



International Development Committee

Oral evidence: [Jobs and Livelihoods](#), HC 685

Tuesday 20 January 2015

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Written evidence from witnesses:

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Members present: Rt Hon Sir Malcolm Bruce (Chair); Sir Hugh Bayley; Fiona Bruce; Fabian Hamilton; Jeremy Lefroy; Mr Michael McCann; Chris White

Questions 132-185

Witnesses: **Doug Gollin**, Professor of Development Economics, University of Oxford, and **Sir Gordon Conway**, Professor of International Development, Imperial College London, gave evidence

Q132 Chair: Good morning and welcome. Thank you very much indeed for coming in to give evidence to us. I just wonder, for the record, if you could introduce yourselves, who you are and where you come from.

Professor Sir Gordon Conway: I am Sir Gordon Conway. I am Professor of International Development at Imperial College, and I run an advocacy programme called Agriculture for Impact, funded by Bill and Melinda Gates.

Professor Gollin: I am Douglas Gollin, Professor of Development Economics at Oxford University. Relevant for this, I am the Chair of the Standing Panel on Impact Assessment of the CGIAR.

Q133 Chair: Thank you very much. Our inquiry is looking at jobs and livelihoods across the piece, but a lot of evidence says that the vast majority of people in sub-Saharan Africa in particular are engaged in agriculture. Improving their productivity and adding value is a significant factor in delivering improved living standards and earning opportunities. Can you perhaps give us an indication of how the development sector is now re-thinking, because they opted out of agriculture for a while and now they appear to be coming back?

Can you answer a question that may be a naïve one from me? Whilst I completely understand the point that improving the likelihoods, adding value by processing and all of that can clearly deal with poverty and create job opportunities, the history of most developing economies is that, as you improve the productivity of agriculture, you actually displace people in the end from the land, because you mechanise and you merge, and they migrate. How does having an increased focus on agricultural development deliver employment and opportunities in rural areas, without actually having that displacement effect?

Professor Gollin: The way you have phrased this is exactly right. We have a long history and we understand quite well that improvements in agricultural productivity do eventually lead to this process of moving people out of agriculture, but it is a long-term process. In the short run, you could imagine that improving productivity drives up the demand for labour. I do not think, in the long run, that you will see agriculture as the sector that absorbs more workers, nor do I think you necessarily want that as the outcome—instead of 60% of the workforce in agriculture, to see higher numbers. You want productivity growth in the long run to create jobs in agri-processing and intermediate sectors and eventually to free up labour from agriculture, which would move to cities and work in more constructive services and manufacturing, where wages are higher and productivity is higher.

Q134 Chair: You would expect that to happen, but you think it is a longer process. In the first phase, it actually improves incomes, livelihoods and job opportunities on the land or in the rural areas, but that includes processing and distribution.

Professor Gollin: Increasingly from my point of view, and you may see this differently, as urban markets drive demand for higher-value products, for processed and prepared products, there is a role for processing, distribution and a range of activities that come between the farm and the consumer, as we see in this country, as we see in other developed countries. That emerging sector is a potential place for quite a lot of employment to be created.

Professor Sir Gordon Conway: First of all, my focus is very much on Africa. Africa is the fastest growing continent on the planet, and so we have an enormous increase in people over the next 50 or 100 years. In the long term, Africa could easily become the substitute for China as a low-cost economic developing country with industrialisation. In the meantime, we certainly need to build food security, partly to feed all those workers who are going to go into the industrial sector, but also because there is a growing demand for more food, more varied food and more livestock food, for example. We have at the moment Africa importing something of the order of \$40 billion worth of food each year. It is an enormous sum that they spend on buying in food, and over 50% is cereals and livestock products.

Q135 Chair: From your understanding and knowledge, is that something that, in the right context, sub-Saharan Africa could entirely produce for itself?

Professor Sir Gordon Conway: I am sure it could. One needs to recognise that average cereal yields in Africa, like maize, are a bit over 1 tonne per hectare. In India, they are 2.5 tonnes. In China, they are 3.5 tonnes. Here it is six, seven or eight tonnes or more,

and they have places where they could easily produce European-level yields. That is not the issue. They can do it; it is a question of how they can do it.

Q136 Chair: Thank you for that. A final question before I bring in Michael McCann: do you see therefore investing in agriculture as the best way to increase productivity and growth in the short term? In other words, a simple question we would be saying to DFID is: should DFID simply put more resources into supporting agriculture and can we guarantee that, if you do that, you will have the most direct effect on poverty reduction compared to anything else you can do, pound for pound, dollar for dollar?

Professor Sir Gordon Conway: My view is that you have to do both. Doug can certainly talk about the returns to agriculture, but agriculture is crucial to reducing poverty in rural areas and to increasing rural economies. That is why it is so important.

Q137 Mr McCann: Good morning, gentlemen. I wonder if you can help us with this question then: why do you think that some countries in South East Asia and South America have been far more successful at developing and moving people out of poverty compared to countries in Africa?

Professor Gollin: That is a question that I wish we could answer with certainty. There are obviously lots going on, different policy regimes going back 40 or 50 years, in the Asian experience different macroeconomic policies, a greater emphasis on education, a greater stock of training, better developed markets, better access to international markets—a whole range of things. It is a complicated question; I do not think there is a single answer to it. Not to dodge the question, if you were to look at development in sub-Saharan Africa, until about 20 years ago, you did not have very stable macroeconomic policies; you did not have very stable institutions. The regime for investment, either domestic investment or foreign investment, was quite uneven.

Professor Sir Gordon Conway: The Green Revolution was very important in Asia, in Mexico and so on. It was very much based on rice and wheat. There were easily irrigable lands and they had really strong political leadership. You have to go back to remembering President Marcos in the Philippines, Ayub Khan in Pakistan and great leaders like Swaminathan and Subramanian in India, who really drove the Green Revolution forward. Africa is a very different kettle of fish in a physical sense. It is a very diverse continent, and that diversity means you have to tailor-make a lot of the agriculture investments to the particular needs of a country, a region or even a particular farm. I often say that you need one extension worker per African farmer, so the answer is to make African farmers extension workers themselves.

Q138 Mr McCann: In terms of political economies, you mentioned strong leadership there, in terms of some of the examples that you gave, what contribution is made to the problem by political elites and corruption?

Professor Sir Gordon Conway: Corruption was important even at the time of the Green Revolution. There were issues of corruption then, even in the Philippines. It is important in Africa—there is a lot of corruption—but there are people really making a change. The Minister of Agriculture in Nigeria, Akinwumi Adesina, when he arrived discovered that there were phantom ships in the harbour loaded with phantom fertilisers, and they

presented bills and were paid for the phantom ships and the phantom fertilisers. He just abolished it like that, partly because he had the support of Goodluck Jonathan, the President. He has now instituted a much better fertiliser distribution system, so it can be done and there are people who are doing it.

Q139 Sir Hugh Bayley: Just a quick one: your comment that every small farmer should be an agricultural extension worker suggests that you would take education in Africa further than is currently the case in rural areas. How would you achieve that?

Professor Sir Gordon Conway: We have done a really great job of improving primary education. Large numbers of African countries have got free primary education. Many of them are moving into secondary education now, although it is usually private and they have to pay for it, but they are paying for it, which is interesting. There are a lot of ways in which you can help farmers through helping them to create farmer associations so they are members of a farmer association and, within that, they can help each other, learn from each other and it is easier for extension workers to deal with that farmer association or research workers to deal with the farmer association than the individual farmer.

Q140 Sir Hugh Bayley: That is more important than education or skills. How many primary schools have gardens? Should every child not learn some modern farming techniques at school?

Professor Gollin: Many of them do, I think. Having gardens around the school is quite common. If I could just return to Sir Malcolm's question of a moment ago and combine them, the question you posed was whether investment in agriculture had a higher return in terms of growth and poverty reduction than any other investment. I do not think that is obvious. We need to be careful in advocating for agriculture not to take it too far. That is unproven, but is an interesting hypothesis. We have lots of information that growth in agriculture is particularly poverty-reducing, that poverty linkages from agricultural growth seem to be quite strong, but it is not obvious that a dollar invested in agricultural development achieves growth more easily, partly because the sector is big and it is a little unwieldy. Bringing about change in agriculture is hard, and changes in education and health—it is not necessarily the case that the things that will benefit the agricultural sector most are necessarily agriculture-specific investments. They may be investments in infrastructure, education and other sectors of the economy, so it is not clear that we can make a distinction that there is an agriculture sector that has its own investments and then everything else. I hope that adds clarity rather than confusion.

Professor Sir Gordon Conway: If I might say, we know how to achieve food security in Africa. We know the ingredients. You need farmers who have some rights to land, farmers who are part of farmer associations. You need them to have access to seed and fertiliser, micro-credit and micro-insurance locally, through agro-dealers. You need small-scale seed and fertiliser companies that are providing them.

At the other side of this, you need links to markets, through warehousing in particular, which is a very powerful way of linking into markets. You need fair, efficient and transparent markets, and you need value chains where entrepreneurs can become engaged. You need links into local and in particular regional markets in Africa, and international markets. Of course, you need inputs and extensions, as have talked about. You need

political leadership and you need the right kinds of investment. Those ingredients, if you got those right, can achieve food security in Africa, and we have bits of them working now.

Q141 Fabian Hamilton: I wondered if you could tell us what effect you think structural change to the economy will have on African cities in particular.

