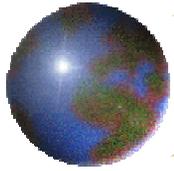




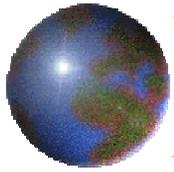
World Development Report 2008 **Agriculture for Development**

An Agenda for
Sub-Saharan Africa



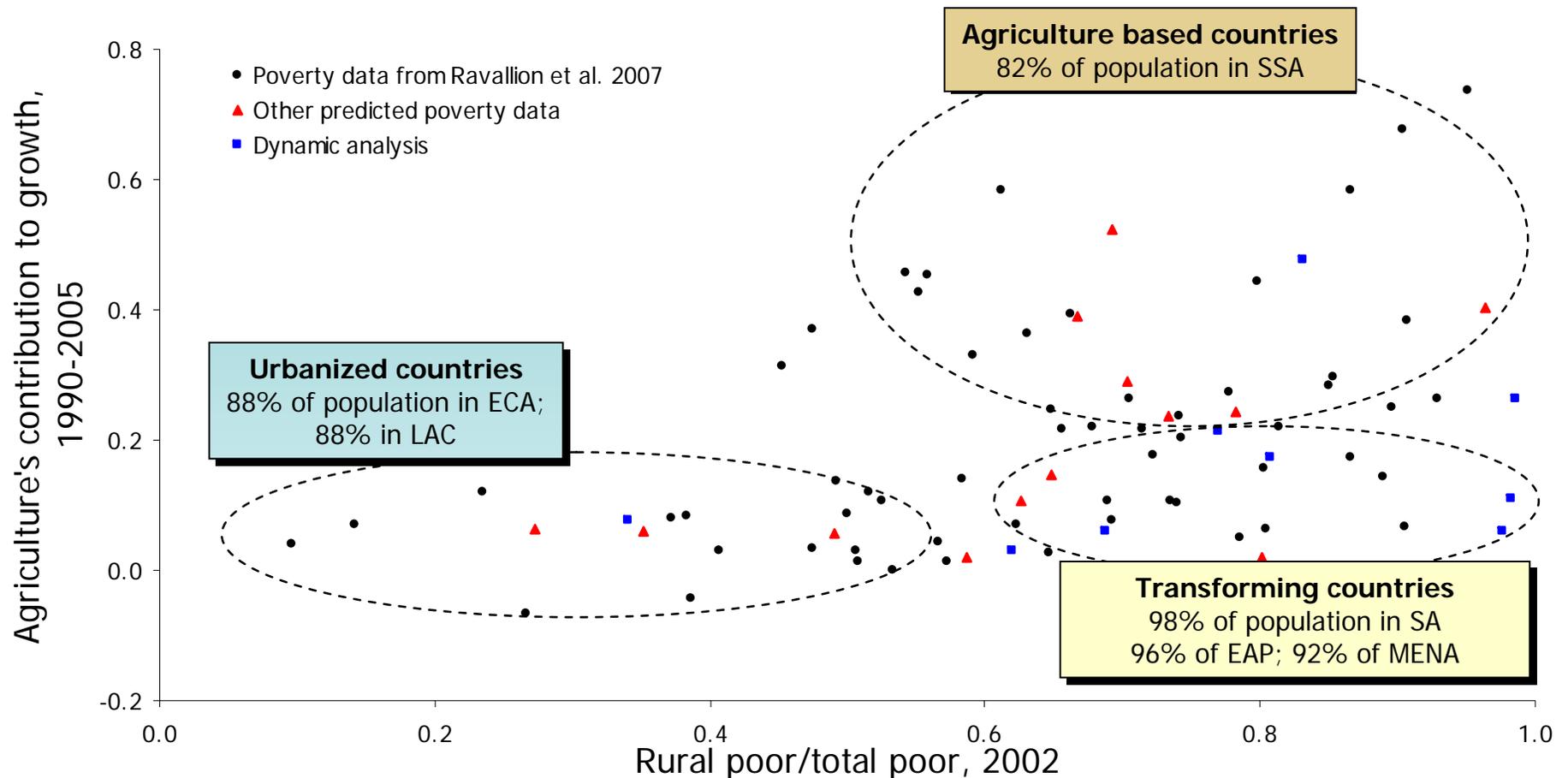
Take-away messages

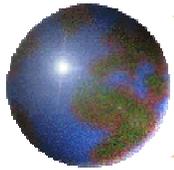
- ✚ No alternative to successful agricultural growth for Sub-Saharan Africa's development
- ✚ A smallholder based agricultural productivity revolution for Sub-Saharan Africa will be different from the Asian Green Revolution
- ✚ Agricultural growth and food security require different approaches and interventions
 - ✚ attention to each varies by context
- ✚ It can be done, and it is happening
- ✚ Agriculture can both adapt to and mitigate climatic shocks
- ✚ Substantially more resources are needed – justified by contributions to growth, poverty, environment



Three worlds of agriculture

Differing roles of agriculture in growth and poverty

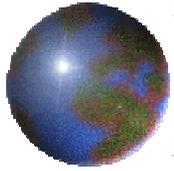




Characteristics

	Agric-based	Transforming	Urbanized
Rural population (million)	417	2,220	255
Agriculture GDP growth rate*	4.0	2.9	2.2
Non Agriculture GDP growth rate*	3.5	7.0	2.7
Agricultural % of GDP growth	32	7	5
Number of poor (\$1/day)	170	592	32
% of rural poor in total	70	81	45

*Growth rates correspond to the 1993-2005 period



Agricultural Growth is Essential

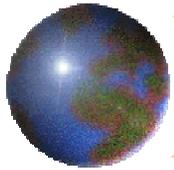
...for overall growth in Sub-Saharan Africa

- **Large share of employment and growth**
 - 65% of labor force, 32% of GDP growth

- **Lowers domestic food prices**
 - Many food staples not internationally traded

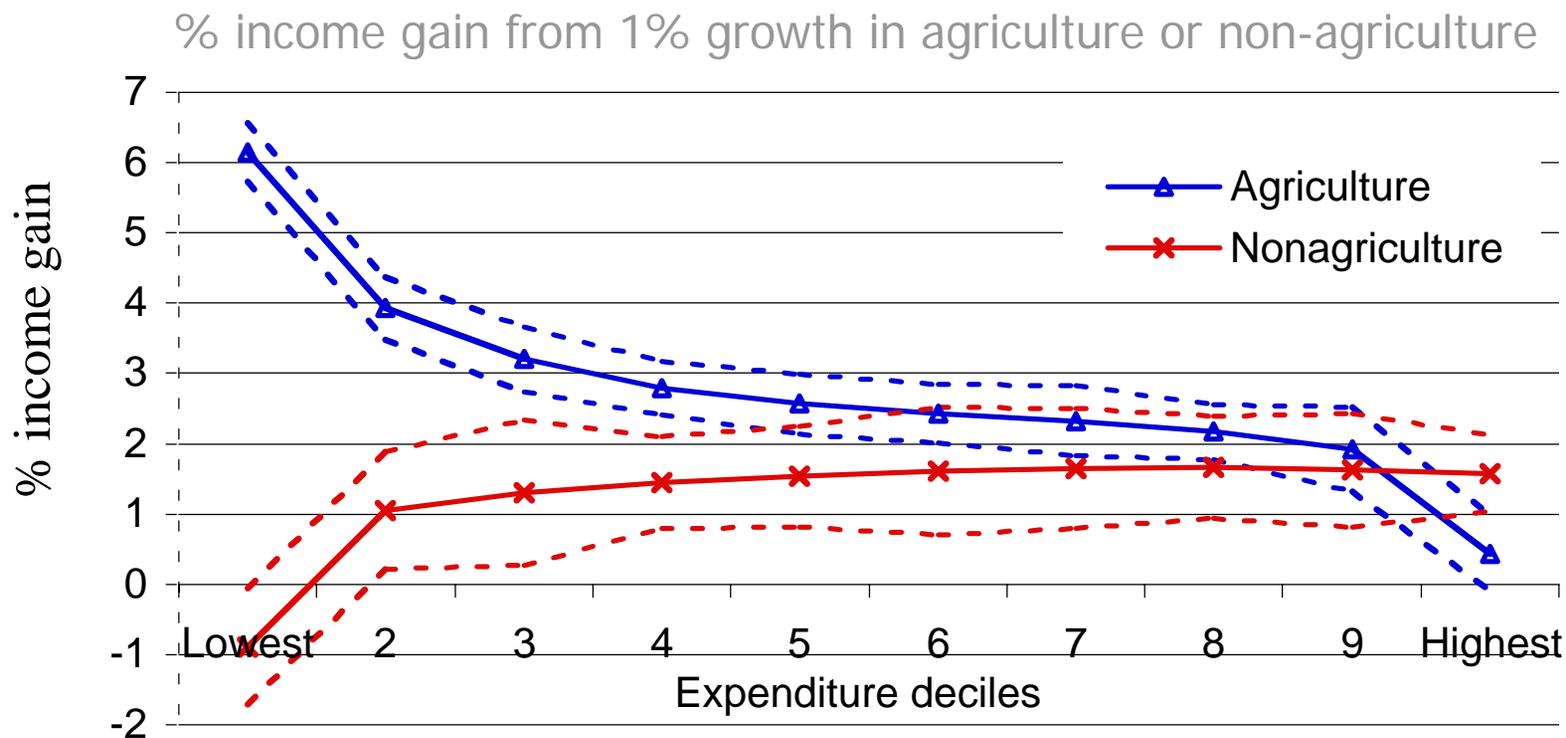
- **Large growth linkages**
 - Production linkages with agro-industry
 - Consumption linkages from higher agricultural incomes
 - A dollar of agricultural growth jump starts a dollar of non-agricultural growth – more so than industry.

