How does Agriterra know it is doing the right thing?

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Poverty alleviation

How does Agriterra expect to contribute to poverty alleviation? By knowing that individual actions, such as an agripooler mission or a business development project, can trigger a chain of results that leads eventually to a higher goal: less poverty. This results chain is known as the Theory of change, and it allows us to illustrate the likelihood that our actions lead to the intended results.

The likelihood of success in our case is even higher, because our Theory of change is embedded in a general theory of economic development based on historical patterns. We enhance and accelerate development by addressing three critical issues: agricultural productivity, off-farm rural employment and the empowerment of farmers. Crucially, our actions in these areas can bring about development without disrupting food supplies and employment.

Another reason for believing in success is that we have identified a group of actors - farmers’ organisations and cooperatives - critical to the realisation of development. Agriterra therefore equips and strengthens such entities so they can boost productivity, employment and farmer empowerment. We support farmers’ organisations and cooperatives to build extension services to promote entrepreneurship among members, to make bankable cooperative investment plans, and to lobby effectively and accountably in favor of farmers. Farmers’ organisations and cooperatives need to be both efficient and effective in these tasks, so we assess them carefully before choosing them as partners.
Agriterra measures inputs and outputs at several levels to determine the effectiveness and efficiency of its development activities. Our monitoring and evaluation (M&E) system has been developed over many years in cooperation with the other members of the AgriCord alliance of agri-agencies and, according to IFAD, the system is optimal in cost/benefit terms. For most outcomes (such as the effect on the strength of farmers’ organisations), we have objective measures; for some (such as the impact on farmers’ livelihoods) we collect subjective data. Generally speaking, our system enables us to claim with a high degree of probability that we have contributed to poverty eradication. And by enabling farmers’ organisations and cooperatives to have their own management information and M&E systems, and by linking these with ours in the future, we will be able to amass more evidence and enhance the reliability of our claims. Our data are IATI-proof and published according to this OECD-promoted standard, enabling interested parties to use our data for further research into development practice.

Agriterra is a member of AgriCord, a network of agri-agencies, non-governmental organisations for development cooperation with structural links to the farmers’ and rural members’ organisations in their home countries. The agri-agencies provide support to 220 farmers’ organisations in more than 60 developing countries. AgriCord optimises synergies, efficient use of efforts and the lessons learned between agri-agencies.
General theory of development

We see development as embracing progress across a broad spectrum: economic (higher incomes), social (more equality, including in gender relations), political (more participation and democracy) and ecological (less environmental damage and better ability to respond to climate change).

Agriterra’s values encompass welfare, wellbeing, the conservation of nature and equality between social groups, and the belief that differences in gender, age or race should not lead automatically to differences in income or political participation.

Our Theory of change starts from the idea that without economic development, progress on other issues cannot advance, because poverty and inequality produce ecological damage and lack of democracy. We see development as a dynamic process, where late majority can benefit from the technological solutions of innovators and early adopters. Within the overall dynamics of economic development, it acknowledges cultural differences and historical variations in the pattern of development. But it recognizes a fundamental process behind all transitions from agrarian societies to the ones more reliant on services and manufacture, the so-called structural transformation.

We know we do the right things because we have a clear Theory of change, embedded in a general theory on economic development, working through critical actors for development, and measuring rigorously what we do and achieve.
Structural transformation

By putting economic development centre-stage, Agriterra's Theory of change parallels this general analysis of the structural transformation of an economy. Economies that are based on agriculture, ranching and fisheries, or on mining, with a huge majority of their population working in these sectors, change over time when economic growth proceeds. There can be significant variations in the patterns of structural transformation, depending on the sectoral composition of an economy, its size and its place in the world economy. Even regions and small countries, or countries with particular resources can show completely different patterns and depart from the normal gradual process of structural transformation. But whichever way you look at it, the process takes place and for Agriterra, working in predominantly agrarian countries and regions, this transformation is a fact.

The primary sectors lose relative and (eventually) absolute importance compared with emerging new sectors such as manufacture and services. The population that, in the early stages of development, is engaged in agriculture leaves this sector once new options emerge - highly developed countries have only a minority of their economically active population employed in agriculture. At the same time the development of new sectors enables farm productivity to increase, a process that started with the plough and continues today, even in highly developed countries: think for instance of precision seed-drills, and the use of ICT and GPS technology in agriculture.

