



## Dialogue to Action Consultation: Small-scale farmers, agricultural biodiversity and the role of the public sector

### Background Note on Trends in Public Sector Spending in Agriculture

#### Statistics and Trends on Declining Public Sector Support

Recent reports have given various accounts of how public sector support in agriculture has changed over time, but overall, public sector investment is growing at a much slower and more unpredictable rate than the private sector:

- The International Food Policy Research Institute (2012) has documented significant increases in agricultural research and development spending in the period from 1981 to 2009, with China leading the way, Sub-Saharan Africa showing stagnant investment growth, and South-East Asia seeing a decline in investment after years of progressive growth (see **figure one**)
- Agriculture Science and Technology Indicators (ASTI) reports (2012) show consistent average growth rates of public sector spending around two percent in Agricultural R&D expenditures and Agriculture as a percentage of GDP for developing countries between 2000 and 2008, and a 22% increase in global public spending from \$26.1 billion USD to \$31.7 billion USD.
- Global private spending has increased by 26 percent, from 14.4 billion to 18.2 billion, growing at a faster rate than public spending.
- Most of the increase in global public spending is a result of large investments in a small group of middle income countries, such as China, India, and Brazil, which accounted for a quarter of global spending and half of combined developing country spending.
- Approximately one-third of high income countries spend less on public agricultural R&D in 2008 than in 2000, showing considerable slow-down.
- In developing countries, spending volatility coefficients show that spending is twice as volatile in low income countries, at 0.21 compared to 0.11, and are considerably more volatile than middle income countries (at 0.14).
- Reports from the FAO (2016) that includes data up to 2015 shows a decreasing trend for Asia and Pacific, Latin America and the Caribbean, and stagnating trends in Sub-Saharan Africa and the World overall between 2001 and 2015 (see **figure two**).

Though certain trends have shown stagnation or slight increases in spending, agriculture as a share of government expenditure and agriculture as a share of GDP, and the agriculture orientation index have declined over the past 15 years, while developed regions have been relatively consistent over time (FAO, 2016). While this variation in data could be a result of a lack of consensus over which indicators accurately represent commitment to public agricultural investment, the data clearly shows stagnation or decline in developing country spending, or at the very least, extremely volatile investment environments.

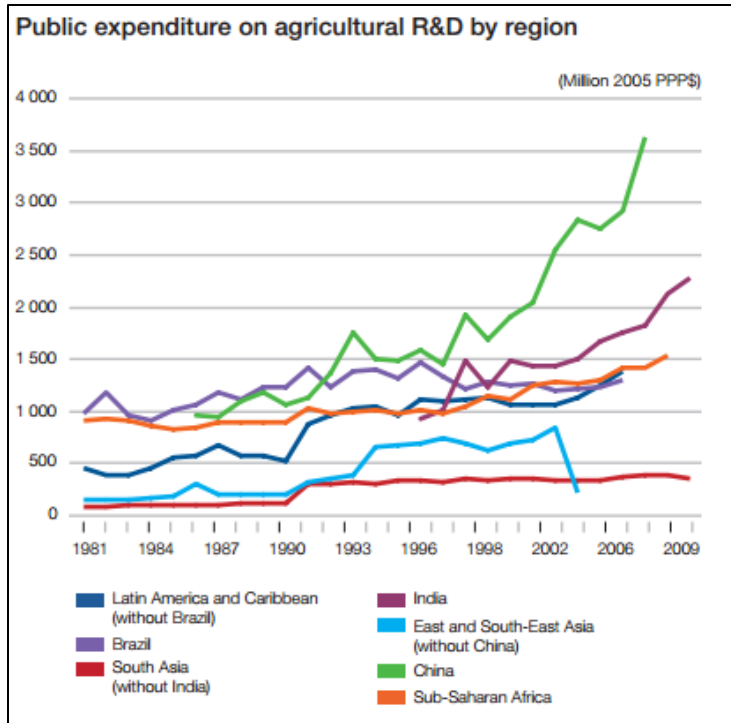


Figure One (Source: ASTI 2012)

