



Federal Ministry  
for Economic Cooperation  
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# Promoting Sustainable Agriculture

Development Policy Strategy

BMZ Strategy Paper 3 | 2013e





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## Foreword: Purpose of the strategy

This strategy illustrates the considerable opportunities that agriculture affords for combating poverty and hunger in rural regions and explains what German development policy is doing to take advantage of these opportunities. Its purpose is to promote agriculture guided by the principle of sustainable development and the goal of realising the human right to food.

The strategy represents the BMZ's development policy frame of reference for shaping Germany's official development cooperation<sup>1</sup>. It defines the corresponding framework for action and contains guidelines for elaborating regional and country strategies. It builds on the BMZ's Rural Development and its Contribution to Food Security Strategy and takes the standards set in the context of the BMZ's Human Rights Strategy as its basis. Aspects taken from various other BMZ strategies have also been incorporated, for instance the strategies on economic development<sup>2</sup>, sustainable forest management, on biodiversity, water and energy, and on the green economy. Further, it makes reference to the BMZ strategy papers on the purchase and leasing of large areas of land in developing countries and on biofuels, and takes account of the guidelines on environmental and climate assessments.

The strategy primarily addresses the structural promotion of agriculture in politically stable and largely stable countries and regions. Specific aspects of agricultural development in fragile states and regions and their importance for their economic

development and food security are addressed in detail in a separate BMZ strategy on development-oriented emergency and transitional aid.

In addition, the strategy defines the position of German development cooperation in relation to the international debate, in relation to cooperation with multilateral organisations and in relation to European development cooperation. It assumes that farmers can only make a significant and permanent contribution to combating poverty and hunger if their actions are facilitated and not thwarted by policies in other areas. Further, it represents a decision-making aid when it comes to identifying, reviewing, planning, implementing, controlling and evaluating development policy projects and programmes. It forms the basis for dialogue with the general public and for cooperation with other German ministries.

The strategy is binding on the institutions involved in official development cooperation<sup>3</sup>. It serves as a guideline for the work that the KfW, the KfW's subsidiary, the DEG, and the International Services division of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH undertake on their own authority. It will be made available as a guide to civil-society organisations and the private sector.

The BMZ will be regularly reviewing implementation of the strategy.

<sup>1</sup> It comprises Financial and Technical Cooperation programmes and activities, including the posting of German experts and development workers, and continuing training for specialist and managerial staff in cooperation countries.

<sup>2</sup> More specifically, the strategies on private sector development (under revision), financial system development and economic policy (under revision), as well as strategy papers on agricultural financing and information and communication technologies.

<sup>3</sup> These include the KfW (Entwicklungsbank der Kreditanstalt für Wiederaufbau), the GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), including the CIM (Centre for International Migration), the BGR (Federal Institute for Geosciences and Natural Resources) and the PTB (National Metrology Institute).

## Executive summary

Even though agricultural surpluses are produced in many parts of the world, it has not yet been possible to substantially reduce hunger around the globe. Hunger is not primarily the consequence of an absolute lack of food, but of widespread poverty in rural regions in particular. It is usually small-holder families with few resources who are unable to adequately feed themselves on what they harvest.

Over the past few decades developing countries have faced a lack of economic agricultural prospects and political interest in rural development. This situation has changed. As a result of the investment incentive created by rising prices for agricultural goods, more and more national and international capital is now being invested in the agricultural sector in the Global South. Rising prices for agricultural goods, growing capital flows and the huge potentials for increasing earnings now open up a tremendous opportunity, founded on agricultural sector development, for overcoming both structural poverty in rural regions and hunger.

However, it is not a given that this opportunity will actually be seized, especially where the least developed countries (LDCs) are concerned. Now investments also need to be made in less favourable regions and they need to be translated into long-term benefits for the countries concerned and their populations. These countries thus have the task of improving the economic and political/institutional framework for agricultural activity with support from the international community. That includes, for instance, framing a development-oriented land policy that supports long-term and responsible investments in land and agriculture and that reconciles the various interests in rural regions. It is just as important to ensure people have a modern image of the farming profession through appropriate vocational education and training as it is to make available a rural infrastructure and establish a rural banking and insurance system.

Agriculture can be a key driver for overcoming poverty and hunger. It must sustainably secure food for a growing global population that is not only growing but also demanding better quality, protein-rich food. Overall, agricultural demand for limited land resources, for water and energy will continue to increase. However, global agricultural practices are already having a huge negative impact on nature and the environment. As a result, sustainably intensifying agricultural production – i.e. increasing productivity using fewer resources more efficiently and with at the same time far fewer negative impacts on the climate and environment – will become an issue of key importance for the future of humankind. Agriculture must be capable of guaranteeing food supplies without permanently damaging its own production bases.

Against this backdrop, German development policy focuses on two goals in its bilateral programmes, in its multilateral commitment, its involvement in shaping the international agenda and in its efforts to bring about policy coherence: Agriculture must, first, reduce poverty and hunger and it must, second, be resource-conserving and climate-neutral. Seven guiding principles are applied when it comes to achieving those goals: 1) realising the right to food; 2) alignment; 3) putting a stop to land grabbing; 4) responsible energy crop cultivation; 5) prioritising smallholder farm development; 6) promotion of gender equality and integrating marginalised groups; and 7) embedding agricultural sector development within a comprehensive rural strategy. Agricultural projects in bilateral development cooperation are formulated so that they directly address both goals – i.e. poverty reduction and food security on the one hand and the conservation of natural resources and climate neutrality on the other. Bilateral cooperation restricts its support measures to the following six areas of action, in which it has a wealth of experience to fall back on: 1) agricultural policy advice and

institution-building ; 2) professionalising small-holder farming; 3) improving agricultural training and consulting; 4) agricultural financing; 5) resource management, environmental protection and irrigation farming; and 6) cooperating with local and international enterprises.

