assumed that time lags between investment in agriculture and result would be around five years. If systems are broken down, the time lags become longer. If we venture to look ahead for policy development in Asia, it is easy to observe that in Asia political entanglements are leading to long-term subsidies as in the US and Europe, and continue in a wide variety of trade regimes. Maybe cash transfers to the poor and/or farmers can provide the economic and political tools to create some more political room for rational policy regimes and healthy and sustainable input markets. But, to repeat the obvious, substantial investment in R&D is needed to regain momentum in productivity growth.

I believe that a continued or renewed concentration on empowerment, within the bigger envelope of rural investment, will not have a multiplier effect without addressing the sources of productivity growth: appropriate varieties, irrigation, good and stable supply of farm inputs, proper field technology and post-harvest practices. ■

Written by J.W.T. Bottema, Head of UNESCAP-CAPSA, Bogor, Indonesia.

Flash **BREAKING****Indonesian Government Invest in Rural Development**

The Indonesian Government plans to industrialize and modernize the nation's rural economy so that farmers can better compete in overseas markets. The government plans to invest a total of Rp 4 trillion (US\$ 444.4 million) in the development of agriculture, fisheries, and forestry, including funds for the development of a biofuel industry. The government also aims that by 2009, Indonesia will be self-sufficient in food (editor's note: corn, rice and sugar), with poverty levels down from the present rate of 17 per cent to 8.2 per cent and unemployment down from 10 per cent to 5.1 per cent. That year would also see biofuels making up 5 per cent of the nation's total fuel consumption.

Hudiono, Urip, 2007. Rural Economy Targeted in 20-year Plan. The Jakarta Post, <http://www.thejakartapost.com>, (17 January 2007).

Chinese Farmers Find Security in Agricultural Insurance

In 2004, the China Insurance Regulatory Commission set agricultural insurance as one of the four priority fields for development, together with pension, health and liability insurance. The insurance mechanism began trial operation in Shanghai, Jilin and Heilongjiang and later extended to Jiangsu, Liaoning, Xinjiang, Ningxia, Inner Mongolia, and Sichuan. Premiums from agricultural insurance in China recorded a 16.05 percent year-on-year rise to 846 million yuan (US\$ 108 million) last year. From January to August last year, natural disasters and insect pests cost the agriculture sector almost 100 billion yuan (US\$ 12.5 billion) in losses, an average 100 yuan per farmer.

People's Daily Online, 2007. Chinese Farmers Find Security in Agricultural Insurance, <http://english.peopledaily.com.cn>, (20 January 2007).

ADB to Help Raise Rural Incomes and Production in Tajikistan

Agriculture provides the major source of livelihood for more than 64 per cent of Tajikistan's population and contributes about one quarter to GDP. Still, the sector is falling short of its potential to contribute to growth, poverty reduction, rural development, and exports. Among the key constraints are sub-optimal farming decisions, an unpredictable business environment, extensive land degradation caused by salinity, waterlogging or soil erosion, scarcity of support services, poor infrastructure, and weak institutions. Backed by a US\$ 17.1 million assistance package, ADB will help raise rural household incomes by shifting production away from subsistence farming to more commercial production as well as increasing productivity, introducing better land management, and developing rural infrastructure.

ADB, 2007. ADB to Help Raise Rural Incomes and Production in Tajikistan, <http://www.adb.org>, (31 January 2007).

Agri Sector to Grow 5 per cent in 2007, 8 per cent in 2008: Philippines

The rebounding agriculture sector, which grew 3.9 percent in 2006 despite the spate of super typhoons over the September-December period, is projected to grow 4 to 5 per cent this year, and a higher 7 to 8 per cent in 2008 on the back of higher public spending on rural infrastructure and seed technology. The Arroyo administration plans to pump more money into infrastructure projects such as irrigation, seed technology and post-harvest facilities, in order to further boost crop yields, increase market access for produce and cut farmer's losses or wastage arising from inadequate storage facilities for their produce. The Department of Agriculture is banking on the new initiatives to start reaping monetary benefits for farmers and fisherfolk by 2008.

SEAMEO SEARCA BIC, 2007. Agri Sector Seen to Grow 5% This Yr, 8% in '08, <http://www.bic.searca.org>, (21 January 2007).

Call Centres for Farmers in India

The Kisan Call Centres (KCCs), set up by the Department of Agriculture in January 2004, are first-of-their-kind knowledge pools and information support centres for Indian farmers. The idea was to put into place a channel that could address issues raised by farmers, instantly, in their local dialect. Farmers can dial the toll-free telephone number to get specialists, positioned at 84 call centres across the country, to answer a repertoire of questions related to agriculture and allied fields. The KCCs consist of three operational levels: Level One, the basic Call Centre, has a local language-proficient agriculture graduate; Level Two has subject-matter specialists; and Level Three is the management group that ensures the ultimate response and resolution of all queries not resolved at Level Two. Level Three functions through the postal service. Telecom consultants work closely with the Department of Agriculture to define key objectives and long-term plans for improvement. About 70 per cent of the Indian workforce directly or indirectly depends on agriculture for its sustenance. This sector generates about 28 per cent of the country's GDP and 20 per cent of exports. Rising consumer prosperity and a search for higher incomes by farmers will simultaneously drive crop diversification. Export opportunities for agricultural products are also spiralling, provided India can measure up to the demands of foreign trade and consumers and maintain its edge as a low-cost producer. In such a scenario, greater use will have to be made by researchers and farmers of available modern information technology and communication such as the KCC project. ■

Based on Lal, Neeta, 2007. Call Centres for Farmers. OneWorld South Asia, <http://southasia.oneworld.net>, (29 January 2007).