- **Comparative advantage in agriculture**
 - Challenging but rich resource endowments
 - Slow growth in other employment-generating sectors

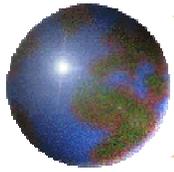


Agricultural Growth is Essential

... for poverty reduction



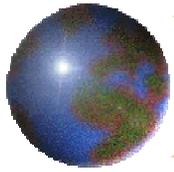
GDP growth from agriculture benefits the poorest half 4 times more than GDP growth from non-agriculture



Agriculture for Africa's Development

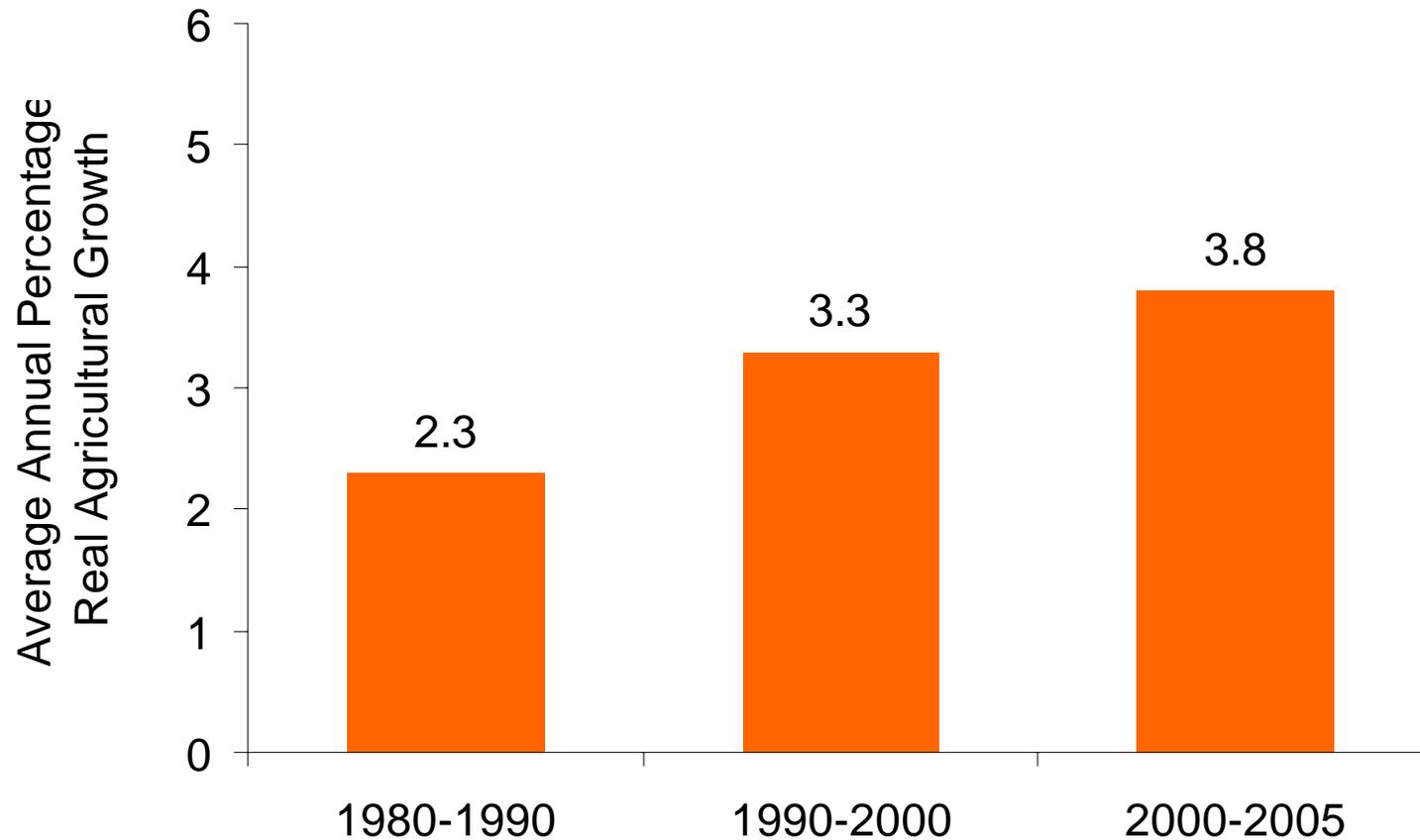
- ✚ It can be done.
- ✚ It won't be easy
 - ▣ or cheap.
- ✚ What is needed?
- ✚ How should it be done?



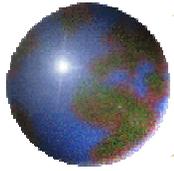


It can be done...and is happening

Agricultural growth in Sub-Saharan Africa has accelerated

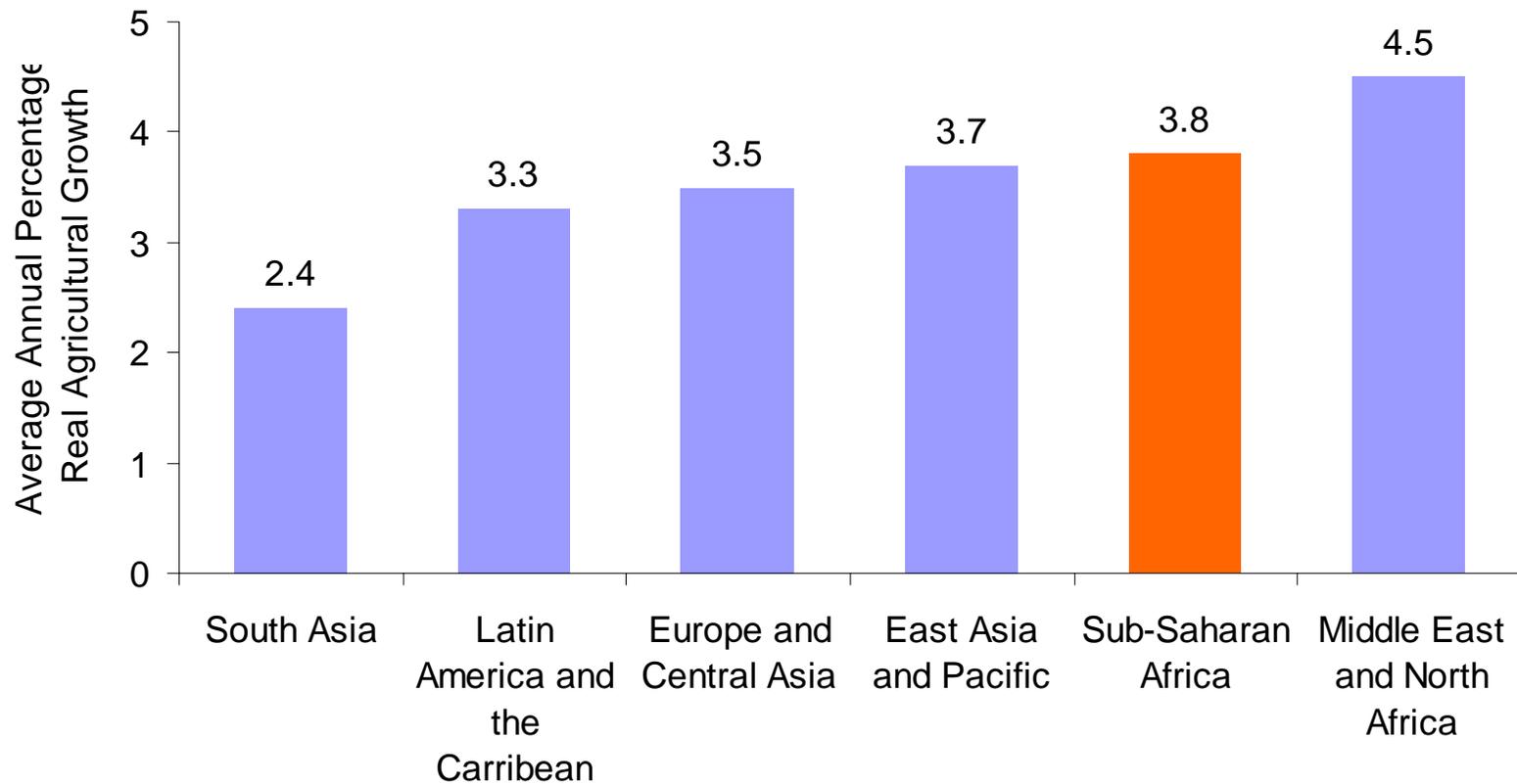


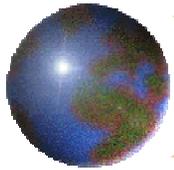
Source: World Development Indicators



It can be done...and is happening

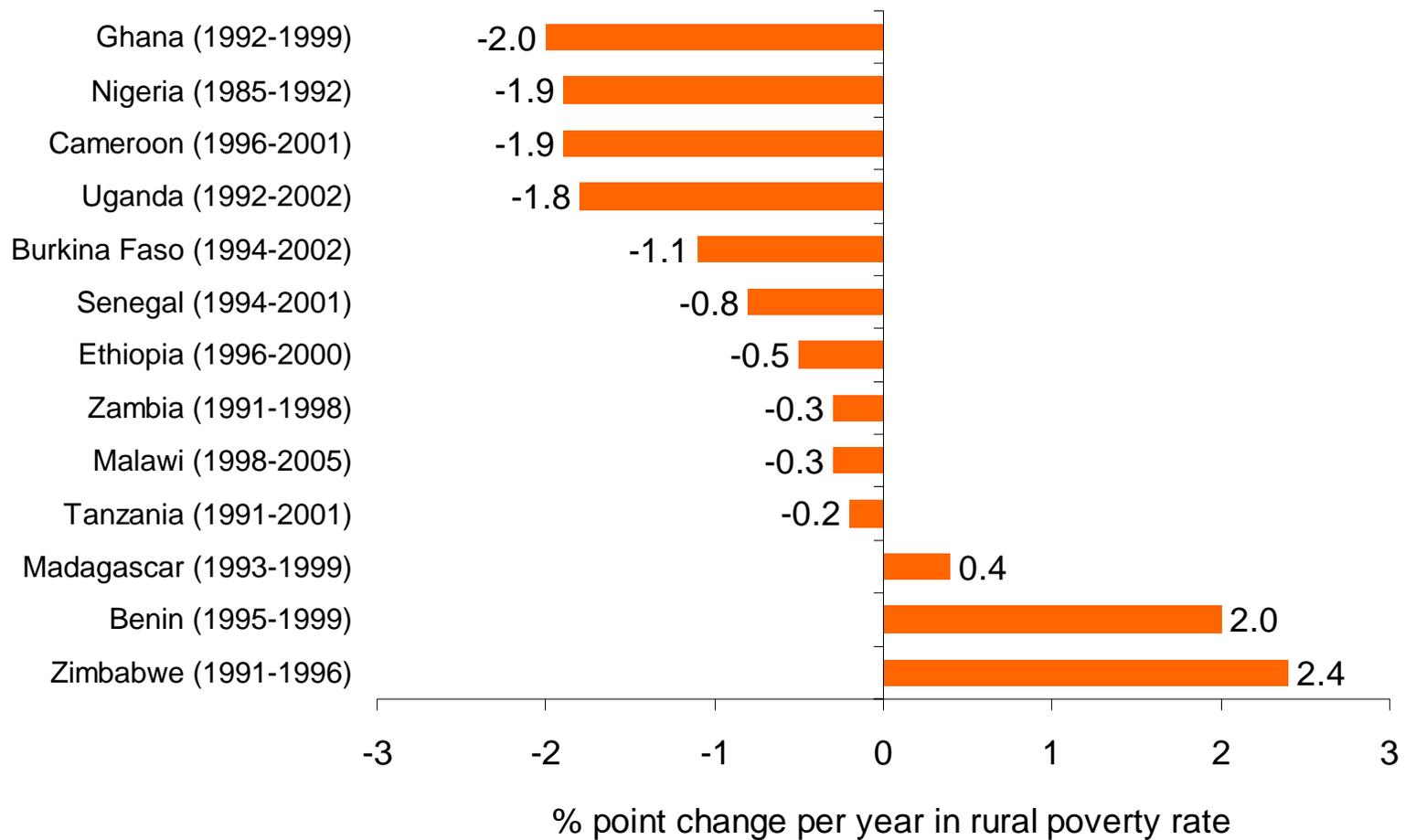
...to one of the highest agricultural growth rates of all regions in 2000-05

