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beyond the ken of scientists to ensure that the bounty of that production system is translated into food for the most needy and the most vulnerable of the human family.

Science, technology, and innovation have been responsible for all the advances that have benefited humanity. It is time that we turn that ingenuity and creativity to address the severe ecological challenges ahead, and to ensure that all people have that most basic of human rights, the right to food security. The science is largely there and many of the technologies are on the verge of becoming deployable. All of that is indeed within reach in a very short time. It is possible to transform how we produce and distribute the bounty of this earth. It is possible to use our resources in a sustainable fashion. It is possible to abolish hunger in our lifetime.

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Development Assistance and Investment in Agriculture: Promises and Facts

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Growing development challenges have renewed attention to the critical role that agriculture plays in the broad development process. The impact of agriculture extends beyond economic growth and poverty reduction to include improving health and nutrition and building resilience to climate change and conflict. While global and national promises have been made to advance agricultural development and food security, important gaps in implementation remain. To sustainably reduce poverty and improve food security, investments in agriculture – both foreign development assistance and national public expenditures – must be scaled up and adapted to exploit these new opportunities and to build resilience to future development challenges. To this end, the role of new actors, including emerging economies and the private sector, must be fully harnessed. The efficiency of public agricultural spending by national governments must also be improved.

1 Introduction

The role of agriculture in promoting overall development has been established as important for economic growth and poverty reduction (Diao et al. 2007), and investment in agriculture is one of the most effective instruments for achieving these goals (Fan et al. 2009a and Fan et al. 2009b). Yet, agriculture has suffered from many years of policy neglect. Increasing global development challenges, including high and volatile food prices, persistently high levels of malnutrition, biofuel expansion, and climate change have renewed attention to the role of agriculture. Moreover, the role of agriculture is increasingly seen in a broader context, particularly as it relates to improving the nutrition and health of poor people, providing new economic opportunities, and building resilience to conflict, land and environmental degradation, and climate change risks.

While global and national promises have been made to advance agricultural development and enhance food security, important gaps in implementation remain. Many countries in the developing world continue to underinvest in agriculture and official development assistance (ODA) to agriculture has not recovered from decades of substantial declines. Given the new opportunities and challenges for agricultural development, scaling-up and prioritizing investments in agriculture will have to take into account these new and emerging trends.

The objective of this paper is to discuss the role of agriculture in a broader and dynamic context, and to recommend how development assistance and national government expenditures can adapt to the evolving role of agriculture.

2 Emerging Role of Agriculture for Development

Agriculture is bound to remain a key sector for growth and poverty reduction in the foreseeable future. The sector employs 65 percent of the labor force in developing countries. It is a source of livelihood for an estimated 86 percent of the developing world's 3 billion rural people and is often the main economic activity of the majority of the poor (World Bank 2007). Three of every four poor people in developing countries continue to live in rural areas. In addition to the well known roles of agriculture for development such as securing food supply, creating farm and non-farm employment opportunities, and poverty reduction, fresh evidence suggests the emerging roles of agriculture in linking to nutrition and health, and strengthening resilience to conflicts and climate change.

Agricultural growth is good for improving nutrition and health and these positive effects should be further strengthened by complementary health and nutrition interventions (Ecker et al. 2011). Joint agriculture and nutrition interventions such as micronutrient supplementation and fortification programs have high economic returns; the benefit-cost ratios range between five and far above 100 overall (Behrman et al. 2006). Public investments in specific crop breeding technologies such as bio-fortification – a technology that can increase the bio-available micronutrient

content in staples – and drought-, flood-, or pest-resistant crop breeding have high potential to substantially reduce hunger and malnutrition.

Agriculture, rural development, and food security, more broadly, may also play an important role in preventing and increasing resilience to conflicts. Several of the most commonly cited reasons for why conflicts arise are directly or indirectly related to agricultural development such as poverty, underemployment of young men (Collier, Hoeffler 1998), and inequalities in land, water, and natural resources (Collier et al. 2003). The recent uprisings in the Arab region are examples of how food insecurity and high unemployment, among other things, can spark social unrest and civil war (Breisinger et al. 2011). In addition, the agricultural sector seems to be disproportionately affected by conflicts and faces important difficulties in recovering from such disruptive events. While the nature of conflicts varies, many longer lasting civil wars take place in rural areas, and lead to the destruction of agricultural assets and infrastructure (Deininger, Castagnini 2006). Finally, the export-oriented agricultural sector often suffers heavily from warfare as the sector tends to be overtaxed in conflict times (Collier 2009).

