

Staff Paper

Foreign Aid And The African Farmer

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Foreign Aid And The African Farmer

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No Abstract

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CONTENTS

- I) INTRODUCTION: THE AGRICULTURAL DEVELOPMENT CONTEXT
IN AFRICA
- II) AID TO AFRICAN AGRICULTURE: THE DATA
- III) TRENDS IN AID TO AFRICAN AGRICULTURE
- IV) WHAT EXPLAINS THE DECLINE?
- V) CHALLENGES: INCREASING AID TO AFRICAN AGRICULTURE AND
IMPROVING AID EFFECTIVENESS
- VI) SUMMARY AND CONCLUSIONS

NOTES

REFERENCES

From 1991 to 2001, donor aid to African agriculture fell substantially—from about USD 1.7 billion to USD 1 billion. The sharply reduced level of aid to agriculture is distressing given the persistent poverty in Africa, and the large, potential contribution of agriculture to economic growth and poverty reduction. This paper draws on OECD data to examine what has happened to aid in Africa, both across sectors and within agriculture over the past 10 to 15 years. A disaggregation of aid to agriculture reveals that from 1981 to 2001, donor support for food crops declined from 13 to 4 percent and aid to export crops declined from 16 to 2 percent of total lending to agriculture. However, aid to the social service sectors doubled from 23 percent in 1976 to 56 percent in 2001. Likewise food aid and emergency assistance almost doubled in both relative and absolute terms from 1991 to 2001.

The authors argue that the reasons for the large decline in donor aid to agriculture lie not only in the high failure rate of many agriculture projects from the 1960s to the 1980s but also urban bias and the neglect of agriculture by African countries themselves. Additional reasons for the decline include the incongruous subsidies and protectionist policies of DAC countries, a shift in lending to rural education and public health and the declining influence of the agricultural lobby in DAC countries and the sharp decline in agricultural expertise in donor agencies. The major challenges to increasing aid flows to agriculture include: improving the policy coherence between domestic economic policies of developed countries and donor policies, and redressing the imbalance between the rapid growth in aid to rural social services and food aid and the sharp decline in public investments in rural roads, human capital, research and capacity building. Additional challenges include mobilizing the support of both donors and African countries for investments in high potential agricultural areas; and revising the modalities used to deliver aid to agriculture. The authors argue that a development strategy based on rural social services and food aid represents a narrow and inefficient approach to poverty reduction in Africa

D) INTRODUCTION: THE AGRICULTURAL DEVELOPMENT CONTEXT IN AFRICA

In the early 1990s, the development community was forcefully warned that the declining support to agriculture in developing countries must urgently be reversed if problems associated with rural employment, food production, and protection of the environment were to be effectively addressed (Paarlberg and Lipton, 1991 and Von Braun et al. 1993). This reversal has not happened. Over the 1990's alone, aid to Africa agriculture has halved from about 2 billion dollars to approximately 1 billion dollars (Figure 1). Given the well-documented and critical role of agriculture in economic development and poverty reduction,¹ it is no surprise to hear the proposition that insufficient aid to the agriculture sector has been a critical factor underlying the disappointing progress in Africa. Indeed, given that other regions that have experienced sustained periods of agricultural growth have witnessed corresponding declines in poverty, the co-existence of poor agriculture sector performance in Africa with substantial and persistent poverty in the region does not seem an anomaly. Progress towards economic development and poverty reduction in general, and the Millennium Development Goals (MDG's) in particular, has lagged that in other regions and has actually regressed on many fronts. Export revenues and market shares have fallen, per capita incomes have declined, famines are common, environmental degradation continues, and the incidence of malnutrition is rising (Table 1).

Table 1. Agriculture and Development by characteristics region; 2000

	Development indicators		Agriculture indicators	
	Poverty at the \$1/day level (%)	Malnourished (%)	Yields (Cereals, aggregate) t/Ha	Export Value (current USD, billion)
LAC ¹	11 (+16)	10 (-9)	2.9 (+37)	49 (+40)
East Asia	15 (-44)	11 (-23)	3.4 (+18)	26.7 (+43)
South Asia	32 (-7)	22 (<+1)	2.9 (+24)	7.2 (+43)
SSA ²	49 (+34)	33 (+16)	1.2 (+7)	13.8 (+13)

Numbers in parenthesis indicate the percentage change in absolute values over the period 1990-2000

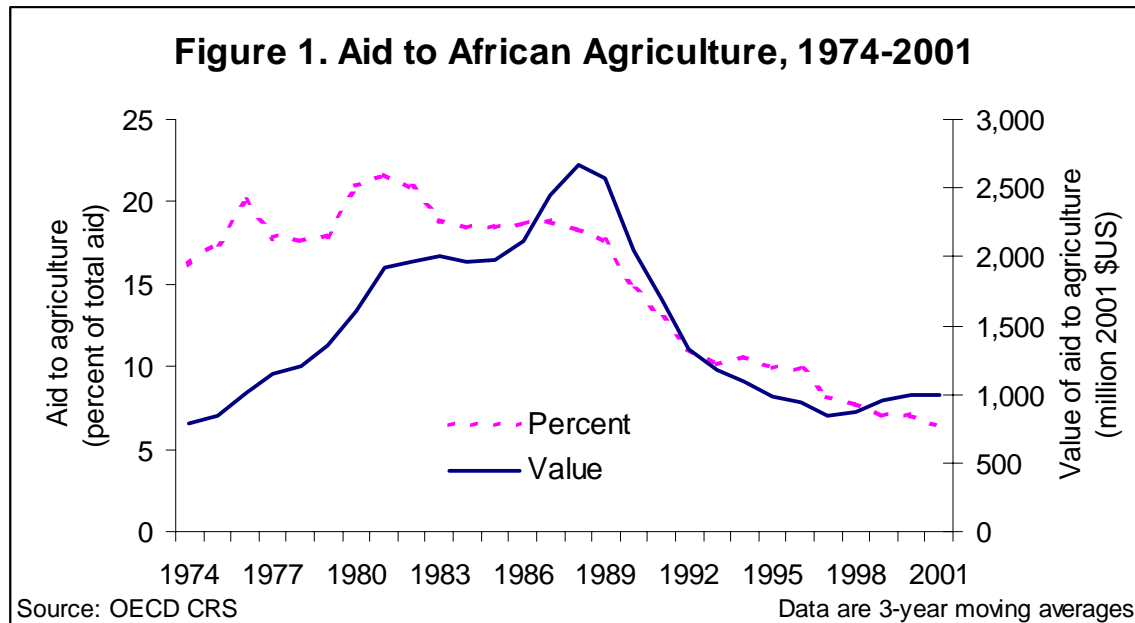
¹ Latin America and Caribbean

² Sub-Sahara Africa

Source: FAOSTAT, 2003; GPM, 2003; FAO, 2003

Indeed, many argue that donors are failing to put forward the needed effort to reduce hunger and poverty in sub-Saharan Africa (Mellor, 1998). What's more, the "picture in

agriculture is particularly ugly” and far too little assistance is aimed at agriculture and rural development (Global Governance Initiative, 2004). While aid to agriculture in Africa increased substantially prior to the mid 1980’s, over the last 15 years, aid to agriculture has fallen substantially in absolute and relative terms (Figure 1).



This paper focuses on aid to *agriculture*, because donor aid to agriculture in Africa was almost cut in half in the 1990’s, and because agriculture has a critical role to play in sustained poverty reduction. While improved rural social services are undoubtedly necessary, they are far from sufficient to enable African people to improve their livelihoods. About two thirds of Africa’s population live in rural areas, and it is rural areas where the incidence and severity of poverty is greatest. Agriculture contributes about 20 percent of the region’s GDP, and employment in farm and rural non-farm sectors is often as high as 70 to 80 percent of the total workforce.

II) AID TO AFRICAN AGRICULTURE: THE DATA

This paper uses the OECD's definition of agriculture² and analyzes the trends, issues, and challenges surrounding aid to African agriculture.³ The specific objectives of the paper are to i) quantify the characteristics of, and the trends in development assistance to agriculture in Africa, in terms of donors, recipients, and sub-sectors, ii) assess these changes relative to those in other sectors, and to non-sectoral assistance, iii) analyze the causes of these patterns, and the challenges to increasing donor aid to agriculture and iv) identify areas where improved tracking of aid flows is needed.

In seeking to find answers for these questions, OECD's Creditor Reporting System (CRS) database is used as the basic source of information to analyze aid commitments broken down to the country (regional) level beginning in 1973 and ending in 2002.⁴ Three-year moving averages are generally used as the basis of analysis to even out the "lumpiness" of commitments (For example, 2001 represents an average of commitments for the years of 2001 and 2002). There are, however, several limitations to the use of CRS data.⁵ Nevertheless, for the purposes of this paper, CRS is the best available data resource, and despite its limitations, it is used as the basis of this study with supplementary statistics from other agencies where necessary and possible.⁶

III) TRENDS IN AID TO AFRICAN AGRICULTURE

Over the last decade, African development has been slow, as has growth in the agriculture sector. GDP growth rates (3.2 percent p.a.) have been modest, and the percentage of people living on less than one dollar per day has *increased* by 21 percent (by 34 percent in absolute terms, or a massive 67 million – the single largest increase across all regions). At the same time, growth in agriculture GDP has been a modest 2.5 percent per annum between 1991 and 2001, and other measures such as crop yields and yield growth rates, and share of international trade in agricultural products, indicate that development of the agriculture sector has lagged that of other regions (World Bank 2003).

