

The dimension of fragility

In October 2009, the first edition of the European Report on Development (ERD) will be published. It focuses on the issue of fragility in its various dimensions, on its implications for development policies and on the approaches to tackle it. The role that the agricultural sector can play in coping with crises in fragile countries and where its strengths and weaknesses lie was examined at a workshop on the preparation of the ERD in Cambridge, in the UK.

State fragility, a feature that characterises several sub-Saharan African countries, might have important and negative implications in terms of progress towards the Millennium Development Goals. Prof. Giorgia Giovannetti, the scientific director of the ERD project (see Box on page 19), mentioned this opening the workshop “Food crisis and the development

potential of the agricultural and commodity sector in fragile countries” in March 2009.

Alexander Sarris and George Rapsomanikis, both from FAO, analysed the causes and consequences of the recent food crisis. During the last 20 years most food commodity prices have increased significantly. If we take a longer term perspective and go back to the late 1950s, however, we can detect a clear downward trend in real terms, which seems to have stopped in the early 1990s. According to the speakers, the recent food price spurt could

be read as a response to small shocks in evolving global food markets, which gradually created a situation of tightly balanced supply and demand. On the demand side, while rising demand for cereals is unlikely to be a crucial factor, the weakness of the US dollar might have affected commodity prices. On the other side, both the upward trend in oil prices and yield shortfalls due to decreasing investments in research and development (R&D) might have

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constrained supply. Taken individually, none of these factors could have affected prices, but together, they have created an imbalance between supply and demand.

■ The consequences

What are the consequences of the food crisis in fragile countries? Poor urban households are the worst hit as net food buyers but the impact of the upsurge in prices on rural households depends on several factors, such as

access to markets, technology and capital. In general, landless and women-headed rural households are the most negatively affected. Sarris and Rapsomanikis estimate that a 50-percent increase in the price of maize in Malawi, Zambia and Uganda increases the number of food insecure households by about five percent on average.

Quentin Wodon, from the World Bank, showed that the short-term impact of food price shocks can greatly vary both between and within countries. In the group of Central and West

African countries he examined, a 3.5 percent increase in the population living below the poverty line is estimated for a 50 percent increase in food prices; moreover, the poorest areas are often not the hardest hit, but the poverty gap increase in proportional terms is typically larger than the headcount poverty index increase. At sub-national level, the poverty impact is higher in the case of less diversified diets and high dependence on food imports.

■ The role of the rural sector

Most of the African fragile countries are classified by the World Development Report 2008 as "agricultural-based", since agriculture accounts for a large share of GDP and most of the poor live in rural areas (World Bank 2008). Moreover, as stressed by Luca Alinovi from FAO, the share of undernourished is much larger, which means that the rural sector is not able to provide people with access to adequate, sufficient and stable food supply.

The rural sector is also the main source of income and employment in most African countries. Carlos Oya, from the School of Oriental Studies of London, brought the experiences of Mauritania and Mozambique, showing that across villages, labour markets are highly segmented; both wages and working conditions are affected by the result of local dynamics and their interactions with the processes of globalisation and de-agrarianisation.

The rural sector can provide for risk management via diversification of livelihoods. Ulf Narloch from the University of Cambridge examined the interconnectedness between agro-biodiversity

The rural sector of poor and fragile countries faces many weaknesses which particularly prevent these countries from coping with crises.



Photo: J. Boethling

and livelihood diversification strategies, both considered as risk-spreading mechanisms. The main results show that farming diversification strategies can be undermined by climate shocks. Thus, in the case of extreme weather events, aid is impelling. In particular, investments in well-targeted programmes of insurances and safety nets have the potential to considerably lower the negative impact of crises.

Finally, the rural sector produces environmental goods whose value is generally neither recognised nor remunerated, like the protection of biodiversity. Dwijen Rangnekar, from the University of Warwick, UK, brought the case of Kenyan law on plant protection. The inadequate implementation of property rights regimes as agreed in the WTO, is proved to allow for the misappropriation of local natural resources, thus impinging exactly on the goods they are supposed to protect.

■ Weaknesses of the rural sector

There are many weaknesses of the rural sector which prevent fragile countries from coping with crises and make them more vulnerable to shocks.

First of all, their terms of trade have been worsening for many decades. Agricultural commodities produced by fragile countries are characterised by a very low level of added value due to the shrinking productivity of land, which has been stagnant at least since the 1980s. Andrew Mold and Annalisa Prizzon, both from the OECD Development Centre, have estimated the capacity of some African exporters to adjust the volume of their exports to price changes in terms of price elasticity responses. Results suggest that they are more likely to respond to falling rather than rising prices which mean that their capacity of capturing the benefits from favourable terms of trade is very limited.

The European Report on Development

The European Report on Development (ERD) is a new multi-annual initiative which seeks, in close co-operation with developing and donor country partners, to enhance a European perspective on development issues on the basis of knowledge and experiences of European and African research community and policy practitioners. The ERD 2009 is led by the European University Institute (EUI) and is financially supported by the European Commission and five Member States: Finland, Luxembourg, Spain, Sweden and the United Kingdom. The ERD team is composed by Giorgia Giovannetti, ERD scientific director (EUI and University of Florence), Franklin Allen (University of Pennsylvania and Wharton Financial Institutions Centre), Wendy Harcourt (Society for International Development), Marta Reynal-Querol (Universitat Pompeu Fabra), Shailaja Fennell (University of Cambridge), Thierry Verdier (Paris School of Economics), and Pascal Vennesson (EUI).



