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Simple models vs complex realities: do our good intentions lead others into poverty traps?



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The tendency to promote simple models fails to recognise more complex realities and causalities.

Development for me has always been about enabling choice; development cooperation is about facilitating those conditions that will allow equal access to opportunities and rights.

In the MSD world we call this 'system change' which is 'socially inclusive'. Basically, this means recognising the complexity of 'supporting functions' and 'rules', as well as the role of a multitude of different players in enabling access to opportunities and rights – and finding feasible entry points for facilitative action.

This year's **Nobel Prize for Economics** has in fact been awarded to three scientists whose research has been instrumental in understanding complexities and breaking these down into more manageable questions for effective development intervention.

So, you may forgive me if I get sceptical when people seem to be promoting simple solutions to complex social problems – and I feel that there is a lot of this happening in the development world.

This is why I was intrigued by a **discussion on contract farming** that was going on in **SDCs Employment and Income (E+I) network**. People were writing about the - mostly positive - experience in promoting a model that would establish a closer relationship between (poor) farmers and buyers of their produce, such as food processing companies.

Within this relationship, embedded services would allow farmers better access to inputs and knowledge and guarantee them a market for their produce. Obviously the companies/lead firms providing such support would themselves benefit from a secured supply base. A classic win-win situation. Or?

Coincidentally, a [Guardian podcast](#) published at the same time triggered some questions in my mind. The journalist's research concerned the tobacco industry - a sector we normally do not work in as development practitioners. It described how poor tenant farmers are trapped in poverty by the loan scheme embedded in contract farming. So I wondered if we are risking the same thing in other sectors by promoting contract farming? Are we just providing a short-term fix while ignoring the fact that farmers may find themselves captured in an exploitative relationship in the long-term? Isn't the issue more complex than the mere contractual relationship between two sides?

We have seen simple solutions to complex problems fall apart before. Micro-finance, for example, was the solution to poverty until a few years ago. Research has shown that many people find themselves in a debt-trap caused by predatory micro-finance schemes.

My colleague [Zenebe Uraguchi](#) has published a book about this which I thoroughly recommend. He even challenged the much revered Muhammad Yunus in a [Swiss radio interview](#). More attention is therefore now paid towards the framework conditions under which such schemes operate.

Now, I'm neither an agriculture expert nor a specialist in contract farming. I haven't read much about it before - please forgive my ignorance on this topic - but I was happy to get a lively response to my questions when posting them on the E+I network. It helped me to gain more insight on how contract farming experts view the risk of farmers being trapped in a potentially unbeneficial relationship.

Most respondents underlined the positive impact they have so far observed from promoting the model. One respondent mentioned that in her experience the model had in fact empowered farmers and enabled them to access new market opportunities beyond the individual contract relationship. This is reassuring. A [comparative analysis done by Giel Ton et al. \(2017\)](#) also confirms, amongst others, a positive effect on farmers' incomes while pointing out that it's usually not the poorest farmers that benefit.

Two respondents, however, mentioned that we need to better understand:

- > how such relationships are developed and managed in order to remain beneficial for both sides
- > their ability to evolve over time and adapt to changing needs and realities
- > how value and risks are shared between the contract partners
- > the factors that influence power-relations in a given context

This requires development projects to look not only at the business model (contract farming), but to also consider the wider context that informs and influences such relationships.

So, we are back to the question of systems in which contract farming is embedded,

and the factors that enable choice and equal access to opportunities and rights. I am really interested in knowing what else projects that promote contract farming (or a so-called *lead firm* approach) have done to address these questions and factors related to the nature of relationships and the wider context around them. Have there, for example, been additional interventions with other system actors, such as government or industry associations, to mitigate some of the risks mentioned above?

Ultimately, our goal as development practitioners is to bring about social benefits that are inclusive and provide a fair chance to all. However, the tendency to promote simple models risks undermining this objective as it fails to recognise more complex realities and causalities.

I wish, therefore, the debate to focus more on the systemic implications of promoting a contract farming model, rather than just looking at the bare model itself. *Core transaction vs system* in MSD speak.

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