In addition to its bilateral commitment, German development policy is actively involved in agricultural policy processes within the European Union, various organisations within the United Nations, the World Bank and regional development banks. Further, it is involved in shaping those global rules and regulations that have a key role to play in regard to national and local action aimed at sustainably intensifying agricultural production.

# 1. Establishing a productive and sustainable agricultural sector in developing countries: a challenge and an opportunity

Over the past few decades agriculture has undergone fundamental structural change in many parts of the world and agricultural production has significantly increased. The agricultural sector is capable of providing the majority of the global population, which has hugely increased, with quantitatively and qualitatively adequate food. Nevertheless, nearly one billion people suffer chronic hunger and another one billion people are malnourished, that is their food provides sufficient calories but lacks essential vitamins and micronutrients.

Current global agricultural practices, including in developing countries and emerging economies, are also having enormous negative impacts on nature and the environment. Their harmful effects are helping to push the Earth to its breaking point: Agriculture is a not insignificant contributory factor to climate change; it is contributing to the loss of ecosystem services, forests and biodiversity; common land use practices foster soil degradation and desertification; fertilisers and agricultural chemicals pollute rivers and groundwater; the sustainability of global nutrient cycles is in jeopardy. At the same time, agriculture needs to adapt to climate change and the increasing incidence of extreme weather events.

The challenge of not only reducing but permanently eradicating hunger and malnutrition around the world as well as at the same time establishing sustainable, environmentally friendly and resource-conserving agriculture will become considerably more difficult in future. The global population will continue to grow – from seven billion today to an estimated more than nine billion people by the middle of this century. While for many people physical and economic access to food is still a matter of daily survival, an increasingly larger share of the population will be living in prosperity and will demand higher-value, predominantly animal protein-rich, food. In addition, the use of renewable primary

products for energy and materials will continue to increase and non-food and non-feed crop production will gain increasingly in significance. Overall, the demand for limited land resources, for water and energy will continue to increase. The ability to intensify agricultural production in a sustainable manner, i.e. to increase productivity using fewer resources more efficiently with at the same time far fewer negative impacts on the climate and environment, will thus become an issue of key importance for the future of humankind. And reducing post-harvest losses and food wastage will become extremely important against that backdrop.

Sustainably intensifying agricultural production is a particularly huge task for developing countries, all the more so given the changing climatic conditions. However, at the same time, future-proof agricultural development is the precondition for development in many of these countries and for realising economic and social human rights. It thus presents an opportunity that can hardly be overestimated.

Three quarters of all poor and hungry people in the world live in rural regions. Boosting own food production, agro-ecological conditions permitting, is often a precondition for improving physical access to food. Further, the production of food and other agricultural products creates jobs and income in the agricultural sector. It thus guarantees economic access to food: Having an income means people can buy food and thus overcome the typical risks associated with self-sufficiency, when they are dependent solely on harvesting cycles. Where agricultural development focuses on overcoming the multifarious forms of discrimination against women and other socially disadvantaged groups, socially just, non-discriminatory access to food will also improve.

Income generated by agricultural activity not only means people are able to buy food, it also creates

demand for other goods and services in the region. Thus, the transition from a subsistence economy to market-oriented agricultural production represents a key step to strengthening the rural economy and the economic interconnectedness between rural regions and cities. It makes a key contribution to overcoming rural poverty. It is not without reason that growth in the agricultural sector reduces poverty to a much greater extent than growth in other economic areas does. This is one of the most important development policy motivations for agricultural sector development.

A robust agricultural sector that is interconnected with other rural and urban economic sectors is the basic starting point for diversifying and stimulating rural economic areas and it helps to considerably increase value added, from which the rural population benefit. However, in recent decades the agricultural sector has been growing extremely slowly in many countries – also against the backdrop of lower global market prices for agricultural goods – and it is still significantly underfinanced. Recently, however, the long-drawn-out fall in prices has given way to significant price rises. This is above all due to long-term trends. The long-term drivers of price rises include a growing global population, the increase in prosperity-driven demand in the emerging economies, the rise in energy prices, the expansion of energy crop cultivation and demand for agricultural commodities for material use. These trends will presumably continue to contribute to a high price level for agricultural goods that will also continue to rise. In addition, failed harvests, politically motivated export restrictions and speculation have in the past again and again aggravated short-term price developments and at the same time given rise to extreme price fluctuations. It is hardly possible to forecast the future significance of such short-term fluctuations in prices.

The increased price level on global markets creates greater incentives to invest in agriculture in developing countries; the majority of these investments are made by farms and enterprises in the local agricultural and food sector. These countries thus have a huge opportunity to profit from the increase in global demand for agricultural goods and to use their own agricultural sector to drive forward pro-poor development and to improve food security. This is a welcome development, which should be supported by development policy and consolidated through measures to reduce short-term price volatility.

