

Investing in agriculture and agro-biodiversity



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Agricultural growth, securing food and ensuring that people have adequate purchasing capacity are necessary precursors for achieving several of the Millennium Development Goals. For each of the above, careful and planned investments are required from both the public and private sectors. Countries need to have information as well as analytical capacities to prioritize, design, implement and monitor investment programmes in agriculture in a manner that enhances productivity and conserves the broad genetic base. Recent developments in research and development cannot by-pass local people and rural and urban livelihood securities. Although some countries have succeeded in making agriculture a dynamic sector with rapid technological innovation accelerating growth and reducing poverty, global and national market failures continue to pave the way for under-investment in research, development and extension systems in many countries.¹ Estimated returns for investments in agricultural research and development are high in all regions of the world at an average of 43 per cent.^{2,3} Even in sub-Saharan Africa this figure stands at 37 per cent. As noted in the World Development Report (2008), the high pay-offs relative to the cost of capital also indicate that agricultural science is grossly under-funded.

Private investment in agriculture and agrobiodiversity conservation is limited in developing countries. Some 94 per cent of agricultural research and development in developing countries is derived from public sector.⁴ Developing countries as a group invested 0.56 per cent of their agricultural GDP in agricultural research and development in 2000, this is to say one-ninth of the 5.16 per cent invested by developed countries during the same period. While close to 50 per cent of investment in research and development in developed countries is derived from the private sector, in developing countries it is a mere 6 per cent. It should be noted, however, that the intensity of investment in agricultural research and development in developing countries (in relation to agricultural GDP) is five times higher than in developed countries.⁵ What do these figures indicate? Developing countries have problems not only in investing in research and development but also in making the best use of investments. Solutions may lie in clarifying the appropriateness of investment, sequencing, timing and assessing its effects.

Some key interventions

Some key answers may be derived from the observation that public expenditure decisions often focus on short-term payoffs that are politically correct. Long-term assessments of investments are often not considered. Increasing trade distortions and related national policies on the fixing of fair prices and the spreading of subsidies reduce incentives for farmers to continue working in agriculture, making public and private investments in agriculture unattractive.

The challenges to increasing investments and returns in agriculture and related conservation activities are based on micro- meso and macro-level actions. At the local level, there is a need to provide organized, sustained and relevant credit and technological systems for poor farmers to help increase productivity and reduce output costs. At the regional level, input supply and financial delivery systems need to be organized better and perhaps supported by suitable and trained institutional mechanisms. At the national level, there is a need for governments to provide adequate coordination (fair procurement prices, appropriate concessions, insurance mechanisms) and infrastructural services (storage, movement, processing, marketing) that are based on rational assessment of types of crops (such as cash crops, staples etc.), agronomic conditions (rain-fed or irrigated) and future potential for private sector investment. This kind of sequencing that works in both directions would enhance investments in agriculture and conservation and also provide for better local economic empowerment⁶.

Attracting investment from the private sector for agrobiodiversity conservation and agricultural development is a challenge, as the private sector traditionally has not been interested in crops without a good market value. Unfortunately for the agriculture of developing countries non-cash crops are a priority in ensuring local food security. One way to break this dead-lock would be to develop and use innovative mechanisms such as tax concessions for private sector investment in research and development for non-cash crops. Complementary funding activities from the public sector and external donors that attract the private sector could increase research into staple crops.

Adequate protection measures for investments, through options such as suitable protection of intellectual property rights, breeders' rights or farmers' rights are another area that developing countries need to focus on to attract investment in agriculture.

In conclusion, it is important to note that attracting and sustaining investment into agriculture and agro-biodiversity conservation needs strategic long-term planning, understanding of local needs and the dynamics of agronomic practices and market potential, dialogue with the private sector and donors to encourage partnerships and enormous political will to move from securing the vote bank to securing sustainable livelihoods.

⁶ Droward Andew, 2006, IFPRI, Washington, United States of America.

¹ <http://www.fao.org/newsroom/en/news/2004/50703/index.html> and, <http://www.un.org/apps/news/story.asp?NewsID=25926&Cr=food&Cr1=prices>

² World Development Report, 2008. World Bank, Washington, United States of America.

³ Aiston and others 2000 cited from chapter 7 World Development Report, 2008.

⁴ World Development Report, 2008. chapter

⁵ <http://www.asti.cgiar.org>