The African Resurgence – Strategies for Equitable Market-led Agricultural Growth

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Word association

Africa....

Poverty

Famine

HIV/AIDS

Corruption

Failed States

Crisis

Conflict

…all woven together in a compellingly negative narrative of failed development…

…and negative narratives have consequences

- Can shape the mindsets and behavior of key actors
- Undermine confidence
- Elevate perceptions of risk in risk-reward calculations
- Discourage domestic and foreign investment
- Focus on problems and mask successes and emerging opportunities

An alternative narrative: African resurgence is underway

- Africa is now one of the most rapidly growing regions of the world – 4.9% GDP growth (2000-2008)
- Not an artifact of global commodity boom – not driven by exports of oil and minerals
- Broad growth – transport and telecom (7.8%), construction (7.5%), finance (8%), tourism (8.7%), agriculture (5.5%)

Recognition is recent but spreading

Lions on the Move: The progress and potential of African economies, McKinsey Global Institute (June, 2010)

Emerging Africa, Steven Radelet, Center for Global Development (2010)

My focus today

- Africa since 1995
- The “emerging countries” of SSA
- Growth drivers and challenges
- New directions for agriculture
- Strategies to ensure greater equity

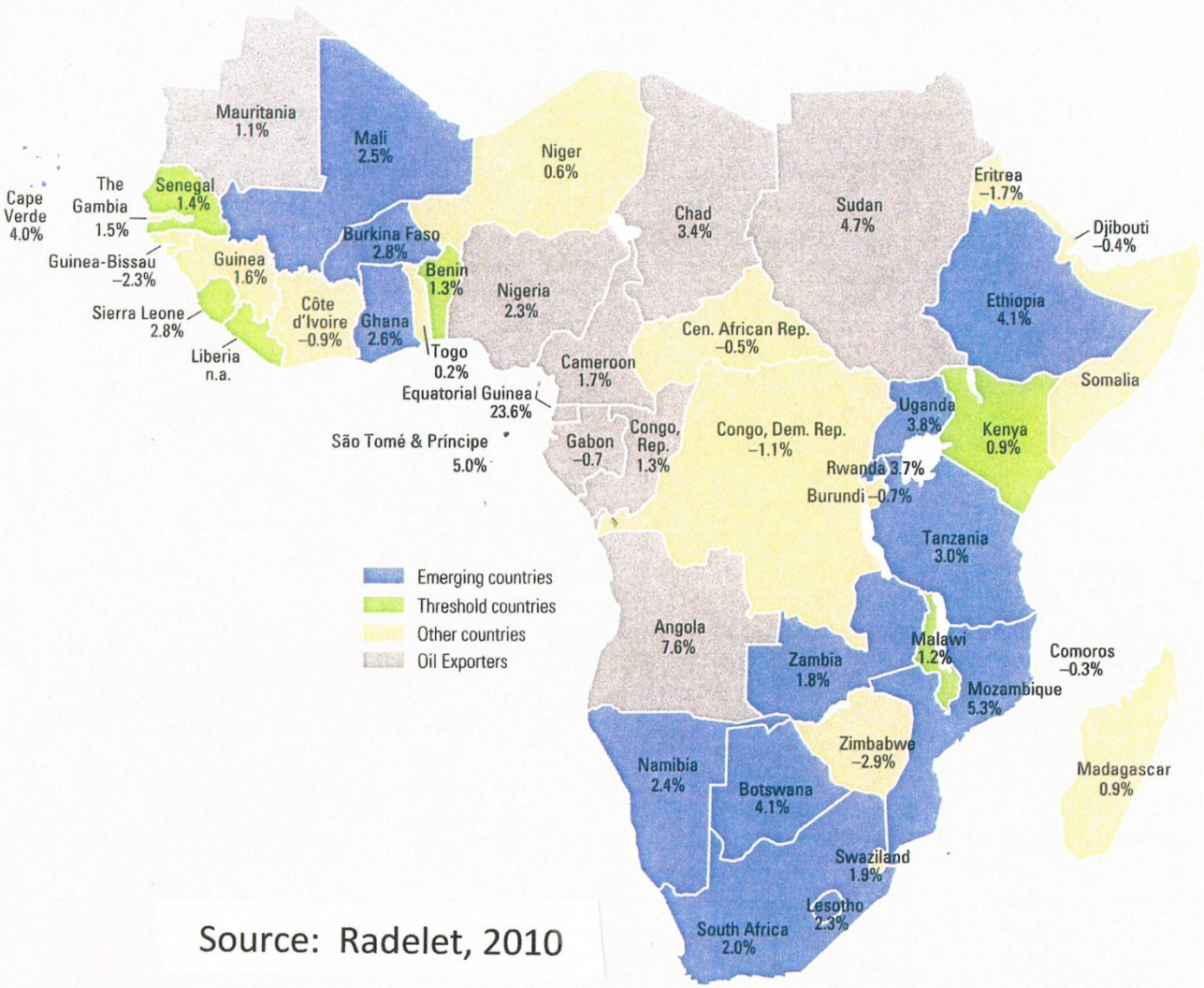
So where is Africa on the move?