Available know-how and well-established cultivation methods could already be used, for example in large parts of Africa, to sustainably double or triple crop yields. The higher prices for agricultural products, the improved investment climate and the greater capacities for increasing yields offer the opportunity to tap into this potential. Nevertheless, it is not a given that these will be entirely realised, especially where the LDCs are concerned. Efforts must be made to ensure that investors become interested in less favourable regions too and that investments have long-term economic, social and ecological benefits for the countries concerned and their populations. Many of these countries thus need to undergo more far-reaching reforms that development policy can support. It is only by means of such reforms that the consequences of the decades-long neglect of the agricultural sector in these countries can really be overcome and the conditions put in place for sustainable development.

The key element in the much-needed reforms in many affected countries entails strengthening the political/institutional and legal conditions for agricultural activity. Land use rights have a prominent role to play when it comes to setting this framework. Clearly defined and binding land use rights help smallholder families overcome the obstacles to



investment and contribute to improving the production bases. A fair, development-oriented land policy also prevents irresponsible investments in land (the phenomenon known as land grabbing). The necessary reforms in many cases include appropriate agricultural training, ensuring people have a modern image of the farming profession, safeguarding effective agricultural consulting and guaranteeing access to important inputs such as seeds and fertiliser. In addition, building rural roads, rural electrification, and a rural banking and insurance system are some of the elementary preconditions for a productive agricultural sector. Modern communication infrastructures, which have been expanding rapidly in rural regions in developing countries in recent years, also have an important role to play.

Fair market access is one of the biggest challenges that smallholder farms in developing countries in particular have to face. Establishing suitable organisations, for example cooperatives, can provide key support. Growing demand for what are known as high-value crops (e.g. coffee, cocoa and cotton) and animal products, vegetables and fruit, also increases smallholder farms' opportunities for integrating into the big value chains. Over the next few decades the production of basic foodstuffs for national, regional and global markets will presumably represent the most rapidly growing segment of agricultural production. Rising quality and sustainability standards must not create new barriers to market access for small farms in particular, but must help to improve their chances of increasing their income.

## 2. Goals and guiding principles of German development policy in the agricultural sector

### 2.1 CORE GOALS

German development policy in the agricultural sector is guided by two basic insights: Firstly, increasing productivity in the agricultural sector is a very effective lever for reducing poverty and hunger. Secondly, appropriate agricultural practices can make a considerable contribution to reducing greenhouse gas emissions and to maintaining biodiversity, soil fertility and stable water cycles. Against this backdrop, German development policy aims to develop an agricultural sector that reduces poverty and secures food on the one hand and conserves resources and is climate neutral on the other.

#### **GOAL 1: POVERTY REDUCTION AND FOOD SECURITY**

The focus is once more being put on agriculture in the context of a development strategy that aims to reduce poverty and hunger and that is the driving force for macroeconomic development beyond agriculture. The key element is sustainably increasing productivity and pro-poor income in agriculture. The use of cultivation methods that increase yields, the diversification of production, reduction of post-harvest losses and improving access to markets are key aspects when it comes to achieving this goal. Increasing production and earned income improves physical and economic access to food at local level. Where people are sufficiently integrated into the market, the range of food on offer on regional and international markets also increases.

#### **GOAL 2: RESOURCE CONSERVATION AND CLIMATE NEUTRALITY**

Agriculture must help to ensure the Earth is not pushed beyond its limits. Conserving the natural resources that form the basis of people's livelihoods, especially fertile soils, ecosystems and biodiversity, is of the utmost importance. Increases in production must largely be achieved using available farmland. The conversion of natural land with high biodiversity and forests into farmland must be avoided. The diversity of agricultural crop and farm animal species must be maintained and restored. Forms of land use that are responsible for advancing land degradation and the enormous loss of soil fertility need to be replaced by sustainable agricultural practices. The agricultural sector is by far the biggest user of the world's limited freshwater resources; the extent and efficiency of agricultural water use need to be substantially optimised; water retention in the soil needs to be increased using agro-ecological cultivation methods. The amount of fertiliser and agricultural chemicals released into rivers and groundwater needs to be reduced. The adverse impact that agriculture has on global nutrient cycles (e.g. on account of nitrate and phosphate) calls for sustainable solutions. Agriculture must be both climate-neutral and resource efficient. It must thus do two things: Agricultural production systems must minimise their contribution to climate change, for example by reducing greenhouse gas emissions caused by the production of mineral fertilisers, the use of machines and certain cultivation and production methods, as well as by maintaining and increasing carbon storage in the soil; and they must be resilient to climate change, for instance by cultivating those crops that are better able to cope with the changed climatic conditions (increased temperatures, extreme weather events).

## 2.2 KEY GUIDING PRINCIPLES

German development policy abides by seven guiding principles in its pursuit of the aforementioned goals: realising the right to food; alignment; putting a stop to land grabbing; responsible energy crop cultivation; prioritising smallholder farm development; promotion of gender equality and integrating marginalised groups; and embedding agricultural sector development within a comprehensive rural strategy.