Why has progress in agricultural growth and combating hunger and poverty in Africa been so lackluster? Is the slowdown in aid the culprit? These are fundamental questions

because the direction of causality is unclear. Did agricultural growth falter due to declining aid starting in the mid eighties or did aid fall in response to several decades of poor agricultural performance because of mismanagement, corruption and the exploitative policies of African governments? Many identify political instability and point out that 30 African nations experienced 80 successful military coups from 1956 to 2001 (McGowan 2003 in Collier 2003). Some argue that the poor performance of previous investments in Africa in the sixties and seventies agriculture led to a withdrawal of donor aid from the mid eighties throughout the nineties. Many Africans contend that the culprit is the cumulative effect of the adoption of inappropriate agricultural institutions from industrial countries. We shall address these issues below because it is unclear whether the causality of poor agricultural performance runs from reduced donor aid or from poor African agricultural policies. Finally we shall address the African/Asian aid paradox: why did the drop-off in aid to African agriculture occur, ironically, right after Africa's 1984/85 famines, whereas there was huge increase in aid to agriculture in India and other Asian countries just after India's food crisis of the mid-sixties (OECD 1968, 2001).

Total ODA (Official Development Assistance)⁷ grew at a phenomenal rate of 14 percent per annum in the 1970s but it fell to 8.4 percent in the 1980s and an average rate of 1 percent per year in the 1990s (Odedokun, 2003). However, because of the success of the Green Revolution in Asia in the seventies and eighties, donor aid to agriculture in developing countries started to decline in the mid-eighties, followed by the unexpected decline in donor aid to agriculture in Africa in the late 1980's and throughout the 1990s. In 2003 total World Bank lending for agriculture was just 8 percent of total Bank lending, an all time low (Cleaver 2003). Looking back, Yudelman (1985) reminds us that;

... between 1949 and 1984, the Bank shifted from a policy of "benign neglect" of agriculture to one that led it to become the world's single largest source of external capital for investing in agriculture in developing countries. Lending for agriculture grew from around 6 percent of total Bank lending through the early 1960s to over 30 percent of a much larger total by the mid-70s. Indeed, agricultural commitments between 1974 and 1984 totaled more than \$30 billion – by far the largest single component in the Bank's portfolio.

With regards to Africa, while the share of total aid committed to agriculture rose significantly over the 1970's and early 1980's, since the late 1980's assistance to the sector has fallen steadily (Table 2).

Table 2. Africa in the global context: Aid and agriculture, 1971-2001

	1971	1981	1991	2001
Total Aid (2001\$US million)				
Developing Countries	26015*	36195	46252	54085
Sub-Saharan Africa	4992*	8883	13025	16038
Africa as a percent of total	19*	25	28	30
Aid to Agriculture as a % of total				
Global	16*	22	13	6
Africa	11*	18	12	6
Rural population (% of total)				
Low & middle income	72	68	63	58
Sub-Saharan Africa	83	79	74	67
Agriculture Value added (% of GDP)				
Low & middle income	23	19	16	12
Sub-Saharan Africa	21	18	18	18
Aid/capita (current US\$)				
Low & middle income	2	8	14	12
Sub-Saharan Africa	4	20	35	23
GNI per capita, Atlas method (current US\$)				
Low & middle income	243	777	893	1163
Sub-Saharan Africa	220	670	553	467
Africa as a percent of total	90	86	62	40

* 1974 values

Source: DAC, CRS, World Bank, 2003

While agriculture is a much larger part of Africa's economy than it is in other regions, agriculture is getting the same allocation of aid relative to total aid flows. Also, while declining aid to agriculture can be, to a lesser or greater extent, justified as a country develops (due to the falling relative importance of agriculture in an industrializing economy), the rate of decline has matched that of the overall developing country average despite considerably slower improvement in development indicators. Of course, poor performance in the agriculture sector cannot be attributed to lower aid to agriculture alone—other factors at play have an important role (including falling commodity prices, climate change, technological change, shifts in demand, and political instability).⁸ As

discussed later, however, many of these (such as trade barriers and food aid distortions) are linked to agricultural subsidies and trade policies of developed countries.

Aid to agriculture: Africa's overall development assistance context

In the broad perspective of donor assistance in Africa, total sector allocable aid has fluctuated around 70 percent of total ODA (this being in contrast to the global average, which has increased from 59 to 70 percent).⁹ Commodity aid and general programmatic assistance increased from 13 to 24 percent between 1976 and 1986, but has since fallen to 18 percent. This later fall has been offset by a tripling of debt relief (from 4 to 11 percent between 1986 and 2001). 'Emergency assistance' and 'unspecified' have both remained significant, though variable, over the time period (Table 3).

Table 3. African Aid by classification: 1976-2001

	1976	1981	1986	1991	1996	2001
Total sector allocable	79	73	69	67	70	63
General programmatic assistance	13	20	24	19	14	18
Debt relief	1	4	4	9	8	11
Emergency assistance	2	2	2	3	6	6
Support to NGO's	0	0	0	0	0	0
Unallocated/unspecified	5	1	0	2	1	1
Total	100	100	100	100	100	100
<i>Total (million 2001 \$US)</i>	<i>5,090</i>	<i>8,883</i>	<i>11,391</i>	<i>13,025</i>	<i>9,563</i>	<i>15,749</i>

Source: OECD CRS Database

Table 4 reveals that aid to African agriculture, including forestry and fishing, has declined from 29 percent in 1981 to 19 percent in 1991 and to 10 percent in 2001. Economic infrastructure, including transport and storage, energy, and communications, has faced a similar reduction, falling from 31 to 19 percent over the same period. Again, one might expect that these shifts reflect donor cutbacks in areas where the private sector (e.g. agribusiness and research), would presumably invest. However, given that the 'enabling environment' in rural Africa does not yet provide adequate incentives for the private sector, there has been relatively little private investment in agricultural research and extension.¹⁰

Table 4. Allocation of sector allocable aid to Africa: 1976-2001

	1976	1981	1986	1991	1996	2001
Social Infrastructure & Services	23	22	23	32	45	56
Economic Infrastructure	38	31	31	28	25	19
Agriculture - Forestry - Fishing, Total	25	29	27	19	14	10
Other Production Sectors	7	8	9	7	3	3
Multisector	7	9	11	14	12	12
Total Sector Allocable	100	100	100	100	100	100
<i>Total Sector Allocable (million 2001 \$US)</i>	<i>4,014</i>	<i>6,517</i>	<i>7,808</i>	<i>8,747</i>	<i>6,741</i>	<i>9,957</i>

Source: OECD CRS Database

The most notable increase in aid to Africa has been in the social infrastructure and services sector, which has more than doubled from 23 percent in 1976 to 56 percent in 2001. Indeed, from 1976 to 1991 there was an almost exact one for one decrease in agriculture aid for each increase in social infrastructure and services. Also increasing by almost twofold is allocations to multisector category, increasing from 7 to 12 percent.¹¹ This dramatic increase in donor investment in the social services sector will be discussed below.

Changes by donor

In absolute terms, assistance provided to African agriculture has declined steadily over the 1990's for both bilateral and multilateral donors (Table 5). Further, the contribution provided by each donor has declined markedly relative to the total aid it provided to Africa, and this decline is actually greater than the average for donor aid to all developing countries.

Table 5. Aid to agriculture by DAC countries and Multilaterals; 1981-2001

	Aid to Agriculture (Global) (percent of donor total)			Aid to African Agriculture (US\$ million 2001)			Aid to African agriculture as a % of that donor's total aid to Africa		
	1981	1991	2001	1981	1991	2001	1981	1991	2001
DAC Countries	11	8	5	833	1047	557	15	12	6
Multilateral	33	22	8	1,089	640	440	32	14	7
Donors Total	18	12	6	1,921	1,687	997	22	13	6

Source: OECD CRS Database

The relative contributions among donors have also changed. France, the largest bilateral donor in 1980, halved its aid to Africa over the last two decades. The US and Japan remain important donors (109 and 95 million dollars respectively in 2001), though, as for all the major donors, commitments to African agriculture have fallen considerably over the last two decades. Although the proportion that each donor allocates to agriculture has generally fallen across the board, some donors obviously view agriculture as a much more important avenue to development than do other donors (Table 6). Political agendas also motivate resource allocations to a specific sector as well as food aid. Also, there are certain anomalies that are pertinent to this study. Can it be correct that aid flows from France and the UK have actually declined to the extent that these figures indicate?

Table 6. Aid to African Agriculture: the largest donors in 1980 and 2000

	Aid to African agriculture (2001 \$US million)	Donor's aid to African agriculture as a % of their total aid to Africa	Donor contribution to African agriculture aid as a % of total ¹	Total donor aid as % of donors GDP
-----1981-----				
United States	232	20	12	0.15
France	155	21	8	0.30
Japan	129	24	7	0.13
Denmark	50	27	3	0.31
Sweden	49	16	3	0.45
-----2001-----				
United States	109	6	11	0.14
Japan	95	16	10	0.25
France	73	5	7	0.27
Denmark	40	13	4	0.73
Germany	36	5	4	0.23

¹Donor contribution to African agriculture aid as a % of total aid to African agriculture

Source: OECD CRS Database; World Bank WDI

Also, the number of agricultural development staff in donor organizations has fallen over the past 10 to 15 years. USAID's global agricultural staff has fallen from about 250 in 1985 to less than 50 in 2003 (USAID, 2003 in Eicher, 2003). In 2003 USAID had only ten agricultural specialists in Africa to serve its 23 missions and three regional offices. Similar trends are apparent in other multilateral and bilateral agencies. Internal reorganizations, and pressures to cut down on staff time and costs, has marginalized agricultural experts, while movements to structural adjustment lending have reduced the number of agricultural projects and specialized staff to identify and design agricultural projects.

Changes by recipient

Who should get foreign aid? This was one of the major questions raised about foreign aid in the 1950's. Some economists emphasized absorptive capacity as the criterion for receiving aid, while others emphasized good performance in terms of social and economic policies and balance of payment needs. But at the end of the day, the prize went to poverty, giving proportionally more to the poor countries. The UN then made a list of the twenty-five least-developed countries and requested that aid agencies give priority to these twenty-five (Lewis, 1984). But the poverty issue was swept aside at Africa's independence, as most new nations focused on economic growth rather than alleviating poverty. The poverty debate surfaced two decades later as part of the donor shift to integrated rural development in the early seventies and then again to poverty alleviation in the nineties. Today, the debate over how to rank countries to receive aid from the Millennium Challenge Account covers the same ground that the UN addressed some 50 years ago (Radelet 2003).