Professor Gollin: This is something on which I have worked a little. The puzzle we see in African cities is that you have the emergence of large growing almost mega-cities, in some cases, without the kind of industrial or manufacturing base to create jobs, which we have seen in Asian and Latin American cities. You have a little puzzle of urbanisation taking place at fantastically rapid rates, in some cases, without seeing the creation of the good jobs that we might like to see. For the purposes of this Committee, in many cases, the puzzle is how to create those jobs. As we think about investments in agriculture that would release, in the long run, workers into urban areas, what are the sources of employment for those workers?

Unlike the East Asian economies, we are not seeing the emergence of competitive export-orientated manufacturing sectors in very many places in Africa. It is possible, as Sir Gordon says, that that is on the horizon. You could imagine, as wages rise in China, there are those who argue that many of those manufacturing jobs—the 90 million or so manufacturing jobs in China—could move to places in Africa. At the moment, we see this strange kind of urbanisation in my mind largely driven by resource rents, natural resource income, which is accruing in many cases to Governments. This is not necessarily rich people hiring gardeners, but it is the Government hiring street sweepers and schoolteachers. You see the growth of a service economy, rather than the growth of a manufacturing economy. That is something of a concern. I am not sure if we know exactly how to change that.

Q142 Fabian Hamilton: Do you think this will result in a vast differential between urban and rural wages and, if so, how can it be managed?

Professor Gollin: It is precisely driven by a difference that already exists between urban and rural wages. By most measures, you see quite large differences not only in wages, which are tricky to compare because there are differences in the costs of living between urban and rural areas, but if you look at other measures of living standards—the quality of housing, the quality of clothing, the quality of food—there do seem already to be large differences that have emerged between urban and rural. You would hope that that some process of increased productivity in rural areas would narrow that gap and also, as people continued to move, you would see some equalisation across sectors and across space.

Professor Sir Gordon Conway: One component of this is what you might call the internal diaspora. Once you have children and others moving to the cities, they will send money back. I remember seeing a family in the Loess Plateau of China, a husband and wife. They had a nice plot of land; they were doing quite well. They had a son and daughter on the east coast of China, and they were sending money back. That internal flow of money is huge in China, and my guess is some of that will happen in Africa too.

Q143 Fabian Hamilton: Presumably it will only happen if more real jobs can be created within the cities. As you mentioned, Professor Gollin, if they are just service jobs they are not going to deliver the kinds of wages that manufacturing or productive jobs are going to deliver.

Professor Gollin: Even service jobs at the moment seem to be generating higher returns for many, though not for all, than jobs in rural areas, so we do see this continued flow of people, partly in response to the differentials. It is not only the wages, however; it is the fact that in the cities you can actually send your kids to a decent school and there are other amenities that are provided. Electricity is provided in urban areas, so people are not necessarily just comparing the wages.

Q144 Fabian Hamilton: A final question then: would a huge increase in yields in some of the rural areas of Africa make a difference between the wage differentials if, as you say, European levels of yields with maize, for example—I think you mentioned seven, eight or nine tonnes per hectare—would actually balance the differentials at all? It would certainly bring in much more income in rural areas.

Professor Gollin: Yes, it would clearly bring in more income in rural areas and again jobs in rural areas, in processing, in transport, in a range of activities that you might expect to emerge, so not just at the farm level but in the rest of the agricultural value chain, which is very important to keep in mind here.

Professor Sir Gordon Conway: Many farmers in Africa only have a hectare of land. Large numbers of them only have a hectare of land. If they are only producing one tonne of maize per hectare, they are lucky if they can feed their family. They are really lucky if they can feed their family. If they are getting two to three tonnes per hectare, which they were doing for example in Malawi recently and now, you can then feed your family and then you have half a hectare in which you can grow a crop, bananas or something, for sale. That then begins to generate a proper income and a proper economic development for that area. Getting the yield up is important.

Q145 Fabian Hamilton: Is it just fertiliser and better technology?

Professor Sir Gordon Conway: No, it is partly inputs, but it is actually having a market. Farmers will not produce if they do not think they can sell it. Once you have the market there, farmers will produce.

Q146 Chris White: Good morning. My question is a little more open-ended. Why do you think that agriculture in Africa has been failing for so long? For example, Africa has had to spend \$35 billion on food imports in 2011 and Saharan smallholders are 75% less productive than elsewhere. Do you think that past interventions by donors have failed?

Professor Sir Gordon Conway: We have seen a drop in investment in Africa over the last 20 years, but that has changed. There is really a great deal of interest in agricultural development in Africa now. It is partly due to CAADP, which is the Comprehensive Africa Agricultural Development Programme, where individual countries have their own targets for budget spend and targets for strategies. DFID was very important in supporting the development of CAADP.

It is partly because there are some real success stories. If you look at Ghana, Nigeria and Malawi, for example, these are places where agriculture has really taken off, and there is now growing donor support. USAID has got the Feed the Future programme and the new global alliance. The French are pushing their versions of agro-ecology in Africa. The Germans have got a new programme called World Without Hunger, which is just about to start. The European Commission's seven-year programme began last year. We have been working with all of those. That is not to say that there is therefore no role for Britain. There is. If you think about that strategy that I laid out for how you get food security, there are a lot of elements in that and there is a lot of comparative advantage of different donors to help, in terms of investment of funds or investment of technology, those particular components of the "monster value chain" from the top to the bottom.

Q147 Chris White: In the nicest possible way, I do not think you have really answered my question in terms of why it is failing. Are there strategic or structural reasons as to why it is failing? You mentioned a number of countries that you consider, and I am sure are, success stories, but do these success stories mean that other countries are falling and failing even faster?

Professor Sir Gordon Conway: I will defer to you more generally, but the link to markets is absolutely crucial, both input markets and output markets. If you do not have that then nothing much happens. I am an ecologist; I am not an economist.

Q148 Chris White: Going back one last time, is that the specific link that has been broken, the link between the market and the producer?

Professor Gollin: If I might, one of the things that has characterised African agriculture for a long time is a real disconnect, a disarticulation, between the cities and their hinterlands, the rural hinterlands. You have coastal cities in West Africa that face outward and, in many cases, find it easier to import food than to procure it from the interior. Transport links have been neglected and the whole missing middle of processing, distribution, storage and warehousing has been flawed. You see rural areas that, as Sir Gordon says, have lacked markets and market access, both for inputs and for outputs. In that space, there is a real continuing need for investment.

To some extent, until there was the existence of an urban demand, there was not much reason for those links to grow organically. One thing that has changed is now you are starting to see an urban middle class emerging of considerable size, in many countries, which has a demand not just for staple foods, but increasingly for semi-processed foods, for foods that are a little easier for urban consumers to prepare. This creates a lot of opportunities for investment, a lot of opportunities to reconnect the cities with their own rural areas and to develop a food sector, as opposed to an agricultural sector.

Professor Sir Gordon Conway: Can I give an example? We recently went to see a warehouse in Jinja in Uganda, which some young entrepreneurs had built. The farmers in the farmer associations deliver the maize within two days of harvest. It is collected, brought to the warehouse, graded, cleaned, fumigated and all the rest of that, but it remains in the farmers' ownership. Along comes somebody to buy the maize. While we were there it was someone from the World Food Programme; they wanted 500 metric tons. The farmer associations then negotiate at the warehouse with the buyers. They come to a

conclusion and then they will pay the warehouse for the storage, and so on and so forth. It is completely transparent and open, but there is only one of those warehouses in the whole of Uganda. They need 15 of them for a start. That is a way of getting the produce out into the market chain.

Q149 Chris White: Thank you. Can I ask one more question? Are you suggesting that there is some kind of a wakening locally, that there is some kind of tipping point where the individual consumer would be more interested in purchasing from African countries rather than from products that have been imported? Is that stretching it too much?

Professor Gollin: That is something that I would like to see happen. I am not sure that I could say that it is happening. You see instances of it in Nigeria. Local entrepreneurs, after all, understand better the tastes and preferences of consumers in these markets, but so do multinationals. In many countries, there are still restrictions on the retail sector, on supermarkets that might be able to source locally and drive the development of the food industry, again all the way back to the farmers, but driving it from the retail end. There are still some restrictions in place that make that difficult. The potential is there. The demand is there and the market is there which, as Sir Gordon says, is one of the things that has been missing for some time. Thirty years ago, demand in the urban middle class was very small. You are now starting to see, for various reasons in different countries, the emergence of a potential market for a lot of products.

Professor Sir Gordon Conway: There is quite a growth in what you might call the snack industry. You get lots of little processors, often run by women. I have seen one in Uganda and one in Nigeria, where they take something like melons and make it into dried melons or they make soy bean snacks or something of that nature. That is just beginning to happen. You can see that building up as a local food industry.

Q150 Jeremy Lefroy: Good morning. Just to reiterate what you were saying then, when we were in Sierra Leone in the middle of last year, we visited a chicken business and were astonished to find that most chicken being consumed in Sierra Leone, or an awful lot of it in the urban areas, came from Brazil, when just in the hinterland you had enormous potential for producing chicken locally. That very much emphasises the point. According to Farm Africa, which I will declare I am a supporter of, the support of donors, including DFID, for agriculture was in “near terminal decline”. Having worked in Tanzania in the 1990s, I can say that, because there was pretty much nothing going into agriculture from most development agencies at that time. Why do you think there has been this sudden renewed interest over the last five to 10 years?

