



Agricultural systems with pro-poor orientation in Mozambique? ProSAVANA and the forgotten risks of contract farming

UNU-WIDER Conference on
Inclusive Growth in Africa: Measurements, Causes, and
Consequences

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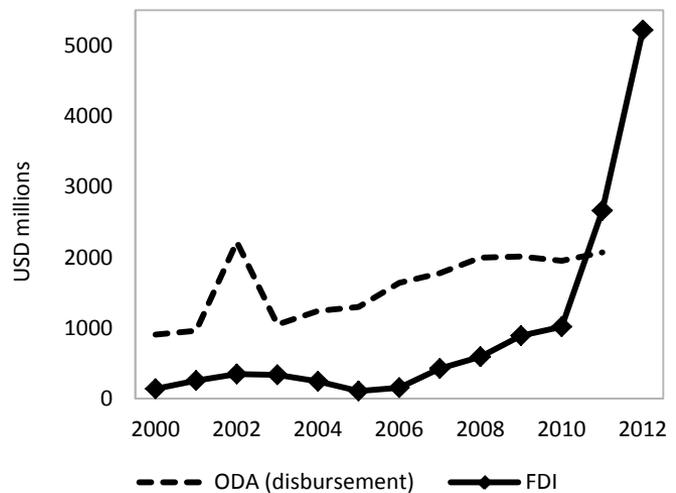
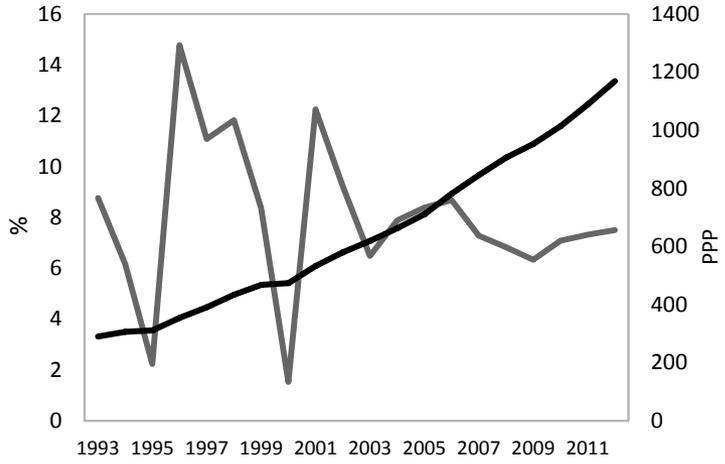
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Mozambique recent development path