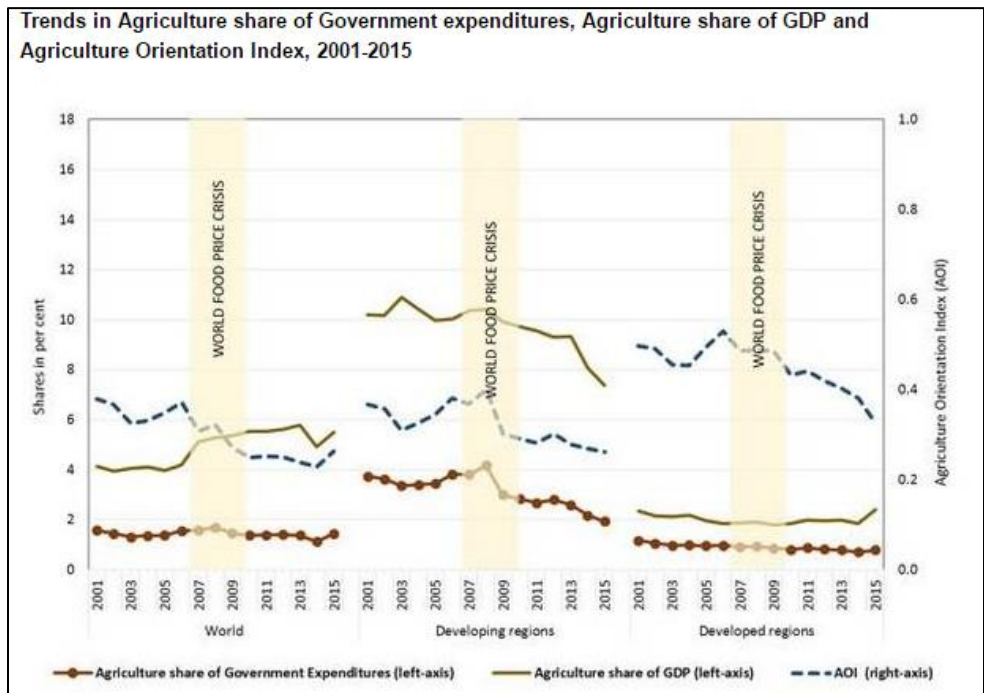


Figure Two (Source: FAO, 2016)

### Shifting Focus to Public-Private Partnerships and “Blended” Funding Mechanisms

While we cannot say with certainty that public agricultural investment and spending has declined significantly over time (though trends indicate volatility and decline in certain aspects), we can identify a shift in the composition in total spending on agriculture. The trends of increasing private investment as a



proportion of global private spending in agriculture can be attributed partially to the focus of global governance mechanisms on public-private partnerships (PPPs) and “blended funding mechanisms” for financing development projects (Adams, 2016).

The Addis Ababa Action Agenda has highlighted PPPs as critical financing mechanisms, and despite an acknowledgement of the need to “build capacity to enter into PPPs, including as regards to planning, contract negotiation, management, accounting, and budgeting for contingent liabilities,” experts have contended that consequences may be unavoidable due to the incompatibility between public and private investors (KS et al., 2016).

In terms of the 2030 Sustainable Development Agenda, the Intergovernmental Committee of Experts on Sustainable Development Financing have calculated 80-90 trillion in underutilized assets for investing in development, primarily in private sector resources, and recommend a “crowding in” of corporate financing through blended funding mechanisms (Adams, 2016). Private funding for UN-related activities grew by 800 million dollars between 2012 and 2013 alone, and make up 14 percent of all voluntary contributions (Adams, 2016). For example, there has been increasing investment by corporations such as Visa, MasterCard, and Citigroup, as they recognize the market of 2.7 billion people who do not yet have access to large-scale credit, and organizations such as Mars and PepsiCo have taken active investment roles in the Scaling-Up Nutrition (SUN) Initiative in order to influence nutrition interventions and have access to developing-country markets (Adams, 2016).

The 2012 G8 New Alliance for Food Security and Nutrition has received more than 3 billion dollars in commitments from the private sector, and supports “public-private partnerships with adequate emphasis on the development of infrastructure aimed at increasing resources for agriculture and improving investment effectiveness” (Quak and Metz, 2015; G8, 2009) Between 2007 and 2010, the OECD estimated that donors channeled an extra 669 million dollars into Public-Private partnerships, with the common aim of achieving greater impact through effectiveness and efficiency, and mobilizing assets and expertise of the private sector (Quak and Metz, 2015). Currently, the Canadian-based International Development Research Centre and the Syngenta Foundation for Sustainable Agriculture have even partnered to develop a PPP innovation platform to support the development of such partnerships in agriculture (Quak and Metz, 2015). As we can see through these examples of large-scale agriculture and development agreements, there is an increasing trend of “crowding in corporate investment” – but at what expense?