Professor Sir Gordon Conway: There are a lot of reasons. Obviously the food crisis in 2008 had an impact, but it was beginning to happen before then. There were a number of leaders, both in the West—in Europe and the United States—and in African countries, who realised that there had to be much more done to improve agriculture. I remember going there and, whenever I would meet a Minister of Agriculture, he would always say to me—it was usually a he—“Are you going to see the President?” I would say, “Yes”, and he would say, “Would you tell him about this?” because the Minister of Agriculture did not have much link with the President in those days. That has all changed. Many of the Ministers of Agriculture now are women. There are some quite outstanding women Ministers of Agriculture, who are really aware not just of the need for food, but of highly

nutritious food. There has been a shift in the way that leaders think about agriculture and there has been money following it. That has reinforced that shift.

Professor Gollin: There has also been important advocacy in donor countries, which has driven the change as well and all to the good.

Q151 Jeremy Lefroy: Just as a follow-up to that, do you think it is going to become yet another fad? We went through this in the 1970s and 1980s. It dropped off in the 1990s. Do you see a different attitude now that this is something people are prepared to commit to in the longer term, perhaps because we are involving commercial organisations much more than we did in the past?

Professor Sir Gordon Conway: We have gone through all kinds of phases, as you know. There was a period when we had a large number of small-scale projects. I am talking really about DFID. I was Chief Scientist at DFID for five years. We had lots of small-scale projects and then that shifted into general budget support. We are now ending up with something much more in between, in fact with much greater emphasis on facilitating investment, much greater interest in key factors such as land rights, social protection schemes and so on.

What I hope we will see is that DFID adopts a new agricultural strategy. The last one that was published was in 2005. There are the beginnings of that or a draft of that, as I understand it, within DFID at the moment. That will probably become subject to consultation in the next few months, and then that will go forward. What is important, if you think about this in terms of investment, particularly investment through small and medium-sized businesses, you have the potential for something to continue into the future. It will not be just a fad.

Professor Gollin: The other thing that has changed is that we are no longer looking at agriculture as a sector that is simply in need of support for poverty alleviation purposes, but actually there is a lot of interest in the commercial potential, and that is at the small scale as well as the large scale. That is a change in perspective. Agriculture is increasingly seen as an attractive place for investment within countries and also for foreign investment. It is not an unambiguously good thing and there are all kinds of issues around that, but the attractiveness of the sector as a place for investment is certainly something new in recent times.

Q152 Jeremy Lefroy: You have both referred to the importance of increasing productivity and indeed to grain yields across the world. There have been efforts to do this kind of thing before. I think particularly of the Canadian wheat project in Mbulu in Tanzania in the 1970s, which came unstuck, basically because it was prairie-style farming applied to non-prairie soils. Have you got examples of where a different approach has been taken—Sir Gordon, you mentioned Malawi—and productivity has been raised with a more sensitive approach to the types of soils, to the climate and to the crops that are grown?

Professor Sir Gordon Conway: The problem with talking about Malawi is that it has all kinds of other features associated with it, because it was a big subsidy programme. I would not want to suggest that you need a huge subsidy programme like Malawi. For example, up in northern Ghana, around Tamale, you have farmer associations growing soya, rice and other crops, and agro-dealers providing them with the seed and fertiliser.

You have the farmers themselves owning the marketing system and you have a very good research institute, the Savanna research institute, which is coming up with quite practical improvements in what farmers do. They were talking to me about the soya they had increased by a bag per acre because they had learned how to grow it in rows, rather than all higgledy-piggledy and so on. Those kinds of things were going on.

Think about all those elements working together there. You can see progress happening. It is getting them all to work together. Often you need some facilitator to make that all happen.

Professor Gollin: You would know better than me, but it has only been in the last 20 to 25 years that we have seen real efforts to develop technologies for sub-Saharan Africa based on experimentation and research taking place on the continent, as opposed to the early years of the Green Revolution, where the effort was very much to transfer technologies from Asia and Latin America to sub-Saharan Africa. Given the location-specificity of agricultural technologies, that approach did not work so well. These things take a long time—the time lags from research to success in farmers' fields are long—but we are starting to see numerous examples, with pigeon peas in Tanzania and with maize hybrids in places where you did not see much before. We are beginning to see quite a lot of changes.

Professor Sir Gordon Conway: In Kenya, they have just released a number of drought-tolerant maize hybrids. They are based on germplasm from CIMMYT, the wheat and maize research institute that is part of the CGIAR, which has been introduced, and hybrids produced by KARI, the Kenya Agricultural Research Institute, which is an excellent Government-owned research institute to produce new hybrids. They are now being marketed in Kenya. They now have a new maize lethal necrosis, which is wiping out maize all over Kenya, so it is always two step forwards and one step back, but you can see that happening and it is a good example of where the technical assistance meets a good economic system, and it works.

Q153 Jeremy Lefroy: One final question: we have obviously seen a lot of reports, and indeed not just reports, on large-scale projects that become very controversial, because they involve taking over land, sometimes from unwilling farmers, consolidation that is forced upon them. The kinds of projects you are talking about seem to work much more with the grain, so they are with the co-operation of the owners of the land, the smallholders. It is sometimes portrayed as though the only way to get increased productivity is to effectively do away with small farmers, bring in large companies to take over the land and introduce some kind of mechanised process. What you are saying is that there is an alternative that works much more with smallholders, which can increase productivity with smallholders working together with marketing organisations, co-operatives and so on, as long as they have the support rather than necessarily having to go to some sort of large-scale agri-business that then does not provide the jobs and livelihoods.

Professor Sir Gordon Conway: There is an intermediate between the systems, in which you have a central estate that could be growing anything, a mixture of crops or whatever, and then you have smallholders around the estate organised in farmer associations, so that they have some strength there. That is a way of introducing technologies and introducing investment through the central estate, but then you have smallholders all around who are

profiting from that, but also keeping control. For example, you may have a separate warehousing system. That is being tried in a number of places and that is the way to go forward.

Jeremy Lefroy: That is similar to what we saw in the Tanzanian SAGCOT, the Southern Agricultural Growth Corridor. That seemed to be one of the models that they were using there.

Professor Sir Gordon Conway: It goes back to when I was working in Malaysia. The oil palm Jengka Triangle was modelled on that basis.

Professor Gollin: I would agree. It is not the case that there is only a role for large commercial farms and that smallholders need to be gotten rid of. At the same time, it would not be honest to say that we want to preserve smallholders as museum pieces. The long transition would be one in which smallholders leave and there is consolidation taking place. The goal is to have this happen on a voluntary basis, as people move and sell, with consolidation taking place through the market, on a local scale; somebody selling to their neighbour rather than somebody being kicked off the land by elites with access to the power of government.

Q154 Sir Hugh Bayley: You were talking, Professor Conway, about new hybrids being part of the answer. Can you say a little about the role that you think GM technology has in providing the Green Revolution for Africa? Are there particular dangers that would apply to GM agricultural technologies, as opposed to new seeds or new technologies produced by more conventional cross-breeding?

Professor Sir Gordon Conway: Let me say first of all that if Africa achieves food security in the next couple of decades, which I think it will, it will have done so primarily on the basis of conventional breeding processes. That includes hybrids, marker-aided selection, so on and so forth, but not GM. It is important to recognise that.

However, the one thing that does concern me and concerns many is that you have horrendous pest, disease and weed problems in Africa. I often say that Africa has got HIV/AIDS, it has malaria, it has TB, it has black sigatoka, it has maize lethal necrosis and so on. In other words, there is a whole list of diseases there that affect Africa and Africans. Trying to find answers to those is very difficult.

There is quite a bit of research going on in Africa to produce GM-type varieties that are resistant to some of these pestilent diseases. In the long term, there will be a growing role for GM—I am talking two or three decades from now—around things like nitrogen fixation or increasing drought tolerance, because drought is going to be the biggest factor in the next few years. It is important that countries that are going to develop these have the right kinds of rules and regulations about how they are developed and tested, looking at the safety aspects and all the various risks that there are there. They are not necessarily greater risks than other things that are being imported of course, but that is part of what is going on, at the moment. Many African countries are developing the right kinds of rules and regulations to govern these, but it is not the answer to food security for the next couple of decades, and I want to make that quite clear.

Q155 Sir Hugh Bayley: My second question is an economic question, so maybe I should start with Professor Gollin. When you were replying to my questions about schooling, you persuasively made the case that you should not look at agricultural investment in a silo; you had to look at the impact that other public investments might make. However, government throughout the world operates in silos. Good governance tries to do cross-departmental link-ups but, nevertheless, it would be very rare for a country not to have an education ministry, an agriculture ministry or a health ministry. Given that that is the way that public policy is done universally, can you give any guidance about the cost effectiveness and the opportunity cost of putting \$1 million into an agriculture department-run programme, as opposed to an education, transport or health department programme? How can aid money and the national resources and tax money of the country be most cost-effectively used for development?

Professor Gollin: I am going to dodge the question a little bit. I am going to say no, I cannot really answer that. That is going to be enormously context-specific. That is not going to be the same answer in different African countries. Even at the national level, there will be locales within a country that can be reached best through traditional agricultural ministry activities and regions where that is not the case. I do not know thing we know enough—I certainly do not know enough—to make a blanket observation or a blanket recommendation that, if you were going to give budgetary support to a particular department, which department it should be. There is no evidence to say that agricultural ministries are systematically getting a higher return, in terms of growth or poverty reduction, than budgetary allocations elsewhere.