Four sets of countries grouped by political and economic structure, and performance (Radelet)

	GDP growth per cap 1996-2008	**Cum. increase in real income per cap**
	%	%
Emerging (17)	**3.2**	**50**
Threshold (6)	2.2	18
Oil exporters (9)	2.0	25
Other (16)	-0.1	-3

EMERGING AFRICA

Average Growth Rates per Capita, 1996–2008



Source: Radelet, 2010

Annual GDP per capita growth rates in "emerging countries", 1996-2008

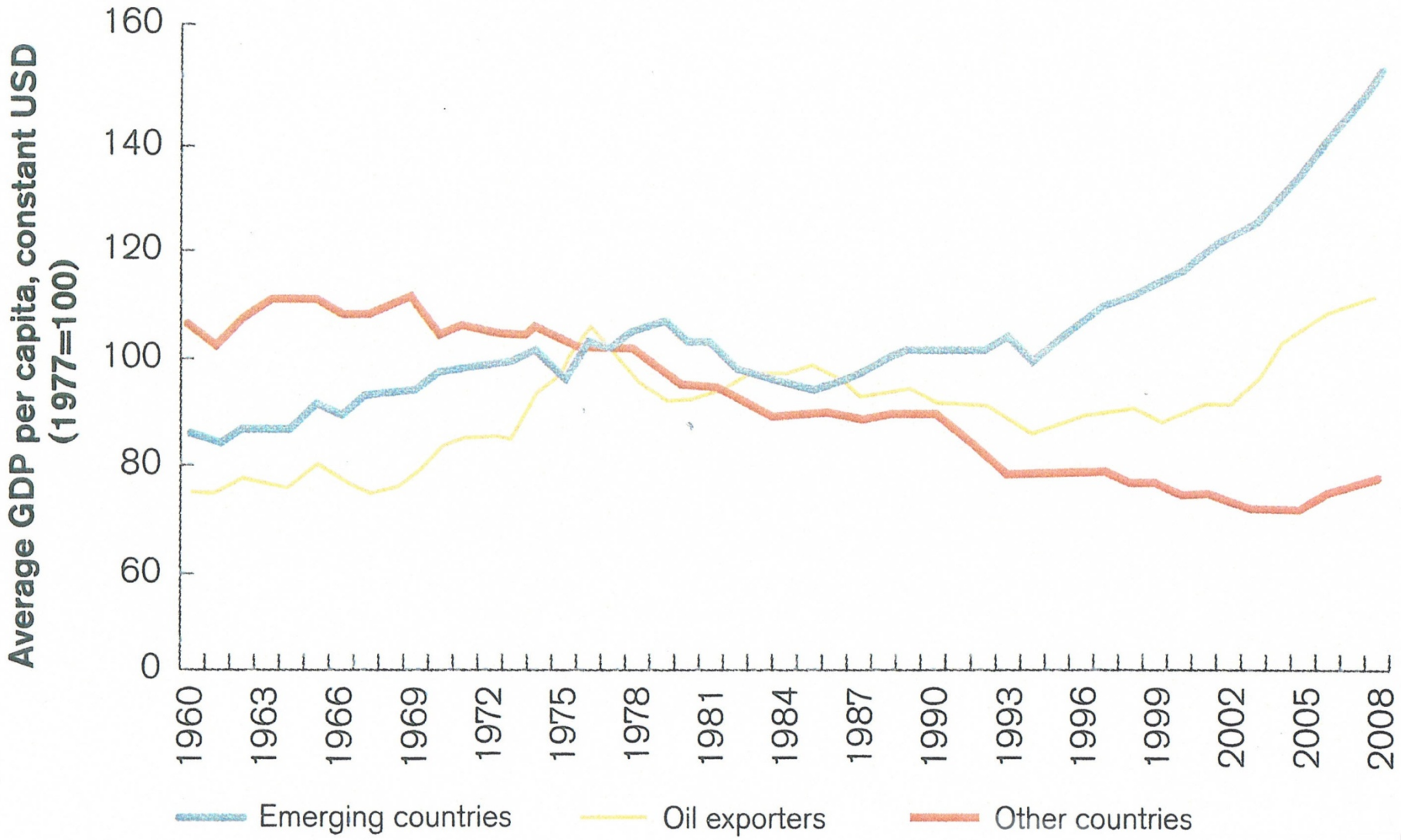
Mozambique	5.4	Burkina Faso	2.8
Sao Tome	5.0	Ghana	2.6
Ethiopia	4.1	Seychelles	2.6
Botswana	4.1	Mali	2.5
Cape Verde	4.0	Namibia	2.4
Uganda	3.8	Lesotho	2.3
Mauritius	3.7	South Africa	2.0
Rwanda	3.7	Zambia	1.8
Tanzania	3.0		

