CONTEXT AND PROSPECTS FOR AGRICULTURE AND RURAL DEVELOPMENT IN AFRICA
Positive Trends in Africa

- Real per capita growth above 4%
- Per capita agricultural growth above 1.5%
- Armed conflicts down to 3 from 15 in 2003
- 22 countries held elections in 2007 that were declared “free and fair”
- More civil society and participation
- Faster progress in business environment than LAC and MENA
- Accelerated efforts in building of Regional and sub-Regional Institutions
Outline

- Global winds of change
- The Resumption of growth in Africa
- Growing Demand and Higher Commodity Prices
- HIV and AIDS
- The Growing Technology Divide
- Markets and Smallholder Services
- Regional Cooperation
Changing views of ARD

- Early discovery of poverty reduction potential of agriculture,
  - followed by neglect
  - then rediscovery in last few years
- Rise and fall of Integrated Rural Development and Agricultural Development Banks
- Persistence of rural poverty as dominant poverty issue, especially in Africa
- Redefinition of the role of the state in ARD, rise of private sector, local government, NGOs, farmer’s organizations, and communities
- Requires focus on productivity and profitability for small farmers through access to input and output markets
New Aid Architecture
Kharas & Easterly

- Exploding numbers of players:
  - 233 multilateral agencies, 51 bilaterals, several hundred international NGOs, tens of thousands of national NGOs, including millions of CBOs

- Real volume of development assistance from traditional donors has stagnated, including for Africa, and has fragmented further

- Additional Aid is coming from emerging countries and private donors; remittances are adding just as much

- Despite 50 years of experience, still making the same mistakes, with little improvement in quality
  - Decline in tied aid and food aid are the positive trends
  - But increased fragmentation, unchanged emphasis on TA, and little or no sign on selectivity
Global Warming and Climate Change

- Man-made climate change no beyond doubt
- SSA contributes little, but will be heavily affected
- Aggregate estimate over the century is a productivity reduction of between 15 percent (with carbon fertilization) and 30 percent (without CF)
- A one third of a percent increase in annual TF Productivity growth could offset it
IPCC on Expected Climate Trends

- Higher temperatures
  - more so at night than during the day
  - more so at higher latitudes

- Rainfall either up or down
  - Down in Mediterranean and Southern Tip of Africa but up in Eastern Africa
  - Depending on the climate model, e.g. in the Sahel

- Extreme weather events likely to increase, but no clear trend in tropical cyclones
IPCC on predictability of climate at local level in SSA

- What is clear is that most extreme impact is in North Africa and at Southern Tip
- However, there are very few regional and sub-regional climate models
- Little consistency of precipitation predictions across models e.g. in Sahel or in Southern Africa
- Predictions of runoff vary widely
- Uncertainties around length of growing season
Conclusion

- Climate change is a manageable challenge and presents opportunities

- Adaptation requires mainstreaming of climate change into a general agricultural development strategy
  - Aimed at improving adaptation capacity, not specific adaptations
  - Aimed at taking advantage of so far modest carbon trading opportunities

- Greater capacity to develop own technology is critical
From distressingly low rates, African growth has steadily accelerated since mid 1990s
- 2007: 6.1 % for SSA, 4.9 % for MENA
- Inflation down to 10 percent range
- Fiscal deficits transformed into surpluses

Trend to faster growth started in early 1990s and has steadily accelerated since then (Ndulu figure 2.1)

Growth even more impressive if weighted by population of the countries

A consequence of high commodity prices?
- Non-commodity countries doing almost equally well
Determinants and Opportunities

- Macro-economic management and policies were critical in improving growth
  - but now present fewer additional opportunities

- Current major constraints:
  - Governance and business climate
  - Infrastructure and regional integration
  - Poor financial sectors, and low savings
  - Poor institutional capacities
    - Except in ministries of finance, central banks
Agricultural Growth

- SSA per capita agricultural growth now at 1.5% per year
  - But by area expansion, not via productivity growth
- Fuelled by the same factors as economy-wide growth
  - And not by special agricultural programs
- And fuelled by the sharp reduction of taxation of agriculture
- But sub-Saharan farmers still face the lowest incentives in the world
NRAs still need improvement in many commodities

Excluding South Africa
NRAs In Africa Over The Past 50 Years

Source: ibid
Higher international prices: opportunities for Africa

- World prices are expected to settle at higher levels than in first half of decade
- Will help offset adverse OECD policies
- Will transmit themselves to domestic economies in Africa
- Combined with better policies, they will lead to higher farm gate prices
- Higher profits, investments, farm growth
- Higher nonfarm incomes and rural wages
- *If there is no backsliding on policies!*
Where are market opportunities for Africa

- Food staples and livestock products for domestic and regional markets
  - Farmers can compete at import parity prices rather than lower export prices
  - Lower quality and phyto-sanitary standards
  - Can re-conquer markets lost to the rest of the World

- Much larger opportunities than for niche developed country export markets

- Longer term opportunities
  - mainly in South-South Trade
  - Bio-fuels in sugar-ethanol, cassava, jathropa

- Requires Regional Infrastructure & Integration
Where are the production opportunities

- Large reserves of moderately fertile land
  - Guinea Savannas cover three times the Cerrado of Brazil, which has so far only utilized half of its agricultural land
- Underutilized irrigation potential
- Intensification and yield growth

- Requires investment in infrastructure, irrigation and technology
Challenges
HIV and AIDS