Climate change will have fundamental impacts on agriculture and food security through higher and more variable temperatures, changes in precipitation patterns, and increased occurrences of extreme events such as droughts and floods. In 2050, for example, global production of wheat and rice is projected to be 27 and 14 percent lower than in 2000 due to climate change (Nelson et al. 2009). Moreover, global food prices and child malnutrition across all regions are projected to be higher in 2050 due to climate change. Many developing countries will be hit hardest and will likely face bigger declines in crop yields and production than industrialized countries. The negative effects of climate change will be especially pronounced in the Middle East, South Asia, and Sub-Saharan Africa. It is important to invest in climate change adaptation and mitigation, using the full potential of agriculture. In the area of adaptation, interventions include investments in improved land management, the adjustment of planting dates, and the introduction of new crop varieties, while in the

area of mitigation, they include improved energy efficiency and crop yields, and land management techniques to increase carbon storage. The costs of agricultural adaptation and the barriers to mitigation are high, but IFPRI's climate change research consistently shows that the right mix of investments and policies that emphasize both adaptation and mitigation would pay off enormously by helping subsistence and smallholder farmer's improve their livelihoods – even in the face of climate change. At least US\$7 billion additional investments in agriculture would be needed per year in order to improve agricultural productivity and prevent the adverse effects of climate change on children's malnourishment alone (Nelson et al. 2009).

3 Trends in Development Assistance and Public Expenditure

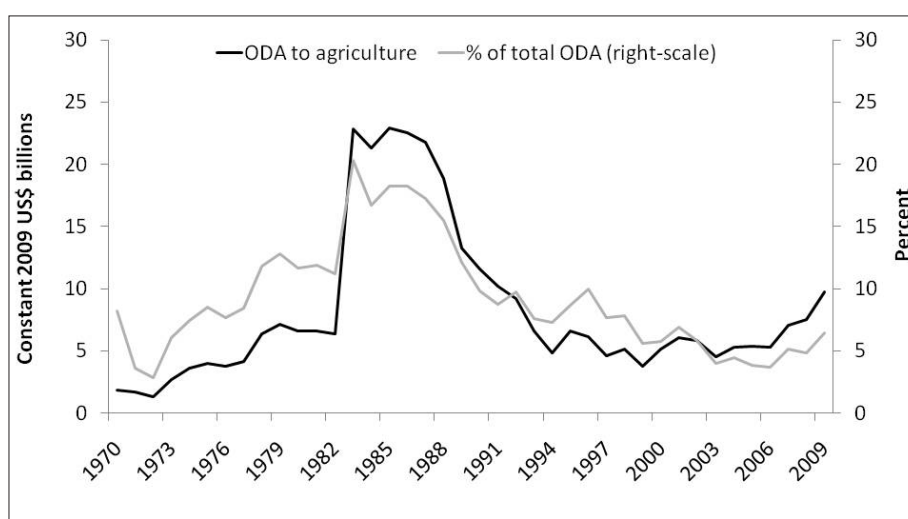
Until recently, agriculture has been characterized by underinvestment, both in terms of ODA and public expenditures. A number of reasons have been suggested as contributing to the past decline in agriculture ODA, including (Dresrüsse 1995): i) changing paradigms of development assistance; ii) falling international commodity prices which made agriculture less profitable; iii) grow-

ing competition for development assistance; and iv) economic recession and tight public budgets. The type and degree of changes in the level of development assistance to agriculture as well as the effectiveness of agricultural assistance remain topics of much debate (DFID 2004).

