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The Development Tragedy —

How Donor Aid Priorities and Land Use Policies Threaten Food Security

A Report by World Growth

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Alleviating Poverty through Wealth Creation

Palm oil provides developing nations and the poor a path out of poverty. Expanding efficient and sustainable agriculture such as palm oil plantations provides small and large plantation owners and their workers with a means to improve their standard of living.

Sustainable Development

Sustainable development of palm oil plantations and growth of the palm oil industry in developing nations can and will be achieved through consultation and collaboration with industry, growers, lobby groups and the wider community.

Climate and the Environment

Palm oil is a highly efficient, high yielding source of food and fuel. Palm oil plantations are an efficient way of producing fossil fuel alternatives and capturing carbon from the atmosphere.

Opportunity and Prosperity

Developing nations must be allowed the chance to grow and develop without political intervention by environmental groups or developed nations. It is crucial that developing nations be given the same opportunities which developed nations have benefited from.

Property Rights

Efficient palm oil plantations and the growing demand for palm oil give smaller land holders greater opportunities to make a living off their land, maintain their ownership and support their rights to property and prosperity.

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Executive Summary

The British Government's Position on Food Security

British Prime Minister, David Cameron, has announced he will hold a Hunger Summit in London during the Olympic Games. The Summit was announced after the May G8 meeting where eight of the nations pledged to speed up progress on combating hunger and malnutrition and the recent announcement by United States President Barack Obama which launched the new alliance for food security and nutrition.

Prime Minister Cameron has announced that the Summit will focus on "how good governance and private sector investment can help improve access to food and nutrition"¹.

The British Government policies are emblematic of aid and food security policies being adopted by developed nation donors. The contradictions and flaws contained in British policy are replicated in policies across Western nations.

The recent spike in food prices has caused greater hardship across the developing world than the recent global financial crisis and demands a response which addresses the underlying concerns of volatile food prices and lack of access to food supplies.

However, the Conservative Cameron Government is ignoring the fact that the only long-term solution to the global food security crisis is economic growth. The core cause of failing food security is lack of income to purchase food. Agriculture is widely recognised as the most efficient and effective industry for promoting economic growth in developing nations.

Yet, the Cameron Government continues to push an agenda which includes the cessation by developing nations, particularly those in the tropics, of conversion of forest land.

The Cameron Government has actively worked against those nations that wish to expand their agricultural sector on forest land by refusing to provide foreign aid for agricultural projects on converted land, working

with companies to dissuade consumers from buying produce grown on converted land and finally by refusing to consider a global response to the food security issue which includes expansion of agricultural production on forest land.

In short, the Cameron Government's policies actively constrain developing nations from growing their agricultural sector onto converted land. This policy will have detrimental outcomes for global food security in the future.

Dysfunctional Aid

Measures imposed in response to the rapid escalation in food prices were just a short term fix. Sustained economic growth and expansion of agricultural production is the long term solution.

Yet there has been a general shift away from using aid to support economic growth since the mid-1990s. It was reinforced in the Millennium Development Goals (MDGs) in 2000. This deliberate alteration of aid priorities probably slowed advances in poverty alleviation. It would seem the assumption behind the MDGs was economic growth would be self-generating. An unintended effect of the MDG programs may have instead been to flatten growth.

Aid from OECD donor countries has increasingly focused on social justice, environment and governance issues. This greater priority for non-economic issues is at odds with the professions to alleviate poverty and, more recently, improve food security.

The vulnerability of the poor to future food price rises will increase unless there is reassessment of aid policy priorities.

For some time it has also been apparent that agricultural development has been also given a low priority in aid programs. Aid to support agriculture has dropped alarmingly since the early-1980s. It has

¹ <http://www.guardian.co.uk/global-development/2012/may/23/london-2012-hunger-summit-olympic-games>

become a relatively minor part of donor aid portfolios. Annual allocations to agricultural production initiatives fell from 8.6% in 1989 and 1990 to an average of 5.2% in 2009 and 2010. Aid for social welfare development has surged. It is currently averaging more than 40% of total aid.

The shift in priorities has occurred at the same time as donors have been increasing aid budgets. Aid has increased by around 33% in Africa since the 1980s and almost 50% in Asia.

Yet the allocation of aid to agricultural production initiatives in 2010 accounted for just under 7% of total aid to the African region. More than 40% of the aid went to social welfare development. The vulnerability of the poor to future food price rises will increase unless there is reassessment of aid policy priorities.

Donors have begun to restore priority to food security in aid programs. But a basic conflict remains. It is generally accepted that developing economies need to ramp up agricultural developments to boost poverty alleviation and enhance food security.

Conflicts Over Land Use

There is also policy conflict over land use in developing economies. Population pressure and the encroachment of urban areas requires expansion of the arable land base to supplement productivity gains. The option of converting native forest land to agricultural production must be available.

Yet interest groups oppose developments that encroach on the native forest base. The World Wildlife Fund (WWF) is advocating a ban on forest land conversions for any purpose. This is an idealistic position that is out of touch with reality.

Calls for more restrictive land use policies in developing economies have been escalating. Proposals to address climate change concerns imply further reductions on land use.

There is no shortage of available land in the developing economies for conversion to agriculture. Recent rates of land conversion have been relatively moderate and there is no evidence to suggest that huge areas of native forest land are being threatened by agricultural development.

The option of converting native forest land to agricultural production must be available.

Policies that constrain forest land conversions will 'squeeze' the agricultural sector. Halting all conversion of forest land in developing economies would undermine food security.

Claims by interest groups that oil palm and forestry industries are causing a rampant loss of forest land are misleading. For example, the growth in oil palm plantings in Malaysia, Indonesia and Papua New Guinea (PNG) has not solely come from forest land conversions. Permanent land use changes are regulated and selected logging does not eliminate forest areas.

Economic Growth as an Aid Priority

Economic growth is required to reduce poverty. There is also an obvious need to generate stronger growth in agricultural production.

This approach needs to spread to other parts of the world where growth rates have been poor. African economies, especially those in Sub Saharan Africa, are an example. But economic growth objectives have been overwhelmed by promotion of other development needs. Policy settings to encourage development are needed. Aid priorities need to retain a firm focus on growth promoting initiatives. If the focus is too heavily skewed towards the non-economic areas of development it reduces the capacity for aid programs to be a catalyst for economic growth.

I. The Global Financial Crisis – What about Food Security?

The global financial crisis and on-going problems in Europe have commanded a great deal of attention in recent years. Just before the global financial crisis erupted there was another major event that at the time had serious implications for global economic growth and development. The food price crisis in the late 2000s exploded with a similar speed. Governments were caught flat-footed in many countries and struggled to find policy solutions to the crisis.

