

## PANELISTS DEBATE

**Kemal DERVIS, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

You ended by rightly stressing that each country in its own way has to have a strategy, because it has the policy levers. Let me take a step back and ask you a little bit about what you think about one debate which is emerging among economists, around the SDGs and so on. It has a lot to do with the fragmentation of the international development system, the multiple actors. I was at the UN, where I was very happy, and the UN is crucial to all of this. However, it has the weakness that each agency is pushing and advocating its own agenda and its own funding, because they are all competing for the same funding.

There is an answer that some people give and that I will caricature now. I do not believe in it myself at all, but I will just give you an opportunity to react. There is the following very simple calculation one can make. There are roughly 1 billion very poor people. You said it was roughly 760-780 million hungry people. Let us say 1 billion for the sake of argument. As you know, the poverty line is 1.25. Let us say that you give USD 1 to each of these people. That is USD 1 a day, and that is USD 1 billion. Do that every day of the year and you get USD 365 billion. That is roughly 0.2% of world GDP.

In a very simplistic world, if you could mobilise 0.2% of DDP and just distribute it to people, that would be the end of poverty. There are serious arguments that at least doing some of that is better than trying to support all kinds of other channels indirectly. Instead of that, give the purchasing power to the person, to the people, to the peasant and to the poor person in the city. Let that person then spend it the way they want. If they need to buy food, they will create demand for food, and this food will then be produced because there is demand.

This short-cuts a whole lot of issues, but the disadvantage is that you create a permanent welfare system. It is highly simplistic and I believe it is not at all an answer to our problems. Nonetheless, given the waste that often exists in the aid system and all that, what is the balance for the international community? This is between cash support and supporting productive projects in irrigation, small-scale agricultural production systems, mechanisation and things like that.

This includes what I said about the new technology, and I do not know too much but maybe some of you do. This can do a lot for smallholders, if it is deployed right. That is one question that I have in my mind. The other question, and you can take it whichever way you want, is about the link to energy. In other words, how do energy policies, water policies and agricultural policies interact? Anyway, these are just two points that I want to raise and you are quite free to raise other points.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

Mostafa, how do you answer to the simplistic ideology?

**Mostafa TERRAB, Chairman and CEO, OCP Group**

If it relates to the small farmer, if they use that USD 1 to buy fertiliser, I will be happy. I do not think it is simplistic, but the solution is always a complex mix of both. We have live experiments of living on USD 1 a day, which you mentioned regarding this welfare state. Some of them experienced an Arab Spring and it did not stop. Just giving income to people who cannot turn it into dignity and making sense of their life does not resolve the other problem of long-term security and welfare.



What you said is not a case of whether we do this or that. Many institutions, including the World Bank, have mixed both instruments. They do not call it subsidies, but output based aid. They must have changed that at some point. It is exactly that and there is probably a mixture of both. They are increasing purchasing power, but will it go towards consumption or buying the technology that will increase productivity. That is a key question.

Going back to the fragmentation, this happens in many instances, such as at the global scale, among the global development community. It also happens at a country level. We have to deal with sectoral policies and Ministries and to what extent they coordinate and create synergies in terms of governance. Ethiopia is an example and is giving the example of how you coordinate at a high level.

However, we are seeing it in terms of the SDGs. We are having this discussion in the background. Even though all of them are viable and defensible, some of them are addressed with policies and instruments that contradict each other. This is precisely because there are two different ministries handling two different SDGs. The holistic approach is lost, the principle that everything is related. It also happens within companies. Management is constantly trying to fight silos and departments are not talking to each other, so it is a general issue.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

It is part of organisational life.

**Mostafa TERRAB, Chairman and CEO, OCP Group**

I forgot the second question.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

It is about the lowering of energy and oil prices. How is it linked to the whole dynamic?

**Mostafa TERRAB, Chairman and CEO, OCP Group**

Again, it is the same issue, that everything is related. At the country level for example, you cannot have energy, agricultural and water policies that are not interrelated. People talk of the food, water and energy nexus for a good reason. There is strong interaction and frankly, you cannot do anything viable if you do not consider the interactions. The tools are there to do that from a methodological and even a scientific point of view, with systemic analysis tools etc. However, are they reflected in the way we address the problems and in the way we organise ourselves to address the problem? I am not sure.