### **Why should we care?**

There has been recognition at the global level, even by organizations that have traditionally been proponents of private investment in development, that PPPs do not consistently produce positive outcomes. The World Bank, International Monetary Fund, and the European Investment Bank have recently put out reports citing a number of cases where PPPs had negative impacts on their intended beneficiaries, due to a divergence of interests (Adams, 2016). Despite the prevalent narrative that the public sector is somehow inefficient or incapable, public investment in agriculture and smallholder farmers has been proven to be critical for:

- Compensating for market failures;
- The protection of public goods, such as biodiversity and natural resources, that are likely to be underprovided by the public sector; mitigating externalities such as environmental degradation;
- Correcting information asymmetries and imperfect competition in markets;
- Supporting equality and poverty reduction through agricultural investment (Mogues et al., 2012).

Public investments in agricultural R&D have also been shown to have the single largest effect on growth in the sector, and returns on investment in terms of poverty alleviation are stronger and more



stable impacts are experienced than through other forms of spending (Mogues et al., 2012). While increasing efficiency and effectiveness have been primary reasons for the growth of partnerships with the private sector, the private sector has not exhibited either of these qualities in sustaining public goods or upholding the rights of smallholder farmers (Adams, 2016). While the “Guidelines on a principle-based approach to the cooperation between the UN and the business sector” have been developed to guide such collaborations, they have yet to be implemented and have been consistently under revision since their inception in 2000 (Adams, 2016). In order to create agricultural systems that are inclusive of smallholder farmers and receptive to their needs, the public sector must be reinvigorated as the leader of development investment.

### For Further Reading:

Adams, Barbara (2016). “United Nations and business community, out-sourcing or crowding in?” *Global Policy Watch Paper #13*. Global Policy Forum.

Beintema, Nienke et al. (2012). “ASTI Global Assessment of Agricultural R&D Spending: Developing Countries Accelerate Investment” Agricultural Science and Technology Indicators, International Food Policy Research Institute.

Benin, Samuel and Eduardo Magalhaes (2015). *Statistics on Public Expenditures for Economic Development*. International Food Policy Research Institute. Accessed online: [http://ebrary.ifpri.org/cdm/ref/collection/p15\\_738coll3/id/206](http://ebrary.ifpri.org/cdm/ref/collection/p15_738coll3/id/206)

FAO (2016). “Government Expenditure on Agriculture,” FAO. Accessed online: <http://www.fao.org/economic/ess/ess-economic/expenditure/en/>.

Quak, Evert-Jan and Nicole Metz (2015). “Building Partnerships with whom? A quick scan of the key actors in food security Public-Private Partnerships.” The Hague: Food and Business Knowledge Platform. Accessed Online: [http://knowledge4food.net/wp-content/uploads/2015/05/150519\\_fbkp-stakeholder\\_analysis\\_PPP.pdf](http://knowledge4food.net/wp-content/uploads/2015/05/150519_fbkp-stakeholder_analysis_PPP.pdf)

International Fund for Agriculture and Development (2013). *Smallholders, food security, and the environment*. Rome: IFAD and UNEP.

KS, Jomo et al. (2016). “Public-Private Partnership and the 2030 Agenda for Sustainable Development: Fit for Purpose?” *DESA Working Paper No. 148*. Geneva: UNDESA.

G8 Summit (2009). “L’Aquila’ Joint Statement on Global Food Security,” *L’Aquila Food Security Initiative (AFSI)*. Accessed online: <http://www.mofa.go.jp/policy/economy/summit/2009/statement3-2.pdf>

Tewodaj, Mogues et al. (2012). *The Impacts of Public Investment in and for Agriculture: Synthesis of Existing Evidence*. ESA Working Paper No. 12-07. Rome: Agriculture Development Economics Division, FAO.

World Bank (2013). “Evaluation of the World Bank Group’s Support for Public-Private Partnerships,” *Approach Paper 82186*. Washington: IEG World Bank/IFC/MIGA.