WILLFUL BLINDNESS
HOW WORLD BANK’S COUNTRY RANKINGS
IMPOVERISH SMALLHOLDER FARMERS
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Tribes in Ethiopia’s Lower Omo Valley are facing forced evictions; Kibbish, Ethiopia. © Eric Lafforgue
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Overview

Established in 1944 with the objective of reducing poverty, the World Bank, headquartered in Washington, DC, is an international financial institution that provides financial and technical assistance as well as advisory services to enhance development in poor and transitioning countries.

Despite its praiseworthy goals, the World Bank’s activities and undue influence over policy making in developing countries have come under heavy criticism over the years. Countless protests have denounced the Bank’s neoliberal agenda, which includes unfair conditionality policies, austerity measures that deny people’s right to healthcare or education, support for environmentally destructive projects, and sham debt relief. The Bank’s 1980s structural adjustments programs (SAPs), impoverished millions in developing countries after imposing the withdrawal of state intervention and sweeping liberalization of economies as conditions to receive loans. The SAPs came under heavy attack from all quarters of civil society until they were officially withdrawn in 2002.

The World Bank’s current strategy still upholds a fundamentally pro-corporate agenda and neoliberal vision of the economy. This is notably the case in the agricultural sector, where the Bank strongly advocates for industrial farming and farmers’ integration into the global market. The mantra of “Trade not Aid” has been the driver of foreign direct investment (FDI), portrayed as the silver bullet solution to help developing countries shift to capital- and chemical-intensive farming methods.

While nearly 80 percent of food consumed in sub-Saharan Africa and Asia is produced by smallholder farmers, the Bank negates the importance of small-scale farming for sustainable rural development and food security. Family farmers account for 80 percent of all holdings in the developing world, therefore smallholders’ own investments—not FDIs—are the main force sustaining agriculture and should be encouraged. As a further disconnect, the Bank chooses to overlook the negative record of FDIs in receiving countries. Consequently, rural communities and smallholder farmers have been recurrent victims of FDI-supported “development” projects that have resulted in widespread environmental damage, forcible displacement of local communities, and restricted or barred access to ancestral lands and resources.

In 2010, the Oakland Institute highlighted the role of the World Bank in promoting large-scale private investments in agriculture that resulted in widespread land grabs, further impoverishing rural and farming communities. One of the Bank’s key tools for promoting private investment is its annual Doing Business (DB) ranking of countries, which determines how national regulations operate in favor of the “ease of doing business.” While the Bank has no authority or legitimacy to benchmark and rank countries, the DB indicator has come to heavily impact governance in countries since it is closely followed by investors around the world, and influences funding by the Bank as well as other donors. As a result, the DB framework is creating competition between nations to cut down economic regulations as well as environmental and social safeguards in order to score better in the ranking. Although not directly focused on the agricultural sector, the DB ranking has the collateral effect of facilitating land grabbing by advocating for “protection of investors” and property reforms that make land a marketable commodity and facilitate large-scale land acquisitions.

Showing complete disregard for these detrimental effects, the Bank recently embarked on new plans to enhance foreign corporate control, largely via FDI, in the agricultural sector of developing countries.

In 2013, the Bank launched the Benchmarking the Business of Agriculture (BBA indicator), which is partly based on the DB model and methodology. This project aims “to inform and to leverage policy reforms which lead to a more modern agriculture sector, built primarily on the basis of commercial viable family farms.” However, the Bank fails to demonstrate how farmers will benefit from the benchmarking of the agricultural sector in their own country. On the contrary, private agribusiness investors appear to be the core beneficiaries of the project, which again underlies a push for neoliberal land policy and further deregulation of the agricultural sector. The BBA, just like the DB, is another tool for fostering economic deregulation to benefit corporate interests at the expense of the citizens of developing countries.

The DB ranking and Benchmarking the Business of Agriculture are today’s versions of the structural adjustment programs. There is an urgency to act to stop the DB ranking and to halt the BBA while it is still at its development stage, to prevent land grabbing and further dispossession of smallholders.

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A Deceiving Agricultural Agenda

The World Bank’s strategy builds on a paradigm adopted in the early 2000s, which posits that agricultural development is concurrent with the integration of small farmers into the global market and global supply chains. In the 2008 World Development Report (WDR), Agriculture for Development, the Bank stated that “well-functioning land markets” are a prerequisite for smallholders’ integration into the global economy. The 2008 WDR and the later 2010-2012 and 2013-2015 Agriculture Action Plans[12] strongly argued for land registration reforms and a systemic shift from subsistence to commercial agriculture. The Bank’s strategy overlooks some key realities.