The exodus of people from agriculture is often seen as socially undesirable, as it is associated with rapid urbanization, slum creation, unemployment and even delinquency. Yet it is just one aspect of the structural transformation which is the very nature of development. Being an expression of development, the move from the land should therefore be accelerated in our development cooperation efforts. At the same time, we must realize that these negative phenomena show that urbanization can bring so much human suffering that it is hard to view it as development.

The World Economic Forum in its 2015 Africa competitiveness report emphasizes the importance of a successful structural transformation. “The slow productivity growth in agriculture is also constraining Africa’s structural transformation process and economic diversification.
As reported in several studies on structural transformation, reliance on subsistence production and weak productivity growth in the agriculture sector forces the workforce to move out of this sector into manufacturing and services. Globally, countries that have developed successfully are those that have shifted their resources from agriculture to manufacturing. However [...] this is not the case for Africa, where labor tends to move more into services, in particular trade, rather than into the manufacturing sector. Given the low productivity in services and the prominence of the informal service sector, this current pattern of structural transformation will not yield sustainable income growth for the majority of people nor will it lead to economic development. Inclusive growth and higher income for the majority requires higher productivity in labor-intensive sectors, including agriculture."

A tricky balancing act - employment and food security

Two issues - employment and food security - need to be kept in balance in order to minimize the detrimental effects of the development process. Structural transformation puts the balances at risk, as agriculture loses production relative to other sectors, eventually employing only 3% of the economically active population (compared to 80% at the beginning of the transformation). Such a dramatic population change can lead to unemployment, and the relative decline of agriculture can jeopardize food production. Where there is massive unemployment and food shortages, street riots and rebellion are not far behind.

The seriousness of these negative effects depends to a great degree on government policy, because the pattern of government investment has a fundamental influence on structural transformation. Many governments, in an effort to rapidly overcome backwardness associated with an impoverished peasantry, have established high-tech farms and plants near the capital, inverting all budgets in state-led industrialization. By contrast, late industrializing countries in Asia and Africa showed completely different patterns of development. Korea and Taiwan have been particularly successful thanks to effective governmental investment in agriculture in collaboration with farmers’ unions.

Governments are not the only source of investment funding. Foreign direct investment is increasing rapidly, as are term loans from banks and institutional lenders. However, a bigger source of investment is the farmers themselves, especially in earlier stages of development. The highest growth rates of all were obtained where governments opted to invest in agriculture and achieved an industrialization that mobilized farmer investments and labour inputs. The development of Taiwan and South-Korea was so successful because governments and farmers’ organisations co-created modern society in both countries.
Ecological balance

Some observers warn that losing ecological balance could endanger structural transformation - modern agriculture is often perceived as a threat to ecology and the climate. But technological development and farmer investment over the past three decades have largely countered this argument. From a development perspective, the danger actually comes from the other extreme - very low-technology agriculture.

There are 300-500 million rural dwellers worldwide who rely on the devastating technique of shifting cultivation and who are jointly responsible for 50% of global greenhouse-gas production related to the agricultural sector. In developing countries where shifting cultivation is widespread, overall agricultural productivity is low, depressed by the extremely low productivity of this extensive type of land use. Many of the world’s 1.4 billion ‘farmers’ are actually rural dwellers subsisting on the land until better employment options emerge. Giving this group the opportunity to step out of agriculture and find employment in other sectors, as happens in the structural transformation, has very positive effects on both climate and the environment. In pushing the structural transformation, we can significantly reduce environmentally destructive land use. We argue that it is not technological development but rather the lack of it that is responsible for the ecological imbalance in developing countries.

Gender balance

Development practitioners are concerned about gender balance and how it might alter with development. Agriculture in Africa is a largely female occupation, but once it becomes more technical and commercial, men tend to replace women. In our understanding, women’s dominance in farming is related to the low status of traditional subsistence agriculture in Africa. But the prospect of increased productivity and incomes in agriculture attract men, who push...
women into other economic activities. Although it is broadly true that that women usually occupy positions with less status, it is also true that moving from subsistence agriculture to work in factories is climbing the ladder of status. Although there is often positive correlation between development and improved gender relations, any entity promoting development must have a solid gender strategy that includes explicit actions to involve and empower women.

**Productivity**

Development brings increased claims on land and water resources from different parts of the economy and society. This can create conflict. But, as is the case with the ecological balance, it is the lack of technological development that is the biggest threat: land productivity increases enormously with development, thus reducing the population pressure on land.