### GUIDING PRINCIPLE 1: REALISING THE RIGHT TO FOOD

Realising the human right to food is the most important frame of reference for Germany's commitment in the field of agriculture. States facing the threat of hunger and malnutrition bear the main responsibility for meeting their duty to realise the right to food and guaranteeing access to qualitatively and quantitatively adequate food. German development policy supports the implementation of the FAO's *Voluntary Guidelines to support the progressive realization of the right to adequate food in the context of national food security*, which set out concrete recommendations for action when it comes to realising this elementary human right and provide a frame of reference for governmental activities. In cooperation countries that have made agriculture a priority area of activity, Germany supports the building of the necessary institutional, financial, technical and personnel capacities in the context of agricultural policy advice.

### GUIDING PRINCIPLE 2: ALIGNMENT

Agriculture can in effect only be developed by local people, by governments and their regional organisations. Their strategies, programmes and investment plans thus also become the benchmark for all meas-

ures implemented by the international community. German development cooperation acknowledges this principle and orients its coordination work within the group of donors and in its cooperation with governments, the private sector and civil society accordingly.

### GUIDING PRINCIPLE 3: PUTTING A STOP TO LAND GRABBING

Investments in agriculture form the necessary basis for increasing the productivity of smallholder farms in particular. They are thus to be welcomed and promoted as a matter of principle. Unfortunately, however, many of today's large-scale land acquisitions pose a threat to the rights of the population concerned, they create new poverty and exacerbate social and political conflicts. The land use and property rights of women and indigenous population groups, for example, are particularly at risk. German development policy condemns the practice of land grabbing and advocates putting a stop to it. However, German development cooperation also promotes responsible and sustainable investments, for example through elaborating development-friendly land policies or conflict-sensitive land use plans. The BMZ strategy paper on land grabbing<sup>4</sup> sets the relevant framework for action.

### GUIDING PRINCIPLE 4: RESPONSIBLE ENERGY CROP CULTIVATION

A considerable proportion of large-scale investments in land and agriculture in developing countries are currently being made in connection with the cultivation of energy crops in those countries. Energy crop

<sup>4</sup> see "Investments in Land and the Phenomenon of Land Grabbing. Challenges for Development Policy", BMZ Strategy Paper 2/2012

cultivation in principle represents an opportunity, in that it can generate both great momentum for rural economic development and income for the local population. In addition, energy crops that are not for export can help to make countries independent of their imports of expensive fossil fuels. The BMZ's Biofuels Strategy<sup>5</sup> sets out clear ecological, social and institutional conditions that need to be met in order that the opportunities provided by energy crop cultivation can be used and at the same time risks can be eliminated. The overriding principle underlying the strategy paper is that energy crop cultivation must on no account jeopardise local food security. Also, it must pledge to create a clear local development benefit.

#### **GUIDING PRINCIPLE 5: PRIORITISING SMALLHOLDER FARM DEVELOPMENT**

In view of the characteristic problems associated with poverty and hunger as well as the specific agricultural potential most developing countries face, German development policy believes that the specific challenge and great opportunity lies in developing smallholder farms from being self-sufficient and living at the subsistence level into innovative market players in an agricultural sector that is oriented to sustainability. Their role in local, regional and international value chains must be strengthened. German development policy advocates developing an urgently required, modern guiding principle in regard to smallholder farming: Smallholder farms are not the problem, rather they provide the opportunity for solving many problems. They have the greatest potential when it comes to sustainably intensifying agricultural production.

#### **GUIDING PRINCIPLE 6: PROMOTION OF GENDER EQUALITY AND INTEGRATING MARGINALISED GROUPS**

Women play an exceptionally important role in agriculture and generally have a wealth of experience and knowledge in regard to food security. The risk that a region will suffer hunger is lower the better access women have to, for instance, land and loans. Gender equality would lead to a considerable increase in agricultural productivity and to a significant improvement in food security. That is why German development cooperation supports improving women's legal, economic and social status. So as to ensure that poverty reduction and rural development strategies are framed in a gender-equitable fashion, a gender analysis must be carried out before each measure is launched. Similarly, special attention must be paid to integrating marginalised population groups, such as the landless, indigenous peoples, pastoralists and people with disabilities. Giving weight to their voice and involving them in establishing a productive and sustainable agricultural sector is an important aspect of comprehensive measures to fight poverty and hunger. Especially herders, who are extremely marginalised and excluded from political decision-making in many countries, deserve considerably more attention being paid to them. Promoting pastoralists can be important specifically in arid regions. Pastoralists generally live an adapted way of life, which involves making optimal use of the scarce available resources without degrading them. Further, livestock holders in various regions make a significant contribution to national economic output. Strengthening their organisations, introducing land use rights and promoting services in the field of animal health are often appropriate development methods. Measures to include people with disabilities help to realise their right to participate in social life and economic development. The potential inherent in the growing number of young people in the

<sup>5</sup> see "Biofuels. Opportunities and Risks for Developing Countries", BMZ Strategy Paper 14/2011

population is used to create a productive agricultural sector, not least also in order to actively work against harmful child labour.