I understand, having said that, that the CAADP process is one that has really emphasised the share of government budget spending to agriculture. I have never been completely convinced that that was a sensible way to do things—to set a minimum fraction of total budget that should be allocated to agriculture. I think it has been important as a symbolic recognition on the part of Governments that the agricultural sector is important, but I am not sure that hiring more extension workers generates a better return, even for agriculture, than building rural roads or investing in rural schools or health clinics. I would be very reluctant to give you an answer that says, “Yes, I know which one should get the investment”. Sorry.

Q156 Sir Hugh Bayley: That is an honest answer but, back to the mechanics of government, if you were the Secretary of State or, perhaps since he was the chief scientific adviser, if you, Professor Conway, were the Secretary of State and you had to decide what proportion of DFID’s budget you should allocate to agriculture as opposed to other sectors, given that there is no clear economic evidence or conclusion, what would you decide? There is an implication in many of the questions—Jeremy’s for instance—and Farm Africa’s evidence to us is that agriculture has been neglected but there is a renaissance of support from donors towards agriculture, and that is a good thing. We have just heard from Professor Gollin that that may not be a good thing in terms of cost-effectiveness. It is an act of faith if you are moving in the agricultural sector. How would you advise the Secretary of State about cost-effectiveness?

Professor Sir Gordon Conway: I am just wondering whether you have ever asked the Prime Minister that question about how much money he puts into education, the Health Service or something else. It is partly as a result of views of rates of return, but it is also highly political. What I would do in terms of DFID is to say, “Look, you have a new agriculture strategy you are developing. You have now got the French very active; we

have the Germans coming to be active; the European Union is and USAID.” The answer is to look at what they are doing, look at where we have a comparative advantage and see where it is that we can really make a difference, in terms of that sequence of things from seed companies down here to international markets up there—all those elements that I described earlier on. Where do we have a comparative advantage where we can do something and go for that?

We have done that recently in terms of, say, land tenure. We are doing some good work on land tenure, and I mentioned social protection earlier. It may also be that, where we have some expertise in this country—we have great research institutes, John Innes, NIAB, Rothamsted, Aber and the Scottish institutes—all doing work not just in the UK, but in developing countries. There is a resource and a knowledge there. I would weigh that up and decide how much we were going to spend on agricultural strategy. I would not take it out of a simple equation.

Professor Gollin: If I might just add on, I would defer in great measure to the DFID country offices, which in my experience are enormously well informed on the opportunities that vary enormously from country to country. The agriculture sector is not going to be the driving sector in each and every African country. There will be some countries where it is much more significant, where the agricultural strategy is much more central. I am inclined to think that the regional and country offices have the expertise to know how central agriculture ought to be in these country strategies and then feed that up through DFID’s mechanisms.

Q157 Chair: I will follow that up. The Economic Development Strategic Framework appears to be process-driven rather than sectoral-driven, but some of the submissions we have received in evidence have nevertheless been critical of DFID for saying it does not make enough reference to agriculture. Do you think that is fair? I think you have partly answered the question: should there be a strategic agricultural focus in DFID? We have all agreed, and DFID itself has agreed, that they took their eye off the ball; they downgraded it. People are now saying more should be done, but is it something that should be fed across the system or should they have a specific programme? Do you think that the criticism of saying that the Economic Development Strategic Framework should have addressed agriculture more specifically is valid?

Professor Sir Gordon Conway: The criticism is valid. In the economic development strategy, there has not been a sub-strategy for agriculture and food security, but my understanding is that there is a good draft strategy coming out for consultation. I know that there are leading figures within DFID who want to see this happen, so I think it will change, but I am not in charge.

Q158 Chair: What you are saying is that you think they are in the process of producing a clear strategy, but they do not have one yet.

Professor Sir Gordon Conway: Yes. It is common knowledge that they have a draft strategy, but I do not think they will release it for the time being. In the next few months, it will come out and then there will be a consultation and they will develop it.

Professor Gollin: There is a little space between us on this. I do not necessarily think that there has to be an agricultural strategy per se. There will be one implicitly, but I do not

think they are wrong in thinking of a strategy in terms of growth, incomes and poverty reduction, thinking a bit more integratively rather than at the sector level. I do not know that DFID necessarily ought to be dividing up what it provides by sector. That may not be the only or most useful way to allocate investments. There is an adding-up or consistency check to make sure that, if you are talking about world growth and world job creation, it connects to what you are doing in agriculture. Having a strategy that is sector-focused may not make a huge amount of sense.

Q159 Chair: You mentioned the bilateral or country programmes before. Presumably that is where the focus should be. They should at least be saying, “If we are of the view that improving productivity in agriculture helps to reduce poverty, what is it about our programme that addresses that or fails to address it?” That is the question they should be asking themselves.

Professor Gollin: Yes.

Q160 Chair: We have seen individual projects that clearly are agriculture-focused, whether it was the chicken farm in Sierra Leone or various other mechanisms we have seen for diversification improvement. They are there, but they do not always appear to be part of a clear strategy. They just seem to be things that happen. I think we saw it in Rwanda, where giving people guidance on terracing was improving productivity. What I am trying to test is if you think there should be more focus and more coherence. That is not only true about agriculture. It is a completely separate issue, but we did an inquiry on disability. DFID said, “We sort of address it, but not specifically,” and then the challenge is: should you not be a bit more specific? Presumably it is making sure it is proof-tested.

Professor Sir Gordon Conway: It is also true that, if you are going to get this integration, you need expertise in there to help with the integration process. You need agricultural expertise just like you need health expertise or industrial.

Q161 Chair: Does DFID need more of that?

Professor Sir Gordon Conway: Yes.

Q162 Fiona Bruce: Not looking at any specific sectors, but just looking at DFID’s aid overall, how effective do you think it is in stimulating the growth of the economies of the countries that it helps, as opposed to poverty alleviation? What I am seeking to consider is how far it is helping those countries ultimately in reducing aid dependency.

Professor Gollin: I should take a stab at that. It is very difficult to know how far aid is driving growth in general and in specific country cases. One reason for that is that, by design, DFID is focusing on poverty. It is focusing on poverty alleviation in countries where poverty is most severe, in many cases. Those are countries that have all kinds of problems and so, in some ways, trying to achieve growth in the most difficult places is a very difficult thing to do. It is hard to know what the counterfactual is; what would have happened without the aid? As an academic, this is a question that I struggle with often.

My view is that the strategies that DFID has been following have been quite effective. Actually, DFID has, in my world, a very positive reputation for its long-term view that, rather than trying to achieve only short-term project-level impacts, it really has been

taking quite a strategic view in thinking about growth and growth processes. I cannot tell you that I have an answer to whether they have been effective or not. It is very hard for us to know what the world would have looked like in the absence of this.

Professor Sir Gordon Conway: I worked in South East Asia for many years. If you look at countries like Thailand, the Philippines and Indonesia, you can see quite clearly where aid, both technical and investment, really had a difference. Those countries have all grown. They have grown agriculturally and they have grown economically at the same time. If you look back, there are some great success stories there, and there was a role for aid in those success stories, even though they were driven by indigenous people and indigenous presidents.

Q163 Fiona Bruce: Can I ask Professor Gollin? You mentioned about the potential and comparatively exponential impact of manufacturing productivity on a local economy and a country's economy. How could DFID work more successfully with the private sector in country to create growth?

Professor Gollin: This is a very interesting question. It is a challenging question, both in terms of thinking about where the opportunities are for growth within countries and what DFID's role as a public sector aid organisation is in supporting private sector actors. I think it is complicated. I will come back to the area of food processing, food retailing and the food value chain, where the private sector clearly has expertise to provide. In many cases, multinational private sector actors have a lot of expertise to provide. The question is: what is the public sector role in opening doors for them and what relationship should a public sector aid organisation that has a poverty-reduction mission have?

One thing that DFID can certainly do is to help identify opportunities and to broker relationships. In the countries where I have interacted with DFID country teams, they seem to have a great deal of trust and credibility within Governments. By the way, that is an extraordinary achievement that is not shared by all other national donor agencies. DFID offices are seen to have a great deal of credibility, so brokering relationships, introducing the relevant private sector people to the relevant public sector people—there is a range of things that they can do. I would start to get nervous myself at the point of suggesting that DFID should be making investments that support the private sector. The private sector can do that on its own. I suspect you will hear later today from people who have more ideas about what this relationship can take on.

Q164 Fiona Bruce: I appreciate what you are saying about investment in the private sector, but perhaps we should be looking at some innovative vehicles, so that that investment could be returned. We saw one in Tanzania, where 30,000 small tea farmers were being provided help with a new factory. The private sector was working in conjunction with a charity called the Wood Foundation and, ultimately, if that factory gets going profitably, the funding will be returned. Is there scope for DFID to look at that kind of innovative project, and would it help if DFID justified and explained its work with the private sector to aid sceptics in our country, who may already be concerned about the taxpayer's money being spent on schools and health systems, but are certainly very concerned about it going into the private sector?

Professor Gollin: Maybe I can pick up on one of Sir Gordon's answers from a while ago. Thinking about what the emerging urban market and the international market are

demanding, the connection with smallholder farmers is very distant in many cases. I can imagine providing support to co-operatives and farmer organisations for the development of this sector, which can then intermediate. It is very much what you are describing, because the supermarket chains do not want to deal with a million individual tomato farmers, but they might be happy to deal with a dozen large-scale tomato farmer co-operatives. Thinking through what those linkages can be and what kind of public sector investments and aid investments can develop farmer organisations—it is hard to develop farmer organisations from the top down—brokering those relationships and providing support for connections between smallholders and these emerging value chains is something quite important.