Fair trade: Success Story for the Poor

What is most important about the success story of fair trade is that it benefits some of the world's poorest people. Currently an estimated 5 million people -farmers, plantation and craft workers, and their families- are better off because of fair trade. Fair trade has huge potential. It can influence and change the world trade system and help poor people and communities work their way out of poverty. Fair trade guarantees fair terms of trade and fair prices, supports and encourages workplace democracy and co-operatives, enables people to take more control over their own lives and in many ways embodies the best principles of people-centred development. Over the last two decades the gap between rich and poor countries has grown ever wider. The Doha Development Round of world trade negotiations, launched in 2001, is moribund. Wealthy countries, notably the European Union and the United States, have refused to reform their own trade regimes enough to allow the international trade system to change in ways that would benefit the poor. The fair trade system is a viable alternative to the mainstream trading system. However, although the growth of the fair trade system could make a significant contribution to the lives of the poor, fair trade alone will not solve all the world's poverty; there is also a need for justice in the mainstream trading system. But there are growing doubts as to whether the mainstream system -dominated by corporations whose overwhelming concern is to make profits for their shareholders- can change enough to help the poor and end the twin scandals of poverty and injustice. Buying fair trade products is a way of taking practical action to bring about a better, more decent and more sustainable world. ■

Based on People & the Planet, 2007. Fair Trade: Success Story for the Poor, <http://www.plepleandplanet.net/>, (9 February 2007).

Microfinance: Outreach and Self-sufficiency

In Bangladesh, poverty rates have declined by more than 20 percentage points in the last seven years. More than half of this reduction is directly attributable to microfinance. In the context of the challenging task of meeting the MDGs, microfinance must reach very large numbers of very poor clients to create the desired impact. In the process, microfinance institutions (MFIs) must remain financially self-sufficient. This means that cash income earned from programme operations is sufficient to cover cash expenses, including the cost of funds and loan-loss provision. MFIs also need to ensure that net gains accruing to the clients are positive. This is critical in determining the demand for MFI products by poor households, minimizing the incidence of loan defaults and loan losses, and guaranteeing operational viability. Initially, however, in view of the clients being destitute, operations may need to be subsidized through grants or soft loans/investments that yield below market-rates of return or no return at all. Microfinance has seen several innovations. Notably, group lending with joint responsibility, flexible approaches to collateral requirements, high-frequency installment payment schedules, future access to credit denied in the event of default, exclusive focus on women and development of high empathy levels amongst credit officers who reach out to the poor. These innovations have made it commercially feasible to reach many clients. This can be done by a specialized MFI or as a distinct line of services offered by a commercial bank or a credit union seeking to go downmarket. Financial systems should be so developed as to lower the cost and increase the convenience of financial services, so that the 'unbanked' masses can be reached by commercially viable enterprises. ■

Based on Patel, Amrit and Kalkoti, Gopal, 2007. Microfinance: Outreach and Self-sufficiency. The Financial Express, <http://www.financialexpress.com>, (20 January 2007).

G33 Pushes Trade Powers on Farm Issues

The G33 group of developing countries, led by Indonesia, India, and China issued a strong message to the World Economic Forum that they will not allow attempts to dilute the agricultural negotiations in the Doha Round of trade talks by industrialized countries, especially the United States. The G33 remains committed to engage constructively with all WTO members to secure their development concerns in the Doha outcomes, while specifically addressing the livelihood concerns of small, poor and vulnerable farmers worldwide. The G33 are demanding flexibility to moderate the impact of imports of some farm products such as rice, pulses (legumes), and sugar on their farmers. Arguing that trade liberalization is all about opening markets so that new trade flows provide an opportunity for all countries, the United States had demanded steep cuts in import tariffs for both farm and industrial products. Many developing countries have rejected the U.S. demands to pry open their agricultural markets on the grounds that they have specific livelihood and rural development concerns that cannot be sacrificed overnight. Developing countries need time and policy space to improve their poor farmers' productivity and incomes and to curtail the risk of dislocation from agriculture from trade liberalization. It is natural that agriculture would remain at the heart of the negotiations since the livelihood concerns of more than a billion resource-poor farmers depend on it. Therefore, the development imperatives lie in serving the defensive and offensive agendas across agriculture, NAMA (non-agricultural market access) and services for a diverse set of developing countries, and to balance their needs in the distribution of welfare gains. ■

Based on OneWorld South Asia, 2007. World Economic Forum: G33 Pushes Trade Powers on Farm Issues, <http://southasia.oneworld.net>, (29 January 2007).