There is considerable variation in the levels of aid going to African countries, not only in absolute terms, but also relative to the size of the sector, the importance of agriculture, and the need for agricultural development aid. Table 7 shows that the amount of aid allocated to the recipients that receive the highest aid for agriculture are smaller now than it was 20 years ago, that this aid as a proportion of the total aid to these countries is generally less than half, and that the poorest countries are not necessarily receiving the most aid on a per capita basis.¹²

Table 7. The six largest African recipients of AID: 1981 and 2001 (US\$ 2001)

	Aid to recipient (US \$ million)	Aid/capita (\$)	Ag ODA as % of Total to SSA	Ag ODA as % total to country	GNI per capita (Atlas \$)
-----1981-----					
Sudan	228	33	12	28	473
Tanzania	159	36	8	19	-
Kenya	124	26	7	21	427
Senegal	111	55	6	31	507
Zambia	80	49	4	21	660
-----2001-----					
Uganda	78	33	8	9	263
Tanzania	72	34	8	6	275
Ghana	72	32	7	11	300
Ethiopia	60	16	6	6	100
Mali	51	36	5	11	240

Source: OECD CRS Database; World Bank WDI 2003

Changes by Agricultural sub-sector

Table 8 shows that, there have been some striking changes over the last three decades in the distribution of aid among sub sectors *within* agriculture in Africa (Table 8). Most notable has been the increase in aid to the ‘agricultural policy and administration management’ subsector.¹³ This is most likely a reflection of the structural adjustment programs of the 1980’s and 1990’s. It might also reflect the move from discrete project aid to programmatic forms—separate identification of components of wider sector programmes not being possible (DAC, 2004).¹⁴ Another other notable increase has been that of the ‘fishery’ and ‘forestry’ subsectors; together these now account for about one fifth of aid to the agriculture (and fisheries and forestry) sector. This is in line with the Brundtland report (*Our Common Future*) that encouraged donors to devote more attention to natural resources (World Commission on Environment and Development, 1987).

Table 8. Aid to African agriculture by subsector: 1981-2001

	<i>Subsectoral allocation as % of total</i>		
	1981	1991	2001
Agricultural Policy & Administrative Management	4	16	27 ²
Agricultural Development	17	9	8
Agricultural Inputs	3	3	7
Agricultural Research ¹	7	14	7
Agricultural Water Resources	9	6	7
Livestock	5	3	5
Food Crop Production	13	2	4
Industrial Crops/Export Crops	16	6	2
Other agriculture	12	27	12
Grand Total (agriculture, fish, forestry)	100	100	100
<i>Fish And Forestry - Total</i>	<i>13</i>	<i>14</i>	<i>20</i>
<i>Agriculture - Total</i>	<i>87</i>	<i>86</i>	<i>79</i>

¹Includes livestock research, and agricultural research, extension, and education/training.

² Because of the shift from project to programme aid by many donors it is not possible to list each component of wider sector programmes. This may explain the increase in the share of “agricultural policy and development.” Global aid for the provision of agricultural inputs, agricultural services and agricultural education/research has halved in real terms over the last 20 years.

Source: OECD CRS Database

Table 8 also shows that the biggest losers in Africa over the 1980 to 2000 period have been the Food Crop Production and Industrial Crops/Export Crops sub sectors. The sharp drop in donor aid to food production, from 13 percent in 1981 to 4 percent in 2001, is a

special concern because of Africa's structural food deficit and the importance of food crop production for home consumption or local sale for the millions of smallholders.¹⁵ Likewise, the sharp reduction in donor support for export crops from 16 percent in 1980 to 2 percent in 2000 reflects donor concern over the corruption and inefficiency of marketing boards, falling commodity prices and subsidies and trade barriers in industrial countries. For example, some African governments destroyed cooperatives and imposed extortion levels of taxes on agricultural exports by paying farmers a fraction of the export price in order to build up a "slush fund" to build government hotels, new airports and other symbols of a modern nation. These harsh taxes encouraged illegal cross-border trade and dampened the spread of new technology. Two case studies illustrate the draconian policies against export crops. In the mid eighties Tanzania abolished cooperatives because they were considered a threat to the ruling party and taxed smallholder coffee farmers by paying them only 23 percent of the export price of coffee (Tweeten 1989). Malawi provides another example of the power of the state to squeeze farmers. Before Malawi won its independence from the British in 1964, smallholders exported their own coffee through village level cooperatives and a regional cooperative union. But the new government abolished the cooperative union and set up a government corporation – a Smallholder Coffee Authority – that assumed direct control of coffee processing at 27 village pulper sites. In August 1994, the Coffee Authority paid farmers US \$0.43 per kilo of coffee or only 10 percent of the then New York spot price of US \$4.24 per kilo.¹⁶

Other official flows

Finally, there are flows that have not been accounted for in the above description of aid to agriculture. These are those that are relevant but fall outside the DAC definition that 'aid' must include a grant element of at least 25 percent. Other official flows¹⁷ (those that do not meet the criteria of OECDs definition of ODA) have represented about 20 percent of the value of ODA over the last decade. Although data is not available at the regional level, technical cooperation flows have remained consistent at about 30 percent of ODA to agriculture in all developing countries.¹⁸

IV) WHAT EXPLAINS THE DECLINE?

Paarlberg and Lipton (1991) presented eight reasons for the decline in the World Bank's global lending to agriculture in the 1980s: industrialization and urbanization, pressure from donor countries to reduce support to developing country farmers that might compete with their own producers, reluctance of client countries to identify and prepare rural development, the relatively high failure rate of agricultural projects, declining commodity prices, and the shift away from projects towards macroeconomic policy reform. But, the aid environment is much more complex in Africa today than in the global aid arena in the 1980s.¹⁹ The explosion of donor agencies, donor projects (Morss 1984) and NGOs has contributed to difficulties in coordinating aid activities, reduced clarity of aid effectiveness, and policy incoherence.

Eight issues help explain why aid to African agriculture has declined over the past 15 to 17 years.

Africa's reluctant commitment to agriculture

The first reason for the decline in donor aid is caused by African priorities being directed to industrialization and urbanization (Lipton 1977) and the consistent lack of African pressure on donors to invest in agriculture. A simple African and Asian comparison highlights this point. African public expenditure on agriculture has been low and around one half the level in Asian countries in the seventies and eighties.²⁰ Public resource flows to agriculture vary both between countries and across time, ranging from about 5 to 6 percent of total government outlays in many countries (Table 9). Ghana, now one of Africa's biggest recipients of aid to agriculture, reduced its outlays to agriculture from about 10 percent in the early 1980s to about 5 percent in the early 1990s. This likely reflects the fungibility of monetary resources, in the context of international development, as shown by Devarajan et al, (2001). In many cases, these figures may overstate flows of public resources to agriculture due to a net taxation of the sector via overvalued exchange rates (these having been partially corrected for via subsidies and, in more recent years, through structural adjustment programs).

Table 9 Composition of total public expenditure, 1980 and 1998 (percent)						
	Africa	Africa	Asia	Asia	Latin America	Latin America
	1980	1998	1980	1998	1980	1998
Agriculture	6	5	15	10	8	3
Education	12	16	14	20	16	19
Health	3	5	5	4	4	7
T&C	6	4	12	5	11	6
Social Security	5	3	4	3	19	26
Defence	12	10	18	11	7	7
Other	55	57	33	47	35	32
	100	100	100	100	100	100
Source: Fan and Rao 2003 (p8)						

This neglect of agriculture by African governments has been a recurring trait of Africa's four decades of independence. Three reasons help explain this neglect. First, development thinking in industrial and in newly independent countries in Asia and Africa in the 1950s and early 1960s did not view agriculture as an important contributor to economic growth (Johnston and Mellor, 1961; Staatz and Eicher 1998). Second, at the beginning of Africa's independence in the late fifties and early sixties, the absence of an African food crisis²¹ and a fervent belief in industrialization as the engine of development, help explain why many of Africa's new leaders and their policy advisors shunned agriculture and announced bold plans to build government steel mills and bicycle factories and catch up with industrial nations by the year 2000. Third, food aid helped fill food gaps and allowed many African Ministers of Finance to avoid or postpone investments in physical infrastructure, research, extension and agricultural higher education (FAO, 1978).

Donor Response to Food Crises in Asia and Africa

A major turning point in Africa's food outlook occurred in 1984-1985, when a million people died in the horrendous famine in Ethiopia. This event mobilized world opinion for increased food aid and alerted African governments that Ethiopia and many other African countries were facing a long-term food deficit comparable to India's crisis of the sixties. Nevertheless, Table 4 has shown that donors actually reduced lending to agriculture from 27 percent of allocable aid to Africa in 1986 to 19 percent in 1991 and to 10 percent in 2001. These data raise a fundamental question: why did donors increase their investment in agriculture in Asia following India's food crisis in the mid 1960s and reduce their overall support for agriculture in Africa starting in 1986? The answer is that donors

increased aid to agriculture in Asia because of the startling success of the high yielding wheat and rice varieties that became available in the mid sixties. By contrast the high failure rate of agricultural projects and programs during Africa's first 25 years of independence (1960-85) contributed to donor skepticism about African agriculture and ironically led to a decline in donor aid to African agriculture following Africa's famines of 1984 and 1985.

To summarize, African political leaders and policy makers have been reluctant to commit to long-term agricultural investments that are needed to transform Africa's smallholder agriculture into a productive sector that can provide satisfactory livelihoods for Africa's 400 million people living in rural areas as well as providing affordable food to the 227 million urban consumers. Since donors are increasingly allocating their resources to Africa on a 'demand-driven' basis, Africa's ambivalent position on agriculture has contributed to a decline in donor investments in agriculture. Fortunately, NEPAD (New Partnership for Africa's Development) is calling for a mutual agreement among African governments and donor nations to elevate the priority to long-term public investments in physical infrastructure, agricultural research and agricultural universities.