Economies that improve in areas measured by the Doing Business Report are on average more likely than others to implement reforms in other areas such as governance, health, education, and gender equality.

GLOBAL
In 2012/13, 114 economies implemented 238 regulatory reforms making it easier to do business.

AFRICA
In Sub-Saharan Africa, 66% of countries implemented at least one reform making it easier to do business, compared to 33% percent in 2005. And although it is furthest from the frontier, 9 countries in Africa are among the top 20 improvers globally since 2009.

Frontier: Most efficient business regulatory practices

If all economies around the world followed the best regulatory practice for starting a business, ENTREPRENEURS WOULD SAVE 45 MILLION DAYS EACH YEAR that are now spent satisfying bureaucratic requirements.

First, existing systems of customary land rights in many countries are functioning well and ensure fair access to land. A wholesale importation of “modern” land registration systems without understanding and accommodating the complex systems that already exist leads to confusion, tension, and even conflict. Secondly, registering land is a complex and costly procedure that most developing countries aren’t well equipped to perform, especially rapidly. In these circumstances, land quickly turns from primarily being an ancestral asset with deep livelihood and cultural significance into a marketable commodity, available for external acquisition by those with the most money and lawyers. And finally, integration into the global agricultural market depends on transforming farmers’ ways of production to fit the norms of intensive or large-scale international business needs, and ignores the fact that most so-called subsistence farmers are already participating in local and regional markets. As a result, by advocating for the allocation of land to “the most productive users,” the World Bank in fact proselytizes for a wider adoption of the industrial chemical-intensive model of production. This is a direct threat to farmers’ right to access land and simultaneously denies the multi-functionality of agriculture for sustainable rural development, food security, and environmental sustainability.

This agenda has dominated the Bank’s prolific production of recent reports and case studies. Its 2013 publications, including Growing Africa: Unlocking the Potential of Agriculture,14 Agriculture Action Plan 2013-2015,15 and Securing African Land for Shared Prosperity,16 uphold private investments as the miracle solution to bring “development” to agriculture. The Growing Africa report promotes the idea that Africa’s land is available for foreign exploitation, stating “Africa has more than half of the world’s agriculturally suitable yet unused land, and its impressive water resources have scarcely been tapped.” To take advantage of such resources, the report calls for the grant of large land concessions to private investors: “while a smallholder model has a proven track record in promoting equitable development, in some situations access to significant tracts of land must accompany agribusiness investments.”17 These reports provide the logic behind large-scale land deals while demonstrating the World Bank’s central role in the global land grab phenomenon.18

In response to pressure from various civil society organizations calling for an end to its support for large-scale land investments,19 the Bank issued a promising statement in April 2013, in which it acknowledged some concern for “smallholders, herders and others who lack the power to stand up for their rights.”20 “They are being threatened by the current wave of large-scale land investments,” said the Bank’s president, Dr. Jim Yong Kim.21 He went on to recommend that poor people’s access to land tenure be secured. However, these words did not bring about a fundamental shift in the institution’s strategy. On the contrary, the World Bank has maintained a policy that strongly advocates for agribusiness and large agricultural holdings. The Doing Business ranking, which has been in use since 2002, is a key element of this policy. It provides a framework for regulatory and legislative reforms and then ranks countries according to how well or badly they perform on these indicators. It pushes countries to establish a “favorable” business environment, notably through the adoption of measures to strengthen protection for private investors and facilitate their access to land. In 2013, the Bank reinforced this tendency to dictate policy choices to countries at the behest of the G8 by developing a specific set of indicators for agriculture: the Benchmarking the Business of Agriculture. The BBA will specifically focus on evaluating each country’s agricultural sector and determining how suitable it is for large-scale commercial agriculture. In doing so, the Bank yet again reinforces its pro-agribusiness stance, thereby further pressuring governments to prioritize making their land and resources available to foreign investors to the detriment of their own farmers.
The Impact of the Doing Business Ranking on Agriculture

Today, the DB indicators analyze and rank 189 countries on how they perform in 10 different categories, including “protecting investors,” “registering property,” “starting a business,” and “paying taxes.” Although not specifically focused on agriculture, the DB ranking exerts a considerable and damaging impact on countries’ agricultural policies, and thereby food security.

