

Rural Development and Food Security Forum 2019

28–30 October 2019, ADB headquarters



15 October 2019

Briefing Note

Theme: Transformative changes for rural prosperity and nutritious food

Background

ADB's Strategy 2030 that is aligned with the global Sustainable Development Goals (SDG) calls for urgent attention to meeting the challenges of poverty, food insecurity,¹ and rural prosperity in the Asia-Pacific region (the region).

The region's population is expected to reach 4.9 billion by 2030—accounting for over 60% of the global population. The region is expected to maintain a robust annual GDP growth rate of about 6.5% over the coming decades. To supply sufficient, nutritious, safe and affordable food for much higher and prosperous population, the region will have to reckon with the fact that it accounts for just 35% of the global arable land that has to support 60% of the global population while both its land and water resources are under stress and in decline.

In the coming decade, what happens to farmer incomes, food security and rural development (rural youth employment in particular) in the region will determine if ADB's Strategy 2030 operational priorities, specifically addressing the remaining poverty and reducing inequalities (OP1) and commitments to SDG1, SDG2, SDG3 and SDG4, can be realized. ADB's OP5 on rural development and food security aims to assist developing member countries (DMCs) to increase agricultural productivity and profitability, enhance food safety, and improve climate and environmental resilience and sustainability. These objectives can only be met by adopting effective and farmer/gender-friendly policies and investments, climate-smart agricultural technologies, and catalyzing public and private sector investments in developing rural economies.

Overall Purpose

Smart rural development, agricultural marketing policies and regulatory frameworks are critical to spur rural economies in the region. The Rural Development and Food Security Forum 2019 (Forum 2019) is a call to action for DMC governments to provide (i) active leadership to generate rural prosperity and (ii) effective stewardship to land and water resources (fresh and marine) to ensure sufficient, safe, nutritious and affordable food production.

¹ FAO defines food security as “when all people, at all times, have physical, economic, and social access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy lifestyle.”

The Forum outcome and outputs will inform the implementation of ADB's Strategy 2030 OP5: *Operational Plan for Rural Development and Food Security, 2019-2024*.

Specific Forum Objectives

The Forum 2019 aims to seek knowledge—from global, regional and local stakeholders, experts and practitioners, including ADB staff and Management—on enabling policies, technologies and investments that will assist DMCs/ADB in responding to (i) farmer income crisis; (ii) food security and malnutrition; (iii) rural distress and prosperity challenges; and (iv) gender equity, climate change, and natural resource degradation challenges to food security and rural development in the region in coming decades.

The Forum will be organized in 8 plenary sessions without breakout sessions because all the topics are important for all participants to attend, reflect and propose the way forward. Information and communication technology (ICT) will be used to engage participants *in real-time* to actively take part in posing questions and making recommendations for the future actions by governments and ADB.

Cross-cutting Areas

Gender, climate-smart agriculture, digital technologies, water and natural resource management, health, transport, education, and other cross-cutting concerns will be discussed in each session to ensure that relevant issues and initiatives are properly incorporated in the deliberations as well as recommendations. Increasing number of women are taking up farming as men migrate to urban areas or overseas in search of employment. Rural youth are generally disinterested in farming due to back-breaking drudgery, high risk and low profitability. Yet smallholder farming cannot be successful without general transition to larger farms, government help in adopting scale-neutral technologies, and significantly improving agricultural marketing systems. Climate-smart technologies—crop varieties that can withstand submergence and drought, real-time weather alerts via smartphones, satellite-based irrigation scheduling advice—are becoming available and can be successfully adopted by smallholders. But appropriate policies and profit-making business models are required for widespread dissemination and adoption of these technologies.