Flash EVENTS



International Conference on Organic Agriculture and Food Security

3 - 5 May 2007

Rome, Italy

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International Conference on Climate Change

29 - 31 May 2007

Hong Kong Convention and Exhibition Centre

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WIDER Conference: Tackling Economic and Social Vulnerability

15 - 16 June 2007

Helsinki, Finland

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Asia-Link RECREATE: Restructuring Higher Education in Resource and Environmental Economics in East-Asian Transition Economies

21 - 22 June 2007

Novotel Golden Plaza Saigon, Ho Chi Minh City, Viet Nam

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Book Review

At Loggerheads? Agricultural Expansion, Poverty Reduction, and Environment in the Tropical Forests

Kenneth M. Chomitz *et al.*, World Bank Policy Research Report, Washington D.C., USA, 2007. ISBN 0-8213-6853-2

This World Bank report focuses on the links between poverty and forests. In the first four chapters, respectively titled Forests Differ; Incentives and Constraints Shape Forest Outcomes; Poverty in Forests Stems from Remoteness and Lack of Rights; and Deforestation Imposes Geographically Varied Environmental Damages, Chomitz analyses the relationship between agriculture expansion, poverty, deforestation and environmental impacts. He proposes a simple model of spatial organization according to three types of landscape that are effectively used throughout the report. The first is the forest-agriculture mosaic-lands, where land ownership is usually better defined, population densities are higher, markets nearer, and natural forest management often cannot compete with agriculture or plantation forestry. The second type of landscape is the frontier and disputed areas where pressures for deforestation and degradation are increasing, and control is often insecure and in conflict. The third is the areas beyond the agricultural frontier where there forest is abundant, inhabitants are few and largely indigenous, and some pressure on timber resources exists.

Using mostly economic paradigms, the work relies a lot on data from satellite imagery and on available district level statistics from various research sources. The author also integrates results of spatial econometric studies and institutional studies.

The method is effective for comparing cross-country situations and refuting current generalizations. The reader gets a good sense of the complexity of the relationships between poverty and deforestation and is drawn to forget a number of preconceived ideas such as poverty systematically causing deforestation, deforestation causing poverty, highly forested areas being inhabited by very poor people, or deforestation causing floods, even though in a number of cases such ideas can be locally true.

Drawing from many research pieces the report describes a number of standard situations as in Chapter 2 showing how incentives and constraints are shaping forests and associated lands. This compilation of situations gives again a good and useful sense of the complexity of the dynamic relationships between people and forests.

The method has also its limits. Satellite imagery and statistics only allow for the observation of dynamics that is visible from the sky at an aggregate level such as a district. Spatial econometric data is more accurate for mosaic land than for areas beyond the frontiers just because people living in forest areas are in many cases out of reach. Furthermore poverty in mosaic land and beyond the forest frontier can be of very different nature; comparison should require specific methods. Deforestation can affect also the livelihood of people who are living far away from the forest lands as urban poor population who may heavily depend on forest resources. Value chain method in that case would be more appropriate. Chapter 5 Improving Forest Governance looks at how governance and

institutions are influencing local and international policy outcomes. Chapter 6 Local and National Policies: Framing Rights and Incentives for Forest Management and Chapter 7 Mobilizing Global Interests for Forest Conservation, tackle local and national and international policies and how they shape or might shape livelihood in these three different landscapes. These chapters provide a number of useful and short syntheses of current knowledge on various issues such as community forest management and devolution of forest management to local government. The report repeatedly shows that as poverty and deforestation are not closely linked, one cannot automatically expect to alleviate poverty by reducing deforestation and vice versa. Worse, sometimes deforestation contributes to poverty alleviation and in these cases a win-win solution is not an option.

In most cases, the environmental benefits of forests fail to motivate forest conservation while improving livelihoods. The report also stresses the need to clarify and secure rights to forest land and resources. Surprisingly, Chapter 7 focuses exclusively on forest carbon finance as an opportunity to prevent deforestation and biodiversity losses. Discussion on timber trade business responsibility and certification movement for example is not considered. Cautiously optimistic, the chapter concludes that although the institutional challenges in implementation are large, so are the potential gains of forest carbon finance. Drawing from the lessons learnt in previous chapters the reader can fear that the forest carbon finance trend can end up hurting the poor.

Chapter 8 Conclusions and Recommendations proposes policy recommendations at international and national levels. At national level these recommendations are tailored to each type of landscapes. Most stress potential effect of economic instruments, property rights, and regulation rationalization to create incentives. However success turns to be finally dependent on the capacity for improving governance and institutions.

Readers interested by new opportunities offered by forest carbon finance should go straight to Chapter 7. In general, researchers, students, forest professional and NGOs will learn a lot from this work and particularly from the first six chapters. These chapters offer a systematic framework for thinking about the relationship between livelihoods and forest landscapes and present a multitude of situations, which helps to understand the underlying complex processes linking poverty and deforestation. ■

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