The changing whims of donors and poor performance of agricultural projects

The third reason for the decline in donor aid is linked to ignorance among African planners, donors and academics on how to design productive agricultural strategies, programs and projects. Both academics and donors have displayed their ignorance by routinely changing their focus from institution building of the 1960's, to the integrated rural development of the 1970's (McNamara, 1973), structural adjustment of the 1980's (World Bank, 1981), natural resource management, privatization, and poverty alleviation of the 1990's, and to the bottom up development, farmer empowerment, and community driven and community based development (CDD/CBD) of the late 1990's and early 2000's (Mansuri and Rao, 2004).²² During the eighties it became obvious that a large number of uncoordinated donor projects were poorly designed and had unacceptably low rates of return.²³ However, the lack of payoff in the investments in many agricultural projects can be partially attributed to the falling real world prices for food grain and the failure of imported models of food production and agricultural institutions.

Uma Lele (1991) distilled the successes and failures in agricultural lending in three countries in East Africa and three in West Africa from the mid-sixties to the mid-eighties; she concluded that after nearly two decades of massive donor support for smallholder agriculture and broad policy reforms in the six countries, these efforts had limited effect. Lele concluded that institutional and technological problems remained by far the greatest impediment to agricultural growth, and that the World Bank did not have a consistent agricultural-led strategy for long-term growth in Africa. To summarize, many donors have promoted institutions and farm production models that have worked in other countries, but were found to be inappropriate in the African context (American style land-grant universities, livestock ranches, credit programs, the Asian Green Revolution model and the training and visit (T&V) extension models are all examples). Most of these imported models, however, had a short time horizon, unrealistic expectations, and were seldom put in the field for adequate pilot testing and redesign. The failure of past initiatives in agriculture led to a reduced confidence among donors in agriculture in the 1980s as an avenue for generating economic growth and poverty reduction, and many donors have since turned to other sectors.²⁴

Compared to most other sectors, effective investments in agriculture for poverty reduction are relatively complicated, and sustained efforts are required over a long time horizon to derive substantial, visible and sustainable benefits. For example, it normally takes around a decade of research to develop and farmer-test a new crop variety, and in many cases it takes longer. In Zimbabwe it took 28 years (1932 – 1960) to develop the famous SR-52 maize hybrid. Donor uneasiness about long gestation investments in agriculture has increased in recent years as a result of falling real commodity prices,²⁵ the rise of complex supply chains and multinationals, and a negative stigma associated with ‘agriculture’ with regards to its relationship with the natural environment (the potential ‘win-win’ opportunities for agricultural development and environmental enhancement are typically overlooked by the development community at large).

Nevertheless, the knowledge base on how to “get agriculture moving” in Africa has increased substantially in Africa’s four decades of independence. Haggblade et al (2003) have summarized some of Africa’s agricultural success stories: smallholder cotton production in West, East, and South Africa, smallholder dairy production (in Kenya),

cassava in West and East Africa²⁶ and horticultural exports in Kenya and the Ivory Coast. But there is now a need for more research on the institutional innovations for the core agricultural institutions (research, extension and agricultural universities) in anglophone, francophone and lusophone Africa (Hoff 2003).

NGO Pressure to Increase Rural Social Services

The fourth reason for the decline involves a battle between the agricultural lobby and the NGO pressure groups to expand rural social services. During the Green Revolution era in Asia in the sixties and seventies, development professionals in foundations, universities and consulting firms in DAC countries formed coalitions and lobbied to increase aid for agriculture, health and education across the board. But these coalitions dissolved in the eighties and nineties and were replaced by a highly competitive relationship between advocates of investments in social services versus those in agriculture (Atwood 2002). Without question, the era of competition has been fueled by declining total aid budgets to Africa. The health and education lobbies have been the clear winners as they have increased their share of aid to Africa. The ascent of rural social services has been in step with the conclusion of the 1995 World Summit for Social Development at Copenhagen which represented a new consensus on the need to put people at the center of development. Today the health, education, and agricultural interest groups in the United States and Europe are engaged in a competitive battle for aid resources. Basically these pressure groups do not agree that investments in health, education and agriculture are complementary investments and that a growing, economic base in rural areas is needed for poverty reduction and the long run financial sustainability of rural social services. Killick (2004) observes that one of the most striking aspects of the Enhanced Heavily Indebted Poor Country debt initiative (hereafter E-HIPC) is its association, under pressure from NGOs, with a particular and “narrow approach to the task of reducing poverty”, namely, the expansion of spending on social services to the neglect of wider growth and developmental priorities.

The evolution of development practice—state vs. market-led development

The fifth reason for the overall decline in aid to African agriculture, and the subsectoral reallocations within agriculture, is to some extent an outcome of the historical movement from state-led development to private-sector-led development, especially during the

eighties and seventies (Wolgin 2001). During the sixties and the mid-seventies, state-led development stressed the role of the state in actively intervening in and taking over strategic economic activities, and monopolistic marketing parastatals were often set up to support the expansion of exports by smallholder farmers (Jayne and Jones 1997). By the early eighties, the corruption and weaknesses of parastatals were becoming evident, and donor support for parastatals began to be withdrawn. During this time the entire state-led development approach was denounced in favor of a private-sector-led approach. The Berg report (World Bank, 1981) in particular helped initiate this change and also provoked the development of the Washington consensus, which prompted the withdrawal of the state from many areas that were not related to the provision of narrowly defined public goods. Specific actions included removal of regulatory controls in agricultural input and output markets, elimination of subsidies and tariffs, and reforming or privatizing agricultural parastatals and marketing organizations (de-linking of credit, input, and output markets) (Dorward et al, 2004). Hence, there was reduced investment by the public sector—both the state and the donors—in agriculture. While this may have been effective for the few developing countries that have had the infrastructural and institutional basis upon which a liberalized agriculture could sustain growth, most African countries have lacked this institutional and legal foundation, and, upon liberalization, the agricultural sector has floundered. Part of this shift, under structural adjustments, to a more market-driven approach, was a movement away from projects to simply creating the macroeconomic conditions the reformers considered necessary for the private sector to respond. At an extreme, development economics was simply replaced by trade theory.

Changing aid modalities and the resulting marginalization of agriculture

The sixth reason for the decline in aid to African agriculture is linked to the dramatic increase in donor investments in rural social services over the past two decades, including health and education, and a concurrent change in aid modality from projects and sector aid to structural adjustment and multi-sector aid and budget support and associated modalities of debt relief (Killick, 2004).²⁷ The net effect of the shift to multi-sectoral lending and donor pressure to increase aid to rural social services has made it difficult for African governments and donors to develop a national agricultural strategy because agriculture virtually “disappears” during the transition from project to multi-sectoral

programs (Lynam, 2003). This transition helps explain some of the decline in aid to African agriculture over the last 15 years. Indeed, Paarlberg and Lipton (1991) argued that these early declines in support (due to the transfer of resources from projects to structural adjustment) itself led to further declines, as it resulted in fewer staff to identify and prepare agricultural projects, this undercutting the performance of projects, and this in turn ‘justifying’ a further shift to structural adjustment.

However, simply doubling the percentage of donor aid to social services (from 26 to 55 percent), and distributing this aid using new types of modalities, has neither generated economic growth nor reduced poverty in Africa from 1990 to 2000. In fact, Killick (2004) argues that the new aid delivery instruments are unintentionally increasing the share of donor aid to social services and reducing aid to production services that are so critical to farmers. A recent study of the HIPC (heavily indebted poor countries) found that “most recipients consider the focus of the debt relief initiative to be excessive on social sectors (on public sector education and health) and too little on growth and wealth creation” (Gautam 2003, p45). The empirical evidence on the massive expansion in social services in the 1990’s is clear: improved social services cannot transform Africa’s agriculture (Evenson 2003). Karen Brooks of the World Bank recently noted that although there was a belief in the 1990’s that more emphasis on the social services would address poverty effectively, “now there is recognition that measured investment in the social sectors is not sufficient to bring growth” (cited in IFPRI, 2004).

The detrimental effect of policy incoherence

Policy coherence, in the context of development, is one of the key principles of good governance and relates to ensuring that policy choices are internally consistent with one-another, and in particular do not undermine or contradict development policy. Although policy coherence is generally in the interests of all, it remains a function of tradeoffs between competing and conflicting interests, and subject to stakeholder power and political will. Incoherence generally stems from the benefits of coherence being disbursed among many (the 270 million American consumers for instance), yet the costs of being concentrated in a few political powerful interest groups (twenty thousand American cotton farmers for instance).

The two policy areas of high-income countries that have the greatest undermining effects of development policies and assistance for African agriculture (and subsequently contributing to the decline in assistance itself) are protection for developed country producers, and food aid “subscriptions” for African nations. The protection policies, including trade barriers and subsidies, for the farmers in industrialized countries directly undermine the impacts of the assistance that developed countries provide by depressing global commodity prices or increasing the costs of accessing global markets. This reduces the competitiveness of developing country producers in international markets, and reduces the payoff to development assistance for agriculture, and reduces the incentives for donors and African countries to invest in agriculture. In many cases, the negative impacts of these policies outweigh the aid flows that developed countries provide. For example, cotton provides employment to more than 10 million people in Africa and it accounted for 40 to 70 percent of the export earnings of Benin, Burkina Faso, and Mali in 2000-2001 (UNCTAD, 2004). But the viability of the cotton industry is undermined by the \$ 6 billion of support that the United States, EU, and China offered to their cotton farmers in 2001-2002. Also, in fiscal year 2002, Mali’s bilateral aid from the United States (US\$37.5 million) was significantly less than the US\$55 million that Mali lost through lower world cotton prices as a result of US cotton subsidies (Toure, 2003). These factors have led to a precipitous fall in Africa’s share of agriculture trade in international markets. Africa’s exports of agricultural products have fallen from 8 percent of global exports in 1961 to 2 percent in 2001 (FAOSTAT, 2004).