SESSION 1: Farming Crisis

Over 90% farmers in the region are smallholders (tilling less than two hectares) who produce 80% of the total food.² Most smallholders earn one-third of what is considered a minimum livable income. Smallholders thus remain in constant financial distress. The rising threat of climate change is further compounding smallholder farming and food systems. The main causes of smallholders' low profitability include (i) small and fragmented holding, and (ii) lack of access to

² http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/Factsheet_SMALLHOLDERS.pdf

modern agricultural package [seed, water, fertilizer], extension, mechanization, financing and markets. Smallholders' low profitability has serious consequences on farming because (i) farm productivity is less than half of economic potential resulting in wasteful use of land and water resources, (ii) average age of smallholders in the region is now 60 because youth are disinterested in back-breaking drudgery for high-risk and low-income farming, (iii) increasing number of women have to take up farming and they face even greater challenges than men for access to extension, finance and markets, and (iv) it induces excessive migration making urban areas unlivable.

A great majority of DMC governments have not provided sufficient and effective support to agriculture particularly in the recent past. Nowhere in the world and never in history has agriculture prospered without governments' active and effective support to public goods (research, education and extension) and semi-public goods (marketing and financing) often in partnership with the private sector. Transformation that took place in developed countries over the last 40 to 80 years—farm consolidation to larger size coupled with mechanization—has not happened in developing countries. The governments and multilateral development banks will have to devise concerted policies and interventions to assist in smallholder transformation to larger farm size and in adopting appropriate mechanization. Offering youth and women training in smart farming, business development, and financing will be critical to kick start the agriculture modernization process. The emerging modern technologies of GIS, ICT, Internet of Things (IoT), drones, robotics, fertigation, greenhouses, cold chain, etc. are fast becoming scale-neutral and can be adopted by medium-sized farms managed by properly trained and financed youth and women. Land use and ownership rights can now be efficiently and effectively established through GIS technology to increase access to rural credit as well as extension services. With secured land rights, land consolidation in larger farms will become more efficient and secure. Consolidated lands and farms will lead to collective empowerment of smallholders, particularly women-farmers.

Outcome of Session 1. This session will describe the current challenges of farming and propose transformative changes in policies and approaches to make farming profitable and gender-friendly, highly productive, and attractive to youth in the region.

SESSION 2: Dysfunctional Agricultural Markets and Malnutrition

Agricultural markets, in great majority of DMCs, are largely dysfunctional. Some of the main causes include (i) outdated policies and regulatory frameworks, (ii) trading cartels and local monopolies, (iii) large number of middlemen, (iv) dilapidated wholesale market infrastructure, and (v) lack of cold chain and packing infrastructure; less than 10% of perishable food—fruits and vegetables, dairy, meat, and fisheries—is marketed through cold chain. The consequences are costly to both the society and individual households (i) three largest vegetables in production volume and market importance—potato, tomato, and onion—face 3/4-year production cycles resulting in huge losses to farmers and traders, (ii) this extremely high market risk does not induce private investment in high-productivity agriculture keeping yields much lower than economic potential, (iii) cost of production remains high leading to higher prices for consumers, (iv) post-harvest losses are high—45% of fruits and vegetables, 35% of fisheries, 25% of grains, and 20% of dairy products are lost before reaching consumers, (v) smallholders' share in consumer food spending is, on average, merely 20%, (vi) lack of cold chain, misuse of fertilizers, excessive

application of pesticides, and contaminated irrigation water significantly compromise food safety,³ (vii) smallholder profits are low and highly volatile, (viii) post-harvest losses, at the national level, amount to billions of dollars, and (ix) the most damning consequence of dysfunctional agricultural markets is widespread malnutrition in most DMCs.

Poor and low-income households, a majority in most DMCs, spend 40%-60% of their income on food. When food prices are high and highly volatile, they cannot afford to diversify their diet. In developed countries, the average annual fruit and vegetable consumption is 120 kg/capita compared to 20 kg/capita in developing countries; in the Philippines it is merely 5 kg/capita. Similarly, meat consumption, the main source of good quality protein, in DMCs is one-fifth than that in developed countries. Therefore, the intake of three key micronutrients, i.e., vitamin A, zinc, and iron is much lower in most DMCs than the required threshold for normal human development.