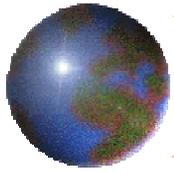




It can be done...and is happening

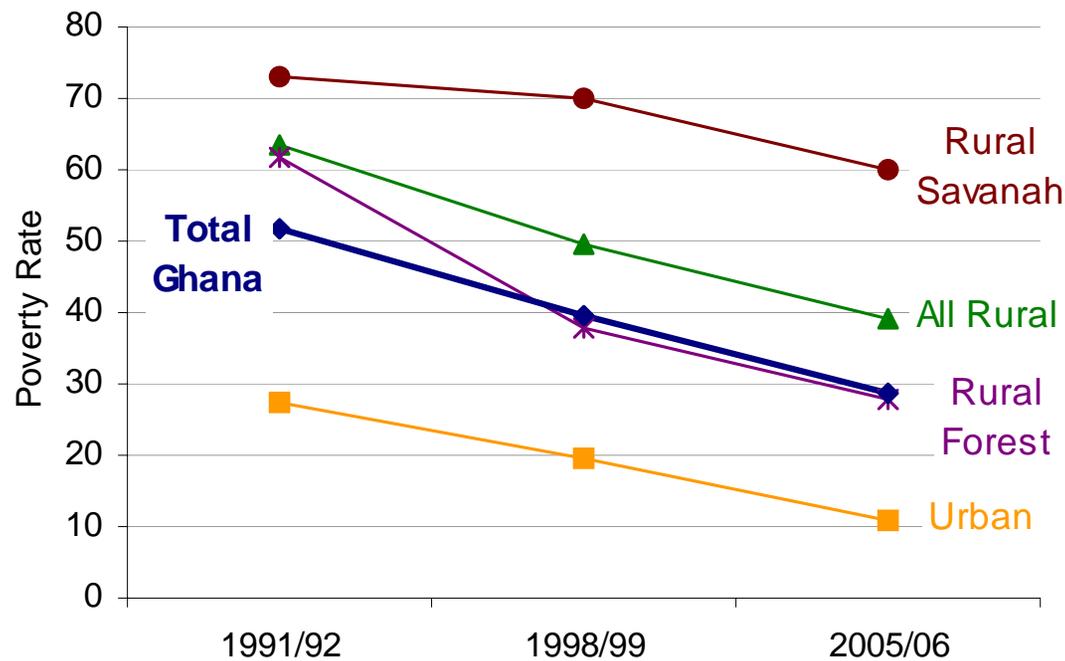
Rural poverty rates have started to decline

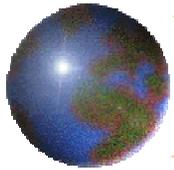




It can be done...and is happening

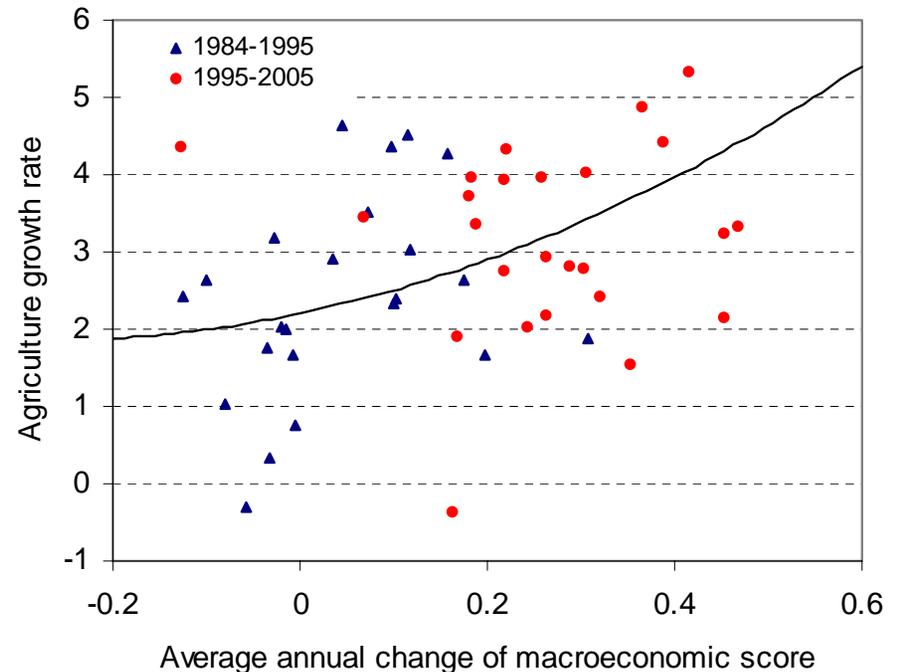
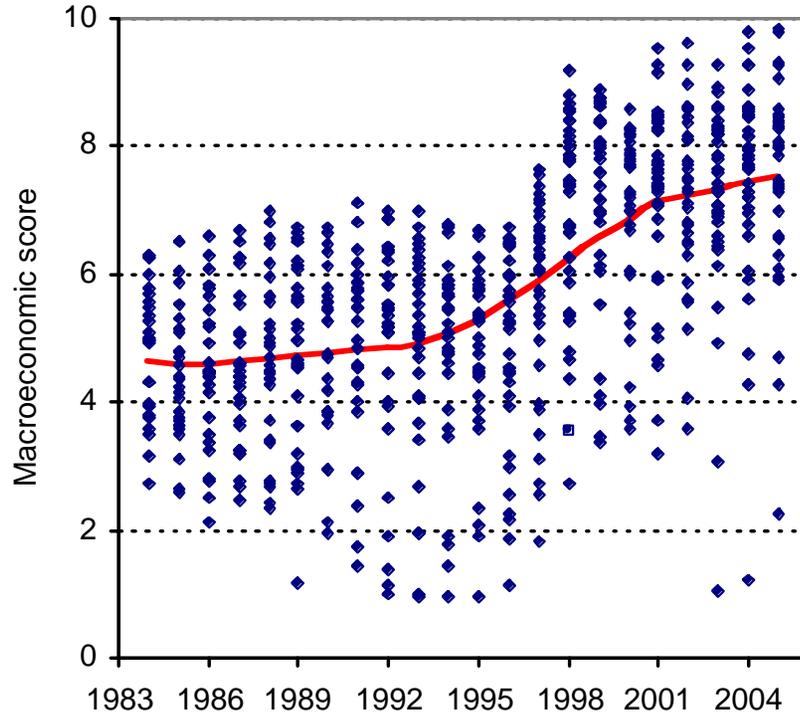
Ghana: An example of significant poverty reduction from increased agricultural (cocoa) productivity and reduced food prices