Renewed attention to the importance of agriculture, in addition to the persistent challenge of high global poverty and hunger, has led to a change in priorities and spurred increases in development assistance to agriculture in the last decade. ODA to agriculture, both in absolute terms and as a share of total ODA, is gradually picking up after years of significant decline (Figure 1). The level of ODA commitments² to agriculture declined significantly, on average, from its peak of about \$23 billion (2009 constant US\$) in the mid-1980s to approximately \$5 billion in the mid-2000s, before climbing back up to almost \$10 billion in 2009. Similarly, the share of agriculture in total ODA declined from 18 percent to 4 percent between the mid-1980s and mid-2000s, but grew to 6 percent in 2009.

Government expenditure on agriculture – as a proportion of total expenditure – has stagnated or declined in many regions of the world due to massive underinvestment during the past de-

Fig. 1: Official development assistance to agriculture



Note: Agriculture refers to agriculture, forestry, and fishing. ODA to agriculture refers to official bilateral commitments or gross disbursements to developing countries.

Source: OECD 2011

Table 1: Public expenditure on agriculture

| | 1980 | 1990 | 2000 | 2007 |
|---------------------------------|-------------------------------|------|------|------|
| | <i>% of total expenditure</i> | | | |
| East Asia and the Pacific | 10.0 | 8.8 | 6.4 | 6.1 |
| Europe and Central Asia | - | - | 3.0 | 2.8 |
| Latin America and the Caribbean | 5.4 | 2.2 | 2.7 | 3.1 |
| Middle East and North Africa | 3.9 | 4.0 | 3.7 | 2.7 |
| South Asia | 6.6 | 6.9 | 4.8 | 4.9 |
| Sub-Saharan Africa | 5.6 | 5.8 | 4.3 | 5.3 |
| | <i>% of agricultural GDP</i> | | | |
| East Asia and the Pacific | 9.1 | 7.6 | 8.8 | 11.6 |
| Europe and Central Asia | - | - | 8.8 | 14.4 |
| Latin America and the Caribbean | 14.9 | 6.7 | 10.1 | 13.1 |
| Middle East and North Africa | 10.4 | 6.3 | 7.5 | 7.5 |
| South Asia | 2.8 | 4.5 | 3.6 | 4.4 |
| Sub-Saharan Africa | 3.9 | 2.5 | 2.4 | 3.3 |

Note: All countries are classified using the World Bank's regional classification.

Source: IFPRI 2010

acades (Table 1). Structural adjustment programs induced national budget cuts and had a negative impact on agricultural spending across all regions (Fan et al. 2008). Similar to the latest trends in development assistance, new attention to agriculture has stimulated increased public investment in recent years, but the lack of up-to-date data deters a more complete assessment of trends. Nonetheless, evidence shows that the absolute levels of public agricultural expenditure in most regions have increased significantly since 2000 (IFPRI 2010). With the exception of the Middle East and North Africa region, where public agricultural spending grew by only 2 percent per annum from 2000 to 2007, annual growth in spending in all other regions ranged from 7 to 9 percent in the same period. However, in terms of agricultural spending as a share of total government spending, all regions have seen declines since 1980.

Agricultural expenditure as a share of agricultural gross domestic product (GDP) is an even more appropriate measure of a government's support for agriculture, as it measures public agricultural expenditure relative to the size and importance of the sector. Government expenditure on agriculture as a share of agricultural GDP in South Asia and Sub-Saharan Africa – the regions with the largest number of undernourished people in the world – continues to lag behind that of other regions (Table 1). In Sub-Saharan Africa, in particular, agricultural expenditure is only 3.3

percent of agricultural GDP, about one third of agriculture's share in East Asia and the Pacific and Latin America and the Caribbean.

Recognizing the important role of agriculture for development, governments in Africa adopted the promising Africa-owned and Africa-led development initiative "Comprehensive Africa Agriculture Development Programme" (CAADP). African governments pledged to increase public agricultural investments by at least 10 percent of national budgets within five years in order to raise agricultural output by a minimum of six percent annually (AU 2003). 25 countries have already signed their CAADP compacts (Benin et al. 2010), which align national agricultural sector policies, strategies, and investment programs with CAADP principles, pillars, and targets. But only a few countries have met the 10 percent budget allocation target.