RANKING COUNTRIES, OR PROVOKING A RACE TO DEREGULATION

The DB rankings are a bright star in the World Bank’s constellation of programs. Within a few years of launch, these rankings generated a significant audience and wide media coverage, and assumed the status of “World Bank Group corporate flagship” initiative. According to the Bank, the ranking has “served as an incomparable catalyst for business reforms initiatives,” having inspired about a quarter of the 2,100 regulatory reforms recorded since its first publication in 2003.

In recent years, however, even mainstream assessments have started to find flaws in both the logic and practice preached through the DB rankings. For example, leaked documents from the Bank’s legal unit revealed inconsistencies in ranking, and led the unit to question whether OECD countries were really ranked higher “because they have implemented the reforms advocated by the report.”

The independent panel of experts appointed in 2013 to review the DB system found that the rankings have evolved far beyond their original informative function and have become a prescriptive and normative tool; that they serve as an important database for investors who want to know where to direct their capital; and, most worryingly, they are used to guide funding by the Bank as well as other donors. In other words, state and corporate investment policies are now routinely linked to the rankings, which advocate financial deregulation and lowering environmental and social safeguards. This has provoked a race to the bottom where countries most dependent on foreign monetary flows compete to appear as “good students” in the final report. The panel was so convinced of the fundamental flaw in the DB model that it recommended abandoning the aggregate rankings completely. The Bank ignored the recommendation and released the 2014 Doing Business report untouched.

SERVING CORPORATE INTERESTS

Beyond the problems associated with the ranking, the DB indicator is flawed in both its core ideology and the methodology it has spawned.

First, the methodology rests on a very narrow source of information; no comprehensive study—and certainly no independent investigation—has demonstrated that the categories surveyed were the most relevant for fighting poverty or that they were linked to concrete macroeconomic outcomes. In fact, internal documents reveal concerns within the World Bank’s staff about the DB reports. Various allegations criticize the ranking’s “manipulation,” question the “cherry picking” methods of the authors, and highlight how the indicator ignores the positive effects of regulation.

Secondly, the DB ranking inherently presumes that faster administrative processes and fewer regulations will systematically improve the business environment in countries. For instance, it encourages “standardizing incorporation documents” or “moving registration out of the courts,” which overlooks the fact that detailed company registration and administrative capacity building are prerequisites for functional national registries and also help gather business data that inform policy makers and courts processes. Thus, there is a risk of the DB framework undermining the ability of countries to maintain adequate labor laws, registration, fiscal policies, etc.

In this standard portrayal of regulation and procedures as a constraint or cost for companies and as barriers to prosperous business development—which is always erroneously treated as synonymous with development—the DB rankings parrot the opinion and logic of large corporate interests.
Lowering Standards to Smooth the Way for Investors in Developing Countries

By promoting the creation of land markets, adoption of investor-friendly regulations, and suppression of trade barriers, the DB system provides the intellectual and structural frame that facilitates the trend of large-scale land grabs in developing countries.32 Furthermore, the DB methodology has been used to create other indicators, such as the Investing Across Borders (IAB) measure, which tilt the balance even further in favor of corporate grabbing of countries’ land and natural resources. The IAB assesses 87 countries to determine how regulations help foster foreign direct investments33 and includes categories such as “accessing industrial land,” “strength of lease rights,” and “access to land information.” Its scoring rubric gives points to countries that allow foreign firms to lease land, allow the transfer of leases, cut transaction costs for foreign companies, and permit the fast-tracking of lease applications.34

The promotion of such regulations must be viewed in the context of growing land grabbing in developing countries. In the face of this phenomenon, it seems reasonable that countries should regulate foreign investments in their territory. However, the DB and IAB indicators tend to “punish” countries that attempt to exert control over investors’ activity and “reward” those who deregulate, completely turning a blind eye to the effects of such policy on human rights, the environment, and human development.

For instance, Liberia was placed in the top ten DB reformers in 2008-2009 because of the measures it took (with the help of the Doing Business Reform Advisory Team) in the areas of “starting a business,” “dealing with construction permits,” and “trading across borders.” An improvement in the DB ranking resulted in increased FDIs from all around the world in Liberia after 2008, including investments from palm oil giants such as the British Equatorial Palm Oil in 2008, Malaysian Sime Darby in 2009, and Singaporean Golden Agri-Resources in 2010, resulting in the corporate takeover of millions of acres of land and local populations’ loss of farms, resources, and livelihoods.35