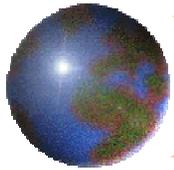




It can be done...and is happening

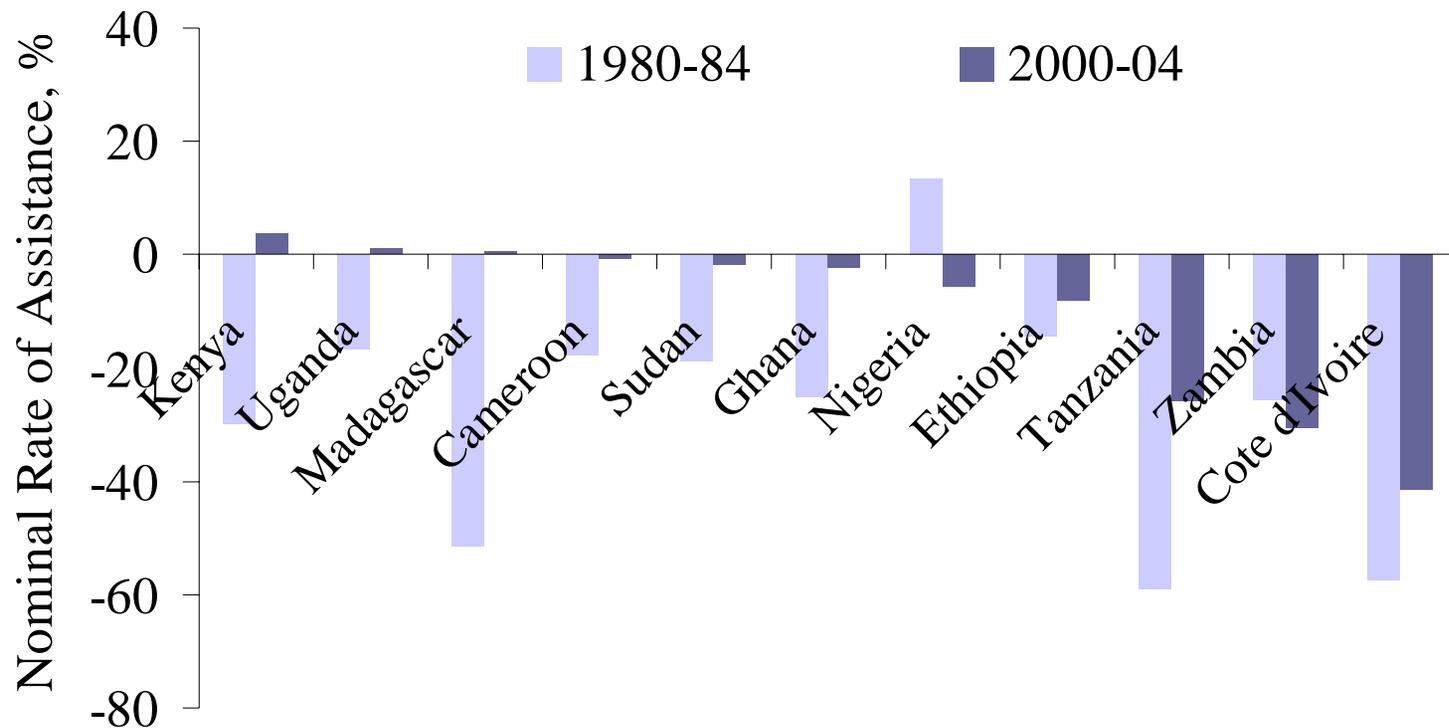
Improved macro-economic reforms were a key determinant (pre-requisite) to recent accelerated agricultural growth



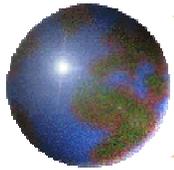


It can be done...and is happening

Sector reforms have also contributed by reducing the net taxation of agriculture which raised producer incentives

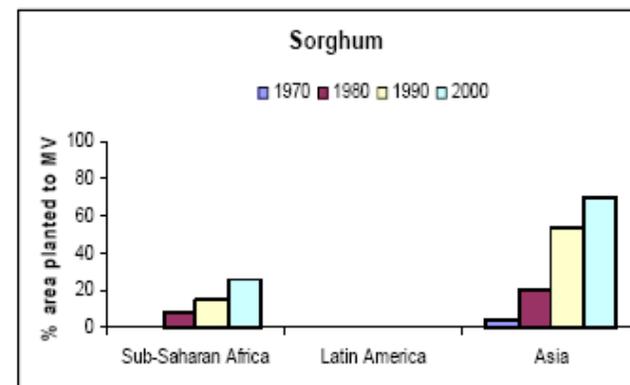
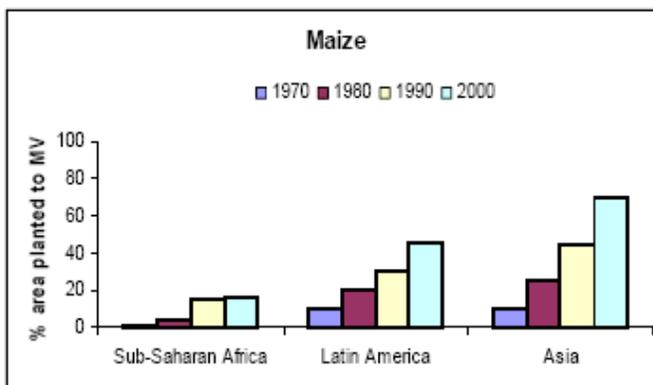
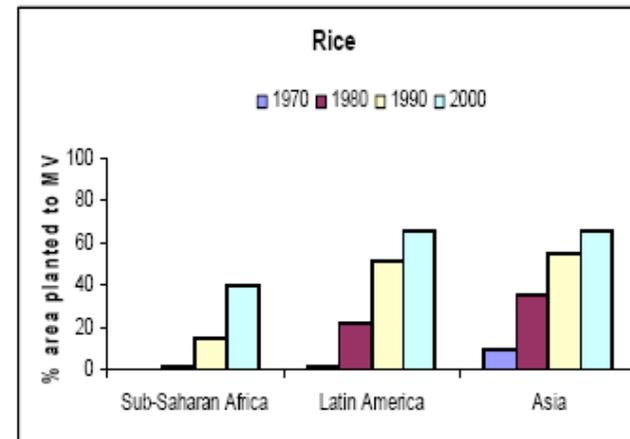
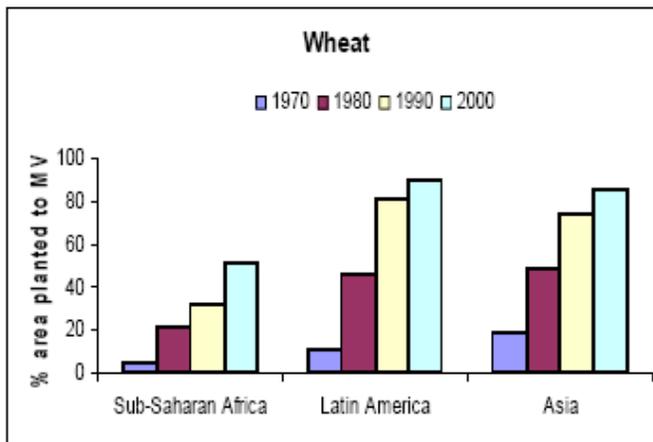


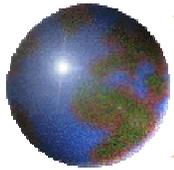
...but as the scope for further price improvements declines, productivity gains will need to drive growth



It can be done...and is happening

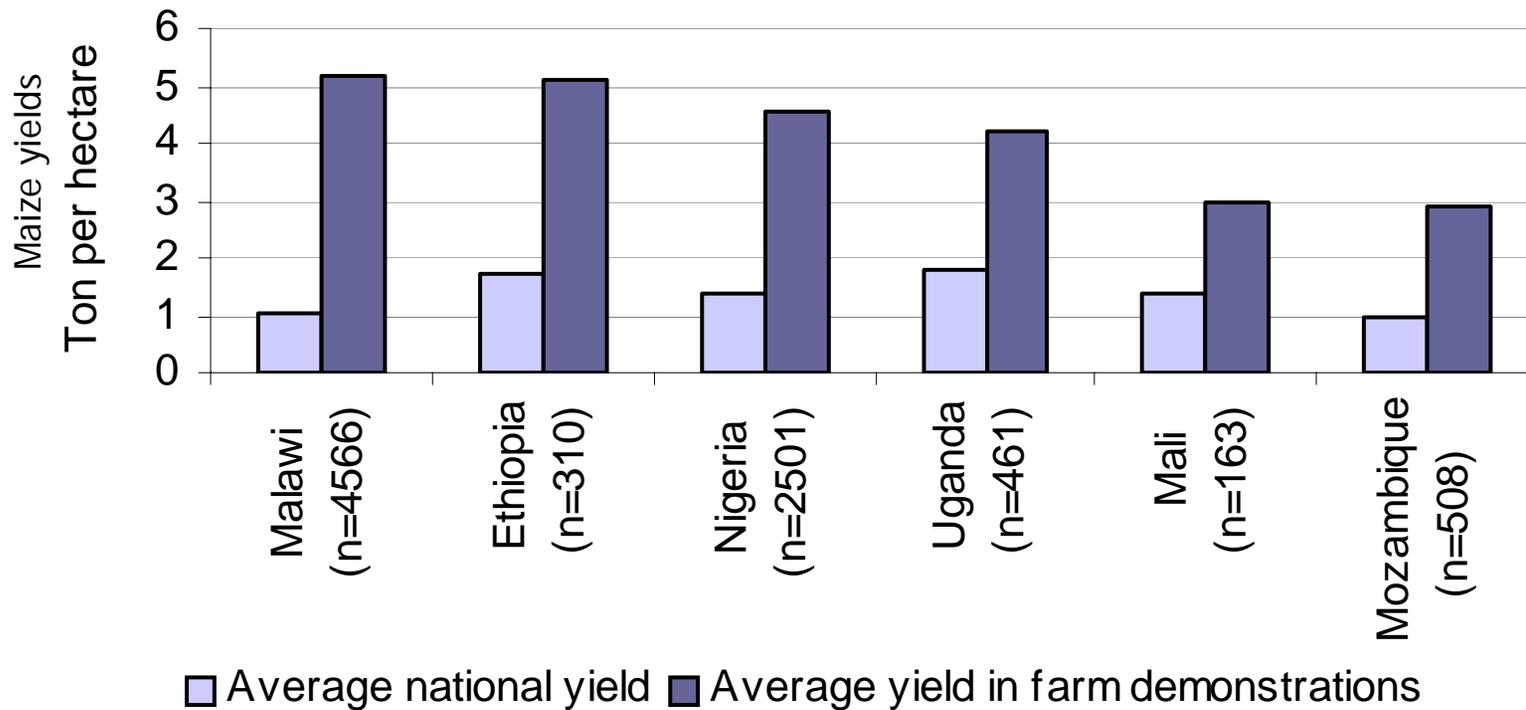
The area planted to higher yield varieties has increased...