**GUIDING PRINCIPLE 7: EMBEDDING  
AGRICULTURAL SECTOR DEVELOPMENT WITHIN  
A COMPREHENSIVE RURAL STRATEGY**

Agriculture should be part of a comprehensive strategy on sustainable rural development. At the same time as promoting smallholder farms, for instance, support can also be given to the local processing of agricultural products, which increases the value added in rural regions and offsets structural changes in the agricultural sector by creating new jobs. The key precondition for reviving the rural economy is the availability of public and private infrastructure. Along with promoting the economy, strategies for protecting natural resources and measures in regard to services of a general economic interest are necessary, more specifically, though, a political/

institutional framework in rural regions that is conducive to development<sup>6</sup>. Rural development thus amounts to more than developing individual sectors. Rather, what is decisive is the interplay between many factors for development in a particular rural region (“spatial approach”). For instance, what is known as the nexus perspective – regarding cross-links and interactions when it comes to guaranteeing water, energy and food security – is gaining increasing importance. The FAO’s Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests In the Context of National Food Security underline the importance of comprehensive land use planning in regard to the socially just and sustainable use of resources. German development cooperation supports cooperation countries in building capacity to elaborate their own development plans for rural regions that serve as the basis for the rational, well-founded allocation of internal resources and that can likewise serve as a guide for investments by external donor contributions.

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<sup>6</sup> see “Rural Development and its Contribution to Food Security”, BMZ Strategy Paper 1/2011

## 3. Achieving the goals and implementing the guiding principles in bilateral development cooperation

### 3.1 BASIC ORIENTATION OF AGRICULTURAL PROJECTS

#### **BINDING GUIDELINES FOR ACHIEVING THE GOALS AND IMPLEMENTING THE GUIDING PRINCIPLES**

German development policy primarily seeks to achieve the goals and implement the guiding principles in the agricultural sector as outlined in Chapter 2 in the context of its bilateral cooperation programmes. To that end, these goals and guiding principles are firmly embedded within regional and country bilateral cooperation strategies that make reference to the agricultural sector. New projects and programmes must prove that they are in line with the goals and – where applicable – the guiding principles. Specifying relevant indicators makes it possible to review practical implementation.

Agricultural projects and programmes of bilateral development cooperation are framed so that they directly address both main objectives, i.e. poverty reduction and food security on the one hand and resource conservation and climate neutrality on the other. The population's food status in the envisaged project areas is examined before planning new agricultural projects and programmes. In those areas where food insecurity is prevalent<sup>7</sup>, the pursuit of the food security goal is made a binding target. All agricultural projects and programmes endeavour to keep interference with the ecological balance and resource consumption in the area to a minimum. Where the project aims to increase agricultural production, this is primarily realised by increasing productivity on available farmland – avoiding the overuse of available ecosystems. Possible resource conflicts, for example due to land being used both as pastureland and to produce firewood, are resolved

by reaching agreement with those concerned. The conversion of areas of land that are worth protecting with high biodiversity (known as hotspots) must be ruled out. Projects that lead to indirect changes in regard to land use that are associated with the degradation of natural land and additional greenhouse gas emissions are also ruled out. In addition, all agricultural projects and programmes always endeavour to remain climate-neutral. In particular, the possibility of increasing CO<sub>2</sub> storage capacity by using agro-ecological farming methods is examined.

#### **TARGET GROUPS AND MEDIATORS**

When seeking to achieve the aforementioned goals and implement the guiding principles, bilateral development cooperation above all aims to strengthen certain target groups and to enable them to help themselves. These target groups are primarily smallholder farmers in rural regions as well as their producer and user groups (collectives) and micro and small enterprises in the field of agricultural services, agricultural trade and the processing of basic agricultural products. Ministries and authorities as well as regional organisations, associations of farmers, local non-governmental organisations (NGOs), trade unions and big enterprises in the agricultural and food sector are the most important cooperation partners that are regarded as mediators when it comes to “reaching” these target groups.

#### **PRINCIPLES ON WHICH COOPERATION IS BASED**

To guarantee the greatest possible efficiency and effectiveness of the development measures employed, the various instruments of German development cooperation are linked wherever possible. The objective of close cooperation between Financial and Technical Cooperation is in particular to generate

<sup>7</sup> e.g. in line with the FAO's “Food Insecurity and Vulnerability Information and Mapping System”

synergies between financing and consultancy and to make use of combined potential impacts and comparative advantages. The key tasks of Financial Cooperation in the agricultural sector include, for instance, financing infrastructure measures (e.g. irrigation farming and market structure development), developing market financial systems and providing financial support in establishing inclusive business models (e.g. smallholder contract farming or “fair trade” business models). In countries with the requisite level of development, Financial Cooperation can significantly enhance German support by making use of market funds. Typical tasks of Technical Cooperation are, for example, sector policy advice and advising smallholder farms on improving cultivation methods and soil fertility, developing sustainable value chains and establishing producer organisations.

Technical Cooperation in particular applies what is known as a multi-level approach: In order to achieve the greatest possible impacts, agreed and mutually supportive measures are initiated at international, national, subnational and local level. Technical Cooperation works together with public-sector bodies as well as with NGOs, the private sector and with agricultural research institutes. A further means of increasing impacts is the utilisation of interfaces between the agricultural sector and other policy areas that are important when it comes to achieving the goals set. Appropriate networking is particularly useful when it comes to general financial system development, private-sector promotion, as well as climate, resource and environmental protection.

Cooperation countries’ own strategies, programmes and investment plans provide the ideal conditions for support from German development cooperation. Where this condition is met, such projects – in line with the guiding principle on alignment – become

the benchmark for all such support. Isolated activities that are not in line with such projects are ruled out. As far as Africa is concerned, the Comprehensive Africa Agricultural Development Programme (CAADP) and the resulting regional and national strategies and investment plans represent the key guidepost for Germany’s commitment.

German development policy supports close cooperation and coordination with other donors and making the urgently required progress on harmonising donor contributions.