Low investments in agricultural research and development (R&D) over the past several decades have contributed to stagnating crop yields in many regions around the world, especially in Sub-Saharan Africa. In addition, many countries have lost important knowledge and capacities in national agricultural research institutes (Beintema, Stads 2011). Evidence on the impact of public agricultural resource allocation across specific functions, such as R&D, rural infrastructure, and extension, can help governments to target scarce public resources better and set future investment priorities (Fan et al. 2008).

4 Repositioning Agriculture for Achieving Development Goals

The era of cheap food may be over and global challenges are emerging. Population growth, increasing food demand induced by higher incomes, changes in the quality, diversity, and composition of the food demanded, alongside land and environmental degradation will put extra demands on global food and agricultural systems. Expanding biofuel production and climate change are also expected to add pressure and drive up food prices. Given the complexity of global development challenges, a comprehensive approach is crucial, one that includes smart policies and investments to promote sustainable agricultural growth and food security. This approach needs to exploit the positive impact of agricultural investments on a broad spectrum of development challenges and outcomes, including good nutrition and health, sustainable use of natural resources, and stronger resilience to climate change (Fan et al. 2011).

4.1 Setting the Right Priorities for Public Investments in Agriculture

Maximizing the role of agriculture to shape development outcomes and overcome global challenges depends heavily on improved targeting of investments. Public investments have high opportunity costs, that is, public resources are generally scarce and there is strong competition for the use of these resources – so national governments must use their resources more efficiently. Reliable information on the marginal effects of various types of public expenditures is crucial for governments to be able to make sound investment decisions. IFPRI case studies offer some important lessons discussed below (Fan et al. 2009a).

Agricultural research, education, and rural infrastructure are the three most effective types of public spending for promoting agricultural growth and reducing poverty. Limited evidence from China and Uganda indicates that it is often the low-cost types of infrastructure, such as rural feeder roads, that have highest payoffs in terms of growth and poverty reduction per unit of investment. Regional analysis conducted in China, India, Thailand, and Vietnam suggests that more investments in many less-developed areas not only offer the

largest poverty reduction impact per unit of spending, but also lead to the highest economic returns. In Africa, however, such regional trends are not as prevalent, with most regions having comparably high returns in terms of poverty reduction regardless of development status. This implies an overall underinvestment of public resources in Africa.

The case studies also indicate that different spending priorities are needed during different stages of development; “one-size-fits-all” strategies do not work. During the first phase, strategies should focus on reducing widespread poverty and malnutrition through broad-based economic growth that reaches rural areas. In subsequent phases, more direct attention should be focused on lagging sectors and regions, as well as on poverty and malnutrition at the community and household levels, in order to reduce the poverty and income inequalities that arise and persist despite reform. Most Sub-Saharan African countries are still in the first phase of development. In these countries, governments have the central responsibility to forge a well-sequenced and coherent growth strategy and determine what public investments are required. Public investments in infrastructure and agriculture need special attention. Countries such as China, India, Vietnam, and Thailand have successfully completed the first phase of poverty reduction and now need to begin to address regional inequities and poverty and nutrition issues at the household level. China has traditionally favored a sectoral and regional targeting approach (such as employment programs) to deal with rising inequalities, but has recently expanded to more household- and community-targeted programs. India, in contrast, has concentrated on targeting specific sections of the population and has also recently expanded employment programs. India’s experience shows that the use of a variety of targeted programs that are directed towards specific sections of the poor – including children, women, or the elderly – can help improve targeting compared with the broader income- or area-based approaches.

Given the potential of agricultural investments to advance broad development goals and overcome development challenges, it is vital that the chosen investments maximize this multi-dimensional and dynamic impact of agricultural development efforts. For example, agricultural investments should

focus on developing and increasing the productivity of more nutritious varieties of the staple food crops that are frequently consumed by poor. Along the same lines, special attention should also be given to improving yields, developing crops with more resistance to natural resource degradation and scarcity, and raising the efficiency of land and water use for food production. In terms of climate change, “win-win-win” agricultural strategies and investments are needed that provide benefits for climate change mitigation and adaptation, as well as agricultural productivity. The key is therefore not only to increase investments in agricultural development but to prioritize investments and find the appropriate mix that has the largest impact across a broad range of development outcomes. Given the potential of agriculture to affect a broad spectrum of development outcomes – ranging from nutrition and health to climate change and conflicts – it is crucial that mechanisms are established to create a cross-cutting dialogue across sectors.