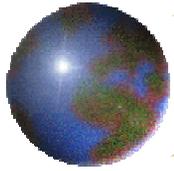




It can be done...and is happening

...but large exploitable yield gains remain





It can be done...and is happening

New market opportunities have opened
with globalization and regionalization

✚ **Non-traditional exports**

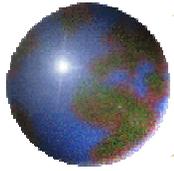
- ✚ Few demand constraints but limited impact on overall growth and poverty reduction over next 10-15 year.
- ✚ Optimistic 14% non-traditional export growth per year lead to 0.2% per capita agricultural income growth per year

✚ **Traditional export crops**

- ✚ Raise quality standards and capture niche markets

✚ **Food staples**

- ✚ Demand expected to double by 2015
- ✚ Africa imports 25 percent of food grains – import substitution possibilities
- ✚ Semi-tradable goods – Important role in affecting real incomes and wage rates

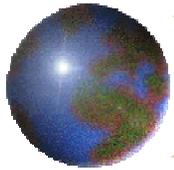


The Challenges

Huge diversity among Africa farmers

An example of internationally traded food staples

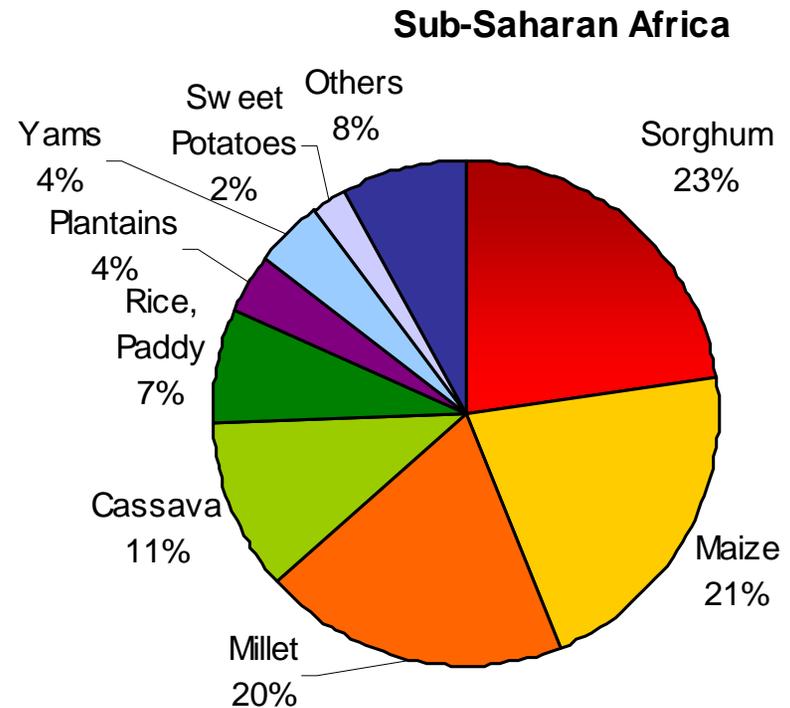
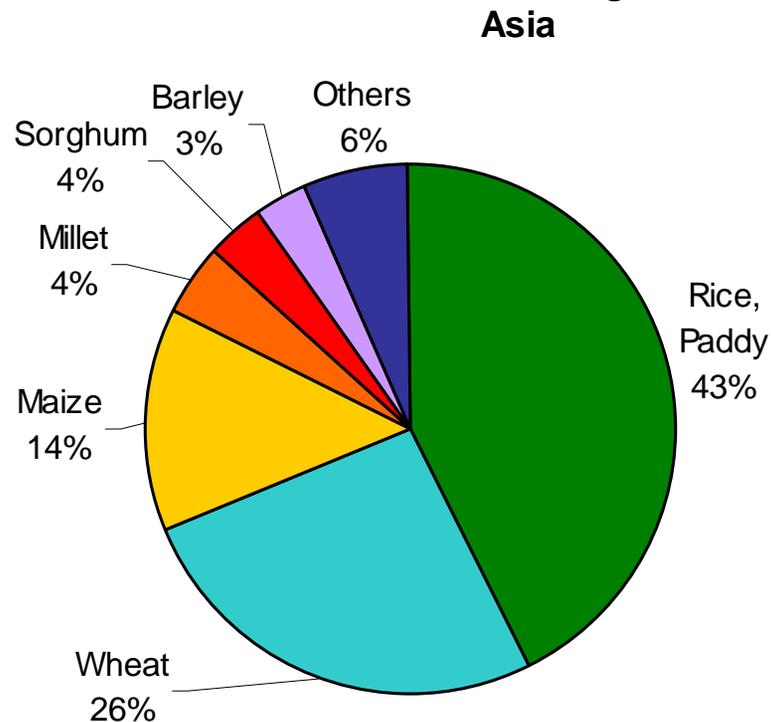
	Ethiopia 2000	Zambia 1998	Madagascar 2001
Share of tradable staples in food consumption of the poor (%)	24.1	40.4	62.7
Distribution of poor (%)			
Urban (buyers)	22.3	30.0	17.9
Rural landless (buyers)	-	7.4	14.8
Smallholders net buyers	30.1	28.8	18.9
Smallholders self-sufficient	39.5	20.8	27.3
Smallholders net sellers	8.0	13.0	21.1
Total	100.0	100.0	100.0



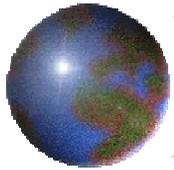
The Challenges

Diverse agro-ecology: Agriculture in Sub-Saharan Africa is diverse, differing from that of Asia

Area harvested (2000-04 average)



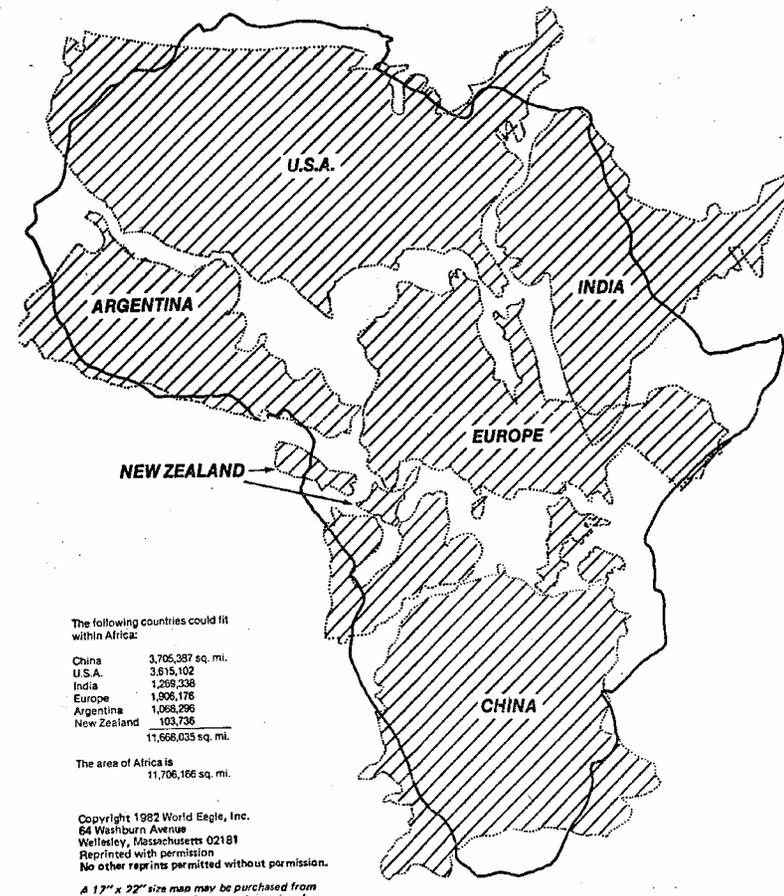
The main Green Revolution cereals in Asia were wheat and rice. Instead, Africa uses a wide range of farming systems and a broad number of staples.

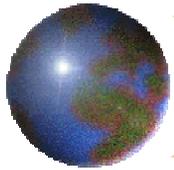


The Challenges

Large continent but with small and landlocked countries

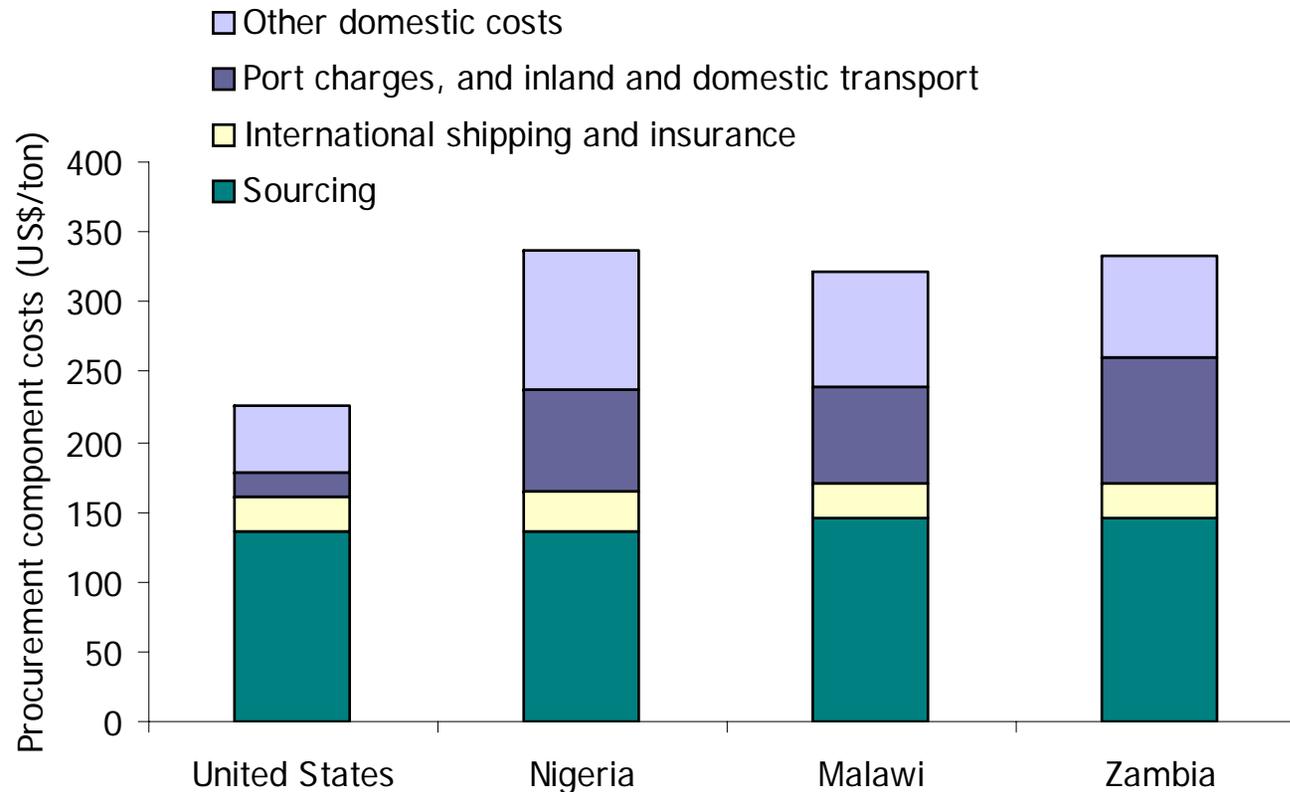
- 47 countries in Sub-Saharan Africa
- Domestic markets are relatively small
- Scale economies in research, training and policy design