Undernutrition (underweight, stunting, and wasting), overweight/obesity, and micronutrient deficiency are the “triple burden of malnutrition.” People in most DMCs suffer from undernutrition and obesity. In the region over 84 million children under age 5 are suffering from malnutrition; 35 million from wasting; and 17.6 million are obese eating unbalanced diet rich in carbohydrates. This “triple burden” is linked to continued but misdirected focus on staples and lack of policy attention and investments in diversified nutritious food production, distribution and access. Stunting and wasting has extremely serious implications on labor productivity and health. The World Bank studies have estimated that malnutrition related economic loss in most DMCs is equivalent to 2% to 10% of GDP; the loss in South Asian countries is 10% of GDP. Furthermore, soil and water resource degradation and contamination have become significant threats to region’s safe food production. Mis- and overuse of pesticides, herbicides, and fertilizers and insufficient industrial waste management are increasing heavy metal load in soils, and surface and groundwater used for irrigation and drinking, thereby, compromising region’s food chains.

The dysfunctional agricultural markets and malnutrition problems are inextricably linked and cannot be solved separately. Agricultural markets must be improved *first* to produce sufficient, safe, nutritious, and affordable food to improve smallholder income and as a result to improve nutrition for population in general. ADB has proposed transformative solutions to improve agricultural markets. These models will be presented at the Forum.

Outcome of Session 2. This session will discuss the impacts of dysfunctional agricultural markets on farmer profits, low farm productivity, bad food quality, high prices for consumers, and the devastating impact on malnutrition. Recommendations—to improve policies and regulatory frameworks and to make key investments in market infrastructure and nutrition programs—will be crowdsourced from the experts and participants for the governments to take actions.

³ WHO *Food Safety Fact Sheet* accessed at: <http://www.who.int/news-room/fact-sheets/detail/food-safety> on Nov 11, 2018. Around the world, an estimated 600 million fall ill after eating contaminated food and 420,000 die every year; children under five years of age carry 40% of the foodborne disease burden with 125,000 deaths every year. Diarrheal diseases are the most common illnesses resulting from the consumption of contaminated food, causing 550 million people to fall ill and 230,000 deaths every year. Chemical contamination can lead to acute poisoning or long-term diseases, such as cancer. Examples of unsafe food include fruits and vegetables contaminated with feces and raw shellfish containing marine bio toxins.

SESSION 3: Rural Distress

Most DMC governments have paid insufficient and piece meal attention to rural development. The main causes of rural distress include (i) the *urban-bias* approach to development whereby genuine needs of rural populations remain unmet, (ii) weak rural-urban connectivity; fragmented road network, (iii) no or limited connection to electric grid, and unreliable power supply, (iv) lack of social services, i.e., primary education and basic healthcare, and (v) underdeveloped water supply and sanitation infrastructure. The consequences of rural distress cause a significant economic and fiscal loss to national economies in general, and rural households and economies in particular. Consequently, (i) lack of employment opportunities force a great majority of rural youth to migrate even when there are not enough jobs in cities creating urban slums, (ii) economic potential of half of the society is underutilized as more than half the region's population lives in rural areas, (iii) underdeveloped market connectivity results in low productivity and inefficiencies in agriculture, (iv) development of non-farm economic activities in rural areas, i.e., cottage industry, agro- and non-agro SMEs, and services is stifled, and (v) demand for consumer and capital goods in rural areas remains depressed which could otherwise provide impetus to national economic growth.

Unless rural distress is effectively addressed, neither food security nor inclusive and resilient development agenda of DMCs and ADB Strategy 2030 can be realized. Despite these challenges, many small towns in rural areas are showing healthy signs of economic growth and revival. Governments can provide further impetus to such areas in particular and underdeveloped rural areas in general to make transformative changes to redress rural distress by (i) adopting creative policies and strategies, (ii) prioritizing road connectivity in rural-urban integration, (iii) providing off-grid energy solutions, (iv) developing tele-education and tele-health centers, (v) incentivizing private investments with tax breaks and special financing, (vi) deploying digital technologies, and (vii) developing *rural economic hubs* in selected areas to showcase their potential to drive and accelerate rural economic growth and development.