The improvement of agricultural productivity during the structural transformation occurs because of the exodus of ‘farmers’ who were only working the land (very unproductively) in the absence of other employment. Once they leave agriculture for other sectors, economic growth accelerates. Agricultural productivity also increases, both absolutely and relative to other sectors, as a result of the goods and services that a growing economy can provide.

Agriterra does not hold the often-heard view that all smallholders are entrepreneurs. Only a few farmers are agrarian entrepreneurs and, as development progresses, the number of farmers who can cope with the complexity of the market and the exigencies of technological advances will drop. This is a natural process which has given many of those with a family history in farming new opportunities in life. Indeed, most of our ancestors left agriculture and opted for secure employment in manufacture or services.
Agriterra's focus

Entrepreneurs

These basic premises guide Agriterra’s focus within development cooperation. Our actions are specifically designed to spur economic development. And we are particularly focused on the food and employment balance - how can food production keep pace with a growing, economically active population within and outside agriculture?

The decision to focus on agriculture, farmers and their organisations is not inspired by the idea that poverty is concentrated in the rural poor. The eradication of poverty does not necessarily stem from the actions of the poor or by concentrating support on the poor. Policy and support should target the critical factors of development. Inclusive development involves employment for all: the opportunity to earn a decent income from work. Non-farm job-creation is therefore paramount and depends on increased productivity, the introduction of new technology, the commercialisation of agricultural production and the scaling-up of farms. And this is all related to the structural transformation of the economy.

Agriterra targets male and female farmer entrepreneurs. We aim to achieve real productivity increases in the agricultural sector, over and above the increases caused by unproductive farmers leaving the land.

To balance this shift from the land and to prevent rural exodus, former farmers need to find employment in rural manufacture and services, physically near their places of origin: setting up such new ventures in rural areas can guard against uncontrolled urbanization. Influencing governments and other actors, especially those that invest and shape the pattern of development, is therefore crucial.
Farmer associations

Agriterra is renowned for its emphasis on the participation of farmers’ organisations. This focus is directly related to Ph.D. findings of Agriterra’s founder, who demonstrated that grassroots associations were effective frameworks for reflection on and improvement of farm technology. The study hinted at the ‘natural’ inclination of farmers’ unions to strive for rural industrialisation, as well as constituting a framework to bring together the opinions of their members and to negotiate with government, thus building an important social group to defend farmer-led rural modernisation.

The study gave evidence that the economic options of the farmer proposals in the case being studied were part of a structural transformation, and that they were minimally disruptive in terms of employment and food supply. It showed that the development options pursued by one farmers’ organisation, in policy dialogue and concrete action, suggested patterns of development with higher employment creation than the equivalent government development options.

The study also illustrated that the options of both the farmers’ organisation and the government were not exceptional, but in fact common to late-industrialising countries with governments reluctant to invest in the modernisation of agriculture. Agricultural investments tend to take the form of large-scale state farms or land deals with foreign investors, without promoting commercial agriculture among existing smallholders and farmers in general.

Agriterra has found farmers’ organisations themselves can perform the vital task - although imperfectly - of separating the wheat from the chaff, i.e. taking the non-entrepreneurial shifting cultivators out of the equation. Organised farmers’ groups hardly ever include shifting cultivators. Instead, most members of such groups have farms, albeit very small ones, and have surplus production to sell. Few members are market-oriented and even fewer can be considered as emerging farmers or entrepreneurs. But within their organisations they meet medium- and even large-scale producers, who more often are true agrarian entrepreneurs. Part of the strength of farmers’ organisations arises from the fact that they unite all producers, of whatever size.

The imperfection mentioned above arises from the inherent contradiction of the two main activities of farmers’ organisations, advocacy and extension services. To be taken seriously as an advocate, an organisation needs to maximize its membership (which might make it more likely to welcome ‘farmers’ who are not in any sense entrepreneurs). On the other hand, extension services are best are addressed to the would-be agrarian entrepreneur who is better placed to make best use of new techniques and recommendations (which requires careful screening of whom to address, or in other words some limitation to membership).
Despite this contradiction, farmers' organisations are adequate vehicles for both advocacy and service provision because of their layered structure. They can raise the opinions of huge numbers of farmers, and they can bring information, products and services to the grassroots, that enhance productivity. They can also bulk produce and promote commercialisation. This aggregation function is now attracting attention from the private companies roaming Africa and other continents to source agricultural products.