The food price crisis impacted on both developed and developing economies. In some cases it threatened political stability. In all economies people on low incomes felt the impact of the surge in food prices. The group that experienced the greatest hardship were the poor in the developing economies.

The crisis focused attention on the issue of food security. It also caused policy makers to reflect on the causes of the crisis and what could be done to reduce the risk of a recurrence.

Short term policy adjustments were made and in time prices eased on the back of higher food supplies that benefit from improved growing conditions. The crisis focused attention on the issue of food security. It also caused policy makers to reflect on the causes of the crisis and what could be done to reduce the risk of a recurrence.

For developing economies the concerns centred on the capacity of the poor to cope with high food prices and their access to food supplies. Economic growth to alleviate poverty was recognised as the way to address these concerns. Higher incomes provided the means for increased purchases of food with higher nutritional quality.

What made the Rio+20 Summit for Sustainable Development a successful event was the BRICs countries' insistence that environmental protection

must not be at the cost of poverty alleviation and food security. These countries led an effort to reject WWF's environmental campaigns for "Natural Capital" and "Greening the Economy" in favour of prioritising the commitment to reduce poverty.

II. British Government's Position on Food Security and Land Conversion

David Cameron's upcoming 'Hunger Summit' presents an opportunity to examine British Government policy on food security and aid for agriculture. British Government policy is highly representative of a raft of policies which are found across the West. These policies are central to the foreign aid policies of many donor nations.

The British Government, in particular the Secretary of State for the Department of Environment, Food and Rural Affairs, Caroline Spelman, have adopted positions in response to rising food prices and declining access to food which demand that no forest conversion occurs – even for increased agricultural production and food supply.

The most recent paper from the British Government on food security, *Foresight: The Future of Food and Farming* (2011)², which Secretary Spelman endorsed, argued that:

“Although modest amounts may in future be converted to agriculture, the Report concludes that major expansion is unwise. In particular, it is now understood that one of the major ways that food production contributes to greenhouse gas emissions is through land conversion, particularly of forests. Only in exceptional circumstances can conversion of forests (especially tropical rainforests), natural grasslands and wetlands to agricultural land be justified.”

In other words, the Report endorses increased agricultural production almost exclusively through increased productivity and the repatriation of degraded land.

This advice, however, was in contradiction to advice given in a paper written to inform the Foresight Project report, Synthesis Report C10: Volatility in Prices³, which found that market forces were the best way to mitigate volatility in food prices. The Synthesis Report clearly did not recommend that land supply for

agriculture should or could be restricted while improving food security and reducing price volatility.

The British Department for International Development (DFID) has taken a strong stance against forest conversion, having provided significant funding for research into deforestation from 'illegal logging', the international REDD (Reducing Emissions from Deforestation and Forest Degradation) scheme and more recently, providing £50 million to convince Indonesian palm oil producers not to expand production onto forest land.

Despite this, DFID has neglected aid for agriculture for many years. A 2010 UK Parliamentary Inquiry into Global Food Security found that DFID has neglected agriculture in their aid budget despite its proven ability to reduce poverty and provide food security which resulted in “stagnation in agricultural productivity with the average growth in cereal yields falling from 6% to 1.5% in the developing world.”⁴ The Inquiry went on to recommend that the British Government “re-establish agriculture and food at the centre of DFID's fight against poverty.”⁵

The British Government's position on food security and deforestation is clear from these statements – David Cameron's Government considers that food security should be considered less important than preserving forest land.

DFID now states that one of its key aims is “supporting agricultural growth in developing countries because we know that this makes the greatest contribution to food security and because it has the greatest benefits for the poorest.”⁶

Despite this, DFID still maintains that although forest

2 <http://www.bis.gov.uk/assets/foresight/docs/food-and-farming/11-547-future-of-food-and-farming-summary.pdf>

3 <http://www.bis.gov.uk/assets/foresight/docs/food-and-farming/synthesis/11-630-c10-volatility-in-food-prices.pdf>

4 <http://www.agricultureandfoodfordevelopment.org/Why%20No%20Food%20for%20Thought%20-%20A%20Parliamentary%20Inquiry.pdf>

5 Ibid

6 <http://www.dfid.gov.uk/What-we-do/Key-Issues/Food-and-nutrition/Food-security/>

land is “is currently worth more when converted to agriculture”⁷, more must be done to increase forest protection and “work is also needed to change the demand for the commodities that drive deforestation”⁸

The obvious implication is that DFID and the British Government will ignore the need for increased agricultural production if that increase in production would occur on forest land.

Just three months ago, British Prime Minister, David Cameron, launched a scheme to ‘assist’ businesses to source and produce sustainable timber and palm oil so as to reduce deforestation from “unsustainable” agriculture and forestry and illegal logging.⁹ The aim is to ensure that all of Britain sources 100 per cent sustainably produced palm oil and to “protect up to 39 million hectares of forest across Africa and Asia over the next 25 years”¹⁰

The British Government’s position on food security and deforestation is clear from these statements – David Cameron’s Government considers that food security should be considered less important than preserving forest land.

Secretary Spelman’s campaign was based on over-inflated figures of the deforestation caused by oil palm plantations and the misguided belief that palm oil – rather than domestic land use and planning policies – was the cause of deforestation.

This ultra-green stance is not new for the British Government, Secretary Spelman or DFID. They all share a history of adopting green causes which do not have scientific or factual justification.

Secretary Spelman has previously launched attacks on palm oil grown in tropical, developing nations and illegal logging – both of which were found to have been grossly overstated. Spelman launched an inquiry in June 2010 into mapping palm oil use in Britain in order to be able to trace the use of sustainable palm oil. To support her claims, Secretary Spelman engaged Proforest, a consultancy that frequently collaborates with environmental activists, to undertake the mapping of palm oil.¹¹

Secretary Spelman’s campaign was based on over-inflated figures of the deforestation caused by oil palm plantations and the misguided belief that palm oil – rather than domestic land use and planning policies – was the cause of deforestation. In direct contrast to Spelman’s claims that large tracts of land were being deforested for oil palm plantations, her Department’s own report noted above, *Foresight: The Future of Food and Farming* acknowledged that “relatively little new land on a global scale has been brought into food production in the last 40 years.”

The British Government, Secretary Spelman and DFID have also engaged in a long-running campaign against “illegal logging” in countries such as Papua New Guinea and Indonesia. The “illegal logging” campaign has resulted in the adoption of the Forest Law Enforcement, Governance and Trade regime, which mandates certain standards of production and verification must be reached before timber can be imported in the European Union as ‘legally harvested’.