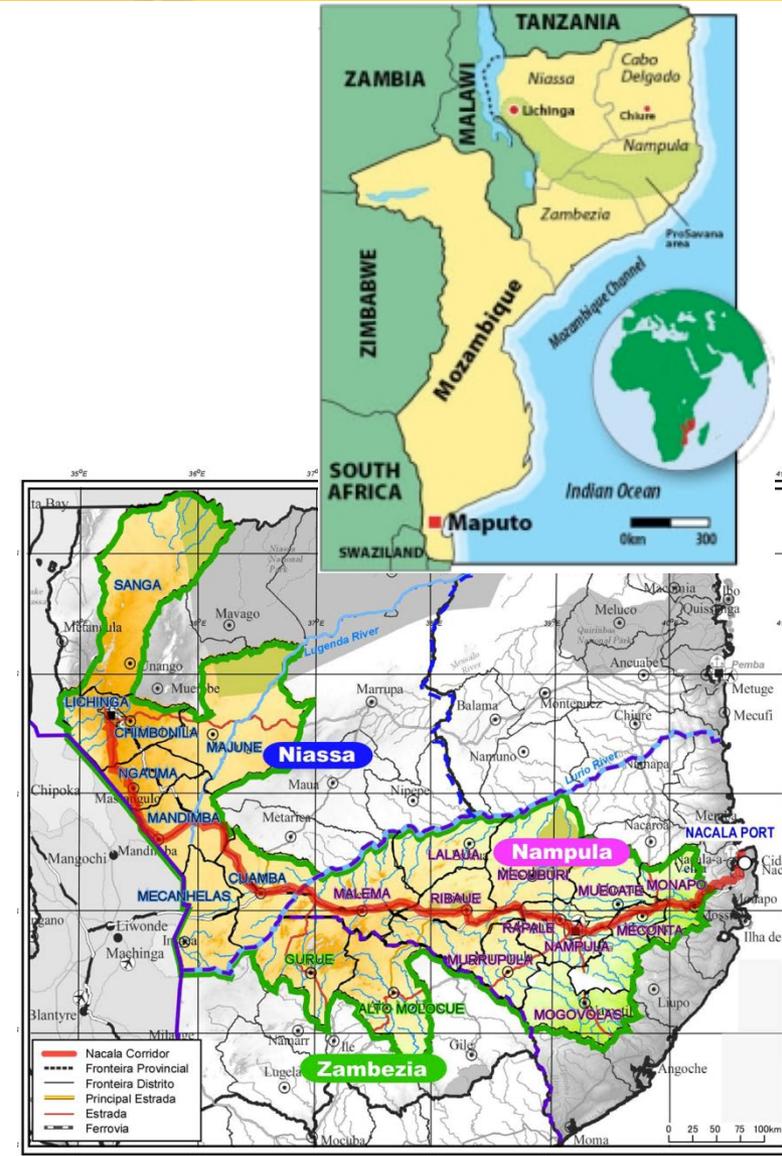


- 1993-2012: average GDP growth of 8%.
- “Donor darling”: more aid per capita than Tanzania, Zambia or Malawi.
- Recent boom in levels of foreign direct investments.
- But extreme poverty has not been declining anymore in one of the poorest countries in the world.
- Growth linked to a few foreign-invested mega-projects (gas and mineral).
- Agricultural sector lagging behind: food production per capita has stagnated.

