

## The causes of hunger

### Insufficient support to agricultural development

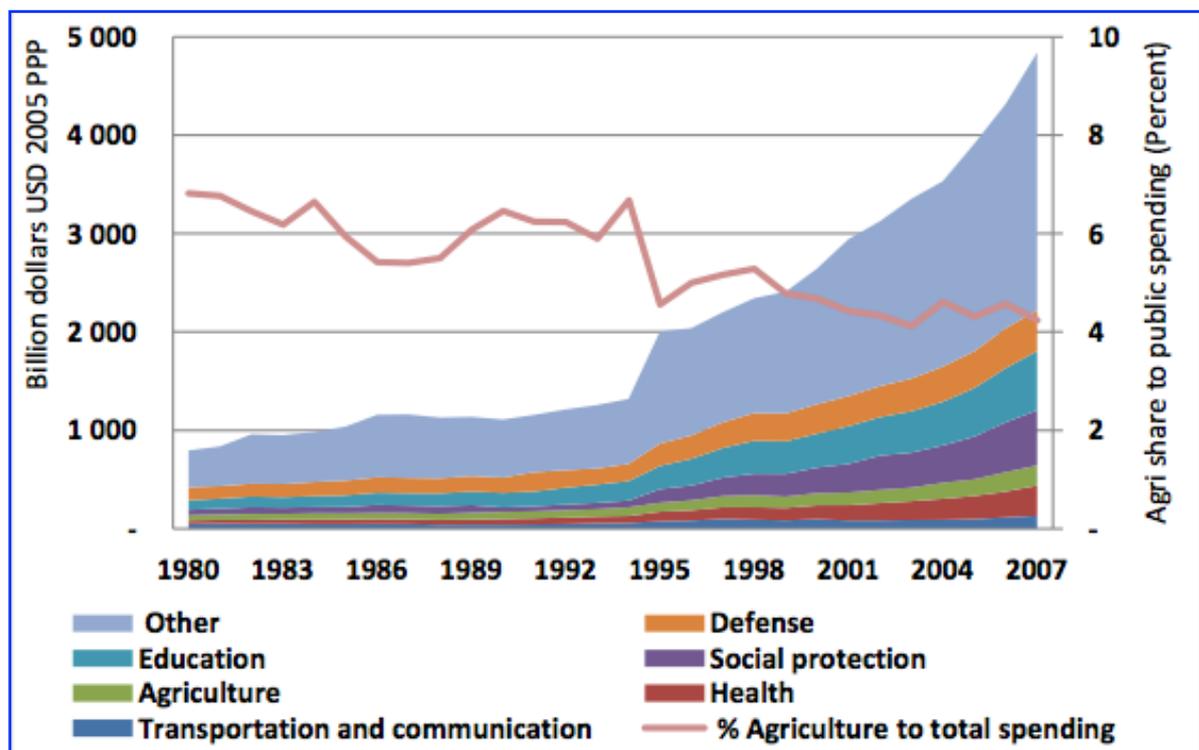
The neglect in which agriculture has been left over the years by non-industrial countries and by the international community plays a great part in explaining the level of undernourishment found today in the world.

#### Insufficient public expenditure for agriculture

This neglect of agriculture has been, first and foremost, a result of diminishing public expenditure in support to agricultural development.

Public expenditure is the main source of funding for agriculture: \$160 billion per year on average between 2005 and 2007, compared to foreign aid - about \$7 billion annually - and private investment - around \$10 billion per year (FAO data). Data on public expenditure for agriculture are unfortunately quite incomplete. It is however possible to say that it has increased slightly between 1980 and 2007 in absolute value, while its share in total public expenditure strongly decreased from around 7% to 4% only (see graph below). In Africa, the most rural and agricultural continent, public expenditure has even fallen in absolute numbers, reaching at times less than 3% of total public expenditure.

**Public expenditure by sector (1980-2007)**



Source: Lowder and Carisma, [Financial Flows to Agriculture](#) FAO/ESA December 2011 based on IFPRI/SPEED data on 67 countries of which 13 high income countries that are not OCDE members and 54 middle and low income countries

The consequence of the decreasing importance of expenditure for agriculture in government budgets has been under-investment in production and transport infrastructure in rural areas, as well as in agricultural services (research, extension, finance, etc.). This did not make it possible to overcome the weaknesses inherited from the colonial period.