It has been well documented by World Growth that the rates of ‘illegal logging’ have been overstated.¹² Most studies of the extent of illegal logging are based on a 2004 study by Seneca Creek and Associates for the American Forest and Paper Association which finds between 8% and 10% of produced and traded timber may come from suspicious sources. Although the report is cited frequently in the literature, it suffers from significant flaws, including a lack of comprehensive and reliable data sources. These limitations are acknowledged by the study’s authors. The study is now

7 <http://www.dfid.gov.uk/What-we-do/Key-Issues/Climate-and-environment/Forests/>

8 Ibid

9 <http://www.dfid.gov.uk/Documents/publications1/press-releases/UK-government-and-business-partnership-to-tackle-deforestation.pdf>

10 Ibid

11 ProForest Projects with WWF - <http://www.proforest.net/projects/wwf>

12 http://www.worldgrowth.org/assets/files/WG_Illegal_Logging_Report_5_11.pdf

out-dated with the incidence of illegal logging decreasing in key countries in recent years. Since the report, a briefing paper by Chatham House has demonstrated that incidence of illegal logging has decreased by between 50% to 75%, with estimates of illegal logging in Indonesia as low as 40% as compared with the 70% to 80% estimated by Seneca Creek.

The campaign against deforestation and illegal logging is premised on the claim that deforestation contributes up to 20 per cent of global greenhouse gas emissions.¹³

The Foresight Report notes that:

“One of the strongest arguments for the Project’s conclusion that the global food supply must be increased through sustainable intensification without significant new land being brought into cultivation is the emissions of greenhouse gases that would otherwise result.”

That claim has recently been contradicted by a study by Winrock International.¹⁴ Contrary to claims by the British Government that their actions are drastically reducing carbon emissions, The Winrock numbers put emissions from deforestation at 10 per cent at best, noting this does not account for the carbon sinks created by regrowth on logged forest land. They estimate that may reduce emissions by an additional 2 to 5 per cent.

While it is clear that constraining the conversion of forest land for agriculture is a priority of the Conservative Cameron Government – the scientific basis for doing so does not exist. The consequences of these actions will be to artificially constrain food supply, increase food price volatility and heighten the growing global food security crisis.

¹³ http://wwf.panda.org/what_we_do/how_we_work/conservation/forests/publications/living_forests_report/carbon___forests/

¹⁴ http://www.winrock.org/ecosystems/Science_Journal_press_release.pdf

III. Grappling with Food Security

In 2007 and 2008 the global economy experienced a dramatic surge in food commodity prices. Higher world prices for meat, cereals and dairy products raised serious concerns about the inflationary effect on the cost of living. The concerns were most evident in the political reactions in developing economies. Staples such as wheat, rice and corn were priced at exorbitant levels and people on low incomes suffered great hardship.

People living in poverty were especially hard hit by the food price crisis. Some had no choice but to reduce their consumption of staples and switch to alternatives with lower nutritional value. Most had to divert more of their income to food purchases at the expense of other day-to-day living requirements.

Policy responses to the crisis were a short term fix for a serious problem. A long term approach is required.

Ultimately there was a market correction, prices eased and eventually food supplies increased in response to the higher prices. Improved growing conditions in some major exporting countries increased food availability. Fears of an on-going crisis abated.

The rapid escalation in food prices understandably sharpened the focus on food security. Several countries reduced regulation to reduce food prices. In some cases this was an appropriate short term response. In other cases it conflicted with policies to promote economic development and reduce poverty.

This illustrated how arbitrary policy actions can cause confusion and uncertainty, impeding the rate of economic development and longer term income improvements.

Policy responses to the crisis were a short term fix for a serious problem. A long term approach is required. Questions need to be asked about the factors that contributed to the surge in prices. It is generally accepted that seasonal conditions and policy measures

in a range of countries were key factors behind the crisis.

An area that has not been given enough attention is the way development assistance from donor countries has been used in recent times. Donor countries give assistance to developing economies to boost their prospects for economic development. Agricultural development has traditionally been a focus of attention because of the very large rural populations in developing economies. Poverty reductions from accelerated development of agricultural production is often claimed to be a key objective of ODA.

Yet the pattern of donor assistance shows the priority for agriculture is low.

Treating Food Security as a Development Problem

Concerns about food security derive from concerns about hunger and the lack of a nutritious diet among the poor.

Some policy makers see the issue of food security as a question of agricultural output and the ability of the country to meet the food demands of the population. It is a perspective that leads to proposing goals of food self-sufficiency. This is not a sensible course to set. The use of economic resources in pursuit of food self-sufficiency goals deprives other sectors of resources that will generate growth and jobs.

Rural development should be a policy objective pursued to support economic growth and poverty alleviation in general. Food output self-sufficiency is not necessary to resolve the issue of food security among the poor. Private sector investment and ODA initiatives that stimulate agricultural output growth will increase food supplies. More importantly they generate jobs and higher incomes for those living in poverty.

The capacity of the poor to buy food is the critical issue for food security. Even if food supplies increase, an income deficiency will limit food purchases at times of high prices and require reduced spending on other needs.

Recognition of this is crucial for good policy development in the developing economies. Economic

growth is required for poverty alleviation and to reduce the vulnerability of the poor to food price rises. Economic growth must be a central pillar of development policy, especially in the rural sector where a large proportion of the population live.

The contribution of agricultural development to poverty alleviation is widely accepted. However, it doesn't always flow through to policy development. Ad hoc decisions and political pressures from interest groups can derail the pursuit of this central objective. Policy conflicts can arise that lead to unintended consequences.

The Role of ODA

The way donor countries directed the use of their ODA may have unintentionally aggravated the hardships faced by the poor during the food price crisis.

The importance of facilitating agricultural development through ODA initiatives cannot be underestimated. If donors want to help improve food security they need to give a high priority to ODA for production related initiatives. Growth in agricultural output generates more income for the poor and a greater capacity to purchase food for a nutritious diet. It enhances the capacity of the poor to cope with periods of high food prices.

For some time it has been apparent that the use of ODA funds has given a low priority to agricultural development. ODA has increasingly focused on social justice, environment and governance issues. The greater prominence for non-economic issues is at odds with the professed need to alleviate poverty and, more recently, improve food security.

In short, agriculture development had been neglected by international donors (Abbot 2009). This began in the mid-1990s when a new strategic approach to development was adopted by OECD donor countries. It was reinforced by the subsequent adoption of the UN's Millennium Development Goals (MDGs) in the year 2000.