**Arkebe OQUBAY, Minister and Advisor to the Prime Minister of Ethiopia**

In terms of fragmentation, it will not be a major problem because there has always been fragmentation among international organisations, even within national organisations. Ministries have different influences and priority agendas. It will be unrealistic to expect a more homogenous approach to this. However, we know the old and simple saying which is often referred to- Do you want to give a person a fish if he is hungry or do you want to train him fishing to support himself? In this case, the approach that Kemal has mentioned is the standard donor-driven approach. This experience is based on helpless people who are fed by someone else. This thinking is not based on social or economic transformation.

From my point of view, international organisations and the international system should support Africa and to other developing countries. This was the case in Europe during post World War II. We know that the Marshall Plan played an important role in the recovery of Europe, and Europe has become one of the most dynamic and advanced economies. The international community could come with a different approach to help Africa, Asia or some developing



countries, and provide them with inputs that could trigger more economic dynamism and that could have a sustained positive impact.

However, the second option will not help much. I would like to mention that two years back, as you all know, France came up with a big initiative, particularly centring on the France and Africa relationship. In practical terms, it has not moved much, but I believe that is a correct approach. Looking at Africa as an economic partner, rather than based on the donor relationship is a very positive approach.

For me, the key point is that number one, the international community should be restrained from giving any prescription to developing countries. From the Ethiopian experience, we know that it has always had mixed effects. Sometimes international organisations try to assert their policy prescriptions, which has played a negative role in many African countries. One of the big reasons why Ethiopia has been able to achieve economic dynamism in the last two decades is that it has followed its own unique development path. In many instances, it has rejected recommendations and prescriptions from international financial organisations.

For instance, we invested in improving the capacity for power generation, when we were recommended not to expand. We only had one university and some international organisations told us, 'You do not need more universities.' However, we spent more money on universities and we have more than 40 universities with half a million students, which will be rewarding for us when we move towards an economic stage when manufacturing will play a critical role.

The key issue is that international organisations and systems should not assert or issue policy prescriptions. Secondly, international companies and international organisations could play a positive role if they focus on triggering more economic dynamism. This is helpful, because migration could be reduced if there is economic dynamism in Africa, and some under-developed countries. By the same token, security can improve.

**Kostas STAMOULIS, Director, Strategic Programme Leader, Food Security and Nutrition, FAO**

The fragmentation of food security governance in the world has increased since the food price crisis of 2008-09, because the G20 and the G8 started to put food security as a key issue in their deliberations and action plans. There is no such thing as a "invisible coordinating hand" in this, and neither could there be. There has been a recent effort to provide a forum to support more coordinated action at all levels and across many stakeholders. This the Committee on World Food Security, which was revamped in 2009 into something that is a lot more meaningful than it used to be.

I do not know about the extent to which the global fragmentation of food security governance reflects the country level fragmentation. I have not studied the matter, but I suppose it has to do something. But fragmentation of action is a major impediment to making progress on food security and nutrition. At least they are based on the same principle which is that stakeholders have their own objectives and institutional mandates. However, I cannot look at the reflection in a structured way. I want to come back to the point that you mentioned about US\$ 1 a day. First, the World Bank has revised this upwards right before the Meeting of the UN.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

It was 1.25 and now for the coming period, it will be close to 1.4 I think.

**Kostas STAMOULIS, Director, Strategic Programme Leader, Food Security and Nutrition, FAO**

It is a bit higher.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

However, it is not all food.

**Kostas STAMOULIS, Director, Strategic Programme Leader, Food Security and Nutrition, FAO**

Correct. It is not all food. The transfer you propose has to do with the notion of the safety net and the social protection programmes. I am glad that Ethiopia has a presence in the panel, because they have one of the most successful productive safety nets among the developing countries. There are also the ones in Brazil and in some of the Latin American countries like Mexico etc. The scheme combines the two things that you mentioned, Kemal. It combines a minimum threshold of income for poor households. Sometimes this income is linked to taking the kids to school or to the local health centre. So in some cases this transfer is conditional and in some others it is unconditional.