Sierra Leone has also been praised as a good reformer. Its DB ranking increased by 15 points between 2008 and 2010, with key steps taken in the area of “protecting investors” (up 22 points). Sierra Leone’s improvements in 2008 nonetheless mainly consisted of reducing companies’ tax burden and introducing flexible tax rates for investors, none of which helps Sierra Leone’s citizens.36 In the 2012 rankings, Cameroon jumped four spots (from 165 to 161) because it made it easier to “start a business” by allowing company founders to produce only a sworn declaration instead of a hard copy of their criminal records.37 More recently, the Philippines, a country that has leased almost half of its land to foreign corporations with dramatic environmental and social consequences,38 has been classified among the best students of the 2014 DB ranking.39 It is quite obvious that the DB ranking rewards lowering regulatory standards, with the aim to smooth the way for investors in developing countries.

The Next Step: Benchmarking the Business of Agriculture

WHAT IS THE BENCHMARKING THE BUSINESS OF AGRICULTURE (BBA) TOOL?

Benchmarking the Business of Agriculture is a response to the G8’s 2012 call for the World Bank “to develop options for generating a Doing Business in Agriculture index.”40 It aims to “leverage policy reforms which enable the emergence of a stronger commercial agriculture sector.”41 With funding from the World Bank, the Gates Foundation, and the UK, US, Dutch, and Danish governments,42 pilot studies are already underway in 10 countries (see Box 1). The BBA builds on the DB methodology.43 The World Bank plans to conduct annual Doing Business in Agriculture (DBA) surveys to assess the
legal and regulatory environment for agricultural investments. The BBA project plans to also run Deep Dive (DD) studies, which will provide more in-depth knowledge about the policies that favor private sector investment in agriculture.

The BBA concept is inherently problematic. Beyond the problem of basing its most regular survey on a flawed methodology, benchmarking countries’ agricultural sector does not address farmers’ fundamental needs and is more likely to benefit the agribusiness sector and foreign investors who have access to such information. Furthermore, the content of the BBA carries biased economic assumptions and pushes for industrial large-scale corporate agriculture. As recognized by the Committee on World Food Security (CFS) in 2011, smallholders are by far the primary investors in agriculture. Therefore, the priority should be to enhance their investment capacity by providing them secured access to land and resources—which are gravely endangered by land grabs—rather than pushing to attract foreign investors.

Box 1: BBA Implementation Timeline

- April 2012: The Agriculture and Environmental Services (AES) and Global Indicators and Analysis Department (GIA) teams begin discussions on producing a “Benchmarking the Business of Agriculture” project at the World Bank’s spring meeting.

- May 2012: G8 asks the World Bank “to develop options for generating a Doing Business in Agriculture index.”

- June-December 2013: First round of the Benchmarking the Business of Agriculture project underway, with a pilot stage of data collection and indicator development in 10 countries: Rwanda, Ethiopia, Mozambique, Uganda, Morocco, Guatemala, Philippines, Nepal, Ukraine, and Spain.

- The project will then scale up in future rounds to develop legal indicators in 80 to 100 countries, complemented by 8 to 10 in-depth multi-country studies by 2015.

BBA: OLD ASSUMPTIONS DELIVER A NEW BLOW TO SMALLHOLDER AGRICULTURE

The measures of the BBA index have been finalized in seven areas (seeds, fertilizers, finance, land, transport, markets, contract farming). Snapshot documents released by the Bank reveal the major biases of the process.

Agricultural Inputs and Infrastructure Strategy Favoring Agribusiness

The BBA encourages the deregulation of the agricultural inputs (seed and fertilizer) market. Whereas governments are called to deregulate, the BBA also encourages them to invest in infrastructure that favors the circulation of agricultural goods. The BBA thus denies the potential of public policy and investments except when they favor agribusiness, as in the case of infrastructure development. Assigning governments the role of market facilitators is a much-debated strategy that the BBA’s quoted body of research fails to justify. Scientific references in the indicator’s snapshot documents

Source: Augusto Lopez-Claro and Graham Dixie presentation, April 2013
are either nonexistent (as is the case of the transport document), or agenda-driven documents (USAID and World Bank are quoted in more than 70 percent of the documents). Finally, despite the World Bank’s self-assigned focus on supporting “climate-smart” and sustainable agriculture,57 BBA’s indicators on agricultural inputs never refer to low-input and agroecological techniques, nor do they define how investments in sustainable agriculture will be encouraged.