Q165 Fiona Bruce: What about an extremely poor country like Burundi, where the Government has identified that electricity generation would have a considerable impact on livelihoods across the country? How would you view that in terms of an investment?

Professor Gollin: Electricity generation?

Fiona Bruce: Yes.

Professor Gollin: This goes back to my comment a little while ago that in many cases the investments that will generate big returns for the agricultural sector and for rural areas are not necessarily agriculture-specific or smallholder-specific investments. They are infrastructure investments. There is a broader range of things that we should think about as agriculture investments.

Fiona Bruce: And you think that kind of investment is something that DFID should be looking at more broadly.

Professor Gollin: I am ignorant as to the extent to which they are already doing it, so I hesitate on that but, yes, it is important.

Chair: Can I say thank you very much? That has been helpful. As I said at the outset, agriculture is not the sole focus of this inquiry, but clearly you cannot really look at jobs and livelihoods and not the agriculture sector. Your evidence, both written and oral, has been really helpful. Can I say, as I often do, if you have any reflections on what has been discussed this morning that you wish to feed back into us, please feel free to do? Sometimes people go away and think, “I might have said that”, or “I could draw your attention to this”. I hope you will feel free to do that. Thank you very much indeed, both of you.

Examination of Witnesses

Witnesses: **Dr Keith Palmer OBE**, Chairman, AgDevCo, **Tim Brosnan**, Small Foundation, **Ken Bluestone**, Political and Policy Adviser, Age International, and **Hilary Parsons**, Global Senior Public Affairs Manager for Supply Chain, Nestlé, gave evidence.

Q166 Chair: Thank you very much for coming in and also for the evidence that you have submitted. First of all, I just wonder if I can ask, for the record, if you could introduce yourselves, maybe from left to right.

Tim Brosnan: Good morning. My name is Tim Brosnan. I am the founder and executive chairman of a foundation called Small Foundation, which is basically a family foundation that we fund ourselves. Our focus is on sub-Saharan Africa and the elimination of extreme poverty there, and we see that as involving the proliferation of sustainable income-generating opportunities in rural sub-Saharan Africa. In a sense, we would have much the same focus as DFID but writ small.

Hilary Parsons: I am Hilary Parsons. I am with the Nestlé head office in Switzerland, but part of the global public affairs team. I manage commodity issues within that. Nestlé deals directly with over 600,000 smallholder farmers, principally in the areas of dairy, coffee and milk, so it is a very important sector for our business. It is important that they grow sustainably and have sustainable livelihoods.

Keith Palmer: My name is Keith Palmer. I am founder and chairman of AgDevCo, which is one of the intermediaries supported by DFID, developing agriculture in sub-Saharan Africa.

Ken Bluestone: I am Ken Bluestone. I am Political and Policy Adviser for Age International, which is a UK affiliate of the HelpAge international global network. I am presenting this evidence on behalf of both Age International and HelpAge.

Q167 Chair: Thank you. We will have some specific questions for you on that. As you will gather from the whole of this session and the previous session as well, we are looking at the importance of agriculture, support to agriculture or the development of agriculture for improving livelihoods, incomes and how that can work. We have fairly good evidence that says that raising productivity will reduce poverty. It is kind of logical, but that has been the evidence. Clearly if it was as simple as that it would just be happening, so why is it not? What are the barriers preventing small farmers from achieving better incomes and livelihoods? What do you think are the better or the best solutions to overcoming those barriers?

Tim Brosnan: Part of the problem is the complexity of it. It is extremely complex and extremely context-specific as well. At a macro level, you can see that things like peace, security, the rule of law, property law and even environmental things and basic services, all of those things, have an impact on poverty and are blockers of efforts at the individual or family level to get out of poverty. At a more local level, the main problem is access to four things: access to knowledge, access to finance, access to technology and access to markets. Going back to the complexity thing, you have to address all of those things together at once if you are going to make any progress. Make progress in a few areas and one of the other things will block you. That is the bad news. The good news is that, complex as it is, great progress is being made and I would be quite hopeful that it will continue to be made. It is important to get the policies right and it is important all the time to recognise the complexity.

Keith Palmer: Can I just add to that? I agree with everything Tim said, but one of the biggest barriers of all is the fact that we are coming out of a period of 30 years of failure. There has been essentially no progress and, relative to most of Asia and Latin America,

there has been regression over this period. The three things that need to be got right are, firstly, policies have to be got right. The policies were terribly wrong in the 1980s and 1990s. They have in many countries largely been fixed. Second there was huge under-investment in public infrastructure. Wherever we go in Africa, it is utterly startling that any productive activity outside of major cities, and many of them inside, cannot get access to the basic infrastructure services necessary to do sensible business in the way that you would in this country or indeed the way they would in Asia these days.

Q168 Chair: Do you mean physical and financial infrastructure?

Keith Palmer: I mean the whole of the infrastructure supply chain. I distinguish in my head between ‘hard’ infrastructure, electricity connections to farms and, roads that have all year weather capacity to transport goods, and ‘soft’ infrastructure, such as access to finance providers, input suppliers and end-markets. The whole supply chain has been broken and needs to be fixed.

The third thing, which goes to the 30 years of failure, is that there are an awful lot of farmers out there in Africa who do not really believe that farming is worthwhile. They are particularly older people. They have spent their whole lives bashing their heads against brick walls, not succeeding in commercial agriculture for want of the necessary support, falling back on near-subsistence livelihoods with dismally low incomes. That is a problem for us as well, because you cannot turn this around on a sixpence. You cannot expect these people to suddenly believe all is going to be well just because we say, “It’s all now going to be better”, even if we believe that that progress will come, which I do. You have to take a patient view and show people things are working, and then they will see it is indeed working and see an opportunity to do things on a more productive basis and make better lives for themselves and their families.

Q169 Chair: Can I just ask too if there is a difference between how you support smaller and larger-scale farmers? We had a debate where some people—I think Paul Collier was one—said we should get rid of all these small farmers and have proper large-scale intensive farming. That is the way to raise it. I do not hear that as evidence now, but is it possible to provide agricultural support that goes to both small and medium or larger farmers and would it matter, or do you have to have a very definite distinction between who you are supporting and how?

Keith Palmer: My view is you absolutely have to have both. Relying entirely on trying to get one-hectare land plots to make serious money is foolhardy and you will lose money. On the other hand, you do not need to move to giant latifundia of the Latin American type, but you do need sufficient scale to be able to afford the infrastructure that goes into these areas to make it a profitable commercial enterprise. You are talking a minimum of 1,000 hectares and, depending on the crop, it could be several thousand hectares. We are not talking about giant areas. My perception is we need to develop the capability and the infrastructure to allow more of these medium-sized—they are really small but, in African terms, small and medium-sized—enterprises to be successful.

Nevertheless, as the Professor was saying in the earlier session, it will take generations before some of the smallholders develop medium size commercial farms or migrate to the cities. You cannot ignore the importance and the potential of improving livelihoods of smallholders; they may never be rich but they can earn much higher incomes than at

present. We know from our experience that there are sustainable ways of increasing productivity and incomes of smallholder farmers. Some of the Mozambican smallholders that we work with earned just \$200 a year – less than \$1/day; in just a few years that has increased to \$600 a year. The gains may not transform Mozambique, but the income gains for these people are crucial – enabling them to pay school and hospital costs, buy a bike and so on. Moreover the income increases foster rural non-farm business activities which contributes to the transition to a more productive and prosperous economy.

Q170 Chair: From Nestlé’s point of view, is support for small farmers relevant to you, or are you looking for the expansion of larger farmers?

Hilary Parsons: Small farmers are absolutely critical to our business and to supplying the commodities we need. If we look at the example of cocoa in Côte d’Ivoire, we found there are a lot of smallholder farmers and the quality had been deteriorating of the cocoa crop due to ageing trees, such that it was difficult to process it in our factory. We launched the Cocoa Plan in 2011 with the specific aim of helping farmers to improve the sustainability of their crop and also run profitable farms. We have given out 1 million cocoa planters to help them plant trees that are of a better yield and more disease-resistant.

We see the smallholder sector as important. There are things that can be done to help improve the viability of these small farms. It depends on the commodity. In China, for example, with milk farmers there are many backyard operations in terms of dairy farming, and we are looking at ways of training to help farmers expand so they can get more income. In cocoa, as I say, we have been concentrating on farmer training and looking at addressing social problems as well. There certainly has to be both. These commodities are at an ever-increased demand. The sector is essentially comprised of smallholders, so it is very important that there are activities to help these farmers.

Q171 Mr McCann: Can I put my question directly to Ken and ask what the situation is for older farmers?

Ken Bluestone: I am glad to be here because, linking this to the previous question, one of the biggest barriers is the lack of recognition that older people even exist in these contexts. We need to situate this discussion in the context of the emerging demographic realities, and look at and understand what agriculture means, both for older farmers and what older farmers contribute to agriculture.

What it means for older farmers is that, in Africa, 73% of people over the age of 60 rely on agriculture as one of their main economic activities. Why? They do not have anything else. There is no system in place of social security or social protection benefits that allows these people security of income later in life. They are relying on agriculture to supplement their income and, in many cases, to provide basic nutrition.

It is also about the role of older farmers in the context of smallholder agriculture. Farming in this respect is not about isolated demographic blocks, but is inter-generational. What you see increasingly is that more people in later life are becoming responsible for smallholder agriculture; in southern Africa, over one quarter of the people who are responsible for the land and for taking farming decisions are older. The biggest barrier is that this is just not being recognised by development actors, stakeholders such as DFID

and UN agencies. Access to finance, access to market and access to technology, as my colleague from the Small Foundation is saying, which are absolutely essential, are just being denied older people and they are not being given the same opportunities.