The Ethiopians authorities did not just give poor farmers the difference between what they earn and what is conceptually the purchasing power parity (PPP) dollar a day. However, they gave them enough that they could use it as start-up capital to buy more inputs for the farm, do irrigation and make other investments. It has been very successful, but it takes massive investment. It is all worth it, because it has made a big difference to the country.

The solution by which we give to the poor people the difference between what they earn and the Poverty Threshold Amount is practically impossible and probably politically unpalatable as it will be construed as creating dependency. And it may just keep people in poverty. You have to help people stand on their own feet. Before the financial development conference in Addis, we (FAO) produced a paper in which we calculated the cost of a plan by which you provide people with social protection in the beginning. However, as they invest, they get out of dependence on social protection and depend on the returns from their own investments. You need a few billion in the beginning and then you need very little towards the end of the scheme. You can find this on our website.

Coming back to the governance though, allow me one minute. This is also about water. There are some successful elements in the governance of international water, which we do not necessarily have in the field of governance of food security and nutrition despite the fact that there is no body in water governance equivalent to the Committee on World Food Security. For instance, there are about 700 bilateral, multilateral, regional, sub regional and other kinds of deals for the management of water flows given that the majority of water in lakes, rivers and underground aquifers cross national borders. Those deals seem to be working. There has not been a water war, as was trumpeted a few years ago. There are very good examples of management of water basins by local communities which compete for access to water. The Mekong is one of them and there are others.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

We will not summarise, but we will at least give a synthesis. One can make the following points. The calculations making the difference between 1.25, 1.4 or even USD 2 show that the problem of extreme poverty, in a purely accounting sense in the world, is humanly a huge challenge. However, it is actually manageable economically, if one had the will to provide these safety nets. It is of the order of 0.2, 0.3 or 0.4%, less than half a percent of world GDP. It is a good message because it tells the world that we are not dealing with a situation which is completely unmanageable.

Then one comes to the point about how to manage it. All of our panel are agreed that the simplistic solution of just paying people cash is only a very partial solution. There may be situations where that has to be done, but the real challenge is to link that to the creation of productive capacity. There is also the learning of new technology and good habits in terms of schooling and things of that sort. By the way, the successful poverty schemes that have been used in Brazil, Mexico and other parts of the world, including Ethiopia, show that there is a way to do this. This is again without spending inordinate amounts of money.

When it comes to the bigger development and growth issues, beyond food security and beyond just fighting hunger, we enter much bigger territory. All of you have touched upon that, particularly the Minister and Mr Mostafa Terrab, who are coming from developing countries. None of us sees the picture just as one. Fighting poverty is extremely important, but it is part of overall development. It is not about that objective, and once you have achieved it, it is okay. For a charitable organisation in the rich world, it may be viewed that way. Once you have taken care of the extremely poor as a charitable organisation, maybe your objective is fulfilled. However, as a development leader, this is not at all



sufficient. In international debate, these two things sometimes get mixed up. It was very useful to stress that you have to think of it as an overall development policy.

Before I turn to the audience, is there anything about technology, because there are so many technology optimists around these days. They have miracle solutions for this or that and I am not very knowledgeable on this. However, in your field, as people who work particularly in this, do you see any technological breakthroughs that are changing things and that are revolutionary and disruptive?

**Arkebe OQUBAY, Minister and Advisor to the Prime Minister of Ethiopia**

In general terms, there have been historical incidences in which people were afraid that the world would not be able to feed itself, starting from the time of Malthus. However, we know that humankind comes up with creative solutions. I believe that technology will play an important role. Even looking at the existing productivity level in agriculture, the key element that brings a difference in terms of productivity is technology and input in agriculture. We may not be able to predict the specific type of technology that comes, but technology will play a very important role.