Competition of Food Aid and Emergency Assistance

Food aid and emergency assistance represent an important and growing part of aid to Africa. Historically relief has been important to Africa, though, quite understandably, highly variable given its relationship with volatile and uncertain economic, production and social (disease, etc.) shocks.²⁸ While relief averaged six percent of total aid to Africa over the 1990-1992 period, this increased to 9 percent by the 2000-2002 period (Table 10).²⁹ This corresponds to an almost doubling in real monetary terms, and an increase from two thirds *less* than the amount of aid allocated to the agriculture sector to 50 percent *more* than total aid to agriculture. But food aid and emergency assistance are in direct competition in many donor portfolios. For example, the one million tons of U.S. food aid to Ethiopia in 2003 is valued at US\$ 475 million, a sum larger than the \$354

million of total U.S. aid to agricultural development in all developing countries in 2001 (Eicher, 2003). While food aid has provided markets for farmers in the North, one veteran donor official has described it as “a plague across Africa” because it takes the political heat off African heads of state to invest in the agriculture sector as the means to address long-term poverty and food security concerns.³⁰ Inappropriate and poorly targeted food aid has increased the need for further relief, and this has then drawn resources away from agriculture development (Ruttan 1993). Some donors are now realizing that addressing the immediate livelihood needs of the poor is not sufficient, and that investments in agriculture are needed to ensure that African countries do not remain trapped in a dependency on food aid subscriptions.³¹

Table 10 Food aid and emergency assistance in Africa: 1976-2001						
	1976	1981	1986	1991	1996	2001
Relief as a % of aid to Africa ¹	7	11	11	6	9	9
Agriculture aid as a % of total aid to Africa	20	22	19	13	10	6
Relief as a % of aid to agriculture	36	50	59	46	87	150
<i>Total Food Aid and Emergency Assistance (million 2001 \$US)</i>	<i>362</i>	<i>959</i>	<i>1,236</i>	<i>775</i>	<i>815</i>	<i>1,492</i>
¹ Relief includes food aid and emergency relief						
<i>Source: OECD CRS Database</i>						

V) CHALLENGES: INCREASING AID TO AFRICAN AGRICULTURE AND IMPROVING AID EFFECTIVENESS

Given this context of aid to agriculture in Africa, and the apparent dichotomy between current assistance and the importance of agricultural growth to poverty reduction, six important challenges need to be addressed.

Improving policy coherence

Mutual accountability (a principle adopted by NEPAD) recognizes that the policies and actions of both developed and developing countries have an impact on the effectiveness of aid and on the outcomes of development efforts (Picciotti and Weaving 2004).

Coherence of African countries’ domestic agriculturally related policy is critical for improving the effectiveness of aid (World Bank 2002a). Further, it is critical for increasing the flow of aid to developing countries given an aid environment in which

donors are increasingly turning to (or at least being encouraged to turn to) providing assistance to those countries with good policies, and a good track record of maintaining and adhering to them (Dollar and Easterly, 1999; Burnside and Dollar 2000). At the national level, coherence of policy can be achieved through national agriculture development strategies that are integrated into Poverty Reduction Strategies (PRSP's) and public expenditure programs. There is a particular need to: i) ensure that macroeconomic, labor, environment, competition, and public expenditure policies create an investment climate conducive to private sector investments by African smallholder farmers (van de Walle and Johnson 1996); ii) avoid excessive taxation of farmers and agro-industry that arises from administrative pricing of output, overvalued exchange rates, and excessive industrial protection (Cleaver, 2003); and iii) liberalize regulations governing within country trade, as well as those regulating participation in international markets and the importation of foreign goods and services (developing countries' own liberalization of agriculture and food trade policy could yield gains of an estimated US\$114 billion (World Bank 2002)).

Critical also is improving policy coherence in developed countries. In many developed countries, the department or ministry responsible for development cooperation is relatively small and is marginalized from national decision-making processes. It simply provides limited funding to developing countries while other ministries such as the Ministry of Finance concentrate on promoting employment and growth at home. The policy decisions of developed countries often have a greater impact on the development of developing countries than the actual ODA itself (the benefits to developing countries from liberalization of developed country trade are about six times greater than the current flows of ODA to developing countries) (World Bank, 2002). Aside from providing *more aid* to agriculture³², important areas for action include:

- *Untying aid*. Tied aid is clearly at odds with principles of economic efficiency and with liberalization of trade and investment regulations. Tied aid may increase procurement costs by 15-30 percent (CIDA, 2003). Yet about 30 percent of total ODA remains tied (Boone, 1996).
- Redress the imbalance between assistance for agriculture development and that for *emergency relief* and improve the quality of food aid delivered such that it does not undermine agricultural development efforts.

- Reducing *protection of domestic producers* (both trade barriers (tariff and non-tariff measures) and domestic support). On average, prices received by OECD farmers were 31 percent above world prices, and almost one-third of total farm receipts originated from government programs in 2001 (OECD 2002). The estimated annual gain to developing countries from liberalization of agriculture and food by high-income countries is more than US\$30 billion (World Bank 2002)³³. Technical, sanitary, environmental, labor and other standards imposed by the governments of importing countries are also important to the extent that these can block access to markets when implementation is not founded on good science.
- *Investment policies* must also be complementary to development policies. Development finance institutions and export credit agencies have a bearing on the flows of private investment to developing countries. While these agencies have a mandate to promote development, there is often expectation that they will promote the interest of the home country—and there is frequently tension between the two. Policies that more strongly emphasize the development component relative to domestic interests, would go a long way to stimulating and catalyzing greater private flows to developing countries.³⁴

Building Institutional Perquisites for Agricultural Growth and a Market Economy

A move to market-led liberalization of agriculture, and reducing state expenditures on public goods such as agricultural research and extension and increasing investments in NGOs have failed to achieve the targeted 5 to 6 percent aggregate agricultural growth rate. Various explanations of this failure range from an incomplete liberalization process in which reforms have been only partial or made with little government commitment (and have often backtracked), to weaknesses in the institutional arrangements and the failure of scattered NGO projects to achieve an aggregate national impact (White & Eicher 1999). Perhaps more relevant to Africa is an under-appreciation of the role of the state in being the risk taker and entrepreneur in crafting new agricultural institutions and investing in physical infrastructure to serve small holders at Africa's early stage of development (Mosley 2002). For example, while there is a cry to boost fertilizer use in Africa, Jayne et al (2003) have shown that 50 percent or more of the farm gate price of fertilizer in Kenya, Ethiopia and Zambia is attributable to marketing and transport costs. Large state investments in physical infrastructure are needed to drive down transport

costs. Gordon Conroy (2004) recently emphasized the need for massive investment in roads in Africa by pointing out that the price of urea (fertilizer) delivered to farmers is US\$90/ton in Europe, \$200/ton in India, \$300 in China, and \$400 in Mozambique and in Western Kenya.

Although agricultural liberalization may have been beneficial in poor countries with good infrastructure, diversified agriculture, and a diversified rural economy, and in lower-middle income countries in which production of staples has ceased to be the basis of the livelihoods of the majority of the poor (Kydd and Dorward, 2003), most countries in Africa have not had this institutional foundation to support a successful liberalization agenda. Where agricultural transformations have led to widespread and rapid pro-poor growth (as in much of Asia during the Green Revolution), state-led investment (in both infrastructure and research and extension, and in the institutional arrangements for input supply, price stabilization, and farm finance) have been substantial (Fan and Rao 2003).

In most of Africa, there is a major deficiency in finance, input, and output markets, let alone the basic infrastructure (roads and irrigation for instance) and research and extension systems to speed the adoption of modern technologies. These are all areas in which public good elements warrant public goods investments. While there have been many misdirected state investments in state farms, (parastatals, and fertilizer subsidies), there have been some notable successes in smallholder cotton, horticultural and dairy production (Haggblade 2003). Smale & Jayne (2003) have pointed out the benefits of reducing government investments in state operated grain marketing boards, yet subsidies for fertilizer, roads, research, power, and credit in India have had large payoffs in both economic and poverty reduction terms (Fan et al, 2004). Likewise, there have been comparable results from public investment in China's agriculture sector.

Zimbabwe's rain-fed smallholder maize revolution of the early eighties was a public sector-led success story *par excellence* with regard to crafting an interlocking system of agricultural service institutions at Zimbabwe's early stage of development (Eicher 1995). The public sector developed an impressive all-weather road network, it funded maize research for 28 years (1932-1960) that led to the development of hybrid maize varieties, and it has been instrumental in extension and seed distribution. Zimbabwe's experience

highlights the strategic importance of an active government role in the early stage of development because it is unlikely that private traders will deliver research, extension and credit services to smallholders, especially to those in remote areas. To be sure, the private sector slowly took on a greater role in maize breeding and seed distribution and marketing (Rusike & Eicher 1997). However, the maize output boom of the 1980s faltered in Zimbabwe in the 1990s partially because of the unsustainable maize price subsidies for consumers (Smale and Jayne 2003) and the political chaos that engulfs today.

To summarize, even after the public sector has crafted the architecture for a modern agriculture, public sector involvement can be required to the extent that markets need to be ‘kick-started’. That is, government interventions can be needed to develop new technology, provide market information about national regional and global market trends, and enable farmers to access input and output markets at low cost and low risk (Dorward et al, 2004).

Mobilizing African political support for long term investments in agriculture

The starting point in rebuilding donor confidence in investing in African agriculture is mobilizing African political commitment to a long term agricultural development strategy. Mobilizing domestic public sector support for agricultural development, requires African demand for donor investment in agriculture as well as effective agriculture development strategies supported by correspondingly high budgetary allocations. The current levels of investing 3 to 6 percent of the public investment in agriculture are woefully inadequate. In India during the green revolution from 1970 to 1990, public expenditure in rural areas increased twofold, growing at a rate of 13 percent in the 1970’s alone (Fan, Thorat, and Rao 2004). Malaysia spent 26.5 percent of its government budget on agriculture during the Second Plan from 1971-1975. Redressing the African ‘bias against agriculture’ and mobilizing budgetary resources will require a political commitment to agriculture.