Q172 Sir Hugh Bayley: I realise that some commodities are typically better produced on small farms and some work better or more efficiently on large farms, but does the principle of supporting small farmers in general, including those just growing subsistence crops rather than cash crops, not just keep those families locked in poverty with no real potential for long-term growth? Would it not be better, in terms of both national growth and family-income growth, to do more to provide opportunities for people in manufacturing, perhaps processing agricultural products? What should the balance be between the two?

Tim Brosnan: Could I have a go at that? I would not start at it like that. I would start with the reality. The reality is that you have hundreds of millions of smallholder farmers who are extremely poor and will in fact remain extremely poor unless policies help them to change that situation. Being extremely poor carries the threat of famine. It is as severe as that. It does not require much to go wrong if you are extremely poor for you to be in that life-threatening situation and have your children in that life-threatening situation, and so on. What do you do about it? What can you do about it?

What you can do about it straightaway is improve their lot, not as subsistence farmers. If they are subsistence farmers, you improve their lot over a period of years by giving them access to those four things in a programmatic way. You actually change them into business farmers, where they are above the subsistence level; they are producing surpluses. They are re-investing that surplus back into their business and you have a benign spiral where they get out of poverty. That is stage one.

However, that can only be stage one. There is a theory, which I believe is absolutely true, that most young people will not want to work on farms, be they small or large. They want to go to the cities. You need to work on the manufacturing side at the same time as on the smallholder farm. It is not an either/or. Experience in Asia, which I only know from reading about—we do not have any operations in Asia—would suggest that the successful countries that have got out of deep poverty have in fact started with agriculture but no sooner had they started on agriculture than they began investing in manufacturing as well and began repairing their financial services sector, so that it provided what was needed by the manufacturing, the farmers, agri-business and so on. I began by saying the complexity of the thing. You need to do all of those things. A policy mind-set that starts from saying, “Will we do this or will we do that?” will in fact lead you astray.

Keith Palmer: That is absolutely right. There were a couple of recent studies that were quite startling. When you focus on manufacturing, which we all naturally think of as the dynamic growth area, because of the experience in Asia, today the productivity of African labour intensive manufacturing, despite the very low wage rates, is not high enough to create competitive industries. This is what we see all over Africa, including somewhere where some of you have visited recently and know very well, Tanzania. The cotton and textile industries there ought to be thriving but they are not.

It is absolutely right, as Tim has said, that it is wrong to focus on one sector or the other. Clearly there does need to be an emerging manufacturing sector, but there also needs to be profitable commercial agriculture. In fact experience elsewhere shows that in early stages of development in many cases manufacturing becomes an extension of agri-processing e.g.

cotton and textiles. Moreover agriculture clearly has great potential to meet the growing demand for food in Africa and elsewhere profitably, so long as the barriers are overcome.

The central reality is that we know that agriculture in Africa can be profitable. We know the demand is there. Already there is a flood of food imports flowing into Africa, and we know that population growth will push up demand even further. All the work that we at AgDevCo have done shows that, if you can remove the barriers which Tim mentioned earlier, African agriculture can grow rapidly and the livelihoods of rural people will be much improved.

So for me, the question is not agriculture or manufacturing. For the next generation we must have agriculture, because we must produce profitable food to feed the growing urban population and in doing so begin the transformation of rural economies. That was exactly what happened in Asia because, as Tim has already said, the essential complement to industrial development in those countries was the growth and increased prosperity of the rural areas. That was the case in Asia and the same pattern can be expected in Africa. And regarding the agriculture sector we are saying that you need the medium-sized farms and agribusinesses to create the foundations for profitable agriculture – to feed the people, but you also need help for the smallholders – to sustain their livelihoods until better opportunities emerge for their children. Smallholders will still be quite poor by your standards or mine, but they will be a lot better off than they are today.

Ken Bluestone: We also have to look at the demographic shifts that are happening across Africa. One startling trend is the increase in the percentage of people over the age of 55 in rural areas and the decrease in the number of children under the age of 10. Looking to the future, what is agriculture going to look like? It will inevitably change. It is going to look different than it does today, but we have to be careful when having this discussion and we have to embrace the complexity of this. This is not about either/ors, but we have to make sure that we are not trying to impose very long-term thinking to deal on what are still very imposing short-term and medium-term realities. The realities and needs of smallholder farmers are going to be around for quite some time to come. What we cannot know for certain is how that is going to develop into the future.

Q173 Sir Hugh Bayley: Here is an odd question for me to ask. As an economist, I am always looking for Adam Smith's hidden hand, but it seems there is a cultural issue. We had a panel of parliamentarians from developing countries who gave evidence to us a few weeks ago. All of them said, "People in our countries, young people, do not want to stay in rural areas. They want to move to towns." My wife was born in a low-income country 30 years ago. I saw some of her elder relatives eking out a poor existence as peasant farmers. Now nobody in her small Caribbean island farms. They have gone into manufacturing and services. There is a cultural issue here. I understand there will be some old people in Africa left behind in the fields, but how do you deal with that cultural expectation that farming cannot produce anything other than hard work or poverty, and you had better take a risk and move off the land? How do you address that?

Hilary Parsons: We have something called a Creating Shared Value prize, which was awarded to the Fundación Paraguaya. They have a programme that they run in schools, which is to encourage young people to seek ways of setting up small businesses, but in

things that might be to do with farming. They actually look at things like milk production, beekeeping or all sorts of things to help young people see that there can be business benefits and that farming can be attractive. There are things that can be specifically done at that level, although it is correct that we find—and maybe it just our properties—that with cocoa farming young people are not seeing it as so attractive. It is something that we are actively trying to address as a business to help people see that they can stay on the farm.

The other thing that I have heard, which has come back from the local farmers, is that sometimes their young people have not taken much interest in the farm, have gone off to the cities for work, have not been able to find it, then have had to return to the village and have not really had the skills to work on the farm. Some of the village elders are quite keen that young people do have these skills, so that they can use them should things not actually work out in the cities.

Ken Bluestone: Can I follow directly on from that? You start by not making things harder for farmers. We want to try to invest in the farmers of today to allow them to benefit the people and the community around them. As I said before, this is inter-generational. Very explicitly, you have programmes in Zimbabwe and other countries that stop at the age of 55, where one quarter of the people responsible for farming are over the age of 55. By investing in these people, you are also investing in farming, making it possible for them to pass on their experience and skills to the younger generation as well.

Keith Palmer: In the long run the reality is they (the younger people) are right to leave the farm. If you look over a generation, those people will want to go. There is no country in the world that I can think have, where that did not happen. You have to create a greater opportunity set in rural Africa in the short term to accommodate the fact that there will not be jobs in the cities. At the moment, there are already floods and floods of people in the cities. I am sure you have all seen them as you go around, where people are not really doing jobs at all. They are just hawking or killing time and going back to the village to get some food.

I was quite taken by an article I read in the *Financial Times* a long time ago about a Vietnamese elderly farmer growing very productive rice. He was bemoaning the fact that, despite having produced this very impressive rice yield—seven tonnes a hectare, which in rice terms was good stuff—on less than one hectare, his children all left because as the family size grew, income per head fell despite the high rice the yield. As family size increases, you cannot divide up one hectare of land—and there was a land shortage in Vietnam—because even with high yields, everybody would starve. There is an inevitable rationale that young people will move to the cities, which is why we need to move gradually to having more small and medium-sized farms that can be productive and profitable and sell food into the cities, so that people who eventually get jobs in the cities can buy food produced locally rather than import it.

Tim Brosnan: There is an important analytical thing here. Those of us who spend our money, spend our time and put our efforts into smallholding farming in Africa, why are we doing it? It is important to know that we are not doing it to save smallholding farming; we are doing it to save smallholder farmers. Over time that salvation will come by precisely what you say: by the vast majority of them ending up not in farming, and

possibly a lesser proportion but still a large proportion not ending up in rural areas. They will end up in cities.

It is a question of, given where they are now and the situation they are in, what is the next step? If you accept that the destination, either inevitably or because of some sense it is a desired destination that you want to bring about, is in fact going to be an urbanised world, with farming producing food, but a very small percentage of the population having to work to produce the food, if that is either what you want or what you think it is inevitable—and if you think it is inevitable, you are almost certainly right—then you still need to start with improving smallholder farming. Work by us as donors into smallholder farming is designed to improve the lot of smallholder farmers, not to save smallholder farming.

Q174 Sir Hugh Bayley: My lay city dweller view of Africa is that the parts of Africa where the land is suitable for agro-business are parts that you think of as highland areas, like Rwanda or somewhere, where a smallholding probably makes sense. You seem to be describing a transition over a generation from a situation where the majority of farming is done by smallholders with a hectare a piece, shall we say, to a situation in a generation's time, when there will be some of that left but far more agro-business. What is driving the growth of agro-business in Africa and how far will it go? How much of the land will be capable of being run as large high-tech farms?

Tim Brosnan: As a businessman—but an economist would give the same answer—what drives the growth of anything is demand. What drives the growth of agriculture and what will drive the growth of agriculture is demand for food. It is easy to make a case that demand for food, with increasing populations and with increasing wealth, which will bring rise to greater food consumption per person, is going to be large. It is a question of whether Africa has competitive advantages that will enable it to compete in the food market, and I think it certainly does. If you analyse it down into smaller and smaller segments, smallholder farmers will in fact have competitive advantages in some sectors of the food business, but not in staples, not in grain.