The deliberate shift in ODA priorities probably slowed advances in poverty alleviation. A softer focus on economic growth initiatives, especially in the rural sector, weakened the stimulus effect for output and

income growth. It was a strategic policy shift which relied on private sector investment to fill the gap:

- ODA is not the only factor that advances economic development among the poor but to the extent it is effective it does play an important stimulatory role;
- The current ODA priorities seem to have more in common with the priorities of the environmental and social welfare NGOs.

Shifting ODA away from agricultural development probably exacerbated the impact of the food price crisis on the rural poor. The rural sector did not grow as fast as it could have. A faster rate of economic growth would have helped food security by increasing food production. More importantly it would have generated more income.

The fall-out from the crisis is that food security has become a bigger concern for ODA donors. Agricultural development is seen to be essential for greater food self-sufficiency. But the real need is for faster rates of poverty reduction from stronger economic growth.

Annex A, "Patterns of ODA", sets out the details of the changes in the patterns of ODA.

Economic growth must be a central pillar of development policy, especially in the rural sector where a large proportion of the population live.

IV. Economic Development as an Aid Priority

Before the global economy was hit by the food price crisis there was substantial poverty and hunger in developing economies. The crisis elevated interest in the agricultural sector after a period of neglect by the governments of developing economies and aid donors (Abbot 2010). It has since been recognised that investment in agricultural development is needed for economic growth to improve the financial position of the poor.

Poverty Alleviation Requires Economic Growth

Economic growth is required if poverty is to be reduced. The evidence is clear in East Asia where 500 million people made the transition from poverty to a higher standard of living. This was not driven by investments in social welfare initiatives. It was driven by strong rates of economic growth that generated jobs and facilitated the movement of people from rural to urban areas:

- this sort of growth needs to spread to other parts of the world where economic development has been slow and growth rates have been poor;
- African developing economies should be a focus of attention especially those in Sub Saharan Africa.

Recognition of the poverty reduction benefits of economic growth has been overwhelmed by the promotion of development needs in other areas. The focus of attention shifted and it happened some time ago. But the reality is that economic growth is the only long term solution to poverty. It also happens to be the solution to sustainable gains in food security for the poor.

Over the past 10-15 years the use of aid programs to promote economic growth has been given a low priority. ODA by donor countries has been increasingly used to achieve other objectives.

The experience in Asia shows that strong rates of economic growth require investment, both foreign and domestic. It requires policy settings that encourage development and it can be assisted by the strategic use of ODA in production related initiatives. A growing economy creates jobs and higher incomes. It provides opportunities for people to escape the poverty cycle and achieve a higher standard of living.

Do ODA Priorities Matter?

Over the past 10-15 years the use of aid programs to promote economic growth has been given a low priority. ODA by donor countries has been increasingly used to achieve other objectives. The promotion of improvements in social justice, environmental outcomes and governance has become a primary focus of attention. Aid initiatives in these areas are important but they are not drivers of economic growth.

Gains in poverty alleviation will be lower if the rate of economic growth is lower. To the extent that ODA programs are effective it is important to maintain a firm focus on growth promoting initiatives. If the focus is too heavily skewed towards the non-economic areas of development it reduces the capacity for ODA to be a catalyst for economic growth.

Trends in ODA

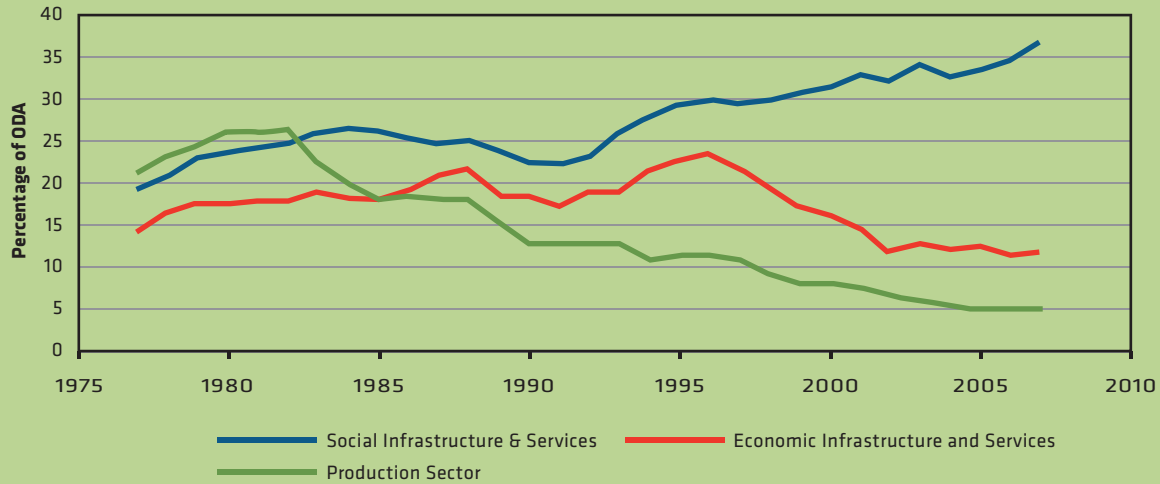
A report by World Growth highlighted the drift in development policy in recent times (World Growth 2009). ODA funding has become more focused on specific goals such as health, education, sanitation and improved governance (Figure 1). The shift away from investing in production related initiatives since 1980 is clearly evident. It has fallen from more than 25% of funding to about 5% of funding.

ODA spending on governance as a proportion of bilateral aid has increased substantially. In 2007 it accounted for 13% of total aid spending by OECD donor countries. In 1997 the funding proportion was about 5%. Spending on economic infrastructure and services is another example of the shift in priorities. In 1997 the OECD donor countries used 28 % of total ODA in this area. By 2007 it had declined to 12%.

The shift in aid priorities since OECD donors adopted the new strategic approach to development in the mid-

Figure A

OECD Aid Allocations by Sector



1990s is clear. The strategic intent was for aid programs to put more emphasis on the social, environmental and political aspects of development. There was to be less emphasis on economic issues.

The change in emphasis was subsequently embodied in the MDGs adopted by the UN in the year 2000. There was no MDG for economic growth. This is surprising given the prominence of poverty reduction in the statements used by donors to justify increasing their overseas aid budgets.

V. Land Use Policies and Food Production

Opportunities for growth in agricultural production and poverty alleviation are closely linked to land use changes. In most developing economies the existing arable land base is limited. The conversion of some forest land to agricultural production is necessary to enhance the opportunities for sustainable poverty alleviation.