(Radelet, 2010)

Indicators of economic progress in the "emerging countries", 1996-2008

- All exceeded GDP growth of 5% per year
- Value of investment doubled
- Foreign direct investment doubled
- Trade more than doubled
- Total factor productivity increased 1.5 % / year

Accelerating growth in per capita incomes since mid-1990's



Source: Radelet, 2010

Human development indicators also improving in “emerging countries”

- Poverty rates declined by > 1% per year
- Food insecurity fell in both absolute (-2.2 mil) and prevalence (30-23%) terms
- Infant mortality reduced by 20%
- Fertility and population growth rates falling
- 13 of 17 “emerging countries” projected to hit half of the MDG targets by 2015

The “emerging countries” resurgence is important for at least two reasons

1. Demonstrates that robust, equitable and internally driven growth is possible in Africa
2. Understanding the causes of progress can help guide other African countries
   - Geographic and/or historical forces do not condemn African countries to failure
   - Rather, the drivers of success are within their control

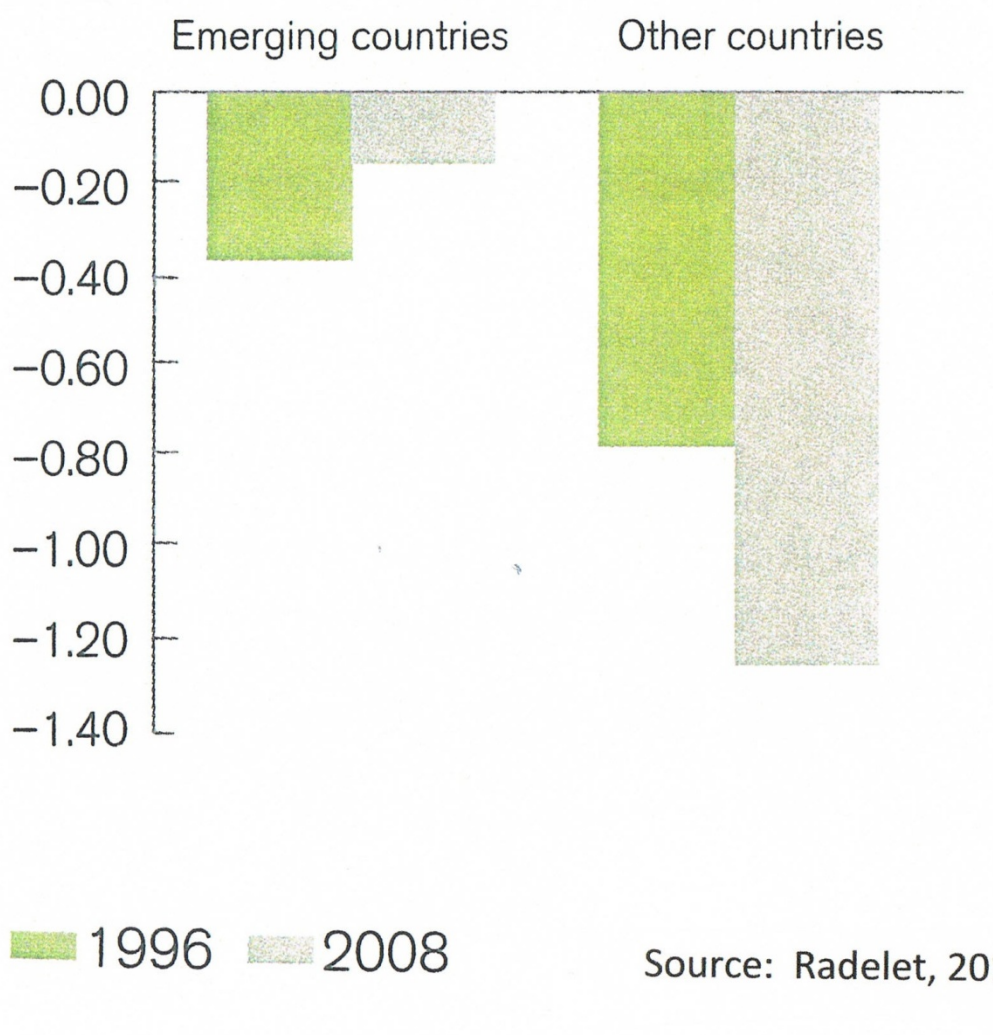
Confluence of factors contributing to the resurgence

