Privatising aid is a dangerous strategy
The objective of aid should be to make itself unnecessary, but this may not be top of private companies' priorities

"The very factors that make Africa a target for agricultural development aid also make it a promising land market for multinational investors." Photograph: Alamy

"There is one thing worse than having private companies come to your vicinity to exploit your resources," a young Senegalese man once told me, "it is to have none."

Though he had extractive industries in mind, the same paradox haunts the debate on development aid. Private companies – either acting on their own initiative or in public-private development partnerships – are increasingly relied upon to support the reinvestment in developing world agriculture.

As the Senegalese man observed, it would be a mistake to suggest that developing countries can do without investment. This is particularly true of agriculture, where 30 years of neglect must be remedied. And it is imperative for many low-income, food-deficit countries, whose current situation – in which they produce a narrow range of raw commodities but import an increasing proportion of their food – is not sustainable.
It is often the countries with the greatest need to rebuild their food production base that are most stripped of the cash needed to make these investments. In order to support investment in agriculture, governments have therefore come to rely on private sector investment and development aid – and increasingly a partnership of the two.

The New Alliance for Food Security and Nutrition, proposed by Barack Obama and the US Agency for International Development, and launched in May 2012, will draw more than $3bn of private sector investment into food security plans in Africa.

The very factors that make Africa a target for agricultural development aid also make it a promising land market for multinational investors. But opportunities should not be mistaken for solutions. Problems can arise when private companies take a central role in aid programmes. It is not necessarily a case of the programmes being ineffective – in many cases New Alliance-style investments will do just what they set out to do, and drive up food production. But what are the costs of this type of approach?

One of the New Alliance projects will see agri-food giant Cargill, subsidised by G8 development funding, take some 40,000 hectares of farmland in Mozambique. This comes at a time when peasant movements and smallholders across the developing world are calling out for their access to land to be secured in the face of land grabs.

The Cargill project is likely to involve some contracting out to smallholders, but this kind of approach should not be an add-on or an afterthought. The world's more than one billion farmers – most working at a small scale – are the largest investors in agriculture, and should be at the centre of any strategy aimed at improving agricultural investment. One potential danger of development aid, and particularly of private-led projects, is that the goals of poverty reduction and rural development can be relegated below the goal of raising food production. Supporting smallholders makes this trade-off redundant – it channels investment to the productive capacity of those who are producing for local markets, and supports livelihoods in the most poverty-stricken rural areas.

Some of this investment is cheap to provide, but other types are more costly: for example, the building of infrastructure such as roads or storage facilities and the provision of credit on favourable terms. This raises the question of opportunity costs: are the substantial sums being pledged for New Alliance-style projects used in the schemes that will truly help smallholders to flourish? Could the same sums be used better for rural development and poverty reduction?

Private funding can work to the benefit of poor farming communities. But for this to happen, investors must fit under genuinely country-led food security plans that target the most marginal farmers. And aid must not result in a long-term dependency on...
expensive technologies that may eventually force the most marginal farmers, who have the greatest difficulties accessing credit, to leave the land.

This smallholder-led, country-led approach, is the type of aid that has the greatest multiplier effects for the poorest, and presents the lowest risks of dependency.

Ultimately, the objective of aid should be to make itself unnecessary. Only by defining a clear exit strategy from the start can dependency through aid be avoided. It remains to be seen whether private firms, in partnership with public donors, will be willing to support approaches that look more like this, and less like the rest of their investment portfolios.

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