Outcome of Session 3. This session will highlight the imbalance in rural-urban development and its significant negative impacts on national economic growth; rural employment; food security and nutrition for the whole society; and urbanization. Good examples of rural revitalization will show that well-developed rural areas can play vital role in wider economic development and generating good jobs for the youth. Specific recommendations will be discussed and finalized for DMC governments, civil society and development partners to consider for focused rural development.

SESSION 4: ADB Experience and Knowledge Sharing (Focus on Gender, Climate Change, and High-Level Technology)

ADB has stepped up its efforts to introduce innovative approaches and technologies under its policy-based and investment loans as well as technical assistance projects. This session will showcase some of these innovative projects and more importantly highlight the lessons learned so that other DMCs may consider adopting similar approaches and designs for their projects.

SESSION 5: Knowledge Sharing among Developing Member Countries

Some countries in the region have taken creative and out-of-the box initiatives through public policies and both public and private investments. Discussions will focus on what has been done so far, how these can be refined and adopted by the DMCs, and further identify ways to promote policy dialogues and reforms, and public-private partnerships.

Outcome of Sessions 4 and 5. The projects showcased will promote knowledge sharing and learning by enabling government representatives to reflect on the good models that they can adopt in their respective countries.

SESSION 6: Financing Agripreneurs and Rural SMEs

Despite good progress and many innovations in rural and micro-finance in the region, wider, efficient, and cost-effective access to rural finance remains limited to small segment of potential borrowers. Discussion in this session will focus on innovative financing mechanisms, including emerging ICT platforms and FinTech to extend credit and banking services to small and dispersed borrows, i.e., agripreneur and SMEs for farm and non-farm operations in the rural areas. The private sector, including venture capital firms, will explore how they see the future and what is required from public sector in terms of enabling policies and creating level playing field to foster and expand pro-farmer smart financing options and opportunities.

Outcome of Session 6. Banks, venture capital firms, ICT and FinTech companies who have demonstrated successful models to service rural areas will demonstrate their business models and share success stories. The gaps in public policies and regulatory frameworks will be identified and good practices showcased for policymakers to consider and emulate. Recommendations to further strengthen and expand such services will be discussed and adopted.

SESSION 7: Voices from the Field—Farmers Roundtable Discussion

Two farmers from each of ADB's five operation regions will be invited; one smallholder or subsistence farmer and another agripreneur or commercial farmer. Both male and female farmers will be invited. Smallholders will share their struggles and aspirations and commercial farmers will share their success stories despite constraints they have encountered and are still facing.

Outcome of Session 7. Most constraints and risks that smallholders and commercial farmers face are well known. This Forum will provide them a platform to share their experiences firsthand with policymakers and ADB project proponents. This Forum will also be an opportunity for these farmers to leave their country for the first time and interact with their counterparts in other countries. For many, it will be an experience of lifetime and an opportunity to express the concerns and aspirations of their communities at the international level. Their recommendations will be summarized for consideration by policymakers.

SESSION 8: Voices from the Field—Youth Perspectives

Two youth from each of ADB's five operation regions will be invited. As the average age of smallholders in the region is nearing 60, youth generally remain disinterested in the back-breaking drudgery of farming. Youth need incentives to take up farming. Youth, both male and female, from smallholder households who occasionally help their parents on the farms, will be invited to the Forum. They will share their aspirations and experiences to explain (i) what hindrances they face in taking up farming fulltime, and (ii) what other non-farm employment opportunities can be developed in the rural areas. Successful young entrepreneurs and startups will also be invited to share their experiences of working in the rural areas.

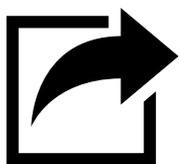
Outcome of Session 8. Youth, AgTech, and FinTech firms will suggest solutions and identify constraining as well as enabling policies for sustainable rural development and job creation.

Technology and Innovation Marketplace

International research institutions, technology firms, banks, and agribusiness firms will be invited to showcase their modern technologies and services, and best practices to support rural development and food security. There will be 10 booths set up in the cafeteria hallway leading to the Auditorium.

Impact Stories

The journeys of ADB projects and the stories of project beneficiaries will be shared with the participants through posters and videos in the digital display screens along the Forum hallways.



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