In securing aid, it is becoming increasingly important that African governments improve the macroeconomic policy environment, given that donors are going to be more selective in choosing which countries to aid in light of evidence that assistance performance is

highly conditioned by the policy environment (Dollar and Easterly, 1999). This selectivity principle, however, is not universally appropriate because in countries where it is not feasible to improve policies, it may well be feasible and desirable to use aid to support other elements of a development strategy, including long-run investments in social and physical infrastructure and institutional development (Tarp and Hjertholm, 2000). The policy environment similarly affects the effectiveness of government flows, and in this regard, the policy environment itself may be the binding constraint in many countries rather than any claims of an ‘investment gap’ (OPM, 2002).

But is hope on the horizon? The recent activities of NEPAD have shown that there is now growing agreement between African leaders and the development community on the need to increase investment in agriculture.³⁵ In July 2003, African heads of state met in Maputo and agreed to raise public spending in agriculture from the current Africa-wide average of 6 percent to 10 percent of their total budgets over the next five years. The Ugandan government has progressed from 1 percent in 2000 to 3 percent of public expenditure on agriculture in fiscal year 2003-04 (Museveni, 2004). It seems plausible that the approach of African leaders is now sufficiently aligned with that of the international development community, and that the global political and economic environment is ‘favorable’ (i.e., that changes in the global political economy have made reformist ideas more acceptable), so that successful ‘cooperative’ outcomes can be achieved (Owusu, 2003).

Mobilizing donor support for agricultural growth

Several donors are renewing their commitment to agricultural development (World Bank, 2002,2003; USAID 2003; CIDA, 2003; DFID, 2002) but the extent to which they appear to be prepared to back their ‘renewed appreciation for agriculture’ with increased financial flows to the sector appears mixed. Significant political and structural constraints on increasing donor flows to agriculture and coordination must be urgently addressed (Wangwe 1997). One problem contributing to poor performance of past aid has been the domestic and bureaucratic political environment that influences donors’ allocative and policy decisions. Without question, decision-making is usually influenced by what is required by their own public and domestic political concerns, personal relationships, their legislature, and their bureaucracy (Ruttan, 1996). Further, emphasis remains on the

politically encumbered issues, rather than on achieving results from spending; there exists an imperative to spend available funds within given time periods, and this has major implications for allocation decisions and the quality of investment outcomes (Lancaster, 1999). In this regard, donor incentives are grounded in achieving a large transfer of resources, and showing that resources go to the priority areas of the donors (Ali et al., 1999). There is a need to develop incentive frameworks that encourage donors to deliver impacts and not just show that funds have been dispersed to the areas with which their political constituencies are most concerned—that is, rewarding for quality distributions.

The development experience in Asia and Latin America has shown there is a large pay off to investing in pilot projects that can serve as “knowledge generators” on how to design and implement long run (10 to 25 year) investments in building a functioning system of core agricultural institutions (Rukuni et al. 1998). Yet there is a large gap between theory and practice on this critical issue. For example, after two years of negotiations, a bilateral donor recently agreed to finance a conservation farming project in southern Africa for an initial three year period, with a provision that it would be renewed for an additional two years if results can be achieved by the end of year three. Since conservation farming is a new type of natural resource management, it follows that this type of project should be designed to cover a 12 to 15 year period with a three-to-five-year pilot project followed by scaling up, depending on the results of on-going evaluation.

Turning to strengthening national agricultural research systems in the 48 countries in Africa, the conventional wisdom is that long-term funding is needed to craft and nurture institutional innovations. However, in practice one finds that discontinuities of project aid are severely undermining the accretionary model of institution building. Table 11 illustrates the discontinuities in using short-term donor projects to build African research capacity to carry out research on cassava (Africa’s second most important food staple) and sweet potatoes in Eastern and Southern Africa. The table illustrates how research network offices have been closed and reopened and scientists laid off and new scientists hired. The transaction costs of this approach to capacity building are horrific.

Table 11. The Discontinuities inherent in using Donor Projects to Support Cassava and Sweet Potato Research in Eastern and Southern Africa, 1986 to 2004

1986-1993	IITA (The International Institute of Tropical Agriculture) established an Eastern and Southern Africa Root and Tuber Network (ESARRN) with USAID as the main donor. IDRC financed some bilateral research projects (e.g. Malawi).
1993	IDRC bilateral funding to Malawi was terminated. From 1989 to 1994, an FAO breeder with UNDP funding strengthened the Malawi national root crops program.
1994	USAID office in Malawi and later its Regional Office - RCSA - helped establish the Southern Africa Root Crops Research Network (SARRNET). SARRNET was managed by IITA and it had one internationally recruited scientist (IRS) for each of the following countries: Malawi, Tanzania, Zambia and Mozambique.
1996	USAID/OFDA (Office of Foreign Disaster Assistance) financed an emergency food recovery program for cassava and sweet potato with one IRS based in Zimbabwe.
1998	Due to the termination of funding and the end of phase 1 of SARRNET, the IRS positions in Tanzania and Zambia were terminated and the SARRNET office was closed in Zambia.
2000	SARRNET launched phase 2 with one IRS for Tanzania and a new SARRNET Coordinator based in Malawi.
2001	USAID/OFDA assistance was terminated and the SARRNET office was closed in Zimbabwe.
2001	Regional USAID support was terminated in Mozambique and the SARRNET office was converted to a bilateral office with support from USAID Mozambique.
2003	SARRNET Phase II was completed in August and the IRS position was terminated in Tanzania.
2004	SARRNET Coordinator position and regional activities are supported by regional funds from the U.S. Presidential initiative to end hunger in Africa (IEHA), with emphasis on Zambia, Mozambique and Malawi until August 2004. It is planned to increase the number of countries and SARRNET activities over the 2004 to 2010 period.

Despite the shortcoming of small projects which Morss (1984) flagged two decades ago, some donors still prefer small projects. For example, between 2000 and 2002, aid agencies in rich countries committed to funding 1,371 different projects in Tanzania. Switzerland committed US\$ 29.7 million of aid through 5 projects whereas Ireland offered roughly the same amount of total aid to Tanzania through 404 different projects (Ranking the Rich 2004).

Rethinking aid modalities for agriculture

Agriculture sector analyses and studies were supported by donors in the 1960's and 1970's, and these often provided the framework for designing, implementing, and coordinating agricultural projects.³⁶ By the late 1970s, the '*project*' was favored for its visibility to the recipient and the donor, its relatively technological simplicity, and its ability to transfer knowledge and institutions that already exist (Lancaster, 1999). However, doubts emerged about the large procurement and reporting requirements of projects and the imposition of tying requirements, on local capacity. And the economic crisis in Africa and associated debt defaults by the 1980's forced donors to reconsider the effectiveness of projects. *Programmatic aid* (including structural adjustment and sectoral adjustment) emerged; these enabled quick-disbursing financial resources that could theoretically promote policy change while supposedly building policy capacity of the recipient government (funds are distributed over time on the basis of compliance with policy conditions). Program aid also enabled foreign aid to support balance of payments to those governments committed to economic reform based on the neoclassical economic vision of free markets and minimal government intervention. *Structural adjustment* mechanisms typically do not control how funds are spent within sectors and thus have had little effect in promoting long-term sectoral objectives, while *sectoral adjustment* mechanisms themselves have not necessarily translated into better outputs and performance because they focus almost exclusively on increased finance for the sector (World Bank 2001). Neither of these programmatic approaches has increased expenditures for the agriculture sector.

Given the perceived ineffectiveness of project and programmatic approaches, and the greater emphasis on governance quality, *sector wide approaches* emerged in the 1990's as a means of promoting recipient responsibility for the preparation and implementation of programs to be supported, and for ensuring effective coordination of donor inputs

(World Bank 2001). Similarly, budgetary support and debt relief have increasingly been adopted (or at least promoted by the plethora of literature on the topic) over the last decade. Together, these enable taking a multisectoral, ‘demand-driven’ approach. The shift is also in part a response to the growing view that *conditionality* does not work and that *ownership* is required for successful outcomes. What’s more, they also have, in theory at least, fewer transaction costs (and so are, in theory at least, likely to be more efficient at delivering aid).³⁷ These tools have become increasingly adopted by donors given the emergence of PRSP’s as a way of prioritizing, coordinating and harmonizing the efforts (including debt relief) of stakeholders.³⁸

Lynam (2003) argues that agriculture virtually disappears” in the transition from project to sectoral and multi-sectoral programs and budgetary support type of modalities. However, data on the use of these new modalities remains incomplete and fragmented for various reasons, including differing classifications among donors (for example, what is the distinction between a ‘project’ and ‘program’), and few incentives for accurate and complete reporting of the types of instruments used for the implementation of various aid activities. There is a clear need to better evaluate how much aid is distributed through each modality, for what purposes (including the sectoral allocation) and to what extent and in what ways modality choice effects aid performance.

Learning from experience and monitoring and evaluating aid effectiveness

Given that it is possible that the ‘failure’ of many past agricultural initiatives contributed to a decline in the allocation of funding to agricultural development, one might consider that it would be important to have a robust monitoring and evaluation (M&E) system in place if decisions on resource allocation (among and within sectors) are to be based at all on past performance. However, donors do not seem to have reached this conclusion.³⁹ Likewise, given the changing mechanisms through which aid is allocated and delivered, there must be a corresponding change in the methodology of M&E. Mutual donor-recipient review of development effectiveness is increasingly being promoted and so ‘there are fairly strong moves towards establishing aid relationships based on ‘partnership’ which implies co-equality and mutual acceptance of responsibilities’ (Killick, 2004a).