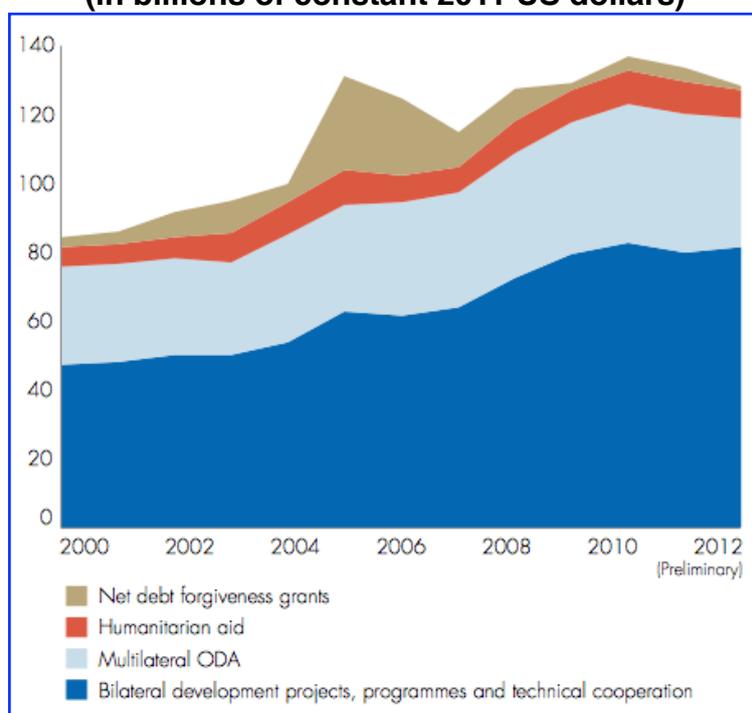
[\[read\]](#)

The main explanation for this evolution is that agriculture has not been considered by decision-makers as a sector with a future: countries preferred to invest in other sectors at the cost of becoming more dependent on food imports and food aid. The Ugandan Prime Minister, in his inaugural speech at the first meeting of Ministers of Agriculture of COMESA (Common Market for Eastern and Southern Africa) countries in November 2002, summed up the situation very well by saying that decision-makers believe that there will always be some “cold” money from donors in case of food emergency and that it is therefore preferable for them to invest “hot” money in other activities that donors are not ready to support.

### Declining international assistance for agricultural development

If one refers to the data published by OECD, the international assistance provided by the 24 OECD Development Assistance Committee (OECD/DAC)<sup>1</sup> members has again started to rise since 2000, after a period of erosion. It increased from around \$50 billion per year to slightly more than \$120 billion in 2008. The [Millennium Development Goals Report 2013](#) shows that after a peak of about \$130 billion in 2010, the level of development assistance again decreased by 2% in 2011 and by 4% in 2012 (see graph).

#### Official development assistance by OECD/DAC countries (in billions of constant 2011 US dollars)



Source: [The Millennium Development Goals Report 2013](#)