The basic principles described in the Interdepartmental Agreement entitled “The BMZ’s ODA Coordination Function” in combination with the rules developed in the context of the Interministerial Steering Group on Technical Cooperation and ODA Transparency form the basis for coordinating cooperation between various German ministries and cooperation countries.

### 3.2 AREAS OF ACTION

Establishing a productive and sustainable agricultural sector can require numerous measures to be taken on various levels that involve the interplay between the most diverse actors. German development cooperation cannot support the entire bandwidth of such measures, nor is this regarded as expedient. Rather, the range of support is limited to six areas of action in which German development cooperation has gained a wealth experience (see also graph):

- Agricultural policy advice and institution-building;
- Professionalising smallholder farming;

- Improving education, training and consulting;
- Agricultural financing;
- Resource management and environmental protection;
- Cooperating with local and international enterprises.

Which of these approaches is applied in the context of concrete cooperation with a specific country depends on specific needs, the cooperation partner's strategies and visions, the experience German development cooperation has gained and the possibilities for a sensible division of labour with other donors. In each case, however, German development cooperation projects and programmes in the agricultural sector are framed as broad-based priority programmes, not as isolated individual projects with a limited impact.



**Areas of action in bilateral development cooperation towards achieving the goals in the agricultural sector in line with the guiding principles**

GOALS	Poverty reduction and food security	Resource conservation and climate neutrality
TARGET AREAS	Sustainably intensifying agriculture Processing and refining raw products Diversification Opening markets and trade integration Post-harvest systems ...	Soil conservation Water resource management Forest conservation Protecting biodiversity Reducing greenhouse gas emissions Adapting to climate change ...
GUIDING PRINCIPLES	<ol style="list-style-type: none"> <li>1. Realising the right to food</li> <li>2. Alignment</li> <li>3. Putting a stop to land grabbing</li> <li>4. Responsible energy crop cultivation</li> <li>5. Prioritising smallholder farm development</li> <li>6. Promotion of gender equality and integrating marginalised groups</li> <li>7. Embedding within a comprehensive rural strategy</li> </ol>	
AREAS OF ACTION	<ol style="list-style-type: none"> <li>1. Agricultural policy advice and institution-building</li> <li>2. Professionalising smallholder farming</li> <li>3. Agricultural training and consulting</li> <li>4. Agricultural financing</li> <li>5. Resource management, environmental protection and irrigation farming</li> <li>6. Cooperating with local and international enterprises</li> </ol>	

### **AREA OF ACTION 1: AGRICULTURAL POLICY ADVICE AND INSTITUTION-BUILDING**

Agricultural policy advice and institution-building are generally an integral part of the multi-level approach applied in the context of Technical Cooperation. They serve to shape the enabling environment that private-sector actors and civil society need to be able to engage in their activities. Cooperation countries receive support in developing and implementing strategies to promote the agricultural economy. Affected sectoral policies and administrative incentive mechanisms are consistently geared to promoting a market-oriented and sustainable agricultural sector.

The most important policy framework for private-sector and civil-society commitment in the agricultural sector includes clearly defined and binding property rights and rights of use, a fair competition policy, stable financial systems and clear regulatory structures, for instance tax legislation and economic courts. Coherency between agricultural policy and neighbouring policy fields (including structural, economic, trade, environmental and social policy as well as consumer protection) must be guaranteed. Approaches to formulating a comprehensive agriculture development policy must thus be inter-departmental. The competent institutions must be promoted and, where necessary, restructured so that the measures can be implemented and monitored.

Complementary elements of decentralisation need to be promoted in line with the principle of subsidiarity when implementing an agricultural policy that was initially developed by a centralised state. An active exchange between the centralised and decentralised level must be guaranteed. Binding rules must be introduced regarding the participation of the private sector and civil society, from the local up to the central governmental level, and these must be consistently applied.

### **AREA OF ACTION 2: PROFESSIONALISING SMALLHOLDER FARMING**

Smallholder farms are responsible for the majority of agricultural production in most developing countries; they also harbour the greatest potential for boosting productivity. Promoting them in a targeted fashion is an enormously effective starting point for combating poverty and hunger. German development cooperation in this area of action thus aims to sustainably intensify small farm production, to promote the processing and refining of agricultural raw products, as well as to improve storage options, market access and trade integration. At the same time it strives to provide training on resource-conserving and climate-neutral production methods.

For many smallholder farms, making the transition from subsistence farming to professional, market-oriented economic activity that generates an income is the key step towards securing a livelihood. Income creates demand for goods and services, and helps farmers to accumulate savings and invest in the rural economy, which leads to self-sustaining growth in the rural economy.

In many places agricultural development means switching to using technological advances and adapted innovations “in the field”. However, the real challenges are often not technical in nature, but are linked, for example, to creating acceptance, broad-based consulting and information dissemination, organising markets, financing, and reducing risks and costs. Generally, self-organisation, contract agriculture and other forms of public-private partnerships (PPPs) are suited to improving smallholder farms’ access to markets and capital and thus to increasing production and competitiveness. A trade policy framework that also protects the local agricultural and food sector are thus necessary. This is in line with sustainable economic development

strategies applied in German development cooperation and ensures that all measures initiated are highly complementary.