There is considerable difference between donors' monitoring and evaluation mechanisms-not only how they are implemented, but more importantly the criteria used as a basis for measuring the likes of 'success' or 'sustainability' and the comparability of results. Though it would be a large step for the adoption of a universal framework upon which all donors could report outcomes and impacts, the development of the DAC "Evaluations Abstracts" website is a step in the right direction.⁴⁰

The issues and challenges examined in this paper have specific implications for agencies with data management mandates and generally relate to improving the tracking of aid flows in a changing aid environment. Current data limitations constrain our understanding of what is happening and also limit our capacity to make more informed decisions on the allocations of aid, both in terms of the relative quantities allocated to various countries, sectors, and sub-sectors, as well as the form of aid provided and the delivery mechanisms used. Areas for further research and potential action as they relate to the issues above, include:⁴¹

- First is a need for a better accounting of the actual flows to agriculture, improving the coverage ratios of the DAC countries contributing data, and designing improved mechanisms for capturing the flows of non-DAC countries. This might lead to a standard schema (with regards to the definitions of sectors, sub-sectors, and modalities) that all donors are able and willing to comply with.
- There is also a need for more information on the relative effectiveness of flows and the relative payoffs or returns to aid delivered to different sectors to allow cross-sectoral comparisons.⁴²
- There is also a need for DAC to cooperate and coordinate its database with poverty tracking systems (UN/WDI) and FAO/OECD data collection initiatives.
- While it is invariably difficult to 'measure' 'capacity', it is becoming increasingly important to track flows and effectiveness of public expenditures to build agricultural science bases and regional knowledge hubs in Africa.
- There are numerous elements of 'policy coherence' that are to some extent measurable (tariffs, proportion of ODA tied, subsidies, etc), and there must be better monitoring (and publicizing) of the compliance of developed (and developing) countries to relevant commitments and agreements.⁴³

A logical outcome of these actions might be a more transparent aid delivery and performance tracking system that clearly shows the relative performance of different donors ('the number of poor that they reduced this year relative to their GDP', for instance) and illustrates this visibly in arenas where public global sentiment is influenced.

VI) SUMMARY AND CONCLUSIONS

This study has found that aid to agriculture in Africa has fallen dramatically over the last decade, while at the same time aid to social services and food aid and emergency relief has increased substantially. Between 1991 and 2001, the share of aid to agriculture in Africa fell from 19 to 10 percent, while that of social services (i.e., health and education) increased from 32 to 56 percent. As agriculture lost support among development organizations, both in absolute and relative terms, poverty in Africa has persisted and, unlike other regions that have made major advances in agricultural productivity to improve the livelihoods of the poorest, Africa has regressed on a number of fronts. Yet the role of agriculture in food security and poverty alleviation is no less important in Africa than it was in Asian's food crisis of the 1960's and 1970's.

What explains the decline? The sharp cutback in donor aid to African agriculture since the early nineties can be partially attributed to donor frustration over three decades of the poor performance of many donor-financed agricultural projects (e.g., credit, T&V extension, livestock ranches and government grain marketing boards). In addition most African governments have given low priority to agriculture and did not demand increased donor support for agriculture. Also, agricultural subsidies and protectionism in industrial countries have reduced world food prices and undermined African food production/security initiatives. In addition many NGOs have been influential in making the case for investments in rural social services. There is a need for African governments to provide an incentive environment that encourages farmers, donors and the private sector to invest in agriculture and raise agricultural productivity, a *sine qua non* for a major attack on rural poverty.

To be sure, it is encouraging that NEPAD and a number of major donors and NGOs have reordered their priorities and put agriculture back on the agenda because of the realization that rural social services, food aid and post-conflict aid may keep people alive but they do

not increase crop yields and earnings capacity – the keys to mass poverty alleviation. Without question, donors should increase their investments in the prime movers (human capital, technology and institutional innovations) to increase farm production and accelerate agricultural growth. Looking ahead, it is clear that the transformation of African agriculture at this stage of Africa's economic history will have to be public-sector led. Donor assistance can play a constructive role in supporting the transformation over the coming 20 to 30 years.

The Time Frame – One of the strategic issues that has for been sidestepped by most donors is the increase in the share of aid to Africa that is spent on food aid and emergency assistance to keep Africans alive amid the reduction of aid for long term investments in roads, research and human capital. A recent example flags this dilemma. In Malawi in 2003, USAID allocated \$39 million for food aid and emergency assistance and only \$3.4 million in investment in the agricultural sector (USAID 2004). And in Ethiopia in 2003, the U.S. delivered one million tons of U.S. food aid valued at US\$475 million; a sum larger than the \$354 million of total U.S. aid to agricultural development in all developing countries in the world in 2001 (USAID 2003a). Feeding Africa today is important but what can be done to help Africans feed themselves down the road? Clearly annual food aid subscriptions are not the answer to breaking the cycle of poverty and dependence. Now that NEPAD, CIDA, SIDA, the World Bank, DFID and USAID and a few NGOs are starting to put agriculture back on the aid agenda, who will address strategic questions such as who will build the rural roads and agricultural universities that India and Brazil built some 40 years ago?

The role of African countries - Much of the strategic investments needed to get agriculture moving entails public good investments in roads, research, extension and building an agricultural science base in a diverse continent seven times larger than India. Investment is needed in physical infrastructure, including roads and communication systems to link farmers with markets, in research and development to improve the productivity of local farmers, and in land security, education and training, and irrigation. Improved African commitment (communicated through increased public expenditure) is of growing importance given that donors are increasingly allocating aid on a 'demand-driven' basis and increasingly channeling aid through the client's own budgetary

accounts. Reform of the macro-economic policies that are biased against agriculture, trade, taxation, labor, and environment in particular is also a challenge that must be confronted by African countries.

The role of donors – What can be done by donors to reverse the declining support for agriculture? Resolving this issue will necessitate rethinking the blanket application of market liberalization, privatization and the use of rural social services to combat rural poverty. It will also necessitate rethinking the modalities used to deliver aid. Project aid was slashed because of concerns regarding implementation and compliance costs and the fragmentation of donor effort. More recently there has been a movement away from programmatic lending because of conditionality ineffectiveness and ownership problems. The now fashionable approach is budgetary support or its equivalencies, though recent evidence is shedding light on some problems with this. It is time to reconsider the modalities used to deliver aid. It may well be that well targeted aid to agriculture that is delivered as regular projects (such as the World Bank's new 12 year Kenya Agricultural Productivity Project) is more effective than budgetary support. Whatever the outcome of future studies of aid modalities, a more comprehensive and coordinated approach to agricultural lending must be adopted. A key question is the following: Who is going to develop a national agricultural strategy for each of the 48 countries in Africa? It has to be Africans themselves. This in turn will require a huge increase in capacity strengthening. This is a monumental task because of the need to take account of the path dependence of the dominant colonial histories. The challenge is to coordinate investments and assure the inclusion of agricultural strategies in country assistance and poverty reduction strategies for each of the 48 countries in Africa. This task will have to be approached at the sub-regional level because neither donors nor African governments have the financial resources to build 48 biotech labs – one for each of the 48 countries in Africa. It is clear that regional public goods investments cannot easily be incorporated into county level PRSPs.

The role of DAC countries - The trade and protection policies of DAC countries have reduced the competitiveness of African farmers, and this in turn directly contributed to the decline in aid to agriculture by reducing the payoff to investments in agriculture development. Developing countries could benefit by 30 billion dollars from trade

liberalization in developed countries between now and 2015, and developed countries themselves would benefit by 144 billion dollars. Despite the failure of the Cancun round, the WTO is in an influential position to encourage reform to ensure that the domestic policies of developed countries are better aligned with development policy. Similarly, policies for allocating and delivering food aid must be more coherent with development policies. No longer should developed countries deliver relief that while visible to their home constituencies and while providing short-term life support for African people, undermines the development of incentives for development of efficient crop production and food distribution systems.

In rising to these challenges, there needs to be better tracking of aid flows such that better decisions can be made on the allocation and delivery of assistance. New indicators of policy coherences, better measures of the relative effectiveness of aid to different sectors, comprehensive reporting of public expenditures (broken down by sectors and subsectors), and a better understanding of the relative effectiveness of different aid modalities, are all areas where immediate research effort is urgently needed.

Notes

¹ See Johnston and Mellor (1961) for an explanation of the important roles of agriculture in development. In Africa, Thirtle, et. al., (2002) have shown that for every one unit increase in crop yields, there is a corresponding 0.72 unit decrease in poverty (this comparing to 0.48 in both East and South Asia, and 0.10 in Latin America).

² Aid to agriculture is defined to comprise agricultural sector policy, planning and programmes, agricultural land and water resources, agricultural development and supply of inputs, crops and livestock production, agricultural services, agricultural education, training and research as well as institution capacity building and advice. Forestry and fishing are also included (identified as separate sectors from 1996 onwards). This definition of agriculture excludes rural development (classified as multi-sector aid) and developmental food aid (a sub-category of general programme assistance). It follows that DAC statistics on aid to agriculture only relate to activities which have agriculture as their main purpose and fail to capture aid to agriculture delivered within multi-sector

programmes. Aid to agriculture through NGOs may also be excluded, since this is not always sector coded in as much detail as project and programme aid.

³ Aid and assistance are used interchangeably in this paper. Official development assistance (ODA) is defined here as those flows to developing country recipients that are provided by official agencies, including state and local governments, or by their executing agencies, and each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10 per cent). The definition of aid here excludes “other official flows” that are either not primarily aimed at development, or do not have a grant element greater than 25 per cent. Okedokun (2003) reports that about 98 percent of ODA during the 1991-2000 period was provided by members of the Development Assistance Committee (DAC) of the OECD. DAC is the donor organization responsible for monitoring aid performance. Currently 22 (high-income countries) are members of DAC.

⁴ CRS is the DAC’s aid activity database. It contains information on financial flows for official development assistance and provides a set of basic data on where aid goes and what purposes it serves.

⁵ The four limitations of the use of CRS data are:

- a) The CRS generally reports *commitments* whereas the main concern is finding out how much funding *actually* flows to the agriculture sector of developing countries rather than the amount that donors ‘commit’. While in theory actual disbursements should equal the commitments made, there are generally discrepancies between the two with *fewer* funds being disbursed than committed because of cancellations. There is also *less* data reported to CRS because of reluctance on behalf of the donors to make the extra effort required to collect and report commitment (rather than disbursement) data that must be provided at a more detailed level.
- b) CRS statistics on aid to agriculture only relate to activities that have agriculture as their main purpose. However, there are inevitably some agriculture activities or elements *in other codes*, and likewise some non-agricultural elements in the agriculture classification. To what extent agricultural components of programmatic approaches and multisectoral projects are captured accurately, is questionable.
- c) Coverage of aid flows is generally incomplete and varies by donor and by year. Different donors have different reporting practices, and often agencies use their own classification and coding systems. These can be difficult to reconcile across agencies.
- d) The data generally relate only to the flow of aid as an input to development—they say nothing of the outputs attained for each input. That is, no insight is gleaned as to the relative degree of aid effectiveness among sectors, donors, or delivery mechanisms, nor changes across time.

