MOZAMBIQUE 136

RURAL DEVELOPMENT

UNCTAD BACKS
Government support for agriculture
Increase production to meet MDGs
Directed credit

MOZAMBICAN EXPERTS SAY:
Green revolution must be more than a tecno-fix

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News reports & clippings no. 136 from Joseph Hanlon
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This is an irregular service of news summaries, mainly based on recent AIM and Noticias reports.
Previous newsletters and other Mozambique material are posted on
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Three files attached:
+ pdf of this mailing, with colour and formatting
+ Mucavele & Mosca articles (in Portuguese)
+ Savana cartoon referred to newsletter 134

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UNCTAD calls for more government support for agriculture

Input subsidies, more rural credit, and "special export development and investment funds" supported by donors are essential parts of a comprehensive package to promote agriculture, according to the report "Economic Development in Africa 2008" published by UNCTAD (UN Conference on Trade and Development) on 15 September.

Trade liberalisation, pushed by donors and the World Bank as part of structural adjustment, has not worked in poor countries, with imports increasing more than exports. Where exports have increased, as in Mozambique, it is in the fuel and minerals sectors, which were never subject to trade restrictions.

The issue, according to UNCTAD, is that trade liberalisation was never backed up with measures to promote production and productivity, which was simply left to the market. Countries which have increased agricultural exports went against donor policy and had a larger state role. The report points to Ghana's increase in cocoa exports, which occurred because Ghana resisted donor demands for privatisation of the cocoa marketing board, which now provides essential support to farmers. Similarly, Malawi's fertiliser subsidy was introduced over strong donor protests, but has turned Malawi from a maize importer to an exporter.

UNCTAD notes that wide ranging support for agriculture, including marketing, is permitted under World Trade Organisation rules.

Increase production to meet MDGs

Expanding production and increasing productivity in both industry and agriculture in developing countries is the best way to reach the Millennium Development Goals (MDGs) according to UNCTAD Secretary-General Supachai Panitchpakdi, speaking on the day the Africa report was issued.

To make progress in reaching the MDGs requires channelling more aid into boosting their productive capacity, Supachai said. Instead, official development assistance (ODA) is going increasingly to social and human development efforts. Among the world's 49 least developed countries (LDCs), assistance to productive sectors had fallen to just 25% of aid disbursements by 2006. To redress the balance, additional aid for the productive sectors is urgently needed.

Boosting faltering progress towards the MDGs requires integrating MDG efforts into a broad economic strategy, as East Asian economies have done. A narrow emphasis on specific targets, in a compartmentalized way, "is unlikely to be sustainable and may even become counterproductive. A much stronger connection is needed among social, human development and economic goals and policies," he said. While investment in social sectors is important, it is equally vital to ensure that there is adequate investment in economic sectors and infrastructure.

The UNCTAD Secretary-General said greater emphasis is required on increasing agricultural productivity – recent attention and aid to the global food crisis have been impressive, but have focused on immediate needs. "Similarly impressive efforts are needed urgently to address the underlying causes of the crisis which are to be found in the longstanding neglect of agriculture in many developing countries. Indeed, in many LDCs, agricultural productivity is lower today than it was 50 years ago."

UNCTAD backs directed credit & development banks

UNCTAD has explicitly challenged IMF and donor policy by arguing that poor country "governments can play a role in directing credit to sectors and activities that are strategically important for the economy as a whole." In its "Trade and Development Report, 2008" issued on 4 September, UNCTAD notes that "public sector banks, particularly development banks, could play an important role in ensuring access of firms to reliable sources for financing productive investments." It also calls for "government guarantees for loans to finance promising investment projects."

The supportive use of the phrase "directing credit" makes the report a frontal challenge to the IMF, which uses the phrase and has made its fierce opposition to "directed credit" a central part of the private sector led development programme the IMF tries to impose on poor countries such as Mozambique.

Furthermore, UNCTAD says that the use of aid money for investment "in the productive sectors is essential to support domestic efforts to raise levels of real income and employment and to shift income distribution in favour of the poor."

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Mozambican experts say:
Green revolution must be more than a tecno-fix

Mozambique's much talked-about "green revolution" cannot be simply providing a few inputs or even a range of new technologies. It requires radical changes to the entire agricultural value chain, new ways of thinking about rural development, a hugely increased role for the state, and large amounts of money. This is the view of two of Mozambique's most important development thinkers, Professor Firmino G. Mucavele, formerly Chief Executive of NEPAD and now of the Agronomy Faculty of Universidade Eduardo Mondlane, and Professor Carlos Nuno Castel-Branco, director of the Instituto de Estudos Sociais e Económicos. Both stress that the term "green revolution" actually refers to radical changes in agriculture in India and Latin America more than three decades ago, and that model cannot be directly applied to Africa.

But in a long interview in *Noticias* (15 September, attached), Prof Mucavele stressed that in previous green revolutions, the entire food production chain – choice of crops, inputs, extension, production systems and marketing – went though a revolution which was totally externally financed. He estimates that a green revolution in Mozambique would cost $450 million a year for 15 years. He also stresses the need for credit, which will require a rural development bank which would not just provide subsidised credit, but would do research and keep detailed records, so that it could advise on the best crops and methods for particular areas. The state would need to provide vastly expanded extension services, step up research particularly on pests and diseases, and would have to be buyer of last resort to guarantee a market.

Professor Castel-Branco stresses that a "green revolution" must be part of an articulated rural development strategy. It must take account of the environmental, technological and financial changes that have happened in the past 30 years. He stresses the need for subsidy. But he points out that aid to Mozambique is now $1.5 billion per year, and if a "substantial part" of this were used for "direct support of the productive sector", then in just a few years Mozambique could become productive and no longer need aid. He too looks at the need for radical changes in production methods, which imply many social changes. He stresses that there are many possible "green revolutions" – not just the one pushed by the international seed and fertiliser companies – and Mozambique needs to choose. Any choice must reflect the need to raise the productivity of a broad range of Mozambican farmers. The full paper, *Notas de Reflexão sobre a "revolução verde",* is on:
http://www.iese.ac.mz/lib/publication/dp_2008/Discussion_Paper2_Revolucao_Verde.pdf

Castel-Branco expands his argument in a paper given at the first annual development conference in Nampula 3-5 September. He argues that rural development cannot just be seen as "part" or even a "fundamental part" of development strategy, nor can it be, in donor jargon, a sectoral or transversal issue. Rather it must be the centre of gravity of the entire national development strategy. That, in turns, requires a radical restructuring of institutions and of the entire economy. But Mozambique has already twice made such radical shifts, between 1977 and 1980 when Mozambique started to restructure the entire economy inherited from colonialism, and then in the late 1980s with a shift to a market economy during the war. He accepts this will not be easy, but calls for the creation of a new "lobby" that would challenge existing powerful economic lobbies and instead promote sustainable growth. This provocative paper *Desafios do Desenvolvimento Rural*, is on
http://www.iese.ac.mz/lib/publication/dp_2008/DP_03_2008_Desafios_DesenvRural_Mocambique.pdf

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Other rural items

+ Economist João Mosca in a column in *Savana* (29 August, attached) argues that Mozambique's present economic model is little different from that in the colonial era – accumulation is centred on the exterior, outside the country, and on the extraction of resources and exploitation of labour. Rural zones and agriculture are marginalised. All that has changed is the colour of local economic agents.
+ Mozambique is finally constructing major grain storage silos. A Tanzanian company is building silos with 120,000 tonnes capacity in Nacala port.
+ Maize prices in markets in many parts of the country are double what they were a year ago, with consumers paying more than 10 Mt/kg ($1 buys 2.5 kg)