1. Improved governance
2. Economic policy reforms
3. Rise of a new generation of African leaders
4. ICT revolution
5. Rebalanced relationships with donors

1. Improved governance

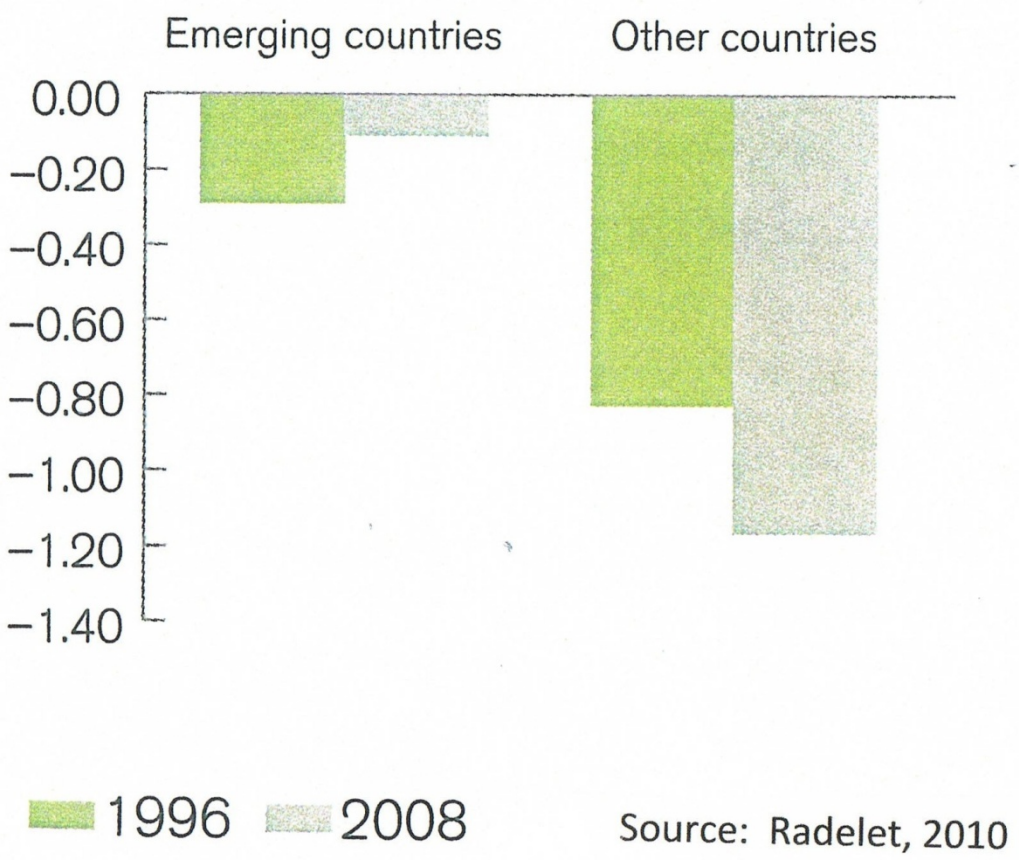
- Democratic processes and expectations
  - 3 democratic govs in 1989…. 23 in 2008
  - Increased political "competitiveness"
- Increased adherence to constitutional rule of law… decline of the "Big Man"
- Greater respect for civil and political rights
  - Rise of free press and civil society "watchdog" groups