Chair: We saw that in Tanzania, where Unilever said that they thought they would get better quality and better yields from the tea plants that were run by the smallholder farmers than from their own. That was their justification for entering the programme. That is what they felt the outcome would be.

Q175 Jeremy Lefroy: I should declare an interest, both that AgDevCo is an investor in Equity for Africa, which I set up and I am still a director of, and also that I used to sell a lot of coffee and cocoa to Nestlé from smallholders. I want to ask questions about the wider enabling environment for businesses that helps smallholder farmers, but I want to focus on two or three specific areas. The first is over markets.

We all have heard how important it is to have access to markets, but maybe, Hilary, if I can address this particularly to you, the markets that you are involved in are notoriously volatile. If you look at the coffee market over the last five years, it has soared, plummeted and come up a little again. Given that it is not just having access to a market but the price that farmers get, what can be done to ensure—everybody likes a smoother price, because it ensures that you know roughly how much income you are going to get next year, the year

after and the year after that. What kinds of things can be done in terms of bringing the financial instruments that we have here, such as future markets, options and so on, to enable smallholders to get that kind of income-smoothing that is so important for development, as against the peaks and troughs that have proved so destructive in the past 20 or 30 years?

Hilary Parsons: We are certainly in favour of price stability. Prices rocketing up and down is not something that we are favourable to, in terms of our own business. It is a complex problem. There are practical things that have taken place. On the cocoa side, in Côte d'Ivoire, they have set a minimum price, which will help the farmers and give them some kind of guarantee. I think it is a similar situation in Ghana. In coffee, we focus ourselves as a business on looking at ways in which the farmer can get a high price, irrespective of what is happening in the commodities market. For our Nespresso business, for example, there was an independent study done that showed that there was a considerable difference in income between the Nespresso farmers and farmers who are not in the programme. Those sorts of things have a practical effect.

In terms of international instruments, I know that our chairman, Peter Brabeck, was very actively involved in the UN committee and they did make some recommendations. I could send that separately to the Committee. It was three or four years ago now, so I have not got the details fresh in my head, but there were some very concrete and quite detailed recommendations about how to stabilise prices, which were put forward by the Eminent Persons Group that he participated in.

Q176 Jeremy Lefroy: You referred to Nespresso, and I imagine you are talking there about the quality, because I know that the quality standards for Nespresso are very high. You were saying that that is part of the price stabilisation. If smallholders are helped to produce high quality that will inevitably result in a more stable market and more stable prices.

Hilary Parsons: Obviously we have to think what happens in the international markets, and that is quite a complex thing, but in terms of the farmers who supply us it is certainly in our interest to help make sure that they are receiving a decent price for their coffee or their cocoa—their commodity. One way of doing that is helping them to increase quality, looking at making sure that our standards are in line with that, so that they can get that premium for their coffee, which will help in these times of fluctuation. There are things that Governments can do and other actors too.

Q177 Jeremy Lefroy: What sort of things?

Hilary Parsons: In terms of perhaps fixing the price and looking at the amount of tax that is taken—that sort of thing.

Q178 Jeremy Lefroy: This really brings me on to the second issue, which is about taxation. We tend to find that, when DFID or others look at taxation, they tend to look at corporate tax, capital gains tax and income tax. They do not tend to look at the more local taxes, such as the produce levies and cesses, which are often the most significant for small-scale farmers. I once worked out that a coffee farmer in Tanzania had a higher marginal rate of tax than the President because, when you take a turnover-based or a volume-based tax—a kilo-based tax as opposed to an income-based tax—and do not take into

account the costs of production, you inevitably result in very high marginal rates. Do you see DFID or others doing work on that or do they tend to just look at the revenue authorities, which do not tend to be the implementers of those rather nuisance local taxes anyway, because they tend to be collected by the local authorities? Is this any work being done? Is this something that DFID and others ought to be looking at more closely, and indeed organisations such as perhaps the World Bank—the impact of these produce-based levies, rather than income-based levies?

Hilary Parsons: I am not an expert enough on what DFID does, I am afraid.

Tim Brosnan: It is an issue I have not been aware of. Clearly if it is a problem, it should be addressed by somebody, but I have nothing to contribute.

Keith Palmer: We recognise the problem, not just in Tanzania but in many countries in Africa, that there are these irrational taxes that work in the wrong way—as you suggest high marginal rates on poor people. I am not aware of the extent to which DFID does, or should, commit more resources to try to understand and then influence Governments about this issue.

Q179 Jeremy Lefroy: It would seem to me that they are the most regressive of all taxes, because they impact the poorest people at very high marginal rates.

Keith Palmer: In the 1980s and 1990s, there was a plethora of those sorts of things deliberately imposed by Governments on farmers to extract rents. Most of those have been removed and rationalised but, if there are still some important ones remaining, then somebody should take a look at that.

Q180 Jeremy Lefroy: That brings me on to this issue of older farmers. One thing that we have seen is that people who are involved much more in the informal sector, working for themselves, such as in small-scale agriculture, have no opportunity to build up any kind of retirement savings as people in the formal sector would through a national provident fund or many of the other schemes, or even people working now in the casual sector, where sometimes there is a national provident fund contribution. Have you seen any examples of ways in which smallholder farmers are able to build up, with government support, these kinds of savings for their retirement, or is that something that is very much missing? Would that not perhaps encourage people to stay in smallholder agriculture, if they knew that, even when they were not physically capable of doing it anymore, they had been able to build up this kind of officially backed system, rather than any private savings that they might make?

Ken Bluestone: I assume that is for me. What we need to do is make the connection, as you have done, with livelihoods. We cannot look at farming as a separate economic activity. It begs the question: why is it that people of this age continue this economic activity? Why are they still farming?

Research we have conducted in Tanzania shows that having access to income support, a social pension for example, has a direct impact on farmers' own investment in agriculture. It is not an either/or situation. Most people are not trying to stop being farmers; what they want to do is to be able to do less of that. In the case of this research, what you have is that 21% of older people who did not receive any form of income support in later life had to sell land in order to sustain and support themselves and their families, whereas that

figure was only 11% for people who did. Access to a social pension therefore allows them and their families to be more productive.

Back to your question as to what can be done, we have to understand what income support and benefits look like in the context of these African countries and in other parts of the world as well. Pensions, as we understand it here in the UK and Europe, are not necessarily the answer. There are many people who do have access to formal contributory pensions, where you put money in throughout your life, but there is another form of income support, what is often called a social pension or non-contributory pension. We are talking extremely modest amounts of money. It is something that is being done in all parts of the world very successfully. You have countries like Mauritius that have been doing this for a number of years, and successfully been reducing poverty. The answer is not saying how we stop farmers from being farmers, but how we allow them to have more economic security. The answer is social pensions and non-contributory pensions.

Q181 Jeremy Lefroy: I have two more questions, if I may. Finally on the business environment, both Keith and Tim have referred to land issues and the importance of having land tenure and doing more about that. It seems to me that a key in building up viable units is to somehow de-link ownership of land and use of land, and the only way to do that is through formalised enforceable leasing arrangements. All over the country, in my constituency, you will find farmers leasing 50 acres off someone else and then 25 the next year and then 100, depending. It is a very flexible system, whereby farmers are able to increase the size of their business without necessarily having to invest in the land. Conversely, they can give up, especially when they get older, farming a particular piece of land without having to sell it, because they can lease it out.

Given that that is probably something that will help, because people do not, especially in Africa, like to sell land, do you see any moves towards the decoupling of the productive use of land and ownership of land? Does there need to be more work done on the legal framework across sub-Saharan Africa to ensure that that is something that is trusted by smallholder farmers?

Tim Brosnan: It is not an area that we are expert on. We do find a number of things. One is that for a farmer to invest in his own livelihood he needs security of tenure. That is the key thing. How in fact he has security of tenure seems to be almost irrelevant. In Ethiopia, where we have probably been operating for longer than anywhere else, the Government owns all the land, by and large, but people feel they have security of tenure. There are “usufructuary rights”, I think they call them, and there is just the general way of doing things. They do invest in their livelihoods. I know from reading that in Russia there are good land rights, but people do not feel security of tenure there because the land rights can be abused. In China, it is the same as Ethiopia, so you have the security of tenure that people feel, despite not owning the land, incentivised to make long-term investments.

Again without being an expert, I have the feeling that it is context-specific or culture-specific, and that it is as much that as legal frameworks. In any situation where felt security of tenure does not exist, including the change in law but maybe not limited to the change of law—the administration of the law might be just as important as the law itself—anything that can be done to improve security of tenure should be done. I must admit we have not actually found it to be a problem in the areas that we have got to know.

Keith Palmer: I would just add that there are some countries where there is a thriving leasehold market in land. The issue for people who want to invest significant amounts farming the land on a leasehold basis is the tenure of the lease. If it is too short, then they may not be content to invest the capital because of the risk that a fair return on that capital can be earned before the end of the lease. There are also some situations where people who want to commit to, say, 25 years on a medium-to-long-term lease are not terribly enthusiastic about then having to hand it all back after 25 years, because often they are family farmers, although slightly bigger family farmers, and they hope to be able to pass it on inter-generationally.