⁶ OECD maintains a database (the ‘DAC database’) that provides annual aggregated statistics on the volume, origin and types of aid and other resource flows. But it is not appropriate for this analysis, because it does not permit sectoral analysis at the country/regional level. The next best alternative may have been detailed analysis directly drawing from the records and resources of a number of individual donors, however, this is beyond the scope of this paper.

⁷ ODA and aid are used interchangeably throughout this paper.

⁸ Brautigam (2004) and Knack (2004) report that more than half the countries in sub-Saharan Africa have experienced significant political instability since independence, including civil war and coups.

⁹ Unless otherwise specified, the source of in-text citations is the OECD CRS database.

¹⁰ For example, the private sector accounts for only 10 percent of all agricultural research in developing countries, and it is assumed to be less than this in Africa (Pray, 2002); Beintema and Stads 2004).

¹¹ These changes are consistent with those at the global level (social infrastructure having risen from 20 to 48 percent and multisectoral having increased from 6 to 12 percent of total sector allocable aid from 1975 to 2000).

¹² For instance, the largest recipient of aid in Africa in 2000 was Ghana, a country with a per capita GDP considerably higher than that of the regional average and a population considerably smaller than many other countries in Africa.

¹³ This includes agricultural sector policy, planning and programmes; aid to agricultural ministries; institution capacity building and advice; unspecified agriculture.

¹⁴ To the extent that programmatic lending is associated with an increasing share of agriculture aid reported as “unspecified agriculture”, there will be some degree of bias in the trends reported here.

¹⁵ For example, while Africa’s imports of cereals equated to only 6 percent of domestic production in 1961, imports equated to 25 percent of production in 2001. (Exports equated to 46 percent of imports in 1961 and to 3 percent in 2001) (FAOSTAT, 2004).

¹⁶ See Eicher 2003 for more details.

¹⁷ These are transactions by the official sector that do not meet the conditions for eligibility as Official Development Assistance, either because they are not primarily aimed at development, or because they have a Grant Element of less than 25 percent.

¹⁸ Also, data from non-DAC donors is significant though excluded from the analysis thus far. In 2002, total ODA from non-DAC donors equated to slightly less than 5 percent of the total ODA provided by DAC donors, though in previous years this contribution has been significantly less (DAC, 2004). Given that this aid from non-DAC countries is likely to increase, an important challenge for the DAC will be to continue to monitor these flows effectively, and perhaps include/integrate with existing DAC data this will, of course, require reporting to the same level of detail to enable comparability.

¹⁹ For example, in the 1960’s there were three major agencies providing aid to agriculture in India: the Ford Foundation (agricultural extension); the Rockefeller Foundation (agricultural research); and USAID (agricultural higher education and training). Today the typical developing country is assisted by around 25 donor agencies.

²⁰ There are insufficient data on public resource flows in African countries. DAC could play an important role in promoting more accurate and thorough public sector accounting and reporting (Cook and Sachs, 1999). This will become increasingly important given the increasing resources transferred through budgetary support, and it must encompass ‘what’ was financed, and how ‘effective’ were the expenditures.

²¹ Africa was a modest net food exporter in the 1960’s.

²² See Staatz and Eicher (1998) for a discussion of the change in thinking about agriculture’s role in development.

²³ Paarlberg and Lipton (1991) note, however, that for the World Bank at least, while the proportion of failed projects was relatively high, the proportion of failed lending was no higher than that of lending in other sectors—the projects that failed were relatively small and inexpensive.

²⁴ Cleaver (2003) reports that “the World Bank only had a 60 percent success rate with agriculture projects in the 1980’s and early 1990’s; similar to that for other donors”.

²⁵ Lending for irrigation projects is a good example. For the first time in the past 40 years the World Bank did not lend any money for irrigation (world wide) in 2003 because it had a hard time finding a rate of return on irrigation investment greater than 10 percent at current world agricultural prices. In addition, the proposed irrigation projects often had social and environmental problems.

²⁶ Nweke, Spencer and Lynam (2002).

²⁷ Donor aid to social services in Africa increased from 26 percent in 1990 to 55 percent in 2000. A recent World Bank study of 13 heavily indebted poor countries found that there was a close association between the expansion of spending on social services and an almost corresponding decline in the share of aid for production services in countries participating in EHIPC (Enhanced Heavily Indebted Poor Country) schemes (Gautam 2003). Similarly, Killick (2004) recently examined the choices of modalities and found that donor expenditure on rural social services is increasing in many countries while public expenditure on agriculture and core infrastructure is decreasing.

²⁸ The definition of 'relief' includes food aid/food security programmes (supply of edible human food under national or international programmes, including transport costs; cash payments made for food supplies; project food aid; and food aid for market sales) and emergency assistance (all emergency, distress relief and humanitarian aid; disaster preparedness; food aid normally for general free distribution or special supplementary feeding programmes; short term relief to targeted population groups affected by emergency situations; and aid to refugees (in recipient countries) including internally displaced people).

²⁹ That a greater proportion of food aid and emergency relief is provided by bilateral agencies than multilateral agencies might indicate the political motivations of food aid delivery (for instance, in 2001 bilateral agencies delivered 81 percent of all food aid and emergency assistance, yet they only delivered 64 percent of aid to agriculture).

³⁰ T.W. Schultz (1983) made this same point during Asia's food crisis of a generation ago.

³¹ The FAO has recognized that a 'twin-track' approach is necessary to improve the immediate livelihoods of the poor *and* offer substantial investments to get agriculture moving and alleviate the need for assistance of any sort (relief or development) in the long-term (FAO, 2003).

³² Rosegrant et al. (2001) estimate that given the current 'baseline scenario', the number of malnourished children in Africa will increase by 18 percent to 39 million by 2020. By increasing investments in agriculture by 76 million USD, and achieving an annual crop yield growth rate of only 3 percent, child malnutrition in Africa could be reduced by one third over the same time period.

³³ Developed countries themselves would benefit by an estimated US\$ 144 billion (in 1997 prices) upon liberalization of their trade policies (and by a further US\$ 53 billion upon liberalization of the policies of developing countries) (World Bank, 2002).

³⁴ Two other challenges will be reforming domestic competition policy (especially in light of the consolidation in agriculture and the concentration of power in large agribusinesses), and enabling the transfer of knowledge, technologies and resources that can most help farmers (seeds, GMOs, technology, fertilizers). Because of developed country legislation (including patents, etc.) and barriers to information flows in general, developing-country producers have limited access to advanced (and in many cases even basic) scientific knowledge.

³⁵ NEPAD and the World Bank's approach '... exhibit an amazing consensus over the cause of the continent's underdevelopment, what should be the focus of development policy and how to achieve development' (Owusu,

2003 p. 1660). Further, NEPAD's commitment to agriculture has been strongly endorsed by the *Comprehensive Africa Agriculture Development Programme* in which the importance of agriculture to African development is forcefully articulated, and the specific investment needs (both domestic and international) to realize the potential of the agriculture sector are spelled out (NEPAD, 2002). However, this is a new initiative, and though off to a positive start, it faces many hurdles before any substantial impacts are achieved.

³⁶ See Johnson et al. (1969) for an agricultural and rural development strategy for Nigeria that was prepared by a large team over a three-year period. There has been a slippage in donor support for this type of sectoral work, and a decline in its quality, over recent years in Africa.

³⁷ Ali et al, (1999) note that the form of aid and the mechanisms used to deliver it have tended to make local administrative and political processes beholden to external constituencies.

³⁸ The Poverty Reduction Support Credit used by the World Bank is one specific form of budgetary support that has been developed, as a means to implement the Country Assistance Strategy. The Highly Indebted Poor Country scheme (HICP) is another prominent framework for administering assistance in Africa—its principle objective being the reduction of debt (to 'sustainable' levels).

³⁹ CDD (Community Driven Development) and CBRD (Community Based Development Projects) approaches are flourishing, despite there being no solid empirical basis for these projects. A concerted effort must be made to critically examine their effectiveness (Mansuri and Rao 2004).

⁴⁰ See <http://www.dac-evaluations-cad.org/dac/>

⁴¹ An overriding task of DAC Statistics will be balancing the value of improved data quality (in terms of its incremental potential to increase aid effectiveness, both within the sector, and allocative efficiency among sectors) and the incremental costs of increasing data quality.

⁴² Not only should this relate to the sectors, sub-sectors, and specific activities for which aid is allocated, but to the modalities used. "It is crucial in evaluating the effectiveness of aid programs to distinguish failures of the aid process from failures of overall development strategy. One can distinguish two kinds of aid failure: aid strategy and aid delivery" (Tarp et al., 2000). Also see Riddell (1999).

⁴³ For instance, at the G8 Summit of 2001, donors committed to untie forms of aid other than food aid, free-standing technical cooperation, and management services arrangements. In coming years DAC will play an important role in monitoring compliance with this agreement. Also, the specific policy-related commitments made in relation to the MDGs and the Monterrey Consensus are rather vague and generally represent soft policy statements; "... targets seem more like statements of good intentions rather than clear commitments to action" (Grieg-Gran, 2003). A recent OECD Policy Brief recognizes the OECD as being well-placed to integrate developmental with other policy considerations due to its analytical capacity and the horizontal nature of its work; "a combination of concrete analysis of the impacts of OECD country policies in the priority areas on developing countries, policy recommendations—including identification of policy alternatives—and building the will for reform are needed". It goes on to commit OECD to do so "... OECD's analytical work will seek measures by which progress can be monitored on a regular basis" (OECD, 2003a).

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