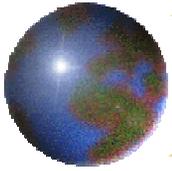




The Challenges

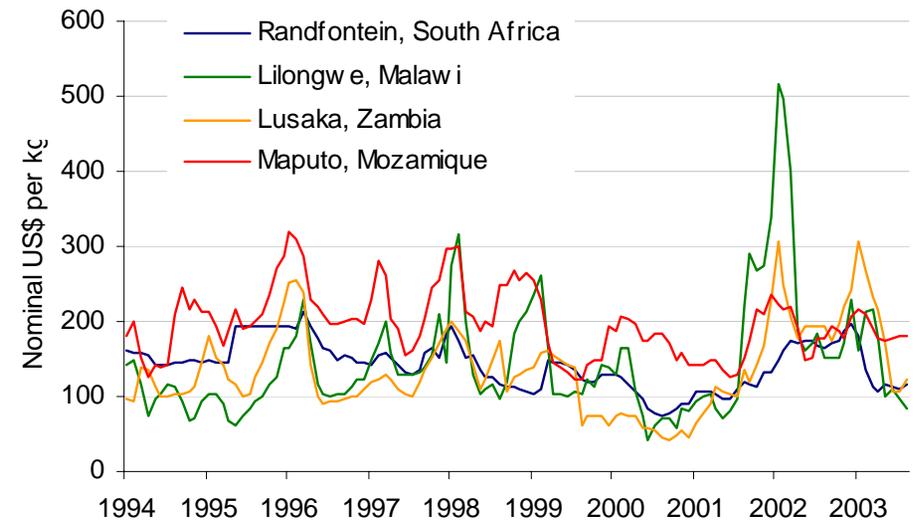
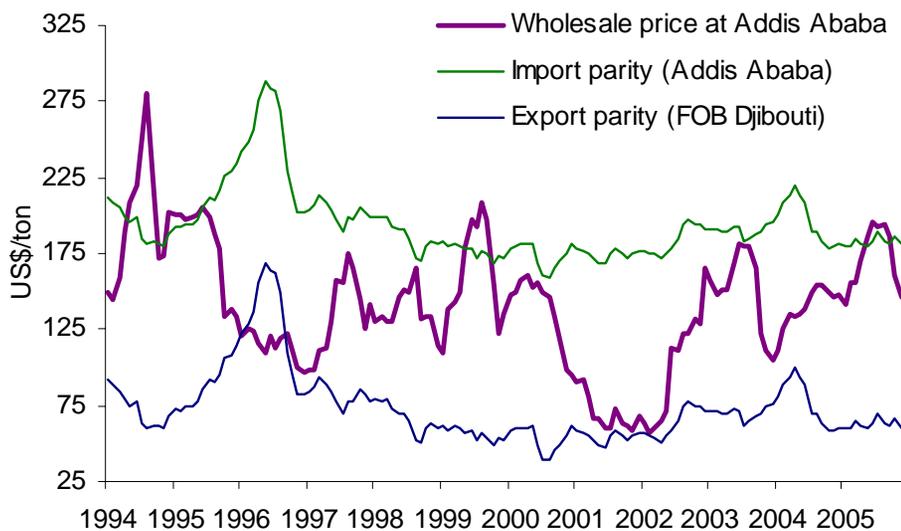
High transaction and transport costs: for example up to a half of the farm-gate price of fertilizer in African countries





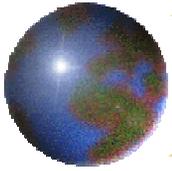
The Challenges

High variability in domestic food prices



High transport and marketing costs result in a large wedge between import and export parity within which domestic prices can fluctuate without triggering trade.

Domestic prices are highly seasonal, and price variability is exacerbated in inland and more remote regions, and in some cases such as Malawi and Zambia, by government interventions.

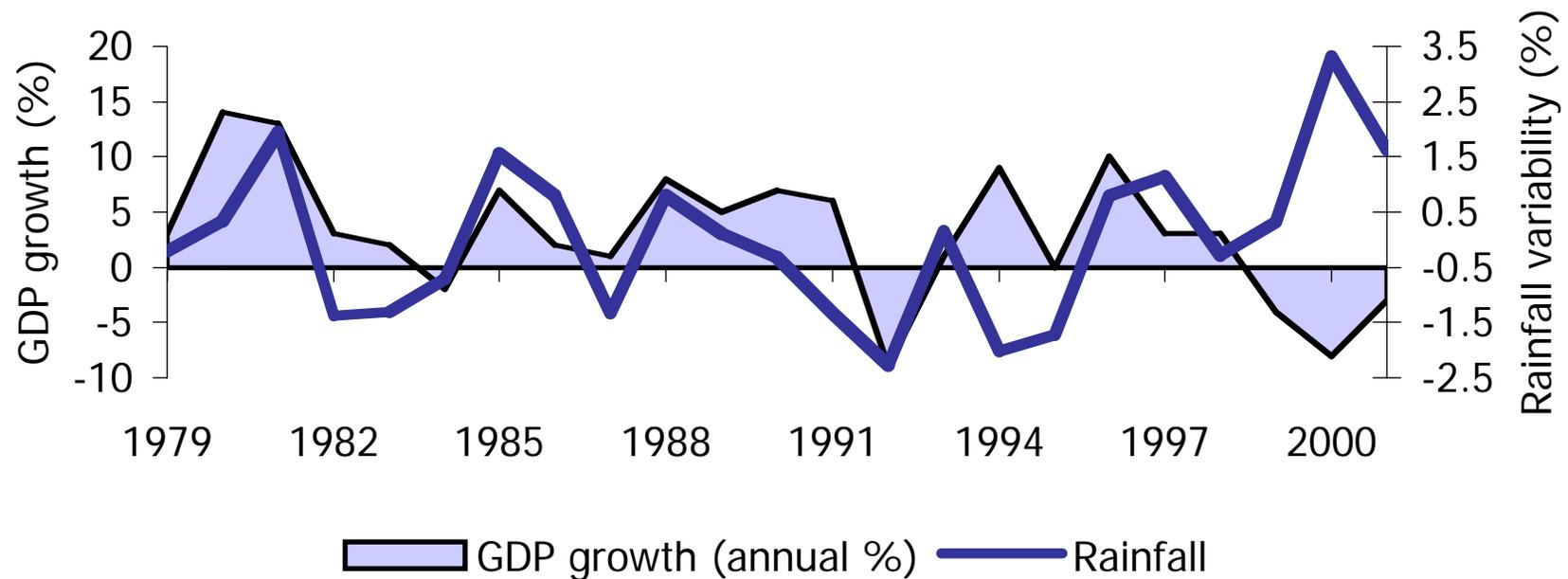


The Challenges

Changing patterns of climate and rainfall

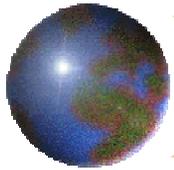
Only 3 percent of cropped land is under some form of irrigation

An example of GDP growth in Zimbabwe closely tracking rainfall



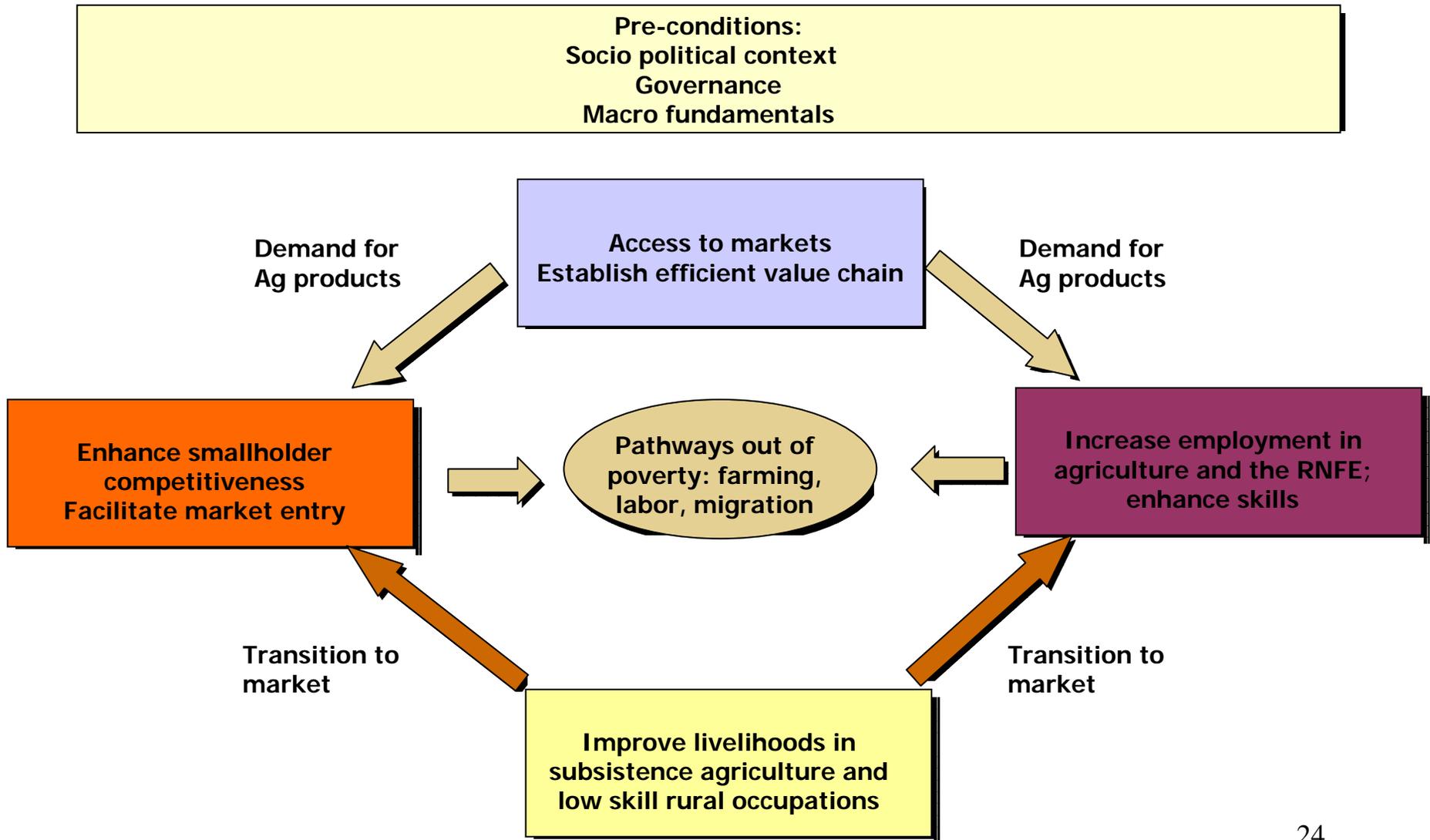


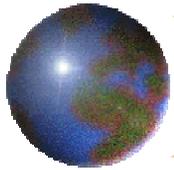
Defining an Agriculture-for-Development Agenda for Sub-Saharan Africa



What is needed?

