



Hungry for change: building new paths to food security in LDCs

Least developed countries are in a race against time to bolster food security, given their rapidly expanding urban populations and declining agricultural productivity. Since the early 1980s, conventional policy thinking has called for reduced government involvement in the agricultural sector and greater reliance on price incentives to stimulate private investment and boost efficiency. In light of the failure of these policies, UNCTAD contends that a rethink is now required – one that puts agriculture back at the centre of a more integrated development strategy in LDCs.

The challenge for policymakers

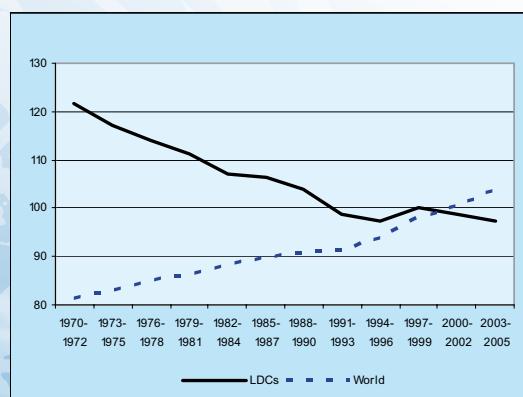
Despite an easing of food prices since their peak in summer 2008, the number of chronically hungry people is on the rise, now exceeding one billion. Of the 33 countries in a permanent state of food insecurity, 22 are least developed. More worrying still, many LDCs continue to risk being trapped in a vicious cycle of poverty, food insecurity and external shocks, both manmade and natural.

Breaking structural constraints

Declining per capita food production has been a longstanding problem in LDCs (chart 1) – a problem compounded by a projected near-doubling of their population, from 670 million in 2000 to 1,300 million by 2030, mostly in urban areas. The situation is particularly worrying in Africa where farmers have lost 25 per cent of their purchasing power over the last 25 years, and average farm incomes are below \$200 per capita.

Chart 1.

**Food production per capita in LDCs, 1970-2005
(index, 1999-2001 = 100)**



Source: UNCTAD secretariat calculations based on data from Food and Agriculture Organization of the United Nations (FAO, 2008), FAOSTAT Online Statistical Service.

Breaking the macroeconomic and structural constraints on raising agricultural output will be essential to tackling food insecurity. More expansionary fiscal and monetary policies are essential (see Policy Brief 14). But this also requires building virtuous linkages between agriculture and non-agricultural sectors with the potential to stimulate growth and create jobs. The

potential is certainly there: estimates for Africa suggest that for every dollar increase in rural incomes, other sectors could see an additional \$1.50, and in some countries the figure could be two or three times higher. However, realising these gains is particularly difficult in LDCs where most farms are under two hectares, many significantly so. Boosting production in these units is hampered by imperfect factor markets, high input prices, poor infrastructure, restricted access to credit and inadequate research and development (R&D). These farms are, moreover, among those most vulnerable to climate change; estimated yields in some African countries could be cut in half by rising global temperatures. Addressing these challenges will require more targeted measures.

As a result of these constraints on raising agricultural output, an increasing number of countries have become steadily more dependent on food imports, making them vulnerable to import surges and price shocks and raising the spectre of food-driven indebtedness. With food accounting for 40-to-80% of household expenditure in LDCs, macroeconomic and microeconomic vulnerabilities are closely connected and mutually reinforcing.

The creation of an international lending mechanism dedicated to this problem could ease the liquidity constraints on net food-importing developing countries and facilitate emergency imports of food. But affordable, predictable and long-term support will be required to break the vicious circle facing producers in the sector.

Raising investment levels

Improving access to global markets will be vital to sustained agricultural growth in LDCs. But that is not an instant panacea given their supply rigidities. Policy makers need also to be sensitive to the real possibility of a damaging trade-off between food security and export earnings. The key to expanding options for LDCs lies in closing the chronic investment gap facing the rural sector.

Increased investment is needed to: enhance farmers' productive capacities; foster uptake of new technologies and innovations; develop public infrastructure (roads, irrigation, etc.); and expand related market services. The FAO estimates that



\$40-to-50 billion per year is needed for agriculture-related public investment in all developing countries over the next two decades. Just to meet MDG1 in sub-Saharan Africa will require increased agricultural investments of some \$8 billion a year according to a UN estimate. Boosting investment in transport infrastructure and water management will be especially important. While this will be led by the public sector, the private sector, NGOs and international foundations can also contribute. Pro-investment macroeconomic policies will need to be combined with improved access to credit on affordable terms, particularly for farmers with small- and medium-size holdings.