There is no shortage of land available for conversion to agricultural production in the developing economies. The rate of land conversion in recent times has been relatively moderate and there is no evidence to suggest the huge areas of native forest land are under any threat from agricultural development. Exploiting natural resources is the essence of economic growth and development for most countries.

Expanding the land base for development purposes has to continue. It has to be done in an environmentally sustainable manner because land degradation is counter-productive. But new development opportunities have to be generated to accommodate the population pressures in rural areas and the encroachment of urban areas on the existing land base.

In Africa and South America there has been some limited growth in agricultural land areas. In Asia there has been very little change.

Political Pressures on Land Use Policies

Despite the self-evident need for some land conversions there are interest groups that oppose developments that encroach on the native forest base. For example, WWF is advocating a policy position to ban forest land conversions for any purpose. This is an idealistic position that is out of touch with reality. But it does highlight a key issue for policy makers to consider:

- policies that constrain forest land conversions will 'squeeze' the agricultural sector and in time force greater population dislocation due to diminished opportunities for poverty alleviation;

- on the one hand urban encroachment is reducing the arable land base;
- on the other hand arable land expansion would be curtailed.

The view that protecting all remaining forest land in the developing economies is of paramount importance is a recipe for poor policy development. Economic growth and agricultural development is of paramount importance for the poor in the developing economies. If land conversion restrictions are widely adopted there will be a greater risk of a reoccurrence of the food price crisis.

Improving the productive performance of the existing land base is another way to boost agricultural development. Yield gains can be expected to continue. But it is naive to expect this will be sufficient on its own. Both productivity growth and expansions in arable land areas are needed to achieve the growth rates required for sustained gains in poverty alleviation.

Trends in Agricultural Land Use

The suggestion that land use restrictions are necessary is based on a perception that forest land areas are being rapidly reduced by rampant agricultural development. A review of the change in agricultural land areas does not support this perception. Over the past 20 years the growth in agricultural land areas has been relatively moderate (table 1).

In the three key regions for developing economies there is no evidence of substantial land conversions to agricultural activities. In Africa and South America there has been some limited growth in agricultural land areas. In Asia there has been very little change. This would suggest there has not been a dramatic loss of native forests. Yet this is the picture painted by some environmental groups.

Forest land areas have declined but it can hardly be described as a major environmental disaster. While the situation will vary between countries there are still sizeable forest areas remaining in most countries. With a balanced approach to new developments there is no reason to suggest a need for restrictive land use policies. There are sufficient forest areas remaining to accommodate development needs and conservation objectives.

Table 1**Agricultural Land Use in Developing Country Regions**

		1990	1995	2000	2005	2009
Africa						
Agricultural land	million ha	1,102	1,107	1,123	1,153	1,161
	change	..	5	16	30	8
Asia						
Agricultural land	million ha	na	1,657	1,667	1,641	1,639
	change	10	- 26	- 2
South America						
Agricultural land	million ha	552	568	576	582	589
	change	..	16	8	6	7

Source: FAO 2012b.

Table 2**Proportion of Land Areas Used for Agriculture #**

	1990	1995	2000	2005	2009
	%	%	%	%	%
Africa	37	37	38	39	39
Middle Africa	24	24	24	25	25
North Africa	27	28	28	29	29
South Africa	62	63	63	63	63
East Africa	50	47	48	50	50
West Africa	42	43	44	47	47
Asia	na	54	54	53	53
Central Asia	na	74	72	72	72
South Asia	51	51	51	48	48
East Asia	58	58	59	57	57
West Asia	na	57	57	57	57
South-East Asia	25	24	26	27	29
South America	31	32	33	33	34

Proportion of total land area used for agricultural purposes. The remaining land area is either forest land or used for other purposes (ie urban areas, industrial sites, roads, etc).

Source: FAO 2012b.

A more interesting question is why the agricultural land areas have not grown by more than the data suggests. It could reflect a lack of foreign investment or policy constraints which have stifled growth in the

agricultural sector. To some extent it could also reflect the low priority for agricultural development in ODA. The issue should be investigated. Poverty reductions and food security in rural areas is driven by growth in

agriculture. A more relevant concern may be impact of urban encroachment on the capacity of the agricultural sector to contribute to poverty alleviation.

The limited encroachment of agricultural land development on the available forest land is more clearly observed in the proportion of total land area that is used for agriculture. As table 2 shows the allocation of land to agriculture has been relatively static over the past 20 years. The only significant area of growth has been in West Africa:

- in general there has not been much change in the land allocated to agriculture;
- in countries where forest lands have declined the driver has been other land uses such as urban developments, industrial sites and roads;
- agriculture has lost some arable land to other land uses and this has been off-set by forest land conversions.

The perspective evident in the aggregate data on land use may be hiding some specific developing economies where encroachment of agriculture on forest land has been much greater. Some environmental groups use selected examples and implicitly extrapolate their conclusions to a wider area.

It is beyond the scope of this report to investigate land use in all developing economies. But it is useful to look at some examples where accusations have been raised about the loss of native forest lands. The campaign against palm oil plantation developments and logging of native forests are two such examples.

Case Study - Palm Oil Developments and Land Use in Malaysia and Indonesia

The palm oil industry in Malaysia and Indonesia is seen by many people as a key driver of rural economic development. The industry supplies a low cost product that is a staple of the national diet. It has provided substantial regional employment and farm income benefits to many people living in low income households.

But there are interest groups that view the industry as the chief cause of environmental degradation in agriculture. The industry stands accused of rampant

deforestation and unsustainable farming practises. In general the image painted by environmental groups is of an industry growing through turning virgin forests into plantations. Palm oil is tagged as the sole cause of a major reduction in forestry areas.

This image is misleading. Increased oil palm plantings in Malaysia and Indonesia over the past decade have resulted in land use changes. Some of the growth has come from opening up new land. The remainder has come from using previously cleared land, the rehabilitation of abandoned arable land and land used for other plantation crops.

Land use in Malaysia is regulated by a zoning system and the government maintains a fixed allocation of 23% of the land area to agriculture. There is a legislated minimum allocation of the land area to forests of 50% and a policy of no virgin land conversions for agriculture. Oil palm can only be planted on land zoned for agriculture.

Since the year 2000 Malaysian oil palm plantings have increased by more than a million hectares. Plantation areas for rubber and cocoa have declined. This substitution effect has been going on for some time. As forest reserves are protected the remaining growth in plantings has come from previously logged or cleared land.