4.2 From Commitments to Implementation

Acknowledging the critical role to be played by agriculture in overcoming development challenges is not enough; it needs to be followed by the implementation of commitments and the timely disbursement of the pledged resources within a framework of strong institutions and governance. Decision-makers at all levels have made substantial financial commitments to enhance food security, especially through agriculture, but they have often failed to meet those commitments. In 2005, global donors made commitments to increase development assistance substantially at the G8 Group of Eight and the Millennium+5 summits. However, the latest projections show a shortfall of US\$18 billion in 2010, which will mainly affect Africa (OECD 2010).

The G-8 countries in their L'Aquila Joint Statement on Global Food Security in 2009 committed US\$22 billion within 3 years for improving global food security. As a follow-up to these pledges, a new multidonor trust fund – the Global Agriculture and Food Security Program – was launched in April 2010 with the aim of making commitments operational as quickly as possible. Another new scheme is the United States govern-

ment's global hunger and food security initiative “Feed the Future”. This initiative, which builds on the “Paris Declaration on Aid Effectiveness and the Accra Agenda for Action”, aims to renew the US commitment to invest in sustainably reducing hunger and poverty (US government 2010). However, to date, there is a large gap between the commitments and actual disbursement – only 22 percent of the pledges made have been disbursed (The French Presidency of the G8 2011).

Commitments of resources to agriculture and their timely implementation can lead to effective policies and positive development outcomes if supported by strong institutions and governance at the global, regional, and national levels. Timely and transparent monitoring of implementation adds accountability to the moral obligation of governments and donors to follow up on promises made. The recently developed “Regional Strategic Analysis and Knowledge Support Systems” (ReSAKSS), a collaboration between the “Consultative Group on International Agricultural Research” (CGIAR) and leading regional economic communities in Africa, is performing this accountability function for the CAADP targets. At the global level, the “United Nations High-Level Task Force on the Global Food Security Crisis” helps international organizations to support national governments in combating food insecurity. The task force has coordinated donor efforts in more than 60 countries, with intensified coordination in 33 (United Nations 2009).

4.3 The Growing Role of New Players

Given the increasing complexity and challenges facing the agricultural sector and overall development efforts, new actors – including the private sector and emerging economy donors – have the potential to strengthen agriculture's roles in tackling these challenges while also promoting development and food security. But the opportunities presented by these new actors have not yet been fully harnessed.

The private sector can – given the right incentives – provide effective and sustainable investments and innovation to boost agricultural productivity and enhance food security. Past initiatives from the private sector have included the develop-

ment of more affordable and nutritious products to reduce hunger, and public-private partnerships to better integrate smallholders into high-value markets. In order for the private sector to maximize the development impact of agricultural development, governments in developing countries need to provide an enabling and business-friendly environment that helps companies advance their core activities while promoting agricultural development and food security. Due to the diversity of private initiatives and the environment in which they are implemented, there is no “one-size-fits-all” solution on how to better engage the private sector and both public- and private-sector perceptions need to change. National governments should develop their own strategies for collaboration with the private sector and factor in private enterprises in the design of development strategies. The private sector should also be engaged in international dialogues for advancing agricultural development and food security. Public and private actors need to invest in the sound monitoring and evaluation of the impact of private initiatives on the poor and the environment. The role of public-private partnerships in agricultural research, including with CGIAR centers, will be crucial.

Emerging economy donors are not only playing an increasing role in providing development assistance but can maximize the increasing potential of agriculture to have a positive impact on a broad set of development outcomes and to overcome the challenges facing development. 10 countries that are not members of the OECD Development Assistance Committee – Brazil, China, India, Kuwait, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Arab Emirates, and Venezuela – each provide more than US\$100 million of development aid a year (ECOSOC 2008). Incorporating emerging donors is not just driven by a need for more resources. In fact, most of the development assistance goes beyond traditional aid and is better described as part of mutually beneficial economic and political partnerships. This assistance is closely linked with trade promotion, investment, and provision of technical assistance, including for agriculture. Many of the emerging countries have recently or are currently dealing with similar challenges to development and food security, and thus have a wealth of relevant knowledge that can ben-

efit other developing countries. It is important that South-South cooperation is seen as a complement to, and not a substitute for, relations between developing countries and “more established” donor partners (Fan, Brzeska 2010). The objective is not to absorb aid from emerging countries into existing aid mechanisms, but to improve coordination between emerging economies and other donors.