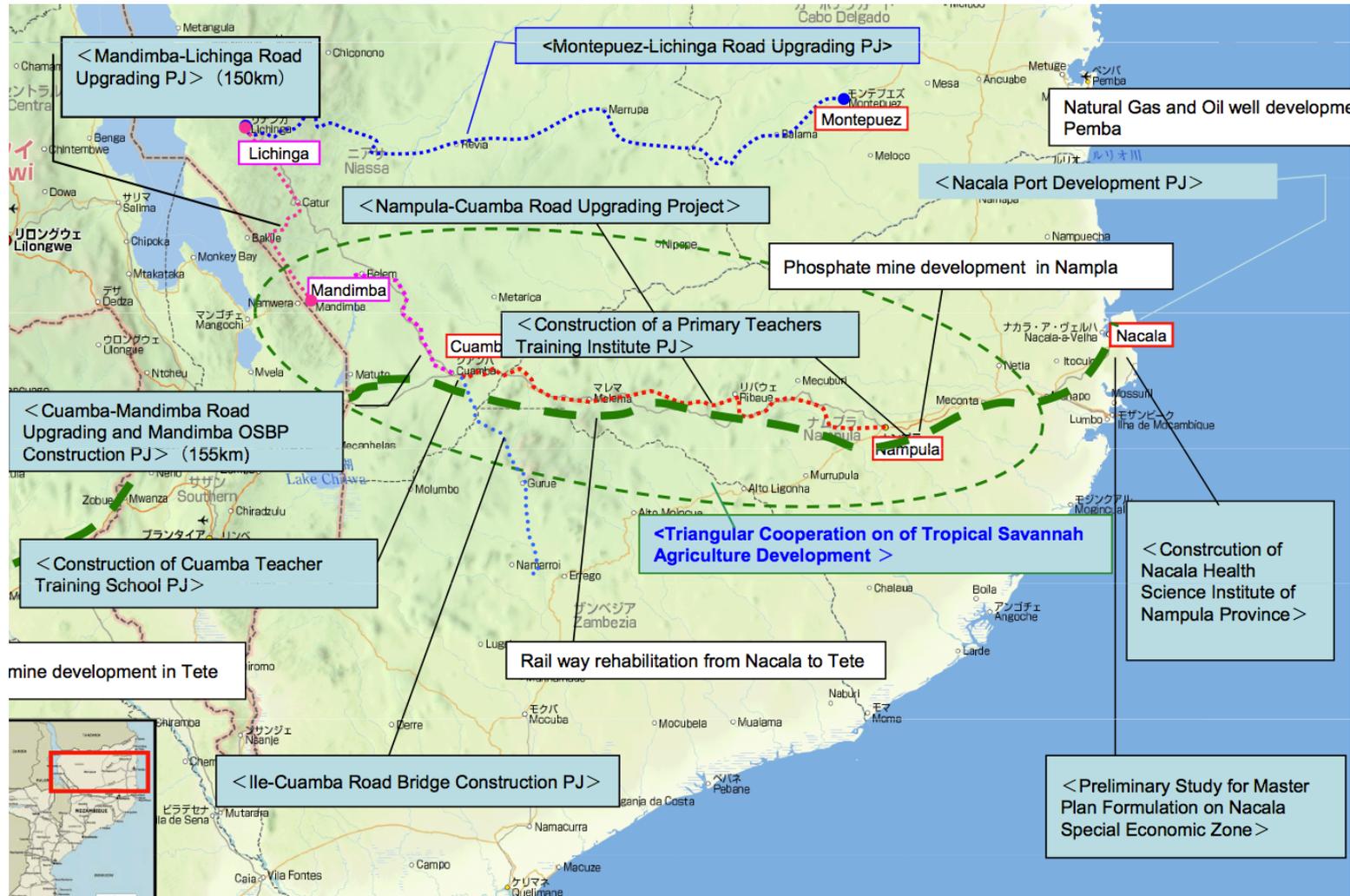


Sources: World Economic Outlook Database (figure 1) and OECD International Development Database for ODA and UNCTADstat for FDI (figure 2).

- A trilateral development cooperation program for the Nacala corridor: 3 provinces, 19 districts and should affect 4.3 million people.
- 3 components: technological transfer, elaboration of a master plan, and development models and extension.
- Long-term - 20 years program, inserted in a large web of [infrastructure](#) projects and private investments in [land](#) the region. Includes: rehabilitation of 912 km of railroads; upgrading 650 km of roads; modernization and expansion of the Nacala Port.
- Highly contested by national civil society, including an open letter calling for the suspension and revision of the program.