Indonesia does not have the same rigid zoning system for land use. But the government has designated around 60% of the total land area as permanent forest. Some is classified as conservation forest and the remainder is classed as production forest. As this area can't be converted to arable land for farming it is not available for oil palm cultivations.

Since the year 2000 Indonesian oil palm areas have increased by about 3 million hectares. Changes in agricultural land use have not been a factor in the growth of plantings. There has been very little substitution of oil palm for other crops. As the permanent forest areas are protected the growth has come from converting other land reserves into arable land.

Recent changes in land use in both Malaysia and Indonesia don't support the perception of rampant destruction of forest lands by agricultural

Table 3**Land Use in Malaysia and Indonesia**

		1995	2000	2005	2009
		%	%	%	%
Malaysia					
Agricultural land	'000 ha	7,885	7,890	7,870	7,870
	change	..	5	- 20	0
Forestry land	'000 ha	21,984	21,591	20,890	20,543
	change	..	- 393	- 701	- 347
Other land uses **	'000 ha	2,987	3,374	4,095	4,442
	change	..	388	721	347
Indonesia					
Agricultural land	'000 ha	42,187	45,677	49,246	53,600
	change	..	3,490	3,569	4,354
Forestry land	'000 ha	108,977	99,409	97,857	95,117
	change	..	- 9,568	- 1,552	- 2,740
Other land uses *	'000 ha	29,992	36,071	34,054	32,440
	change	..	6,079	- 2,017	- 1,614

* Residual of total land area of 181,157 thousand ha - used for housing, infrastructure etc.

** Residual of total land area of 32,855 thousand ha.

Source: FAO 2012b.

development. In Malaysia the area of agricultural land areas is largely unchanged since 1995 (table 3). There has been a small reduction in the forestry land but this is due to an increase in other land use.

In Indonesia agricultural land areas have increased and forestry land has declined. Some new land has been opened up for agricultural purposes. This land has been used for oil palm, rice and other plantations crops. There have been forest land conversions but the scale of the change over a 15 year period is not a major cause for concern.

Currently Malaysia has 63% of its total land area under forest and Indonesia has 47%.¹⁵ In both countries palm oil and agriculture in general is not causing rampant deforestation. Other land uses have contributed to the loss of forest land. The changes are an inevitable outcome of economic growth and there is no case for implementing land use restrictions.

Case Study: Forestry developments and land use in Papua New Guinea (PNG)

In PNG high rates of population growth have made land use changes a key issue for future economic development. The Government development strategy highlights the need for land improvement programs and resettlement schemes because of the growing demand for land in urban and peri-urban areas. The pressure for these land requirements has flow on effects for the area of productive arable land.

The central concern about the land acquisitions by commercial interests is the exclusion of the indigenous population from using land for either subsistence purposes or to earn a living.

15 FAO 2012, ResourceSTAT – Land, FAO statistical database on land & other resources

Table 4**PNG Land Use**

		1990	1995	2000	2005	2009
Agricultural land	'000 ha	877	934	1,005	1,030	1,150
	change	..	57	71	25	120
Forestry land *	'000 ha	31,523	30,828	30,133	29,437	28,868
	change	..	-695	-695	-696	-569
Other land uses **	'000 ha	12,886	13,524	14,148	14,819	15,268
	change	..	638	624	671	449

* Includes land used for commercial logging and other forest areas

** Residual of total land area of 45,286 thousand ha - includes other wooded land and areas used for housing, infrastructure etc.

Source: FAO 2012b.

Some environmental NGOs have raised concerns about deforestation in economies such as PNG. It has become a focus of attention because of forestry production and to a lesser extent palm oil developments.

However, an objective assessment of the evidence indicates forestry production has not been a major factor in deforestation in PNG. Clear felling of land for forestry has been banned since the year 2000. Timber is removed selectively and no more than 20% of the forest canopy can be removed. There is a resource management system for allocating the land areas available for forest use.

Agricultural land in PNG is estimated at just over 1 million ha. This is just over 2% of the total land area (table 4). The growth in agricultural land areas has not been excessive. Since 1990 it has increased by just 273,000 ha.

Foreign or domestic commercial investments should be encouraged. Restrictions on land ownership would be an anti-development policy.

Forested land is still the dominant component of the total land area in PNG. Forest areas have declined but the rate of change is not suggestive of rampant deforestation. The pressure of population growth and the need for rural economic development requires some forest areas to be used for other purposes.

Agricultural developments such as oil palm and coffee plantations are needed and this will require the use of some natural forest land. In some cases the land used for these developments is either areas previously used for forestry or fallowed land from subsistence agriculture. In other cases the land has come from forest land designated for development purposes. Environmental impact assessments are required for large scale developments.

The amount of land currently used for oil palm, coffee and cocoa plantations is minimal and not a major concern. Commercial forestry activities are not causing deforestation – the industry is based on a selective logging production system. Deforestation in PNG is not as extensive as some environmental NGOs suggest. Opportunities for economic development are limited and land use restrictions would curtail efforts to achieve sustainable gains on poverty alleviation.

Is Land Grabbing an Issue?

In the aftermath of the food price crisis concerns have been raised about investments in land ownership in developing economies by commercial entities. There are fears that commercial ownership of land for plantations is detrimental for the rural population. This concern has become known as 'land grabbing'. In many respects it is a re-run of the fears about foreign ownership of land by European commercial interests in the early 1900s.

The central concern about the land acquisitions by commercial interests is the exclusion of the indigenous population from using land for either subsistence purposes or to earn a living. It is seen by some as a threat to creating opportunities for poverty alleviation. Availability of small blocks of land for individuals is seen as being necessary for rural development.

Land grabbing is also viewed as a threat to food security. This concern is based on the notion that food security requires individuals to be able to farm small blocks. They need to be able to produce enough food for their own consumption and sell any surplus to generate an income. It is a superficial and simplistic view of rural development.

Concerns about land grabbing fail to recognise the critical importance of private sector investment in agricultural development. Governments of developing economies do not have the financial resources to provide capital for farm developments. The poor have no financial resources and limited access to bank loans. Investments by commercial entities are the primary source of capital for development purposes.

Foreign or domestic commercial investments should be encouraged. Restrictions on land ownership would be an anti-development policy. Plantation crops like palm oil or coffee are a key source of rural income growth in many developing economies. They provide jobs for rural residents which in some cases are a supplementary activity for farmers with small plots of land. The jobs generate income for purchases of food and other needs.

Restrictions on land ownership would be detrimental for poverty alleviation if it caused investment in agricultural development to dry up. The farming of small plots of land is not a requirement for food

security. It may even be detrimental to food security because of the forgone productivity gains from larger scale farming. In short it would be a poor policy prescription to advocate.