Under the African Union Maputo commitment, governments in sub-Saharan Africa have promised to channel, on average, 10% of public spending into agriculture and rural development. However, the figure is currently less than half that, and the sector is still taxed at relatively high levels. Moreover, the proportion of total official development assistance (ODA) to agriculture declined from a high of about 18% in 1979 to 5% in 2008.

Meeting the investment challenge in LDCs will necessitate scaling-up development assistance along with innovative sources of development financing. The G8 L'Aquila Summit 2009 was a step in the right direction, but more will be needed.

Enhancing local agricultural support institutions

Recent experience has shown the dangers of relying too heavily on market forces to bolster agricultural development. The role of the State remains central not only in providing a supportive macroeconomic environment and efficient infrastructure services for the sector, but also in socializing risks and helping farmers to manage shocks. This will involve forging new partnerships with a focus, in particular, on strengthening smallholder farmers. Such farmers often face severe institutional constraints with respect to tenure arrangements, access to inputs and technological support services that restrict their ability to respond to external and internal shocks. In some countries, those partnerships will be built with appropriate private sector supply chain services, drawing initially on the expertise of foreign corporations.

The State should also protect smallholders' rights to land and other assets while promoting sustainable use of natural resources. And it should support and engage with farmers groups and cooperatives, and find ways to enhance the role of women, who play a major part in the agricultural sector in most LDCs.

Ensuring the availability of financing (both seasonal and longer-term) will require innovative institutional responses: soft loans and grants, seed-financing programmes, tax credits, micro finance programmes, etc., all have a role to play. But dedicated agricultural development banks will have to provide a solid financing platform along with measures to encourage commercial banks to extend their services to the rural sector.

Building technological capacity

Technological change in agriculture requires greater investment in research and development (R&D) but it also requires adaptations of existing knowledge architectures to ensure that ongoing research and allied activities promote the kind of sustained agricultural development suited to local needs and conditions. A shared vision for technological needs and capacity building in the agricultural sector linking, farmers, researchers and policy makers is still missing in many countries. Public research institutions, such as Embrapa in Brazil, have a clear role to play. Increased attention to knowledge diffusion, management and sharing of innovative approaches and successful experiences is a place to begin building such a vision, with a particular attention to the challenges facing small-holder producers.

There is an immediate need to reverse the declining trend for agricultural research in many LDCs. The international community has an important role to play given the generally small national budgets for R&D in the agricultural sector in LDCs. The establishment and/or strengthening of regional centres of excellence for agricultural research could also help build critical research capacity drawing on common agro-ecological conditions and challenges along with providing the financial resource mass required to achieve economies of scale.

It is also important that policy makers in LDCs assess the intellectual property issue in light of the needs of their farmers. International capacity building to help better understand the norms, flexibilities and exceptions, as well as the threats, in this area would be helpful.

Strengthening South-South cooperation

Growing South-South trade can provide new market opportunities and help establish a more supportive environment where countries can improve market access without compromising on measures to build productive capacity in the sector, including through the targeted protection of strategic products. The Global System of Trade Preferences among Developing Countries (GSTP) offers a way forward, particularly if South-South cooperation can extend to effective trade financing, the creation of export consortia and the provision of collective marketing services.

Investment planning could also benefit from a strong regional and South-South dimension. Regional investment funds and development banks, possibly tapping into existing developing-country sovereign wealth funds, could be one way of scaling up the available resources for the private sector.

Sharing experience and capacity among developing countries could help with both the design and implementation of policy planning. This is already happening. Embrapa, for example, is actively engaged in sharing its experience with other developing countries in Latin America and Africa. Study tours and training programmes with successful countries, such as Brazil, Indonesia, and Thailand would be helpful. But more support, including from multilateral organizations and through triangular cooperation, is needed.

Towards an integrated approach

Increased public investment, public-private partnerships, and strengthened South-South cooperation in conjunction with the integration of regional agricultural policies into national development strategies, and the removal of OECD agricultural subsidies can provide a solid platform to promote improved growth and trade prospects for the LDCs. Critically, agricultural strategy in LDCs needs to be developed in a more integrated fashion and in light of the new threats from climate change. The Green Revolution in Asia offers one such model. However, this model depended on the availability of a managed water supply – mostly irrigation – and heavy use of imported pesticides, which tended to favour larger farming units. Such a response may not be appropriate to the challenges facing smallholder farmers in many LDCs today. Still, an enduring lesson from that experience is that abolishing endemic food insecurity and chronic poverty will require the international community to forge a real partnership with LDCs to promote the necessary structural change and investment to develop their agricultural sectors. In 2011, Turkey will host the Fourth UN Conference on the LDCs. This will be an opportunity to promote new thinking on agricultural development and end the scourge of global hunger.