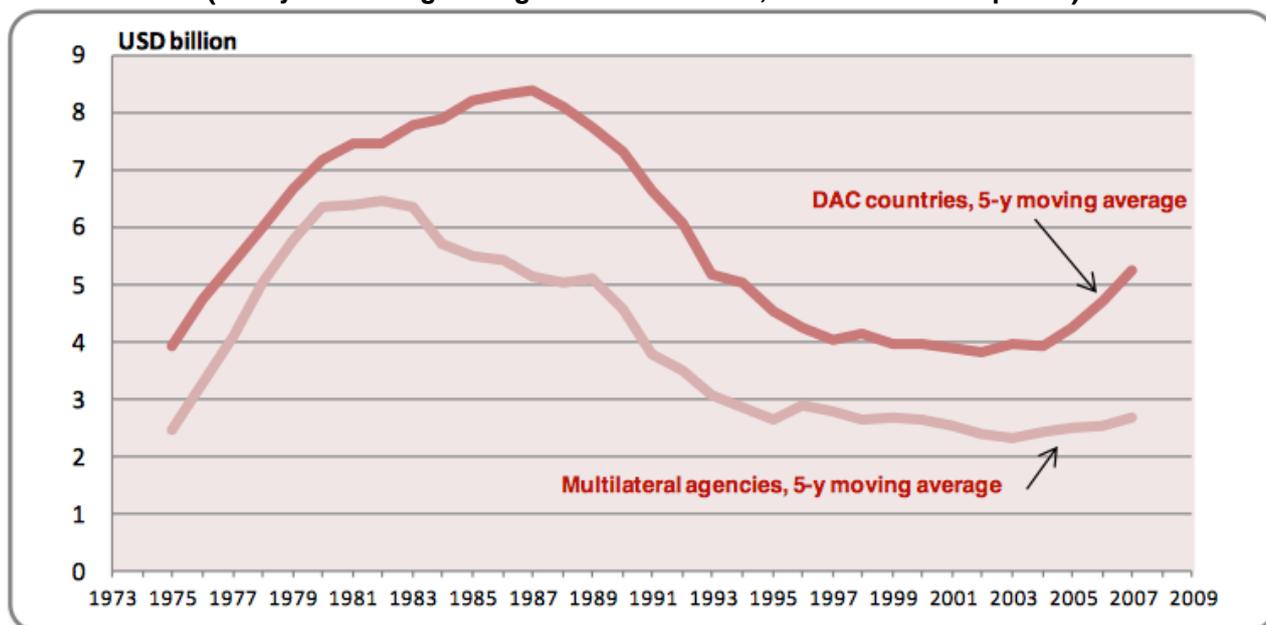
<sup>1</sup> The 24 members of OECD/DAC are: Australia, Austria, Belgium, Canada, Denmark, EU, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxemburg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and US.

These OECD data do not include aid provided by “new” donors (China, oil-exporting countries), NGOs and foundations that increased considerably their share during the last decade. Nor do they include money from private investors that is increasingly combined with official development assistance and which some donors want, with some risk, to mobilise for compensating for the reduction of aid budgets resulting from the financial and economic crisis.[\[read\]](#)

Development assistance for agriculture has followed a more unfavourable trend. After a peak of around \$15 billion (in constant 2009 US\$) that represented 17% of official development assistance in the 80s, it was halved in the 90s and reduced to only 3% of official development assistance. Since 2005, it has again risen as the international community has become increasingly aware that the neglect of agriculture had dramatic consequences on food security and that it was one of the main causes of the soaring food prices observed in 2007-2008. [\[read more on food crises\]](#)

Yet, the international community had pledged to give more support to food production as early as at the first World Food Summit held in Rome in 1996, But this commitment was not followed by any tangible results. The evolution of development assistance for agriculture also saw an inversion of the relative importance of support to agriculture and of food aid, the latter becoming more important, particularly in the case of the European Union.

**Trends in aid to agriculture and rural development**  
(Five-year moving average of commitments, at 2009 constant prices)



Source: OCDE-CAD - [Aid to agriculture and rural development](#), December 2011, [www.oecd.org/dac/stats/agriculture](http://www.oecd.org/dac/stats/agriculture)

It is needless to state here that this level of assistance is absurdly low. One needs only compare the peak agricultural aid commitment of \$15 billion per annum in the 80s with the \$350 billion yearly support provided by OECD member countries to their own agricultural sectors, the more than \$10 billion annual subsidies for the production of argo-fuels, or the thousands of billions of dollars raised since 2008 to deal with the international financial crisis.

These figures suggest that the international community has neglected agriculture far more than the poor countries themselves. It has, therefore, an enormous responsibility for the current food and agricultural situation, when one sees that the volume of assistance it provides is quite low compared to the resources it controls and incomparably lower than what poor countries are spending from their budget to support agriculture.

### **Inappropriate and hard-hit agricultural services**

The continuous degradation of agricultural services has been one of the consequences of the meagre resources allocated to agricultural development in non-industrial countries.