There is a lot of evidence that shows larger scale production generates productivity gains in technical efficiency and yield performance. Policies that frustrate the consolidation of small plots into larger farming areas would slow the rate of productivity gains. It would also increase the pressure for forest land conversions as the poor search for ways to generate more income:

- income generation (ie jobs) and poverty alleviation is the key to food security;
- it is achieved by the poor having sufficient income to buy the food they require which, in rural areas, supplements their home grown food supplies.

The current debate on how international donors should deliver aid to developing economies has raised questions about the effectiveness of various initiatives to increase agricultural production and alleviate poverty. Private sector investment and a reduced role for government involvement in development initiatives have been an integral part of the approach to fostering development since the mid-1980s (Abbot 2009). The recent concerns about land ownership would suggest this approach is not appropriate:

- private sector involvement through investment in agricultural developments is the only feasible way for accelerating poverty alleviation – governments and the individuals affected have a limited capacity for achieving this outcome;
- policy positions should focus on encouraging investment and accommodating the need for access to land resources.

Conclusions

The global financial crisis has commanded a great deal of attention in recent times. But there was another event that had major implications for global economic development at around the same time. The food price crisis of the late 2000s exploded with a similar speed. The group that suffered the greatest hardship from this crisis were the poor in developing economies.

Food security became a focus of attention in the aftermath of the crisis. It emerged from concerns about the capacity of the poor to cope with high food prices and to access to food supplies. Economic growth to alleviate poverty is recognised as the only long term solution to addressing food security concerns.

The problem is one of insufficient income to purchase food rather than a problem of inadequate farm output. Food output self-sufficiency is not necessary to resolve food security issues among the poor. Investments that stimulate agricultural output growth will increase food supplies. But more importantly they generate jobs and higher incomes for those living in poverty.

It is generally accepted that developing economies need to ramp up agricultural developments to boost poverty alleviation. Yet most aid donors give agriculture a low priority.

Agricultural development had been neglected by international donors, including the British Government led by Prime Minister David Cameron. A shift in aid use priorities in the mid-1990s has contributed to an alarming drop in aid for agricultural production initiatives. The shift has probably slowed advances in poverty alleviation and unintentionally aggravated the hardships faced by the poor during the food price crisis.

It is generally accepted that developing economies need to ramp up agricultural developments to boost poverty alleviation. Yet most aid donors give agriculture a low priority. There is a continuing strong

focus on social welfare development issues which are not the drivers of economic growth and poverty alleviation.

Aid priorities need to be reassessed. Economic growth has to be restored as the central policy focus of development objectives. The current balance in priorities is far too heavily skewed towards social welfare development issues.

To be an effective catalyst for growth, ODA funding priorities should consider:

- the structural characteristics of the economy;
- the location of the poor; and
- the growth multiplier effects of different sectors.

In many developing economies the agriculture sector supports a high proportion of the population and accounts for a sizeable proportion of the poor. This would suggest that ODA priorities to support economic growth initiatives should give particular attention to agriculture. It is worthwhile examining how the use of ODA has been prioritised in recent times to see if the balance is appropriate.

Another area of emerging policy conflict is land use policies in developing economies. Population pressure and the encroachment of urban areas requires growth in the arable land base to supplement productivity gains. The option of converting native forest land to agricultural production must be available.

But public debate on land use issues in donor countries is skewed towards conservation objectives. There is a risk that policy prescriptions for the developing economies will be skewed in a similar way. Conflicts with development policies will arise if there is a move towards policies that lock up the remaining forest land base.

Arbitrary policy decisions that don't consider the wider consequences can be damaging to the needs of developing economies. Concerns about environmental degradation and the loss of natural forest are important and need to be addressed in some cases. It's a question of balance that needs to consider the circumstances of individual economies.

There is no shortage of land available for conversion to agriculture in the developing economies. Over the past 20 years growth in agricultural land areas has been relatively moderate. The sizeable forest areas that remain can accommodate both development and conservation objectives. There is no reason to suggest a need for highly restrictive land use policies.

The notion of 'land grabbing' has become more prominent in development policy debates in recent times. The issue is land ownership. It is viewed by some as a threat to food security and the opportunities for poverty alleviation. This reflects a simplistic view of rural development. It fails to recognise the crucial importance of private investment for agricultural development in the developing economies.

With the withdrawal of ODA for agricultural development initiatives there is a heavy reliance on private investment to generate the opportunities for rural development and poverty alleviation. Restrictions

The notion of 'land grabbing' has become more prominent in development policy debates in recent times. The issue is land ownership. It is viewed by some as a threat to food security and the opportunities for poverty alleviation.

on land ownership would be an anti-development policy. It will be harmful for poverty alleviation and food security gains.

Economic growth requires flexibility in resource use to attract investment capital. Local ownership and the farming of small plots of land is not the pathway to food security because of the forgone productivity gains from larger scale farming.

Annex A – Patterns of ODA

There is widespread agreement among development economists that increasing economic growth is the only way to achieve sustainable reductions in poverty. It is supported by the evidence. In the 50 years since the end of World War 2 the world experienced the most extensive reduction of poverty in history and the driver was strong economic growth.

It would seem the assumption behind the MDGs was economic growth would be self-generating. National governments of developing economies and private sector investment would facilitate the growth. There

was no need for ODA. As a result we have witnessed a dramatic reduction in the share of aid used to support economic growth initiatives.

The strategic shift has infected ODA for agricultural production initiatives. Since the early-1980s aid to support agriculture has dropped alarmingly and the trend has continued since the MDGs were adopted. A comparative snap-shot of aid allocation over the past decade proves the point (table 5). Average annual allocations for agricultural production initiatives were 8.6% in 1989 and 1990. It fell to an average of 5.2% in 2009 and 2010.

Table 5

Major Uses of ODA from OECD Donor Countries

		1989-1990	2009-2010
Agricultural production	%	8.6	5.2
Other production *	%	5.5	1.9
Social welfare **	%	23.9	40.2
Economic infrastructure ***	%	16.7	16.0
Other ODA	%	45.3	36.7

Per cent of total bilateral commitments by donor countries.
Annual average for two year periods

* Includes health, education, reproductive health, water supply & sanitation governance & other social infrastructure.

** Includes transport, communications, energy & banking services.

*** Includes production related ODA to the mining, manufacturing, construction & tourism sectors.

Source: OECD 2012d.

Aid allocated to other production related initiatives has also declined alarmingly. It has fallen from 5.5% to less than 2% of total ODA. In comparison the funding for social welfare development objectives has surged and is currently averaging more than 40% of total bilateral commitments.

