Meeting the challenge of a new pro-poor agricultural paradigm

- The main barriers for chronically poor farm households to escape poverty include limited access to quality land, water, farm equipment, livestock and human capital. Building and protecting these assets is critical.
- Agricultural research and development needs to be flexible and diverse, emphasising sustainability and indigenous knowledge and placing the priorities of the poorest farmers at its core.
- Agricultural labourers are a neglected constituency and one with which agricultural agencies need to engage for rural poverty to be significantly reduced.

Agriculture is a critical sector for poverty reduction. The majority of chronically poor households are engaged in agricultural activities, either as smallholders or labourers.

This policy brief makes the case for a new agricultural paradigm for extreme poverty reduction which focuses on asset building, asset protection, employment and increasing the productivity of assets through environmentally sustainable technical innovations. This contrasts to the current paradigm which stresses increasing agricultural productivity through technology led transformation including modern seeds and agrochemicals which characterise the Green Revolution approach.

Differences in productivity between households in the same village are so large that the critical objective of agricultural agencies should be to bring lower productivity households to the level of higher productivity households. Today the chief constraints to increase the productivity of chronically poor farm households do not relate to knowledge or availability of farm technologies, but to difficulties in applying these (Box 1). These constraints include access to adequate quality land, water, farm equipment, livestock, labour resources, finance and effective farm extension services.

Increasing the productivity of chronically poor farm households requires a flexible approach that focuses on sustainability, incorporates local knowledge and addresses the critical constraints which they face. Agricultural research and development systems need to disaggregate between farm households. The needs of the chronically poor are different from those better able to get out of poverty.

Labour is often the main asset of the poorest farm households but farm workers are greatly neglected in public policy. This is a big gap in the armoury of policies in the fight against chronic poverty.
Directly Building the Farm Assets of Chronically Poor Farm Households

There is a direct link between asset accumulation and income generation. Studies from Bangladesh, Ethiopia and Nepal all find a relationship between initial endowments of land, livestock and human capital and subsequent growth in household expenditure.

Chronically poor people are often landless or near landless. Land redistribution for poverty reduction is a frequent policy theme. However, land reforms need to be an integral part of agricultural policy. Frequently the quality of land provided to poor people by redistribution programmes, and their terms of access to it compromise their ability to transform their land ownership into higher incomes. Political opportunities for land redistribution are rare; they will always be controversial and from the outset it is essential to have a transparent governance institution and to maintain a centralised database of ownership before, during and after the reforms.

Policies can also improve title to land for poor people, to increase their security or to reform the rules governing land rental making it more secure to rent out and easier to rent in. Policy evaluations suggest this is a smart measure. Essential in combination with initiatives to improve land access is the establishment of effective water rights institutions and the development of sustainable land use strategies. Women’s entitlement to land needs improvement in situations where they become dispossessed following separation, divorce or widowhood. In general, enhancing women’s access to property contributes to pro-poor agricultural growth.

Farm equipment is a neglected area, despite proving a critical trigger for poverty escapes. Earlier literature highlighted the labour displacing effects of mechanisation. While policymakers need to exercise caution this should not prevent progress using intermediate approaches to mechanisation. In South Asia investment of $12-15 in a treadle pump increases the net annual incomes of poor farmers by $50-500, due to cultivation of higher value crops or high yielding varieties (Shah et al. 2000). Where there is significant demand for small-scale technologies agricultural agencies could ensure, through regulation, that the market is competitive and offers choice, especially on price, to increase the possibilities of adoption by the poorest farmers.

Pro-poor financial services are a key aspect of both asset building and asset protection. However, the poorest people have the least access to financial services. While most focus has been on microfinance, the poorest households may need grants, training and support rather than credit. Directly providing investment capital or livestock to the poorest households, for instance, can provide the basis for further building household assets. Including women in livestock development programmes, such as restocking schemes and vaccination programmes is important.

Protecting Assets

Building household assets is not a smooth process, as assets can be lost as well as gained. While poor people typically resist selling assets, they are often compelled to sell them to release cash for food costs, health or schooling expenses. This policy brief emphasises savings and insurance as critical for the poorest households to protect their assets.

Agricultural agencies could be involved in promoting insurance schemes for the poorest through working with private insurance companies to develop innovative products. Governments will have to lead the way in subsidising insurance for the poorest people due to the increased risks involved. Specifically, agricultural agencies can improve the infrastructure for insurance through investing in weather stations and collecting data on livestock numbers and crop production.

The mismatch between irregular income streams and regular expenditure, including on food, mean that
savings opportunities are vital. Randomised trial research on savings in Kenya showed how women micro-entrepreneurs who opened savings accounts, which, despite paying no interest and charging for withdrawals, increased their daily spending on food and invested more in their businesses. The accounts also helped the women to accumulate money for major expenses. How much greater an effect would have been achieved if the accounts had been interest bearing. However, the pattern did not hold for men (Dupas and Robinson 2010). Good practice in savings design recognises that special efforts are required to avoid excluding the poorest from savings groups.

There is also strong evidence that cash transfers have significant benefits for the poorest households, in terms of both protecting and building household assets, resulting in positive impacts on child nutrition, savings and investment.

Common property resources (including land, water, pasture, forests and fisheries) are important to poor people, as both safety nets and sources of income. Innovative experiences of fisheries co-management reveal that successful efforts involve government willingness to devolve powers, share decision making and to work through existing local institutions. Policymakers also need to provide clear and immediate incentives for groups to participate in co-management activities and to address inequalities.