Governments more effective



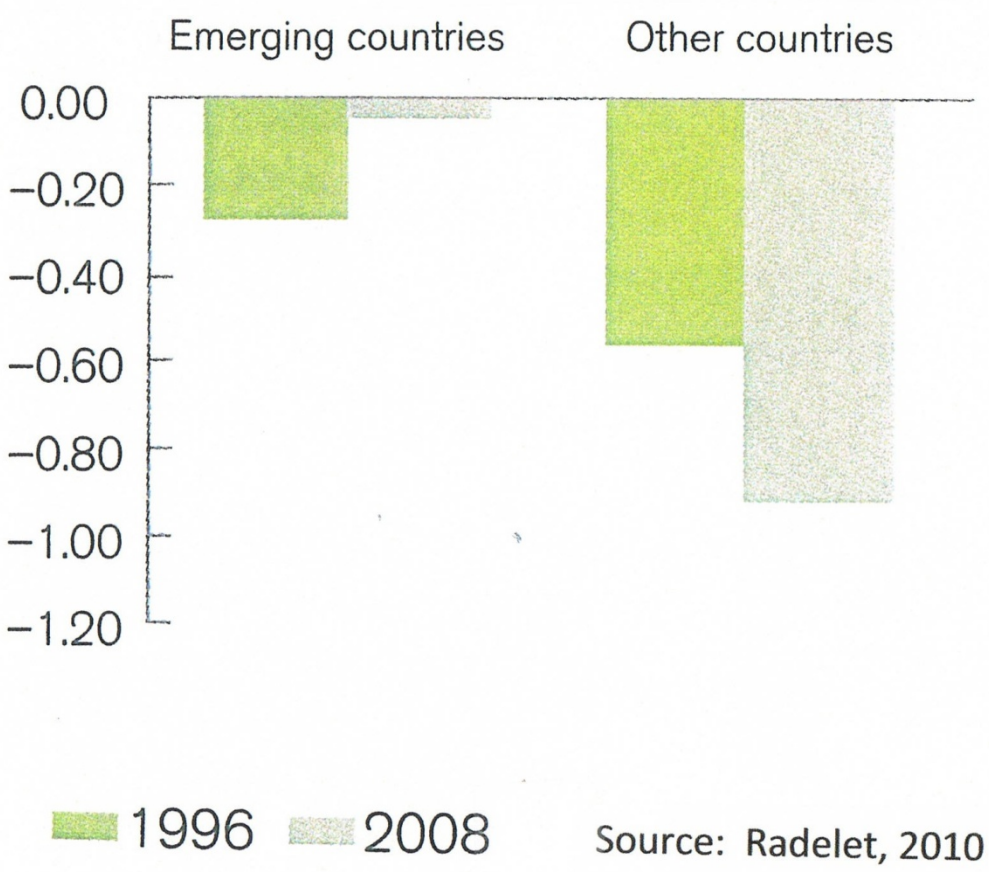
Source: Radelet, 2010

Greater rule of law



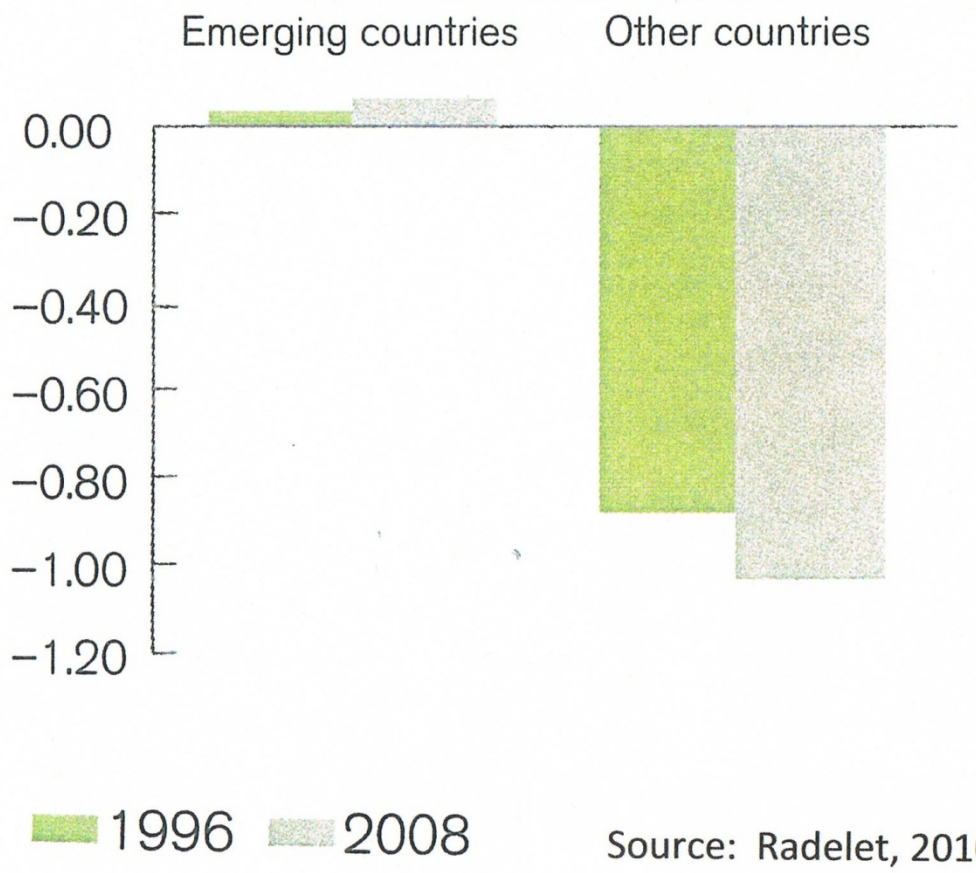
Source: Radelet, 2010

Corruption coming under control



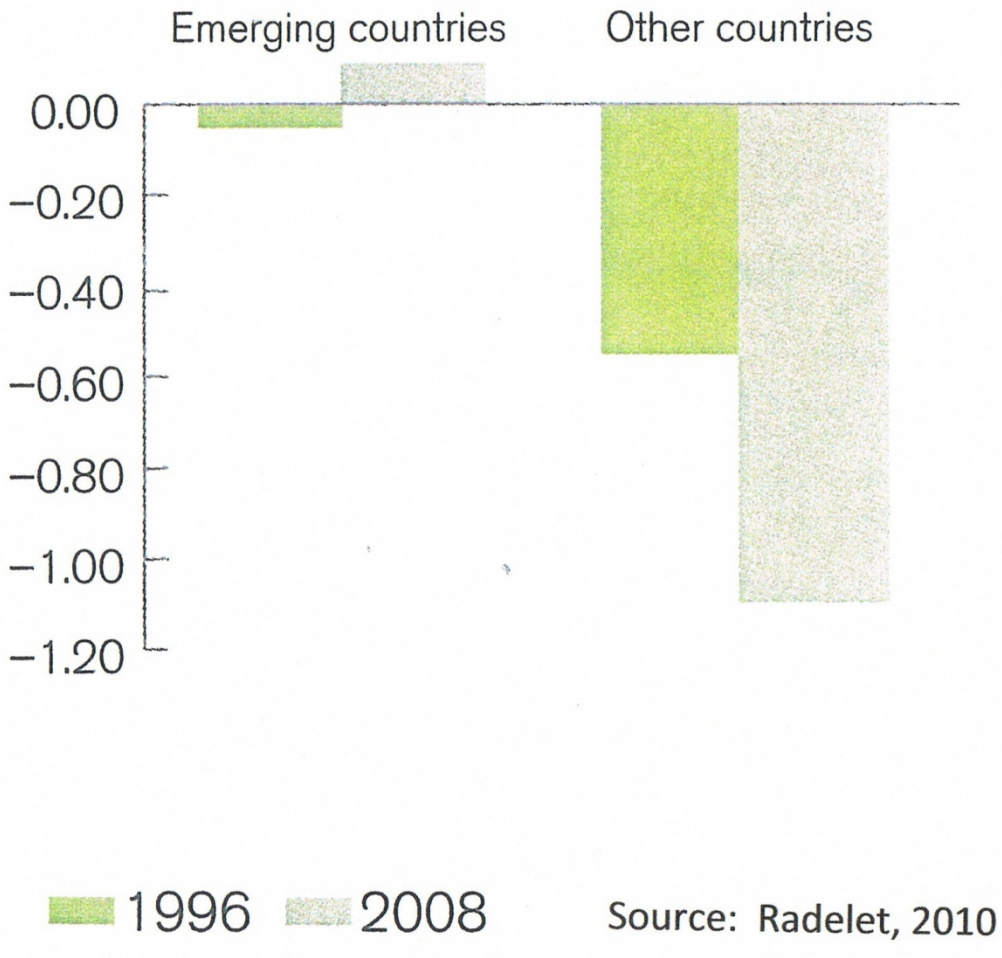
Source: Radelet, 2010