I would also like to remark that the intervention we need in terms of food security is not contained in agriculture. It is not about avoiding hunger or feeding the population. It goes beyond that. If countries have to feed a continuously increasing population, then they have to also look at how, manufacturing can play an important role, like in African countries. In Ethiopia, for instance, the population increases by 2.3 million annually. This population increase is not only in rural areas but in urban areas.

How do we create jobs for these young people? How do we avoid frustration in the youth? How do we create a better future? These are the key challenges. We believe that African countries should not only focus on agriculture but also light manufacturing and labour intensive industries, to create jobs for the youth. We are not going to send the youth from the cities to the rural areas. In fact, people are coming from rural areas and living in cities, but are mainly deployed in informal occupations which are not sustainable for them to live. This is one element.

The second one is that all this intervention requires long-term investment in education in skill formation, in infrastructure. In Ethiopia, one of the key mysteries or lessons is that we have been spending up to 60% of our budget on long-term investment. This is in rural roads and new railways systems that are electric-driven sourced from renewable energy. We are building the largest hydro power plant in Africa, with 6,000 megawatts, and the first electrified railway system in Africa. This also has an impact on climate issues. We now have massive construction of industrial parks, but we are trying to build green industrial parts. When we look at food security in agriculture, we have to link it with developments in manufacturing and long-term investment in skill formation and infrastructure.

**Mostafa TERRAB, Chairman and CEO, OCP Group**

Your question is fundamental, because if we think of agriculture and food security, it is clear that the technology exists. There is even a market for technology. Technology is global, but the solutions are based on innovation. How do you adapt? How do you select the right technology and adapt it to the local condition to make it relevant? Innovation is local. Even when investing in technology for agriculture, you can come with a massive approach, saying, 'Here are the technologies that have worked elsewhere. Let us adapt the way we do agriculture in Africa to these technologies.' These may be intensive or large scale. This approach may lead to problems.

We have an example. We have a situation where there was massive investment in one sector in Africa that frankly surprised everybody. It was based on technology and it was the mobile revolution in Africa. However, let us look closely at why it succeeded. It succeeded because it was African operators that recognised the opportunity but adapted the technology with local innovation to what the market needed in Africa. They have recognised that you do not sell and deploy mobile services in Africa the same way you do it elsewhere.

There is a technology or an innovation coming to the rest of the world that originated in Africa, which is mobile payments. Kenya was one of the first countries to do mobile payments, 15 years ago already. Innovation is more



important than technology and that requires the type of investment that the Minister mentioned, in education, human capacity and things like that. They are fundamentally important.

**Kostas STAMOULIS, Director, Strategic Programme Leader, Food Security and Nutrition, FAO**

I fully support what Mostafa just said. We may want to talk about technology adoption that would increase agriculture yields, and the returns to agricultural labour and land. We do not have to look at space age technologies. Space age technologies exist and they can actually be put to good use e.g. satellite imaging which warn people ahead of imminent catastrophes. However we can make a big difference with existing technologies. In Malawi, the farmers could adopt the exact technologies and technological solutions that exist in the experiment station, under exactly identical agricultural conditions. If they did so, they could increase maize yields fivefold. The question is, why do they not? The answer is price incentives: look at the fraction of the price that the farmer gets compared to the border or consumer price. It is a matter of incentives, education and supporting investment. Incentives and measures to face risk, will persuade a farmer who lives under rain-fed conditions and is very risk averse to adopt a technology that has already existed for a long time. That could be a technological breakthrough. The type of evolution that you are talking about could be from a technology that is 10 years old.

**Kemal DERVIŞ, Vice President and Director of Global Economy and Development, Brookings Institution, former Minister of Economic Affairs of Turkey**

All of the panellists made a similar point. There are existing technologies and very quickly developing technologies that look almost miraculous. When I interact with Silicon Valley investors, I sometimes get this question. What are you worried about? Let us just go there and solve the problem in a few years? It is not quite as simple as that, because the whole institutional set-up from health to education to roads to everything else is part of it. The Silicon Valley spirit is excellent, because it has a lot of optimism in it, new technology and so on. However, the development problem is a little more holistic than just adopting one new technology and solving the problem with it.