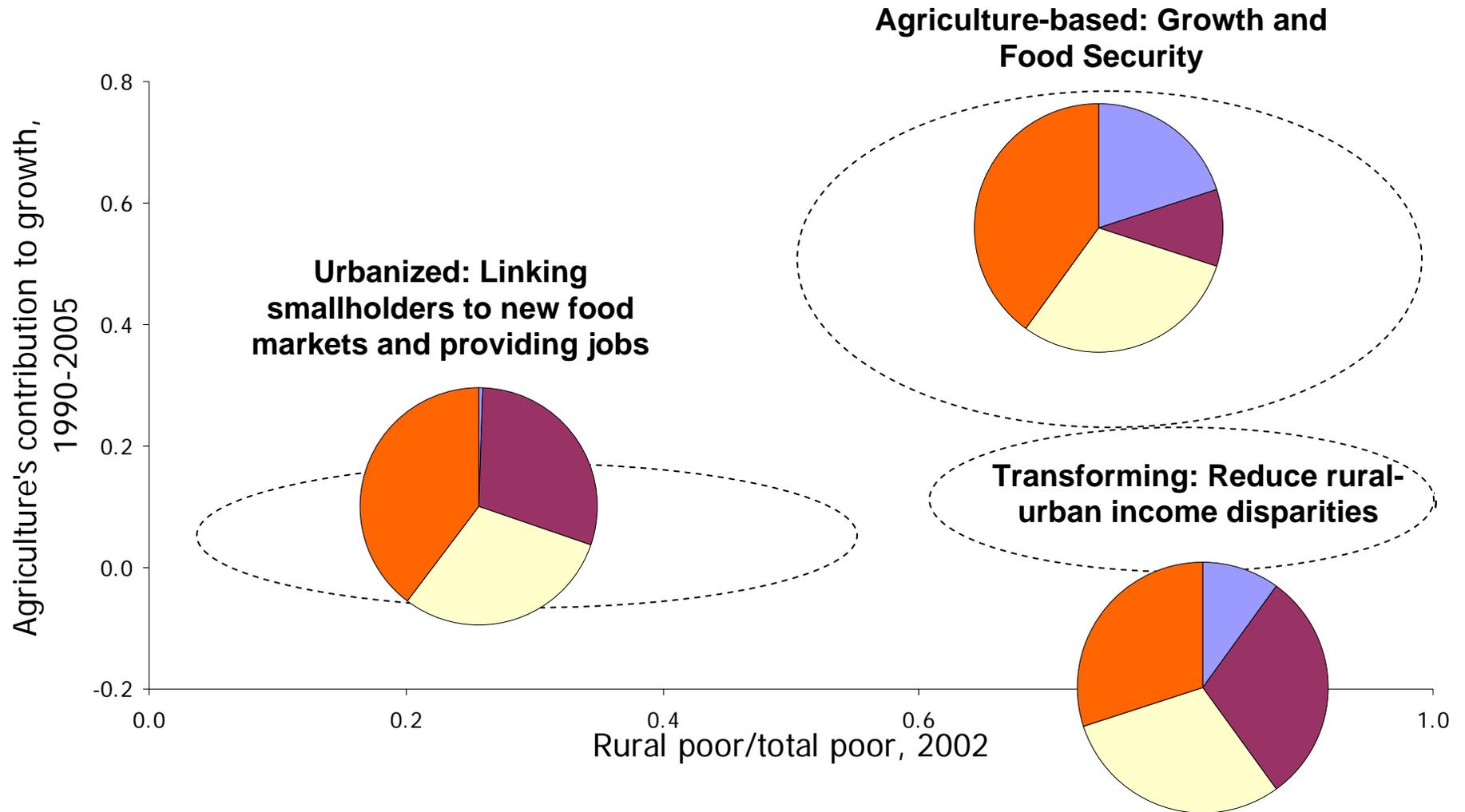
Balancing objectives

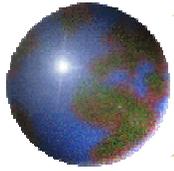




What is needed?

Differentiation

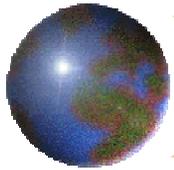




What is needed?

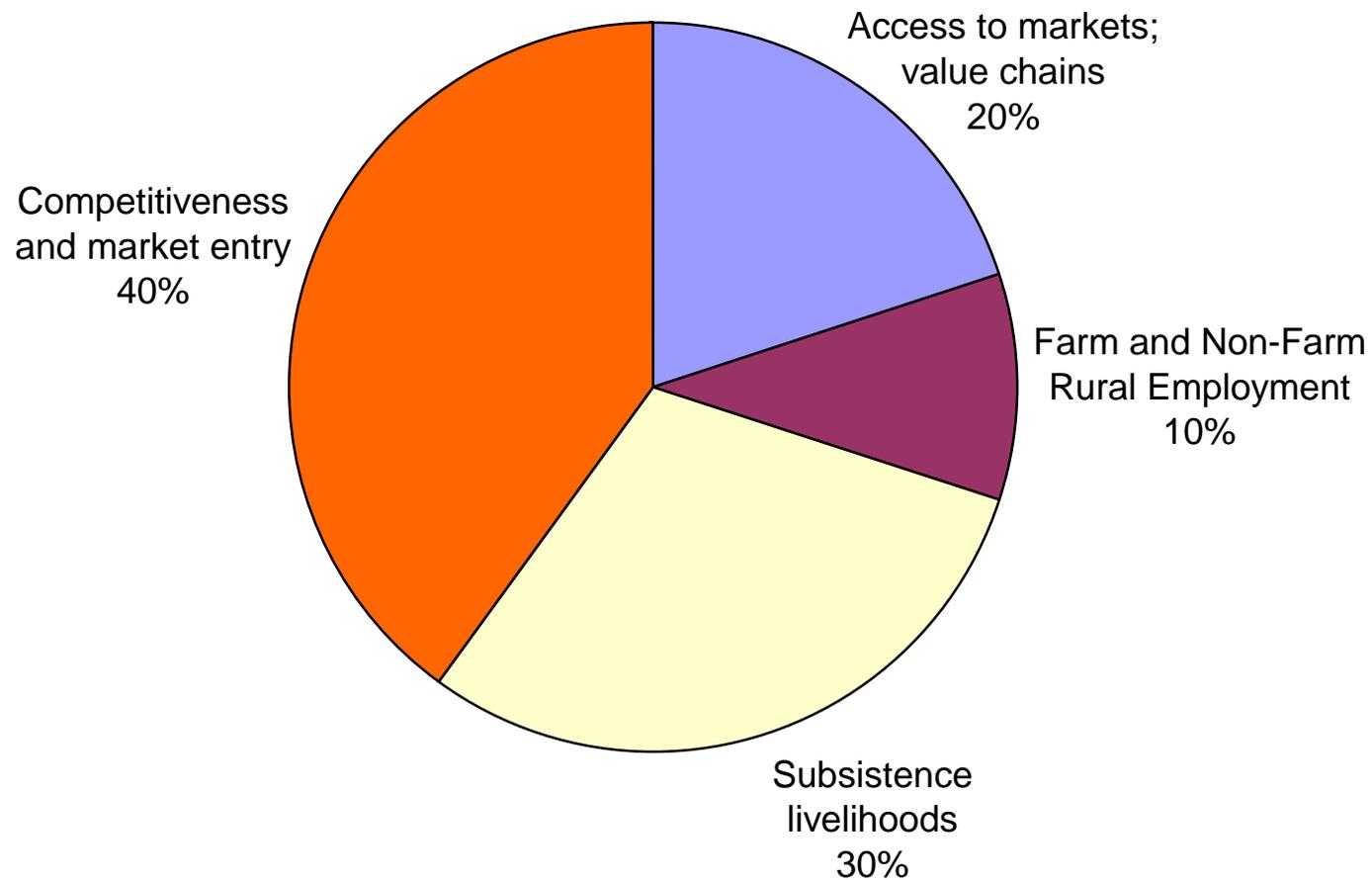
Supportive policy environment

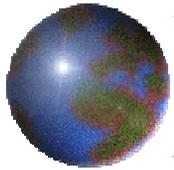
- **Sound macroeconomic management**
- **Reduce OECD agricultural tariffs and subsidies**
 - Particularly cotton and oilseeds
- **Complete remaining domestic price policy reforms**
 - Reduce import tariffs and export taxes
 - Reduce cross-border trade barriers
- **Investment climate**
 - Political stability
 - Policy consistency
 - Rule of law
 - Property rights
- **Governance**
 - Reduce bribery and extortion in transit
 - Reduce rent seeking in marketing outlets



What is needed?