There is a preference clearly for freehold, but it is very difficult to get. If you want to get significant investment, you should agree a long enough lease that people will commit for the long term. Otherwise there will always be a tendency to say, 10 years or so before the end of the lease, “We are going to stop investing until lease renewal is secured, and indeed some may even seek to dis-invest”. It is an inevitable consequence arising from the difficulty of getting freehold land in many of these countries. But like Tim; I think you can usually find a way through these issues. There are a few Governments that make life difficult for farm investment, but not very many.

Q182 Jeremy Lefroy: Finally, on DFID’s work in supporting the livelihoods of smallholder farmers, do you see DFID as having a clear strategy on this? Maybe I can come back to you again, Keith, because I know that you do quite a lot in various ways with DFID. Do you see a clear strategy? Is one developing or is there nothing at all there?

Keith Palmer: I am going to put up my hand and say that I applaud the approach that DFID has been taking. The fact is that these are very difficult problems. DFID has indicated a strong desire to support the economic and agricultural growth agendas, but they are no better sighted on what the solutions are than many others. It would be unwise for them to try too early to develop some grand strategy, so what they have been doing is experimenting and learning lessons and adapting. They have been seeding a number of intermediaries, of which AgDevCo is one, to explore different approaches to achieve productivity improvement and growth in agriculture; some of these initiatives will work and some may not. But the approach seems to me to be right. If as a result of taking a little bit more time, learning some good lessons and some bad lessons, they hit the spot with a well-defined strategy and effective implementation on the ground that can only be a very good result.

Ken Bluestone: I would add that there is a blind spot, however. The blind spot is people in later life, older people. There is very little, if any, explicit recognition within DFID’s policies or programmes that points to older people as development actors. When we look at the discussion we have just had and the recognition of the central role that older people are increasingly playing in agriculture, in these contexts, it is impossible to craft a well-developed intervention unless you put them firmly at the centre and the heart of it. There is a huge gap there that needs to be filled.

One thing that is going to greatly strengthen this visibility is investment in better research data. We have heard a lot about this, but it cannot be over-emphasised. So many agencies and Governments stop collecting data on their populations when they get old; sometimes

stopping at age 49. It is impossible to develop an effective investment strategy or poverty intervention strategy unless you have a clear picture, at all ages, of what is going on.

Tim Brosnan: If I could say something on the strategy, I have a lot of sympathy for DFID in this whole area. Your question implied that it is possible to have a clear strategy and often it is not. Often, if the situation is very complex or if it is fast-changing and so on, it really is impossible to have a clear strategy; it is not sensible to have a clear strategy. What you need in that situation is what the literature would call an emergent strategy, and that involves trying things, experimenting and seeing what happens, and then iterating. The beauty of our situation is that we can do that. In fact, we do that and we consciously see ourselves doing that. It is probably a lot more difficult to do that if you are a Government Department, but maybe you guys can make it a bit easier. The reason it is difficult is that you will not tolerate it. You demand clarity and sometimes it is just not possible to have clarity.

Jeremy Lefroy: I am very encouraged to hear that. I would entirely agree.

Q183 Fiona Bruce: Broadening out Mr Lefroy's question about DFID working with smallholders, how do you think DFID could work better with the private sector? Does it have the right skills and capacity? I was going to ask you, Hilary, about whether you have noticed an improvement in the way DFID works with Nestlé, although I think earlier that you indicated that your personal interaction with DFID is limited.

Hilary Parsons: Yes, my personal interaction is, but I did check before I came in and the only work that we do with DFID is the Tropical Forest Alliance, of which Nestlé is a part, via the Consumer Goods Forum. DFID is very active in that and we find them a very useful and active partner. I am not aware of any other work that we do with DFID, although we do work with the Swiss equivalent—obviously it is a Swiss company—in the areas of water and agriculture. We are very pleased to have a much more active dialogue with DFID and would be delighted to work with them.

Keith Palmer: I would just say about the private sector that DFID has understood clearly that trying to directly deal with big multinationals or, even worse, putting government money into big multinationals is not something that they would wish to do. They have done a good job in facilitating contacts between in-country parties and some of the big private sector companies with complementary business interests. We have already encountered a long list of private investors interested in trying to find ways to partner with national parties with the aim of finding ways of doing good business that is also socially responsible and helps smallholder farmers. DFID support goes to the national stakeholders, not to multinational companies.

This approach is part of the experimentation supported by DFID. Initially they could not be quite sure what would work and would not, so they are exploring different approaches, trying to find out what has worked and what can be replicated; then build on the successes, and take them to others and say, "Look, this worked really well. What about you doing it?" It is the beginning of an emergent strategy.

Hilary Parsons: May I just add a point of clarification? We certainly would not expect the investments to be made directly into Nestlé, but there might be opportunities with investments into the smallholder sector, for which they would need a private sector actor as part of the overall approach. It might be a sectoral approach, rather than one private company, but that is where we could play a role.

Ken Bluestone: I wanted to just add something to the broader question about DFID, but not specifically on the private sector, so I do not know whether it is appropriate to say that now. Basically, it is essential that we do not lose the connections and linkages between the work that DFID is doing in the area of smallholder agriculture with other aspects, as you mentioned before, of social protection and the importance of strengthening and improving the ability of people of all ages to have livelihoods, and of course health in rural settings. What is crucial is that you have people who are in good enough health to carry out their daily activities. One of the biggest impacts on the household economy and the productivity of smallholder farmers is damage to their health, so we have to bring these things together into an integrated strategy, where we see that part of the enabling environment for more effective, productive smallholder farmers is having good health systems, but also having social protection floors that are nationally owned.

Chair: We have addressed that issue in other ways as well, with our report on disability, women, girls and so on, so we understand that point.

Q184 Mr McCann: I have a sense of the answers to these two questions from previous answers that have been provided by the panel, but perhaps I can just roll it all in for clarity and ask these final two points. The first one is: do you think that the criticism that donors and Governments concentrate on large private companies at the expense of small-scale producers is justified? The final question is: how compatible are the aims of the private sector with those of a development agency?

Tim Brosnan: I have nothing really to contribute on the first question. On the second question, I will not attempt to answer it directly, but tell you how we look on it, because we wrestle with the same issue and we have come to this conclusion. The aims of any player or any category are totally and utterly irrelevant. All that matters is their actions and the impact of their actions. There is a bit of the invisible hand thing at work here, which was mentioned earlier. You can have aims that have nothing to do with development, nothing to do with the wellbeing of smallholders or indeed the wellbeing of anybody, which do promote the wellbeing of that, by accident almost or as a by-product. As policymakers, we have to take account of the overall system and whether the system is providing the outcomes that we want. Compatibility of aims must be judged in that way, rather than looking at the aims themselves.

Hilary Parsons: I was just going to add that there has been an increasing recognition of the role of the private sector in these sorts of activities. While obviously we are coming at it from entirely different angles—from a business angle, from a development angle—it is possible to develop a shared agenda for some of these aspects, particularly around smallholder farmers in that rural development framework. We do talk to stakeholders, addressing these issues with farmers, farm workers and communities. We also look at what the priority issues are in the country and what big development organisations are saying is the agenda we should follow. We see if we can effectively build those into our

activities, but for business reasons. That is starting to take place more across the private sector and is a way of jointly addressing these issues, with different aims and outcomes. The two sides do talk perhaps more than they did in the past.

Q185 Mr McCann: There will be times inevitably when a clash occurs, where the business interest will always overtake the development interest.

Hilary Parsons: In my experience, it is not so much the clash of the business interest; it is a question of priorities. In our case, we have to look at the materiality of the countries and the issues that development organisations are raising to our business. There could be some commodities that they want to focus on that are perhaps not so material and so much a priority for our business. It is the same for the different countries that we work in. We will look at prioritising those countries where we perhaps work a lot with smallholders, we have direct supply and also where there are social issues. That list is probably not going to be the same as the list that DFID would come up with, so we do find that there are differences in that sense, in terms of the business.

Keith Palmer: I was only going to add that a lot of the thinking about the way to deploy DFID funds now comes out of country or regional offices. They have a fixation almost on the development impact, which is entirely proper, given their role. There are more cases of these sorts of private sector interventions being turned down than there are ones that have worked productively, because of this—it is not exactly a tension between the business imperatives and the development impact—recognition that sometimes it may be a good business initiative, but it is not the way we want government donor money to be deployed. There is a healthy choice process going on saying, “DFID wants to work with the private sector, but only to advance, not exclude, our primary development goals”.

Ken Bluestone: I would add to that that the starting point, from our perspective, is to ask why older people are involved in smallholder agriculture. In some cases, they are doing this because it is their active choice. They want to be doing this as their livelihood. In other cases, they do not have a choice and need to be involved in agriculture at a subsistence level or at a slightly higher level, because there is no other economic activity available to them. We need to create the enabling environment in which people are able to carry out their lives in a successful and productive way at all ages. Critically, as you would expect, we think that the international organisations need to place much greater emphasis on people in later life as part of that mix.

Chair: Thank you very much. We all recognise that those countries that have lifted themselves out of poverty have done so because the private sector has expanded. The real context is the extent to which the development activity helps that to happen or does not. Businesses in the private sector and the development agencies at least talk to each other and have some shared agenda. What people are worried about is using public money to subsidise the private sector, but that does not appear to be the cause of the problem. Can I thank you all very much, both for your written evidence and your oral evidence? As I said to the other panel, if you have any reflections afterwards, which you think you should draw to our attention, or to add or qualify anything you have said, please feel free to contact our team to do that. Sometimes it can just add value to the eventual report. Thank you all very much indeed.