Priority is given to promoting suitable organisational forms in order to secure market access. Cooperatives, which generally provide help so people can help themselves and are characterised by self-administration and self-responsibility, are particularly suitable. What is also important is promoting and legally protecting associations and interest groups, in particular organisations of farmers and women, whose involvement in political and administrative decision-making processes must be guaranteed and put into practice on all levels.

The key approach adopted by German development cooperation in this area of action involves establishing and expanding value chains, which can make a key contribution to ensuring smallholder farming becomes the engine that drives sustainable, diversified and inclusive economic development. Agricultural raw products need to undergo further processing and/or refining steps, which create additional value in the country itself and can cover all stages from production to the end consumer. Promoting product certification is also extremely important in this context.

Investments and consulting to reduce post-harvest losses, for instance by improving pest control, post-harvest handling, storage and transportation, are also important. As well as boosting production, they increase the availability of food and – in combination with the other measures applied to increase value added and the marketing of agricultural products – this increases smallholder farmers' earned income. More efficient storage helps, among other things, to put market price fluctuations to positive use and means producers do not have to sell their products when market prices are low straight after harvesting.

### **AREA OF ACTION 3: AGRICULTURAL TRAINING AND CONSULTING**

Farms in developing countries often still produce well below their potential on account of their lack of access to markets and capital, as well as due to their lack of access to business-related know-how. They often lack agro-technical, agro-economic and veterinary medical knowledge, as well as know-how about ecologically sustainable and resource-conserving cultivation and animal husbandry methods.

Governmental advisory services used to play an important role in the transfer of know-how to farms. These have, however, been systematically curtailed in most developing countries over the course of the past few decades. The hope that the tasks these advisory services provided in the past would be taken on by private actors has, unfortunately, generally not been fulfilled.

The key challenge now lies in working up findings from agricultural research or lessons learned from experience, where necessary in adapting them to local conditions, and passing them on to farmers and livestock holders. German development cooperation thus adopts two complementary approaches: First, it provides support in ensuring that people have a modern image of the farming profession through the right vocational training, since this did not previously exist in many parts of the world. Young people in particular, who in many societies make up the majority of the population, can be offered long-term prospects in this vocational field. Second, German development cooperation supports the revival of governmental advisory services. Here, lessons need to be learned from past mistakes when it comes to shaping relevant structures, developing existing positive approaches and disseminating them as innovative, locally adapted systems.

Further, German commitment in this area also aims to develop private-sector advisory services. Especially in the context of establishing value chains, greater value must be attached to all actors' knowledge in regard to providing seeds, fertilisers or pesticides right up to processing agricultural products and advertising innovations. However, adequate competition, adequate information about opportunities and risks, as well as good self-organisation are necessary to prevent smallholder families falling into new dependencies.

#### **AREA OF ACTION 4: AGRICULTURAL FINANCING**

What are needed are institutions that have the organisational, personnel and financial capacities to provide farmers with financial services. Access to classic loans is currently often denied especially to smallholder farmers. It is the lack of securities, the high weather-related credit risk and high transaction costs in particular that prevent an adequate supply of agricultural loans being available. Classic microloans with their often very short terms and their frequently inadequate volumes do not sufficiently meet the needs of agricultural producers. Consequently, adapted solutions to agricultural loans are needed that go beyond classic distribution channels. As well as short- and long-term loans, leasing or the provision of risk capital can be suitable solutions where the legal and institutional conditions are in place. As regards short-term financing, to avoid farmers falling into debt, suitable savings products are often better than relatively expensive loans. As well as savings and loan products, insurance that mitigates the risk of a failed harvest (weather index insurance) is a sensible alternative in the field of agricultural financing.

Agricultural producers in cooperation countries often do not know enough about financing products and their benefits and risks. In order to stop producers getting into excessive debt, development cooperation systematically incorporates "responsible finance" (appropriate regulation and self-regulation in the field of consumer protection and basic financial literacy for consumers) into its projects and programmes.

German development cooperation supports the establishment of financial institutions of varying legal forms (cooperatives and various forms of private and public proprietorship). Decentrally organised institutions such as savings banks and cooperatives are characterised by their responsiveness to customers' needs, which can be particularly beneficial in the field of agriculture when assessing the diverse risks associated with agricultural production. Financial services for agriculture are made available along the entire value chain, from production to processing and to marketing. Products and instruments are provided that go beyond standardised financial services available in urban centres and that are tailored to the specific needs of the agricultural sector. One core task is to adapt market conditions in such a way that agricultural financing becomes a worthwhile business segment for financial institutions and smaller agricultural producers become attractive customers. One important basis for this is establishing a well-functioning financial infrastructure (training institutions, loan information offices, audit services, etc.) and a suitable regulatory and monitoring framework. This comprehensive approach also ensures that private capital is available to increase agricultural productivity.

## **AREA OF ACTION 5: RESOURCE MANAGEMENT, ENVIRONMENTAL PROTECTION AND IRRIGATION FARMING**

Bilateral development cooperation integrates aspects of resource conservation and climate neutrality into all its areas of action in the agricultural sector – from agricultural policy advice and institution-building to PPPs. Protecting the natural environment is just as important as is boosting resilience to the consequences of climate change and extreme weather events. Sustainable resource management and environmental protection make a direct contribution to fighting poverty and hunger. For example, promoting sustainable animal husbandry, for instance through improved pasture farming, combined with the use of locally adapted breeds, can contribute considerably to boosting herds' resilience to drought and disease. Another example is the contribution made to maintaining biodiversity and using local species, which directly benefits small farm production and vulnerability to fluctuations in yields.