Pro-poor Agricultural Innovation Systems

While technology availability per se is not usually the main issue facing chronically poor farm households, access to appropriate technology remains a challenge. Agricultural research and development systems often fail to disseminate innovations that are relevant for the poorest farm households to manage risk and escape poverty.

Agricultural research and development needs to define the poorest, target them specifically, involve them in the design of research and make research results accessible. A new approach is needed on farm technology – one that is more open, flexible and diverse, emphasising soil fertility, farm mechanisation and indigenous knowledge as much as seeds and fertilisers. In an era where the risks and uncertainties of climate change impacts are at the fore this should involve a ‘climate smart’ sustainable agriculture approach.

This can be accomplished through ‘pro-poor innovation systems’ – a shift from a set of solutions that is prescribed and disseminated to one developed in multi-stakeholder partnerships, with poor farm households and their priorities at the centre (Box 2). Farmer field schools have potential to build the capability of younger and female farmers in particular to participate in these partnerships

Box 2: Papa Andina and innovation platforms

Papa Andina is a partnership programme that facilitates innovation processes between smallholder potato farmers, researchers, service providers and other market agents.

An evaluation of Papa Andina’s multi-stakeholder platforms in Ecuador found that these effectively linked smallholder farmers’ organisations to new markets. They resulted in higher yields through training in management techniques, in addition to higher prices received by unit. These results were attributed to direct interaction with actors upstream which built trust and mutual understanding among otherwise disconnected market actors.

Source: Devaux et al., 2010.

Increasing Returns to Assets: Developing Decent and Secure Markets

Enhancing market access is vital, though insufficient by itself to reduce chronic poverty. Markets often contribute to impoverishment as much as they may help households to escape poverty. Whether markets work to reduce poverty depends on who has the power to shape them, and for whom. Pro-poor value chain analysis can be a useful basis for negotiations between different market actors. Evidence suggests that it may be easier to correct power imbalances in local and national value chains, rather than international ones, as the poorest people are more able to achieve the quality standards.

Secure markets are important for poor producers as they reduce exposure to price fluctuations. Contract farming, where farmers have an established relationship with a purchasing company, is a promising way forwards. Governments need to ensure that pricing is flexible in contract farming, both to deter farmers from side selling and to ensure that they are given legal guarantees by the contractually agreed buyers. There may be situations where the government intervenes to set floor prices or enact fair competition regulations.

For contract farming to contribute to poverty escapes additional interventions are needed to build the asset bases of the poorest farm households, otherwise they are at a disadvantage. The benefits for the poorest...
members of producer groups also require further investigation.

Farmers’ organisations have a role to play in shaping markets to work for the rural poor through influencing agricultural policies and representing the interests of small farmers. Rather than establishing new organisations policy makers can strengthen existing ones, supporting them to become more effective and equitable. This may involve setting up mechanisms for regular consultation with farmers’ organisations and establishing vocational training on the management of farmers’ organisations.

Supporting and Promoting Vulnerable Labourers

One third of the world’s workers are employed in agriculture. In parallel to developing secure and decent market access for poor smallholders, agricultural agencies can encourage decent employment on medium and large farms so that smallholders can receive good farm wages in addition to running their own farms.

Education and awareness campaigns for workers are the least controversial policy responses. Conditional cash transfers can help poor farmers’ and poor farm workers’ children obtain an education and reduce child labour. Education can ultimately help people to move away from the agricultural sector.

Voluntary codes of practice for businesses which include farm workers’ rights, terms and conditions of employment can be developed. However, these must make special efforts to address casual and contract labourers, who are often excluded from certification and inspection processes. A minimum wage can help to address chronic poverty, but wage levels are not the only issue. Often labourers get only a few days work each month so they remain vulnerable even if the daily wage rate is above the minimum level.

Farm worker’s well-being depends significantly on whether the nonfarm economy is in good health, with urban and nonfarm wages influencing farm wages. Public works schemes can provide a wage floor to a rural economy. Analysis of the Maharashtra Employment Guarantee scheme, which guaranteed work as a manual labourer on a piece-rate basis for every adult in rural areas, reveals that it increased rural wages through providing a wage floor and constructing infrastructure which increased agricultural productivity (Gaiha and Imai 2006).

Promoting the Agricultural Economy alongside the Nonfarm Sector

With so many chronically poor people involved in farming it is returns to farm assets and farm labour which are critical. However, agriculture agencies can also make critical contributions to areas beyond their direct control to increase the impact of agriculture on poverty reduction. Education is an area where agriculture agencies could advise, for instance on the training requirements of small holders. A CPAN policy guide discusses how education, at key moments in the life cycle, has strong potential to stop children from inheriting poverty (Hossain 2012).

Infrastructure investments (particularly feeder roads and village transport infrastructure) enable greater returns from assets. It is more effective for agriculture agencies to work jointly with their road counterparts to achieve livelihoods outcomes than to operate in parallel. Where public resources are not immediately available for broad rural infrastructure development initially supporting agribusiness clusters is an efficient starting point.

The nonfarm economy is often in an institutional vacuum. However, a vibrant nonfarm sector can tighten agricultural labour markets. Nonfarm activities often feature strongly in the stories of poverty escape by rural households. The ultimate aim of policies may be to facilitate favourable transitions out of agriculture and this means that a co-ordinated approach to rural development is vital.

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Resources

Afrint database (2011) available at: www.soc.lu.se/afrint