Local associations are the natural incubators of new ventures: farmer-led enterprises are the means by which farmers can take structural transformation into their own hands. Farmer-led enterprises that sell or process agricultural produce are usually small entities established with low capital investment. They are labour-intensive and therefore create employment, particularly in rural areas. This makes such farmer-led or cooperative companies excellent vehicles for transformation with minimum disruption to labour markets.
Selecting partner organisations

Agriterra does not embrace every membership organisation uncritically. Our ‘intake procedure’ has been discussed since our early stages and has recently become the indispensable start of all client relationships. We carefully shift farmers’ organisations and cooperatives in order to work with those that show realism, professionalism and ambition and that are ready for change - we reject those that are disabled by internal strife, bad governance or financial mismanagement, or that lack member involvement and accountability.

By means of this sound selection process, we optimise the direct influence of the organisations on the income increases of their members, democratic social relations and a more equal income distribution. However, this effect depends to a certain extent on the quality of the organisations and the context in which they operate, so we do not expect identical performances in every case. On the contrary, every time we plead for a stronger role for farmers’ organisations, we get anecdotal evidence of cooperatives with governance issues, deficient financial management or lack of member participation and free-rider attitudes.

Growth, equality and democracy

The Agriterra argument in favour of farmers’ organisations goes beyond a debate about quality: we suggest that the very fabric of social-economic associations - their horizontal and vertical integration into federal structures and higher-level cooperatives, their participation in various bodies for dialogue, cooperation and joint implementation (with entities of the state or other social groups) - has a beneficial effect on macro-economic growth. We argue that farmers’ organisations improve inter-sectoral and interregional income equality and the general state of democracy of a country. This happens particularly in countries with a high proportion of organised farmers and with a wide network of farmer associations and cooperatives. And we have seen it happening even when some of the associations and cooperatives perform sub-optimally.

This argument is further elaborated in ‘Growth, democracy and income equality: Cooperatives: the development impact beyond membership benefits’ (Blokland & Schuurman, 2015). Here the crucial mechanisms are described in more detail to show clearly how farmers’ organisations are beneficial for the development process.
Mechanisms

We summarize the mechanisms at work in rural membership organisations below. These organisations:

- Are schools for democracy rather than violence, since by nature they facilitate dialogue and consultation
- Enable joint conceptualisation and policy formulation (always more effective than the sum of many individual efforts)
- Provide a channel for ‘uploading’ ideas from members to feed into advocacy work
- Are an instrument to bulk produce for distribution and sales
- Provide a channel for ‘downloading’ information, goods and services to members
- Enable specialisation and mobilisation of labour and capital, even at local level
- Increase market power for individual farmers.

One other important mechanism is that rural membership organisations can set the right conditions for investment (by themselves or with the contribution of third parties) that really accords with the needs and capabilities of their constituency.

Clients

From the foregoing it is clear that Agriterra’s clients are farmers’ organisations and cooperatives. The former are usually federated bodies of farmers’ associations that are horizontally and vertically interlinked. With them, we improve the effectiveness of advocacy by promoting extensive member consultations and by involving experts: this approach ensures that proposals have the political backing of the members while being grounded by expert realism.

We also work with these federations and associations through these organisations and cooperatives on effective extension services to boost farmer entrepreneurship. This has an impact on productivity but, because of the emphasis on market orientation, it also has an impact on income. Tens of thousands of grassroots associations, from farmer field schools to pre-cooperatives, receive services from umbrella federations being supported by Agriterra to build effective extension services.
We support larger cooperatives (those ready to launch an investment project and therefore needing a bank loan) in terms of business development. Where the donor community might blame the bank for being reluctant to lend, Agriterra works with cooperatives to improve their organisation, products and investment project to make them ‘bankable’. We are successful in this approach – two years after taking them as clients, over 90% have access to banks for working capital and 38% have obtained term loans for their investments.