In this context policies and incentives are increasingly being elaborated to maintain and sustainably use ecosystems, and they are being incorporated more and more into development cooperation. Training courses, advice and support in implementing approaches to pay for ecosystem services (Payments for Ecosystem Services, PES), in implementing certification procedures and reducing agricultural subsidies that are detrimental to biodiversity are thus provided.

The dissemination of conservation agriculture techniques is playing an increasingly important role in German development cooperation. Conservation tillage, which gets by with no or only minimal soil disturbance, ensures permanent ground cover and involves wide crop rotation; in many regions it represents an alternative to traditional ploughing

that reduces erosion and maintains fertility. Erosion protection using biological or mechanical methods for slope stabilisation helps to maintain soil fertility and to improve water retention in the long term. In certain appropriate contexts, there can also be environmentally friendly alternatives to fertiliser-intensive agriculture.

One particular focus of development cooperation in the context of resource management is promoting sustainable irrigation farming. In many cooperation countries water shortages are a key issue that is gaining increasing significance on account of climate change. Experience shows that where irrigation makes sense and is ecologically justified, adapted and efficient irrigation systems can make a key contribution to regional development. Advisory services and even small investments can lead to immediately tangible increases in yields in a smallholder farming context. Even simple water harvesting measures, retaining water in soils and capturing surface runoff have an impact and can safeguard productive cultivation methods. Targeted investments in irrigation systems and efficient water use systems are accompanying measures to the advisory services. The spectrum ranges from small water retention basins and river weirs, to small-scale irrigation systems, to medium- to large-scale dams and distribution systems.

Valuable vegetation and biotopes are above all found in those areas that are in principle suited to irrigation, which means that conflicts can arise between the two main targets of food security and resource conservation. In such cases the especially valuable areas must be protected; in other cases measures need to be taken to achieve a balance.

### **AREA OF ACTION 6: COOPERATING WITH LOCAL AND INTERNATIONAL ENTERPRISES**

Agriculture is part of the private sector. German development cooperation therefore focuses its work in the agricultural sector on promoting entrepreneurial activity in cooperation countries – which also involves incorporating international enterprises. It promotes private-sector investments in agriculture at local and international level if sustainability and development benefits are guaranteed for local, usually smallholder farmers, and human rights are not violated. It is also itself active in mobilising private capital for infrastructure and agricultural production. The key benchmark for evaluating responsibility for entrepreneurial activity are the standards set in international bodies of rules such as

the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the FAO's Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests In the Context of National Food Security. Upholding ecostandards, social standards and the ILO's Core Labour Standards, shaping fair contractual relationships and acknowledging existing as well as traditional and common-law land use and water rights are of particular importance in this context.

The establishment of the German Food Partnership (GFP) in June 2012 laid the foundation for a broad cooperation network with businesses along the whole value chain and across the entire sector.

## 4. Policy coherence and actively helping to shape the global framework

Global norms and rules provide an important framework for local and national action. It will only be possible to sustainably intensify agricultural production worldwide if these norms and rules are framed as part of a participatory process and are consistently developed especially with a view to policy coherence. Proactively supporting their implementation is a primary objective. Important elements of such a framework are, for instance, the aforementioned OECD Guidelines and the FAO Voluntary Guidelines, as well as the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGR), World Trade Organisation (WTO) treaties and the recommendations made in the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD).

The BMZ supports the implementation of these and other global frameworks and initiatives that are conducive to development. What is also important is that a participatory approach to including all affected population groups is guaranteed in and concerning these mechanisms. That is why the BMZ supports consultations involving academic, private-sector and civil-society actors as part of the international dialogue.

The BMZ seeks close dialogue with other federal ministries and other donors in order to achieve the greatest possible coherence between other policies – in particular agricultural, fisheries, trade, energy, climate and environmental policy – with development policy targets. Trade regimes, direct investments, the promotion of foreign trade and agricultural research policy can work counter to development policy efforts. However, if they are framed correctly they can also serve as a lever for development policy that is dedicated to developing agriculture, reducing poverty and putting an end to hunger in the world.

The BMZ supports the EU shaping its agricultural policy so that it is conducive to development and further opening up the Internal Market to agricultural products from developing countries. More specifically, the BMZ backs the complete abolition of agricultural export refunds and subsidies that distort competition. In negotiations on trade regimes and agreements German development policy advocates maintaining an appropriate degree of latitude for protecting national and regional agricultural markets and taking account of trade partners' level of development when it comes to defining obligations and commitments.

In addition, the BMZ works towards creating incentives and options for the sustainable use of resources through suitable funding mechanisms and orienting international agricultural research even more to the prerequisites for sustainably intensifying agricultural production. It is involved in implementing the Rio Conventions (UNFCCC, UNCBD, UNCCD), which not least also represent important cornerstones for the agricultural sector. German development policy is very committed to shaping the food security initiatives of the G8 and the G20. Further, it is actively involved in the agriculture-related work of the European Union, various UN organisations (especially the FAO, IFAD, WFP), the World Bank and regional development banks; it supports the work of the Committee on World Food Security (CFS). In many cases bilateral agricultural development programmes are carried out in close cooperation with multilateral programmes.

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# The priorities of German development policy

More effectiveness  
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More education  
More democracy



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