Foreign financed investments in the Nacala corridor



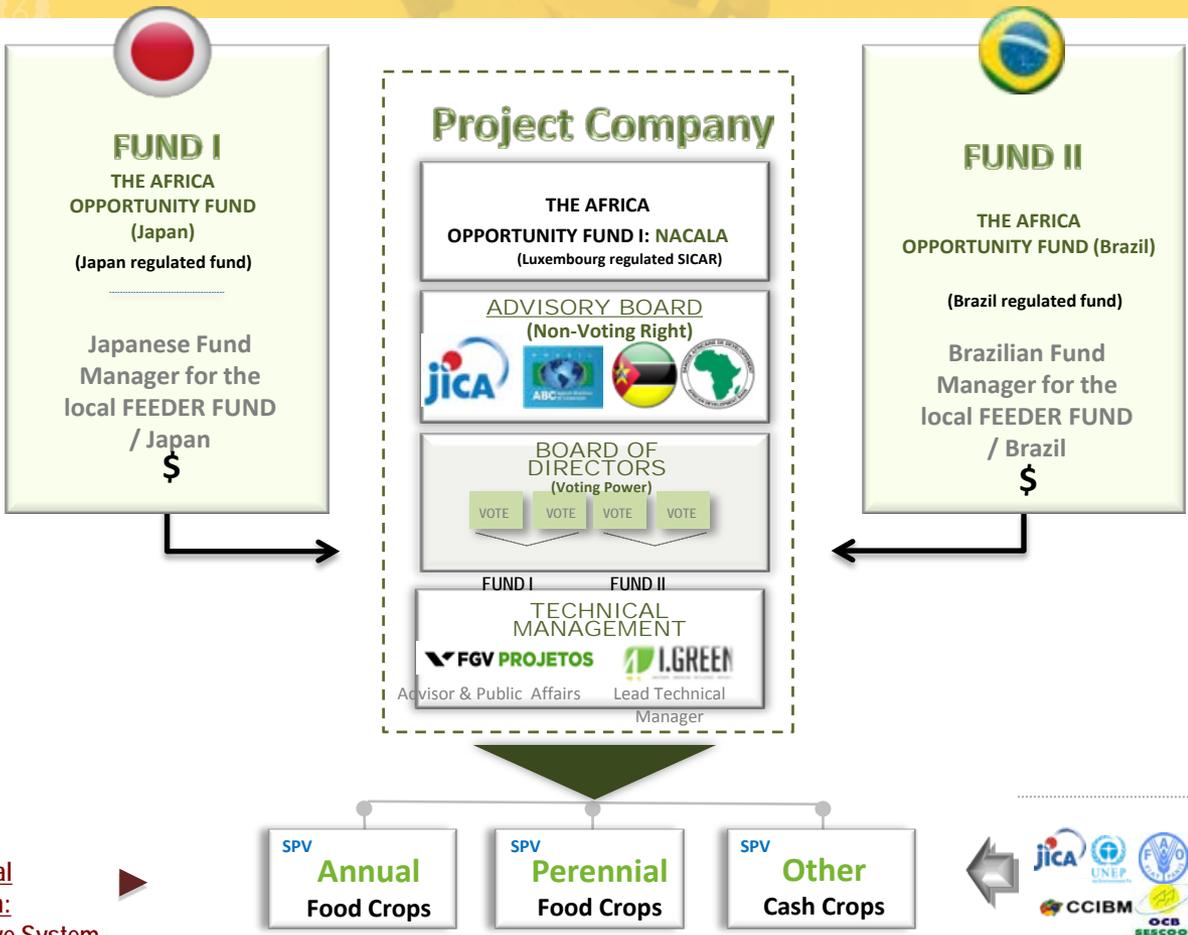
Sources: Source: JICA and ABC, 2011

ProSAVANA and the Nacala Fund



The programme is also unofficially linked to an investment fund for large-scale agricultural development: the **Nacala Fund**. It hopes to raise US\$ 2 billion in 10 years to finance agribusiness investors interested in investing in the corridor.

Agricultural production:
Cooperative System
Japan & Brazilian Private Sector



Source: FGV Projetos Presentation

The making-off of ProSAVANA: Critical aspects in formulating a plan



Prodecer and ProSAVANA: how do they relate?



- Previous researchers have already highlighted the low level of transparency, difficulties in coordination (Jp-Br), and the high degree of incoherencies in project documents and discourse.
- **Lack of a participatory approach** → the master plan had, so far, been elaborated by the Japanese and Brazilian consulting teams with very limited participation from local communities and civil society. Presentation to districts has started in Feb. 2013 to oppose to criticism. Methodology focus on “spreading information” and “explaining” the program.
- **Marginal involvement of the Mozambican government** → “We haven’t got much involved. We are waiting to see what they are going to propose”.
- From a Brazilian perspective, **private actors’ centrality** → in a context of lack of policy orientation, private actors were given the leeway in policy formulation, operationalization and self-regulation.