**Promoting Worldwide Adoption of Contract Farming**

The BBA includes one specific indicator dedicated to contract farming,52 which seems to be the only conceivable option to favor market access for smallholders. The Bank promotes the expansion of such initiatives and pushes for systematization of relationships between smallholders and bigger enterprises. But it omits important alternatives (e.g. cooperatives, food programs that buy from small farmers, and community supported agriculture schemes) that expand farmer’s access to markets, secure their revenue, and enhance food sovereignty without carrying the same risks as contract farming. As previously documented by the Oakland Institute, outgrower schemes carry inherent risks due to information and power asymmetries that exist between farmers and agribusinesses.53

**A Fresh Push for Land Registration**

The BBA’s *Snapshot Background Note on Access to Secure Property Rights on Land* recognizes that tenure security can be provided by both formal and informal property rights systems. However, it declares that “formal systems are needed” if smallholders want to enter the commercialized agriculture sector and connect with “economic players beyond their close and known circle.”54 The indicator conveys the idea that customary systems are “less efficient,” thus encouraging governments to register the land. However, land registration carries the risk of making land available for acquisition by foreign investors. The BBA glosses over this risk and intends to assess “the ease of first time registration,” but does not evaluate the extent of consultation and free, prior, and informed consent of local communities in the building of national land registries.

**Conclusion**

There is no doubt that investing in agriculture and agriculture-related sectors is critical for the development of countries whose economies are largely rural. However, the World Bank’s priority of promoting private investments and increasing agriculture-oriented FDIs in developing countries has proven detrimental to local populations. In recent years, private investment in agriculture has resulted in land grabbing encompassing millions of hectares in the developing world, depriving local communities of their fundamental assets without fulfilling the expected development outcomes for host countries. Given that recent attempts to regulate large-scale land investments appear unlikely to succeed,59 the Bank’s continual push for private investment in agriculture appears to be a dangerous—and somewhat incomprehensible—stance.

The World Bank’s activities have also pushed for large-scale agribusiness investments through the structural framework that facilitates private investors’ access to countries’ land and resources. With indicators such as the DB ranking and the BBA, the Bank has a very strong influence on governance. Doing Business is a very important financial lever that, through the publicized ranking and its use by donors, actively channels monetary flows toward the “best performers.” It thus creates competition among countries to reduce or remove economic, social, and environmental standards. This race to the bottom is a major problem—a government’s policy choices should not be dictated by a remote institution, but rather by its citizens. However, the indicators are popular within certain arenas because they tend to concentrate power in the hands of those with expert knowledge and diffuse a “corporate form of thinking and governance into broader social spheres.”56

As demonstrated by the project to Benchmark the Business of Agriculture, food production and agriculture have increasingly become one of these spheres, a victim of ideologically and methodologically biased indicators created by international experts. It is urgent to act against the development of the BBA project, which is not likely to bring benefits to farmers. Instead, it will further hinder the voices of small farmers from being heard and to continue what the DB ranking started: smoothing the way for large-scale land deals and natural resources exploitation at the expense of local populations and their food sovereignty.
1. It is comprised of five entities: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Financial Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Centre for Settlement of Investment Disputes (ICSID).


4. The World Bank’s involvement in damaging development projects is proven and denounced daily in the media and by affected communities. Among the most recent examples:

5. Land grabbing is the contentious issue of large-scale land acquisitions: the buying or leasing of large pieces of land in developing countries by domestic and transnational companies, governments, and individuals that violates land rights and at the expense of local population.


14. This is a report released by two World Bank departments, the Africa Finance and Private Sector Development Department (AFTFP) and Africa Region Sustainable Development Department (AFTAI).

15. This is a global World Bank Group strategy plan.

16. This is a book by Frank Byamugisha, the World Bank’s lead land specialist for the Africa region, which has been published with support of the World Bank and French Association for the Development (AFD).


21. Ibid.


27. Ibid.


31. Ibid.


43. Doing Business in Agriculture, op. cit.


52. “Snapshot Background Note on Contract Farming,” op.cit.


55. Two recent attempts to regulate these investments were the Principles for Responsible Agricultural Investments (PRAI), and the Voluntary Guidelines (VG) in the responsible governance of tenure of land, fisheries, and forests in the context of national food security. The first ones have been coopted by the World Bank, FAO, UNCTAD, and IFAD, and many times criticized for “providing policymakers with a checklist of how to destroy global peasantry responsibly” (O. De Schutter). The second set, produced by the Committee on Food Security (CFS) are unfortunately only voluntary and unbinding and, some argue, “far from the realities of the ground” (GRAIN).