Extension systems have been dismantled or privatised and they focus mostly on the largest producers in the most productive areas and on the most profitable commodities (often traditional export commodities and some new exports). Small producers and women are, in their great majority, never contacted by what is left of extension services. [read more on [Exclusion](#)]

Research systems, dismantled in poor countries during the structural adjustment period, have been reestablished only in very few areas. Their work is focused mainly on technologies based on the intensive use of external inputs and equipment which are only accessible to the better-off producers who can get credit. Little research is conducted to develop technologies requiring few commercial inputs or for seeking technological innovation adapted to small farms.

The agricultural finance systems have also seen fundamental changes during the last three decades. The bulk of agricultural finance is now in the hand of banks, mostly private, which apply very strict conditions. The so-called “agricultural banks”, when they survive, have usually been authorised to diversify their activities and the funding of agriculture often represents a declining fraction of their activities. Interest rates are high, strict collaterals have to be provided (land titles, properties, sources of income other than agriculture, etc.) and the conditions (duration of credit, grace period) are often inappropriate for agriculture. These conditions exclude small producers who in their great majority do not have land titles, property or other reliable sources of income. Moreover, bankers are reluctant to engage in the provision of a great number of small credit amounts for which management costs are high, and they prefer to lend bigger amounts to a smaller number of large producers. There are of course some interesting group credit experiences, more accessible to small producers, but they have in most cases only involved a small proportion of small-scale farmers. As for microcredit, its characteristics (small loans granted for short periods and at high interest rates) do not make it suitable to the needs of agriculture and it has generally funded only little agricultural investment.

Agricultural statistical services too, have suffered from large budget cuts at the time of structural adjustment and they have not been reinforced in a lasting way since then. This makes it often difficult to find the complete and reliable data required to inform eventual decisions in support to the agricultural sector.

Finally, in a large number of countries, the [land issue](#) is one of the main obstacles to the reduction of food insecurity in rural areas. Small farmers do not have secure holdings and can easily be deprived from their land, which makes them hesitate to invest for improving it. Few producers have individual land titles and traditional land rights of rural communities are, in most cases, not recognised, sufficiently protected and respected. This creates

conditions for land to be grabbed for the establishment of plantations or ranches managed by multinational corporations or by members of the local elite who are well connected to the local political authorities. There is no land register, or when it exists, it covers only urban and peri-urban areas and maybe some developed areas (e.g. irrigation schemes). In this case too, the limited resources allocated to the land departments or to the judicial facilities that could be used as legal recourse, create limited security and few opportunities for small farmers.



### **A low level of organisation of producers and of marketing channels**

The neglect of agriculture has also implied very limited support to the efforts of producers to get organised. The absence of strong producer organisations leaves small farmers unduly isolated for their production, marketing and lobbying activities.

It makes access by producers to productive inputs and equipment more difficult than if they could be bought on a group basis, at a lower cost, or if, as in the case of farm machinery or storage facilities, placed under cooperative management. It also limits opportunities for training of producers and providing them with information on improved technologies and markets.

Regarding marketing, individual producers find themselves in a weak position when dealing with few buyers who are organised to reduce competition (specialisation by commodity, quasi-monopoly and organisation by zones of influence) and who know how to use the producers' weaknesses (need for cash, lack of capacity to store their production, etc.).

National marketing channels, too, are often poorly organised, except in the case of traditional export products. They are often incapable of competing with short and efficient import channels that have a competitive advantage because the infrastructure linking urban centres and ports is often much better than the ones linking cities to their rural hinterland.

Finally, without organisation, it is impossible for producers to exert any pressure on the authorities for obtaining changes in policies in their favour.

## **Conclusion**

From the above, it is quite clear the neglect from which agriculture has suffered in recent decades results in small-scale agricultural producers in non-industrialised countries finding themselves in an awkward situation as they have only very few opportunities to improve their livelihoods and food security, as so little is being done by countries and their partners to give them more chances of success.

The political reasons for this are analysed in "[The food and agricultural policy paradox](#)".

Materne Maetz  
(September 2012 - updated in July 2013)