These shifts in aid usage were occurring in the years leading up to the food price crisis. It certainly didn't match the rhetoric used by donors that stressed the vital role of economic growth in reducing poverty. The withdrawal of ODA for agricultural production related initiatives is still evident in the post crisis period. Yet the policy prescriptions to address food security

concerns are stressing the need for faster agricultural production growth:

- the current situation is strongly suggestive of a serious policy conflict;
- donors have failed to re-align their ODA spending to their professed policy position of increased economic growth in agriculture to reduce poverty and enhance food security;
- they remain focused on social development issues that are advocated by interest groups and the priorities of policy advisers in non-economic areas of government.

Table 6**Average Annual ODA in Developing Country Regions #**

		1995	2000	2005	2009
		%	%	%	%
Africa					
Total ODA	US\$ million	9,697	18,463	19,500	24,594
	change	..	8,766	1,037	5,094
Asia					
Total ODA	US\$ million	14,778	15,136	15,546	22,635
	change	..	358	410	7,089
Southern & Central America					
Total ODA	US\$ million	3,028	5,127	6,281	6,135
	change	..	2,099	1,154	- 146

Average annual net bilateral disbursements by OECD donor countries in 2009 dollar terms.

Sources: OECD 2012a, 2012b & 2012c.

The shift in funding priorities towards the social welfare development issues has occurred at the same time as OECD donors have been increasing aid budgets. Average annual net disbursements increased strongly over the past decade (table 6). Aid has increased by around 33% in Africa since the 1980s and almost 50% in Asia. So the donors are giving more aid and channelling more of it into non-economic areas. It is inconsistent with the apparent need to emphasise agricultural production growth.

The amount of aid allocated to different development areas in 2010 confirms the disparity in aid usage and the conflict in policy positions. Since the end of the food price crisis and the initial global financial crisis (GFC) the rhetoric on policy prescriptions emphasised the need for more food production in developing economies. Eliminating extreme poverty is also considered to be the number one priority.

But no MDG specifies the need to increase economic growth or accelerate agricultural production development. It is hard to see how these critical policy objectives can be achieved without a change in priorities.

The tragedy of the current policy conflicts is that Africa is a target for the increased aid but economic growth is

weak. It is a region experiencing strong population growth and a rapidly expanding number of poor people. Many of the poor live in rural areas and there is an obvious need to generate stronger agricultural production growth.

Yet the allocation of aid to agricultural production initiatives in 2010 accounted for just under 7% of total ODA to the African region (table 7). More than 40% of the ODA went to social welfare development. The non-economic areas of ODA are important in Africa. But the strategic balance of ODA is too heavily skewed in that area. Aid for education, health, gender issues, the environment and governance will not provide the catalyst for stronger economic growth.

The tragedy of the current policy conflicts is that Africa is a target for the increased aid but economic growth is weak. It is a region experiencing strong population growth and a rapidly expanding number of poor people.

Table 7

Distribution of ODA in Developing Country Regions for 2010 #

		Africa	Asia	Southern & Central America
Total ODA	US\$ million	29,299	24,656	7,885
Agricultural production	US\$ million	2,022	1,183	662
	% share	6.9	4.8	8.4
Other production ***	US\$ million	850	394	181
	% share	2.9	1.6	2.3
Social welfare *	US\$ million	12,130	9,961	3,532
	% share	41.4	40.4	44.8
Economic infrastructure **	US\$ million	4,483	6,978	710
	% share	15.3	28.3	9.0
Other ODA	US\$ million	9,815	6,139	2,799
	% share	33.5	24.9	35.5

Net bilateral disbursements by OECD donor countries.

* Includes health, education, reproductive health, water supply & sanitation governance & other social infrastructure.

** Includes transport, communications, energy & banking services.

*** Includes production related ODA to the mining, manufacturing, construction & tourism sectors.

Sources: OECD 2012a, 2012b & 2012c.

The minimal use of ODA as a potential catalyst for stronger economic and agriculture production growth in Africa is a tragedy. The vulnerability of the poor to future food price rises will increase unless there is reassessment of ODA policy priorities.

The MDG's don't align with what's required in Africa. The eight goals focus on issues such as education, health, global partnerships, environmental sustainability and gender equality. They do include a goal of eradicating extreme hunger and poverty. But they don't mention economic growth either as a goal or as a means of achieving goals.

Agricultural output growth in Africa has been lagging the other developing country regions. On a per person basis agricultural production has grown by about 14% since 1990 (table 8). In Asia per person output growth over the same period has been just under 50%. In South America the per person production growth has been about 41%.

The large difference in growth performance should reinforce concerns about the capacity of the poor in Africa to cope with a new food price crisis. Food security in Africa is not being addressed. If ODA is not

invested in agricultural production initiatives then national governments and the private sector have to fill the gap. The prospects are not good.

The vulnerability of the poor to food price shocks is an economy wide issue. Economic growth has to be set as the central feature of policy advice to combat a future food crisis. In places like Africa stronger economic growth in the rural sector will certainly help. A greater emphasis on agricultural production related initiatives through ODA is essential for poverty reductions and improved food security:

- private sector and national government investments in these types of initiatives will not be enough;
- the policy conflict needs to be resolved by shifting ODA priorities back towards agricultural production initiatives;
- it is a question of balance and the current priorities are skewed far too heavily towards social welfare development issues.

There also needs to be more balance in the policy positions advocated by donors and national governments to facilitate private sector investments in agriculture. Regulations, taxation arrangements,

Table 8**Agricultural Production Growth in Developing Country Regions #**

		1990	1995	2000	2005	2009
Africa						
Gross production	index	61	69	83	100	110
	% change	..	13	20	20	11
Per person production	index	88	88	93	100	101
	% change	..	0	7	7	1
Asia						
Gross production	index	58	74	86	100	114
	% change	..	26	17	16	13
Per person production	index	73	84	91	100	109
	% change	..	14	9	10	9
Southern & Central America						
Gross production	index	58	70	81	100	107
	% change	..	20	16	23	7
Per person production	index	73	81	87	100	103
	% change	..	11	7	15	3

Index base year of 2004-2006 = 100.

Source: FAO 2012b.

environmental controls and land use restrictions should not be framed on the basis of extreme positions held by special interest NGOs. The development tragedy in Africa will get worse if extreme positions are adopted and the central policy focus on growth for poverty alleviations must be maintained.

The vulnerability of the poor to food price shocks is an economy wide issue.

Economic growth has to be set as the central feature of policy advice to combat a future food crisis.

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