By focusing on these three issues (advocacy, extension and business development) we target the critical aspects of the structural transformation: the need to increase agricultural productivity to maintain food security; the need to create rural employment; and advocacy to safeguard the interests of farmers and shape development in terms of growth, equality and democracy.
Peter Timmer, emeritus professor at Harvard and Stanford Universities and core advisor of the World Bank 2008 report on agriculture, commented on our Theory of change:

“I had an opportunity to read carefully the chapter you sent me, […] that explains more fully your Theory of change and why you are so concerned to validate it empirically. I have been agonizing about empirical validation of the positive role of agriculture in economic development since the 1980s, and it turns out we have been on parallel paths. I have also attached my most complete effort at that task--my 2002 Handbook chapter on ‘Agriculture and Economic Growth.’ In my mind it lays out a clear analytical framework for understanding and measuring the causal relationships that we both think exist. It then discusses several efforts to measure empirically pieces of that framework. Quite obviously, a general validation has not been reached.”

“I am really impressed that you have figured out the key variables in a Theory of change. What I especially like is your emphasis on structural transformation --not all current smallholder farmers can be successful commercial smallholder farmers […]. We need a successful exit from farming to other, higher-income, opportunities-- urban or rural non-farm. I left our family farm for one of those opportunities...”

“Structural transformation as the pathway out of poverty. [This is] impossible without successful commercialisation of small-scale agriculture. Agriterra argues that farmer cooperatives are essential to that success, particularly because they engender the needed dynamics in the rural off-farm sector that are essential to poverty reduction. And I had clearly not given any thought to the unique role that farmer organisations play in enabling those positive linkages.”
Two-pronged Result Chain

In our strategic plans submitted over the last decade to the Dutch government, Agriterra has presented a Two-pronged Result Chain. We argue that, through our advice and project outcomes, we produce deliverables on two levels:

• Production and lobbying
• Organisational strengthening and institutional development.

Results will be seen in terms of sales and negotiation successes, on the one hand, and in terms of stronger farmers’ organisations, on the other.

The ultimate objective of our activities is to see impact on the economic development, income distribution and democratisation of the societies we work in. This impact may seem a long shot, considering the fact that our projects involve hardly one million farmers while working in many countries. Yet by choosing farmers’ organisations as the implementing agencies, we provoke an additional and strong impact on the growth, equality and democratic relations, as we argued above.

Agriterra’s emphasis on women’s participation in all its projects includes women in development, but a better guarantee for improving gender relations in the structural transformation rests in our efforts to have more women on the governing boards of cooperatives and farmers’ organisations.
How does Agriterra know it is doing the right thing?

The general results chain has been translated into approaches that address the critical aspects resulting from our Theory of change:

- By advising farmers’ unions we support them in building efficient extension services, enhancing farmer entrepreneurship and increasing agricultural productivity.
- By implanting rigorous methods for advocacy we support farmers’ unions to influence government programmes to achieve tangible benefits for farmers or to link with companies to sell products.
- By making cooperatives with investment plans bankable we help create rural employment in cooperative businesses.
Increasingly, we will search for ways to link cooperatives and farmers’ organisations to market parties, whether banks or companies. Thus their funding strategy will change to include income earned by providing services to these market parties, generating value on basis of their social capital (i.e. their members).

**Times are changing**

Notwithstanding the fact that this Theory of change forms the solid basis of our actions, our day-to-day practice is adapting rapidly to the new era. New capital is flowing into developing countries, and companies seeking new markets are bringing opportunities for farmers and their organisations. There are flows of foreign direct investment, migrant remittances and bank loans into developing countries, and government spending has increased. Development cooperation addresses farmer organisations more often than in the past. This new era seems to bring enormous possibilities for farmers.

Rabobank states, “Food&Agri companies should focus on engagement at aggregation points in the chain, rather than directly with farmers.” In reaction to these new opportunities, Ishmael Sunga, CEO of the Southern African Confederation of Agricultural Unions (SACAU), called for a new generation of farmer entrepreneurs and a new generation of farmers’ organisations: organisations that know how to grasp the opportunities and are not satisfied with the role of mere aggregator of agricultural produce. Modern farmers demand their position in the value chain.

Agriterra’s actions are woven into this renewal. We tap into these renewed organisations to mobilize enlightened farmers to advise their colleagues in other countries - our Agripool is internationalizing rapidly. We are becoming a frontrunner in advising farmers’ organisations how to benefit directly from these new opportunities. Our role is to support them in business planning and in designing financial strategies. We can help re-engineer their internal organisation to optimize governance, management, processes and procedures. We can support them to improve the quality of products and services. And we can make farmers’ organisations interesting partners for market parties, yet partners that also have a cause: to eradicate hunger and poverty and to gain status in society and the economy. Perhaps surprisingly, this will happen with far fewer farmers than today’s 1.4 billion.
Colofon

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