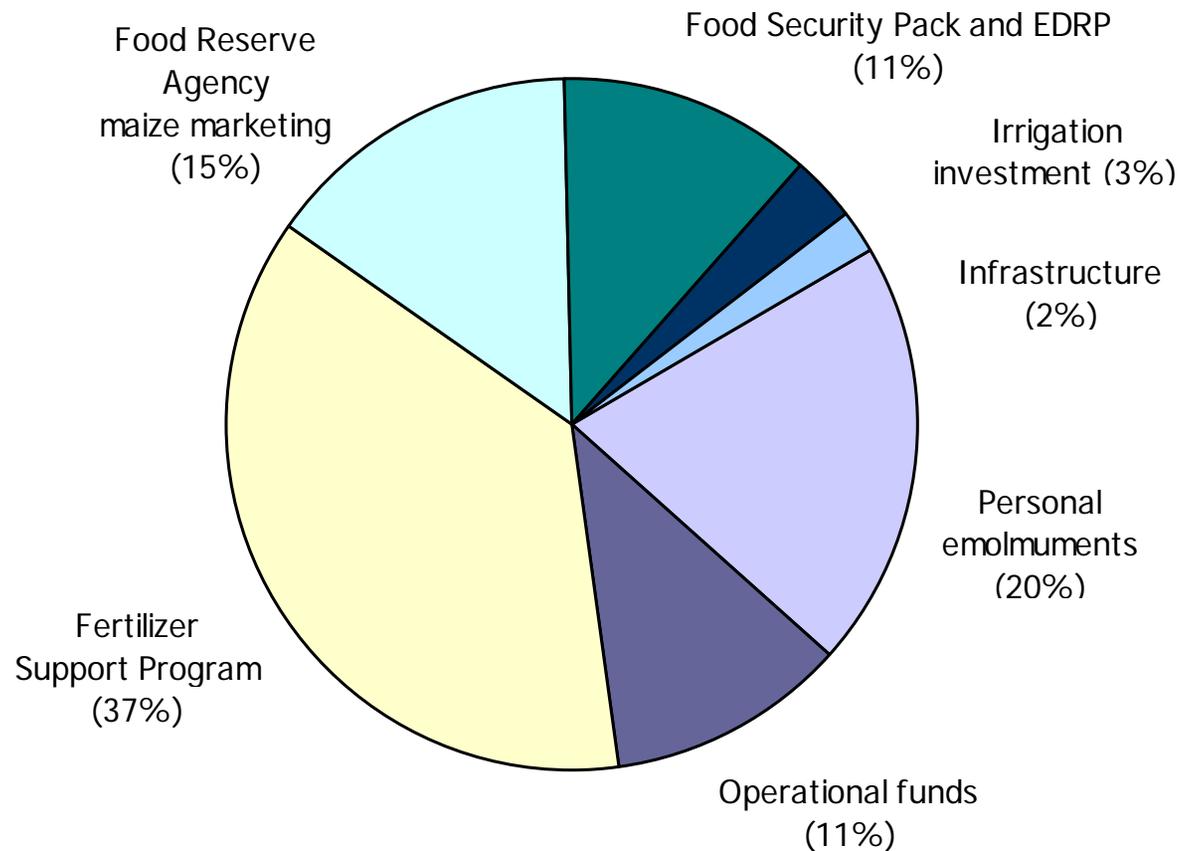
Policies and Public Expenditures Aligned to Priorities

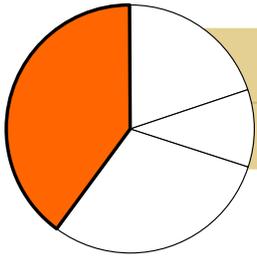




What is needed?

An example: Misalignment in Zambia's 2004-05 budget?





What is needed?

Smallholder competitiveness on and off the farm

📍 **Agricultural technology**

- ▣ **Adoption** - agricultural extension systems, access to financial services, smart subsidies to stimulate input markets, & risk management
- ▣ **Generation** – agricultural research. High payoffs, but the volume of investment has declined in recent years in about half the region's countries

📍 **Irrigation**

- ▣ Invest in low cost small-scale irrigation and cost-effective large-scale schemes

📍 **Infrastructure**

- ▣ Transport: Roads (regional and local) and airports
- ▣ Energy, ICT, water storage

📍 **Human capital**

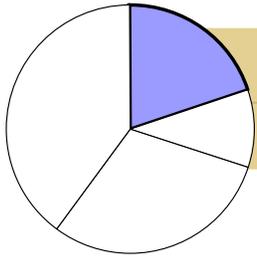
- ▣ Education: secondary vocational ag and graduate technical
- ▣ Health: malaria prevention; HIV/AIDS prevention and treatment

📍 **Animal Health**

- ▣ Public surveillance, shared delivery of services

📍 **Collective action**

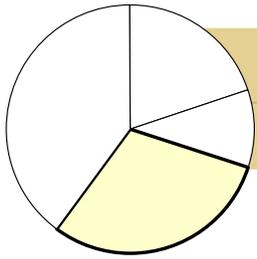
- ▣ Producer organizations to reduce costs of learning and marketing



What is needed?

Competitiveness in Marketing: Stronger value chains

- ❊ **Better local markets for local customers**
 - ❑ Roofs, floors, latrines, water, security, telephones, inspectors
- ❊ **Compliance with standards for higher value markets**
 - ❑ Technical: Knowledge and skills
 - ❑ Investment: sorting equipment, packing, storage
 - ❑ Inspection and traceability
- ❊ **Institutions**
 - ❑ Bonding of warehouses
 - ❑ Legal framework for warehouse receipts
 - ❑ Intellectual property rights (*branding, trademarking*)
 - ❑ Commodity exchanges (*or access to them through ICT*)
- ❊ **Infrastructure**
 - ❑ Public/private partnerships (e.g., warehousing, cold storage at airports) for higher value products
- ❊ **Brokerage services**
 - ❑ Finding markets
 - ❑ Finding finance



What is needed?

Better subsistence for the not-very-commercial

❊ Technology

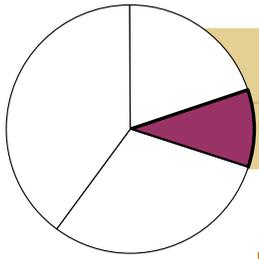
- ❑ Varieties of staples with stable yields and requiring low inputs
 - E.g., improved maize cultivars that tolerate drought and low soil fertility now becoming available in Southern Africa
- ❑ Improved local livestock
 - Better basic animal health

❊ Management of soil and water

- ❑ Water management—water harvesting and small scale irrigation
- ❑ Agro-forestry systems that replenish soil fertility through legumes
- ❑ Conservation tillage
 - In Ghana this has reduced soil loss and improved yields.

❊ Food programs and safety nets

- ❑ Better functioning local markets
- ❑ Cash or Food for work programs to build assets or obtain improved inputs
- ❑ Institutionalized response to emergencies
 - “Food for education” programs to keep children in school
 - Early warning systems for drought and flood
 - Public interventions to support demand side: public works, etc.
 - Public distribution in kind to the very vulnerable
 - Private traders respond on the supply side



What is needed?

Employment and migration, both on and off farm

⊕ Improve Labor markets

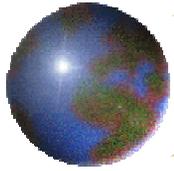
- ▣ Better investment climate—more jobs
- ▣ Avoid premature mechanization of smallholder farms (e.g., avoid subsidies on tractors and credit)
- ▣ Improve information about job opportunities
- ▣ Improve flexibility of labor laws
- ▣ Enforce labor laws: protect workers and reassure consumers

⊕ Attract Remittances

- ▣ Reduce the cost
- ▣ Invest in rural roads, transport, and electricity to channel remittances into productive investments in rural areas (not just housing)

⊕ Bring Down Real Food Prices for Consumers

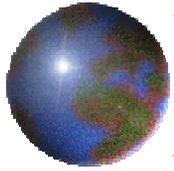
- ▣ Productivity grows faster than prices fall
- ▣ Increased efficiency in marketing
- ▣ Shifts in production to higher valued products
- ▣ Gains for producers, consumers, employers



What is needed?

- ❊ **Development and environmental protection inextricably linked**
 - ▣ Adaptation to climate change
 - ▣ Align production incentives, institutions, and technologies to sustainable natural resource management
 - ▣ Exploit opportunities to provide environmental services

- ❊ **Gender**
 - ▣ Improve access to assets for market entry by women (particularly land, financial services)
 - ▣ Increase responsiveness of services to needs of women (e.g. labor saving technologies)



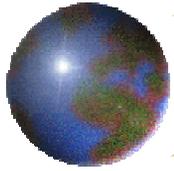
What is needed?

Feasible programs

- ⊕ **Improving political feasibility** (particularly when gainers and losers)
 - ▣ More research-based evidence for information and debate
 - ▣ Complementary support programs
 - ▣ Commitment devices (e.g. legislated programs in Uganda and Senegal)

- ⊕ **Administrative capacity to implement**
 - ▣ Align program design to capacity to implement
 - ▣ Reward increased capacity (of local governments, producer organizations) with increased control of more funds

- ⊕ **Financial affordability**
 - ▣ Efficiency gains will not be enough
 - ▣ More resources will be needed from Governments and Donors
 - ▣ Flexible mechanisms for financing ‘lumpy’ local and national level investments will be needed



How should it be done?

More and better spending, continued reforms, capable implementation, accountability and monitoring

● **Preconditions**

- Investment climate, trade policy, governance

● **Funding key public goods and services**

- Strengthen local and national systems
- Identify best practice in program design
- Establish cost norms for planning of expenditure
- Evaluate current spending
- Strengthen participation of relevant line ministries in budget process

● **Capable implementation**

- Subsidiarity: Defining roles for local, national, regional entities
- Benchmarking performance
- Civil service reform

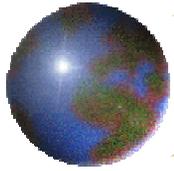
● **Enhanced role for the private sector**

- Contracting out delivery of some public services
- Matching grants to facilitate increased use of purchased inputs, adoption of technology
- Public/private partnerships for investment; e.g., irrigation

● **Accountability and Monitoring**

- Agreement on core indicators
- Improved statistics
- Use of peer learning and peer review

● **Coordination of donors**



Take-away messages

- ✚ No alternative to successful agricultural growth for Sub-Saharan Africa's development
- ✚ A smallholder based agricultural productivity revolution for Sub-Saharan Africa will be different from the Asian Green Revolution
- ✚ Agricultural growth and food security require different approaches and interventions
 - ✚ attention to each varies by context
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