- Fight against HIV and AIDS is still lagging, and especially in rural areas

- Counterintuitive findings
  - Better nutritional status does not significantly reduce HIV incidence, or prolong life after infection. Only prevention and ARV therapy do
  - Households which experience an AIDS death quickly replace adult members and are more short of land and capital than labor
  - Not all orphans are vulnerable: Only orphans in households with more than one orphan are under-nourished. But their number growing rapidly
How to fight rural AIDS is fairly well understood

- Rural prevention efforts must be mainstreamed via CDD programs and approaches
- Mortality can only be reduced by ARV therapy, and scaling it up in rural areas is both possible and a major priority
- However, food and agricultural interventions can be powerful tools for care and support, and household recovery
- Prevention, ARV therapy, and care and support require deep community involvement, a comparative advantage of IFAD.
- More mainstreaming of all three components into CDD operations
Removing Barriers To Trade And Improving Markets

- Progress in Regional Integration has been very limited, and barriers to food trade remain high

- This adds to high input prices, reduces output prices, and reduces development of competitive markets all around

- Infrastructure, competition policy, and farmer organization involvement are also necessary

- The critical issues of expanding use of improved seeds and fertilizers, and access to markets cannot be addressed without the above improvements
On top of the current technology lag, a high risk of a growing divide

- Heterogeneity implies fewer opportunities to borrow from outside and within
- Private sector entry and intellectual property rights increases complexity
- Severe and persistent under-funding of public research
- Research is fragmented into
  - 400 public and private entities and universities
  - 3600 poorly funded agricultural scientists
  - 12 CGIAR institutions active in Africa
- The CGIAR is growing slowly pursuing too many priorities
Impacts of Research in African Agriculture are less than elsewhere

- Median rates of return in Africa are 34% compared to Global median of 46% (Alston et al.)
- Evenson showed a contribution of CGIAR to African yields of 0.11-0.13 per year
  - Against 0.30 to 0.33 for all developing regions
- In absence of CGIAR, total food production would be 1-2 percent less, and area planted 0.6-1% more (Evenson & Rosegrant)
- Nevertheless, the CGIAR has created enough returns in Africa to pay for itself (Maredia and Raitzer)
  - But 90 percent came from only one set of innovation, biological pest control in Cassava
  - Farming systems and policy research have generated few measurable returns, but continues to be widely promoted
While there is considerable adoption of improved seeds in SSA...

- Adoption of new varieties in SSA now around 30%.
- It has resulted in lower yield gains than elsewhere.
- The lower yield gains are a consequence:
  - Of limited returns to agriculture in general.
  - Limited payoffs to irrigation and inputs.
- The latter are associated with:
  - Poor technology.
  - High costs of irrigation, inputs.
Misallocation of research resources away from core plant & animal stressors

- There are more crops, more environments more pests and diseases than in any other continent
  - Requiring more scientific, basic and applied research
- CGIAR priorities are no longer on genetic improvement, bio-technology, and animal pests and diseases
- The proposed Africa Challenge Program is not focused on these stressors, but on systems improvements, where payoffs have been minuscule
- The Gates Foundation has started to fill the gap,
  - but it has given mixed signals on Biotechnology
  - it cannot finance it alone
Biotechnology and Privatization of Agricultural Research

- Biotechnology presents great opportunities
- Africa is lagging badly behind China, India, and Brazil
  - Has created four regional centers for biotech, that remain underfunded
  - Held back in part by donors, and in part by its own inadequate funding, capacities
- Access to BT is complex and expensive, and requires access to intellectual property often held by private sector
- Critical mass in research and regulation requires Regional and sub-Regional collaboration
The Technology Agenda

- NEPAD, FARA, and Sub-Regional Research Organizations have taken the lead in proposing action
  - On reform of research policy and systems
  - On increasing funding
- But their proposals remain under-funded
- Excessive reliance on donors has been a break or progress in the past
- Unless African countries start paying for research themselves, they will never be in the lead
- They should use some of the greater fiscal space they now have
The Challenge or Improving Input, Output, and Financial Markets

- Their poor development are caused by unfavorable material factors
  - low population density
  - land-lockedness and poor infrastructure
  - covariance of risk
  - Small markets as a consequence of low input use

- Limited competition, and illegal extractions along the road are partly a consequence of the underlying conditions
  - but also of poor policy choices and implementation

- If more failure is to be avoided, the “how” of improving these markets needs to take account of the material factors
The imperative of strengthen regional and sub-regional capacities

All countries have an incentive to shirk in contributions to Regional Public Goods
Can only be overcome by Regional or International Funding arrangements co-financed by multilateral or other donors, probably in association with ECA, the African Union and FAO

- Small land locked countries depend on regional integration
- Regional trade is good for growth, farmer’s income, regional foods security and the private sector;
- Requires harmonization of standards and sanitary measures, and sub-regional and regional capacities to implement them;
- Regional infrastructure critical for access to each other and external markets;
- Reversing land degradation and desertification and preserving biodiversity require trans-boundary collective action;
- Defense against plant and animal disease epidemics require collective responses at sub-regional and regional levels;
- Agricultural research is far better done on a regional or sub-regional basis—FARA and the SRO’s are on the right track;
- Bio technology is complicated and expensive requiring a large critical mass;
- Indigenous scientific capacity is better fostered by regional institutions which have critical mass and necessary financial support.
The way forward

- There are many challenges that Africa faces. The most pressing ones are
  - Removing agricultural dis-protection in lagging countries and lagging commodities
  - Closing the widening technology gap
  - Development of Markets and Smallholder Services
  - Development of Regional Cooperation for Agriculture