The first edition of the ERD focuses on the complex and multidimensional issue of state fragility, with a specific focus on the African continent. The ERD primarily relies on existing literature but new research papers have been commissioned out to specialised institutes and universities. The commissioned work as well as other papers potentially relevant for the ERD have been discussed at five conferences and workshops which have focused on different fragility-related topics. After this intense consultation activity, the ERD 2009 is to be published in October 2009.

Further information is provided on the project website: <http://erd.eui.eu/>

Secondly, African economies are characterised by a very low degree of diversification of agricultural products, in both imports and exports, and this negatively impacts on the balance of payment, as shown by IMF data provided by Giorgia Giovannetti. African states are increasingly becoming food buyers rather than food sellers, and this raises their dependency on imports.

Thirdly, Sarris and Rapsomanikis stressed that so far the Regional Economic Agreements in place in sub-Saharan Africa have failed, in spite of favourable potentials. Samuel Gayi, from UNCTAD, stressed the difficulty of the path to liberalising the agricultural sector within the WTO and the constraints preventing the implementation of the Agreement on Agriculture. Amongst them:

- Domestic support in developed countries is still too high. Deborah Bryceson (Glasgow University), Shailaja Fennell, Prabirjit Sarkar and Ajit Singh (University of Cambridge) stressed how the removal of subsi-

dies to farmers – in contrast to the extremely high levels of agricultural subsidies in OECD countries – has contributed to the poor performance of the African rural sector.

- Investments in irrigation and productive technologies are too low. As a result, productivity and output remain extremely low, and create huge constraints on extracting a marketable surplus.
- Countries must be able to meet strong sanitary and phytosanitary standards. Interestingly, as noted by Luca Salvatici (University of Molise), very often, these standards are not decided at international fora but by the big corporations who can affect consumers' preferences. Moreover, it is unlikely that, in the short run, African countries will be able to meet them.
- The private sector in Africa is weak, and this represents a serious limitation of value chain development. Moreover, as Sarris put it, the pub-

African agriculture needs infrastructural and technological reforms, and must scale up its value chains – a major condition for participating in global trade.

lic and private sectors have neither incentives nor sufficient trust to work together, since African governments are not perceived as sensitive enough. Almost all the participants stressed that the role of the state in African countries is crucial in ensuring a minimum set of essential services and public goods in order to provide the private sector with the adequate incentives to invest.

Finally, Wodon underscored that African countries face strong constraints on protecting the poor, since safety nets are absent or do not have adequate coverage.

■ Policy implications and feasible options

Summing up, the participants to the workshop have identified several feasible options which can be implemented. Amongst them:

- Increasing productivity and scaling up in value chains must be addressed. African agriculture has the potential to tap into the opportunity of globalisation, but this implies a process of structural transformation pushed by institutional,



infrastructural, and technological reforms.

- Trade can raise the standards of African products and provide incentives for scaling up. Nevertheless, at present, integration is an option which must be carefully considered since some speakers highlighted that an optimal degree of isolation protects households from shocks.
- The elimination of domestic support of agriculture in developed countries is a *sine-qua-non* condition for returning negotiations to the WTO.
- Responses to fragility and interventions need to be in tune with the nature of the crises and specific to

the context. This entails awareness of donors never having sufficient access to reliable information unless they take the risk of involving local institutions, both formal and informal, in the interventions. Moreover, short-term responses and programmes exclusively based on food and humanitarian aid are not always adequate, especially in case of protracted crises, which require to account for shifts in livelihoods and support the diverse patterns of resilience.

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Zusammenfassung

Der Workshop „Nahrungsmittelkrise und Entwicklungspotenzial des Agrar- und Commodity-Sektors in fragilen Staaten“ war eine der vier Veranstaltungen, die sich mit den Themen der ersten Ausgabe des Europäischen Entwicklungsberichts (ERD 2009) beschäftigten. Bei diesem Workshop wurden Probleme der Ernährungssicherung und der landwirtschaftlichen Entwicklung in fragilen afrikanischen Staaten behandelt. Der Artikel bezieht sich auf die Papiere und Diskussionen des Workshops,

er geht auf Ursachen und Wirkungen von Nahrungsmittelkrisen ein und greift mehrere Punkte auf, die die Schwächen des ländlichen Raumes und seine Rolle bei der Bekämpfung der Fragilität betreffen. Auch mögliche Politik-Konzepte werden behandelt.

Resumen

El taller “Crisis alimentaria y potencial de desarrollo del sector de productos agrícolas y primarios en países frágiles” fue uno de los cuatro eventos organizados para

discutir los temas de la primera edición del Informe Europeo sobre Desarrollo (IED 2009). Este taller trató temas relacionados con la seguridad alimentaria y el desarrollo rural en países frágiles del África. El artículo hace referencia a dichos documentos y a la discusión en el taller, trae a colación las causas y consecuencias de las crisis alimentarias y resalta algunos puntos sobre las debilidades y el rol asumido por el sector rural para hacer frente a la fragilidad. También analiza algunas conclusiones sobre políticas.