The proposed agricultural development strategy



- Value chain approach → establishment of clusters based on the agricultural potential, land use and environmental constraints of different zones.
- Each cluster is to be set in motion by a pioneer core project that a private company develops. A pioneer project should “lead growth through increasing motivation of private investment” (ProSAVANA-PD-QIP 2013: 3-4) and should “support potential investors on the elaboration of their operating plans and on the identification of available areas” (ProSAVANA-PD-ITR 2013: 3-89).
- The clusters usually propose a **combination** of different land use systems, from large-scale corporate agribusiness to family farming. Two exceptions:
 - a family food production cluster concentrated on vegetables and
 - a cluster designed exclusively for a 60,000 hectares plantation for the production of maize, soybeans, sunflowers and poultry.
- The solution proposed by the program to couple large-scale foreign investors without dispossessing small-scale peasants is **contract farming**.

- A business model in which a central processing or exporting unit establishes a network of out-growers who supply a certain commodity according to conditions previously defined in a contract.
- Expected advantages: assured market, access to inputs and technological assistance, and higher stability of income.
- The terms of such schemes vary considerably, as well as their impacts in terms of inclusive development.
- These schemes have gained momentum again as part of the response to the wave of criticism against land-grabbing. Large-scale foreign direct investments are now presented as part of the response to low agricultural productivity in Africa if coupled with schemes that allow the integration of small-scale farmers into food value chain production without dispossessing their land.

The forgotten risks of contract farming



- As an agricultural development tool for reducing poverty in Africa, contract farming is a highly controversial issue.
- The empirical literature shows that the effect of contract farming to local smallholders' livelihoods varies significantly.
- **Food insecurity** → risk of reduced marketed food surplus, affecting regional food availability and prices. Given that non-participants are likely to include the very poorest families, the scenario of reduced net availability of food in the local area is especially concerning.
- **Exclusion of poorer farmers** → in the absence of regulation and proper support, poorer farmers are often not even selected to become a contractor as agri-food corporations tends to prefer to work with emerging famers.

The forgotten risks of contract farming II



- **Dependency and indebtedness** → once inputs are typically advanced by the firm on credit to be repaid with interest by out-grower farmers, risk of indebtedness and dependency are high. When an arrangement that was initially favorable to growers deteriorates, farmers locked in by debt and specialization, tend to find it difficult to extricate themselves. By the time growers have committed substantial resources to contract crops and incurred in heavy debts, “agribusiness normalization” prevails.
- **Disruption of cultivation methods** → patterns that emerge from the optimal utilization of locally available resources might be irreversibly lost.
- **Power imbalances** → the inherent imbalance of contract farming may engender different degrees of risks depending on farmer’s relative bargaining power and the role of the state, donors and farmer’s organizations in mediating this relation. In a context where poverty prevails, no other commercial or economic activities are given to local farmers, and no mediator is brought in, the dominant agent in the agri-food chain may be able to structure the operation to its own advantage.

- Contract farming has re-emerged as a popular prescription given by donor communities and multilateral institutions as part of the response to the wave of criticism against land-grabbing.
- ProSAVANA is a fitting example of this trend, standing for the spreading of contract farming schemes as a way to allow the entrance of foreign investors in Mozambican agriculture without dispossessing local farmers.
- If not designed explicitly with pro-poor goals, contract farming can also be a powerful mechanism leading to “exclusive” growth.
- ProSAVANA has been marked by three critical factors: very low level of participation of local communities, lack of involvement of the state in the formulation process, and large space given to private actors in project planning, operationalization and self-regulation.

- Impacts of these critical factors in programme planning are already visible.
- Demand-side policies and agroecological methods, which are demands from the Mozambican civil society, are so far missing from ProSAVANA planning.
- No discussion over taxes over land use by foreigners, although local academics have been stressing the need to avoid the fiscal incentives that marked the mega-projects.
- The challenging tasks of designing schemes that set conditionality to foreign investor, strength the bargaining power of growers and define favorable terms for poorer farmers are unlikely to materialize under the current planning and implementation practices of ProSAVANA.