5 Conclusion

Rising food prices threaten global food security and years of progress in poverty reduction, suggesting a radical rethinking of the role of agriculture. Agriculture’s potential to shape development outcomes beyond economic growth and poverty reduction is evident. Based on the findings of this paper and evidence from the literature it is clear that fully exploiting this potential will require a better understanding of how agriculture interlinks with nutrition, health, new businesses opportunities, conflicts, land and environmental degradation, and climate change. Important tasks include learning more about how different patterns of agricultural growth affect nutrition and health. How private sector-led development of global and local food supply chains can best serve the poor and hungry? How and through which channels conflicts affect agriculture and how rural development, especially agricultural interventions, contributes to mitigating risks and improving resilience of poor households and communities? How and through which channels climate change continues to interact with agriculture? How agriculture can be made environmentally friendly and bring land degradation under control? Finding answers to these questions is likely to make agricultural development and investments even more effective for improving the lives of the poor people and the productive capacity of their agro-ecosystems.

Exploiting the increasingly broad impact of agriculture on development outcomes and agriculture’s potential to address emerging challenges has significant implications for future agricultural investments (ODA and national public expenditures). The role of new players in financing agriculture for development must be strengthened, and donors must change their way of doing business to reflect and support the emerging role of

agriculture more effectively. Improved coordination, for example, between traditional donors and emerging economy donors will be important. National governments, particularly in Africa, need to scale up their expenditure on agriculture and rural development and improve the efficiency of resource allocation. To more effectively and efficiently tackle complex development challenges, international partners and national governments must improve cross-sector collaboration. Working together, public and private actors can fully exploit agriculture's huge potential for reducing poverty, food insecurity, malnutrition and a host of other development challenges on a large scale.

Notes

- 1) Shenggen Fan is the corresponding author of this essay. He is Director General of the International Food Policy Research Institute (Washington, DC). Coauthor Clemens Breisinger is research fellow at the same institute.
- 2) The ODA data on commitments focuses on flows from Development Assistance Committee member countries and the European Union Institutions, but also includes flows from only some multilateral agencies since reporting by multilaterals is voluntary to the Development Assistance Committee secretariat.

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Detrimental Land Grabbing or Growth Poles?

Determinants and Potential Development Effects of Foreign Direct Land Investments

by Michael Brüntrup, German Development Institute, Bonn

Large-scale Land Acquisition has become a source of concern in the last few years. The article argues that they will also remain an important issue for food security in the future since there are several forces driving up the interests for these kinds of investments. The stakes for poor countries are high: many advantages such as access to specific markets, technology, management, capital, and finance which can create a considerable number of jobs and a push for local development are opposed by important threats for local populations but also for the environment. Early assessments point to predominantly critical situations. Given these trends, Large-scale Land Acquisition should not be left to market forces alone. National governments, regional bodies, and the international community have a responsibility to protect the interests of the poor and shape large-scale land acquisitions in a development-friendly way.

1 Relevance, Location, and Shape of Foreign Land Acquisitions

Large-scale Land Acquisition (LSLA), i.e., land acquisition or long term lease of, say, more than 100 up to several million ha – or “land grabbing” for those who pronounce the negative aspect of these investments – have become a source of concern and international discussion in the last few years. Some observers, including the head of the Food and Agriculture Organisation (FAO), talk of “neo-colonialism” (Borger 2008; Robertson, Pinstup-Anderson 2010). This, however, only touches the foreign investors (mainly from China, states of the Middle East and North Africa, Russia, the UK, and the US), while in reality most of the land acquisitions are carried out by national investors even in countries where one would not expect much local capital, and thus remain below the radar screen of international attention. For in-