Greater voice and accountability



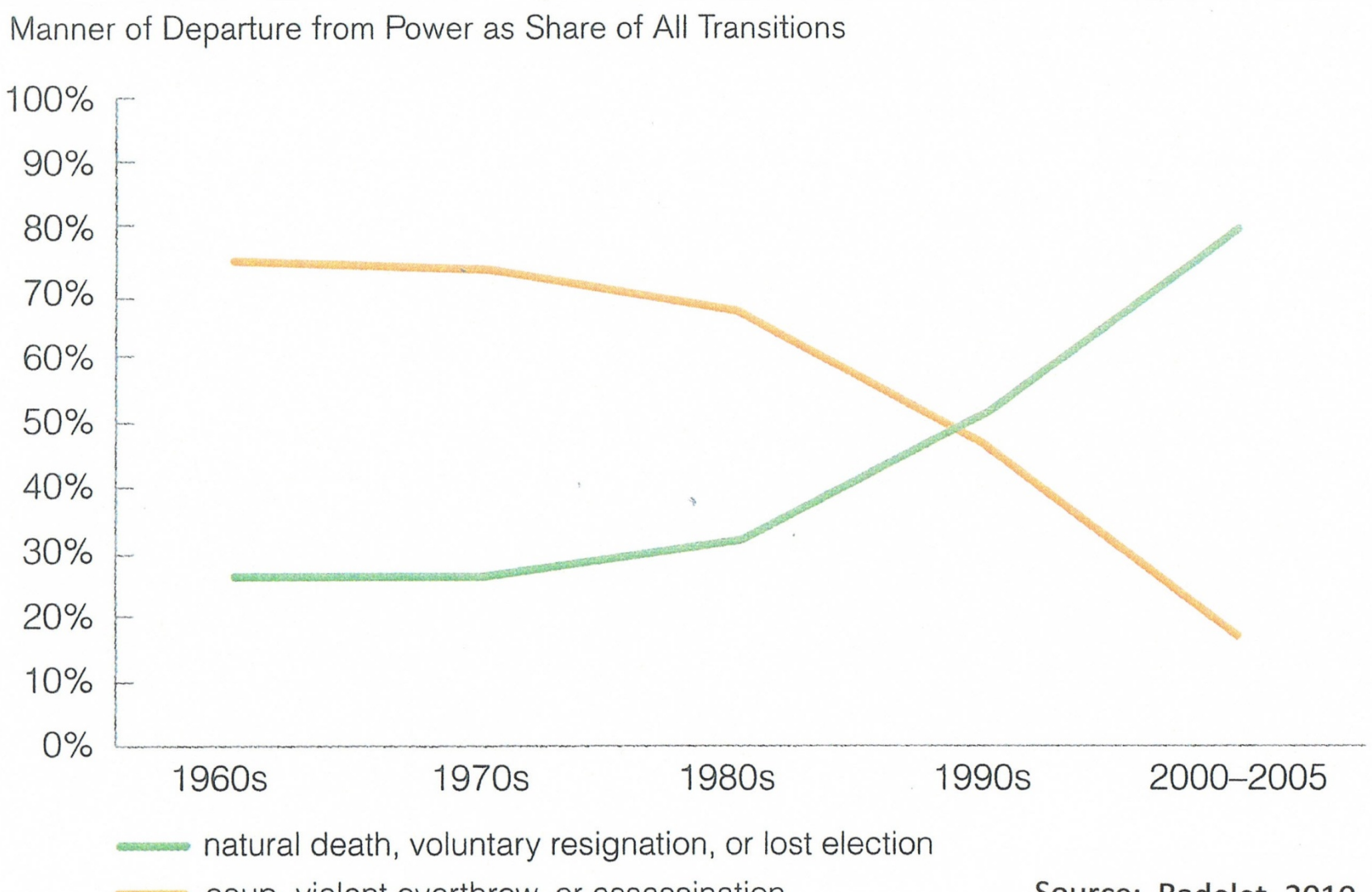
Source: Radelet, 2010

Political systems more stable



Source: Radelet, 2010

Elections becoming the norm

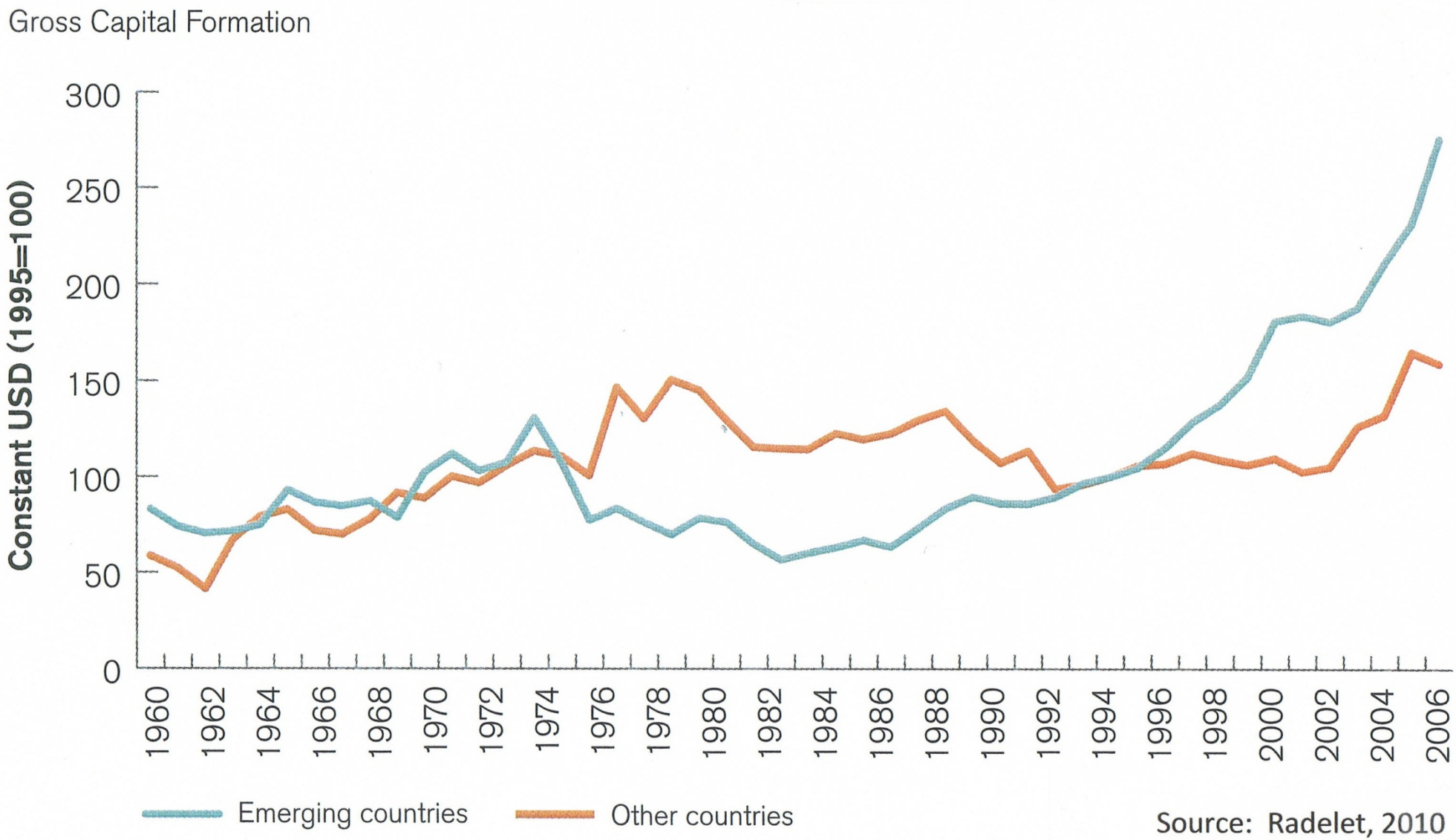


Source: Padalat, 2010

2. Economic policy reforms

- Structural adjustment programs of 80's, 90's imposed on African countries by WB, IMF
  - Fiscal balance, liberalized markets, privatization, devaluation, improved business climate
  - But poorly designed / implemented – "one-size-fits-all"
  - Early results disastrous
- By mid-90's, major design improvements and greater national ownership
- "Emerging countries" most successful in adapting, owning and sustaining core reform elements
- Improved economic environment mobilized private sector investment and entrepreneurship

Investment has responded to the improved economic environment



Source: Radelet, 2010

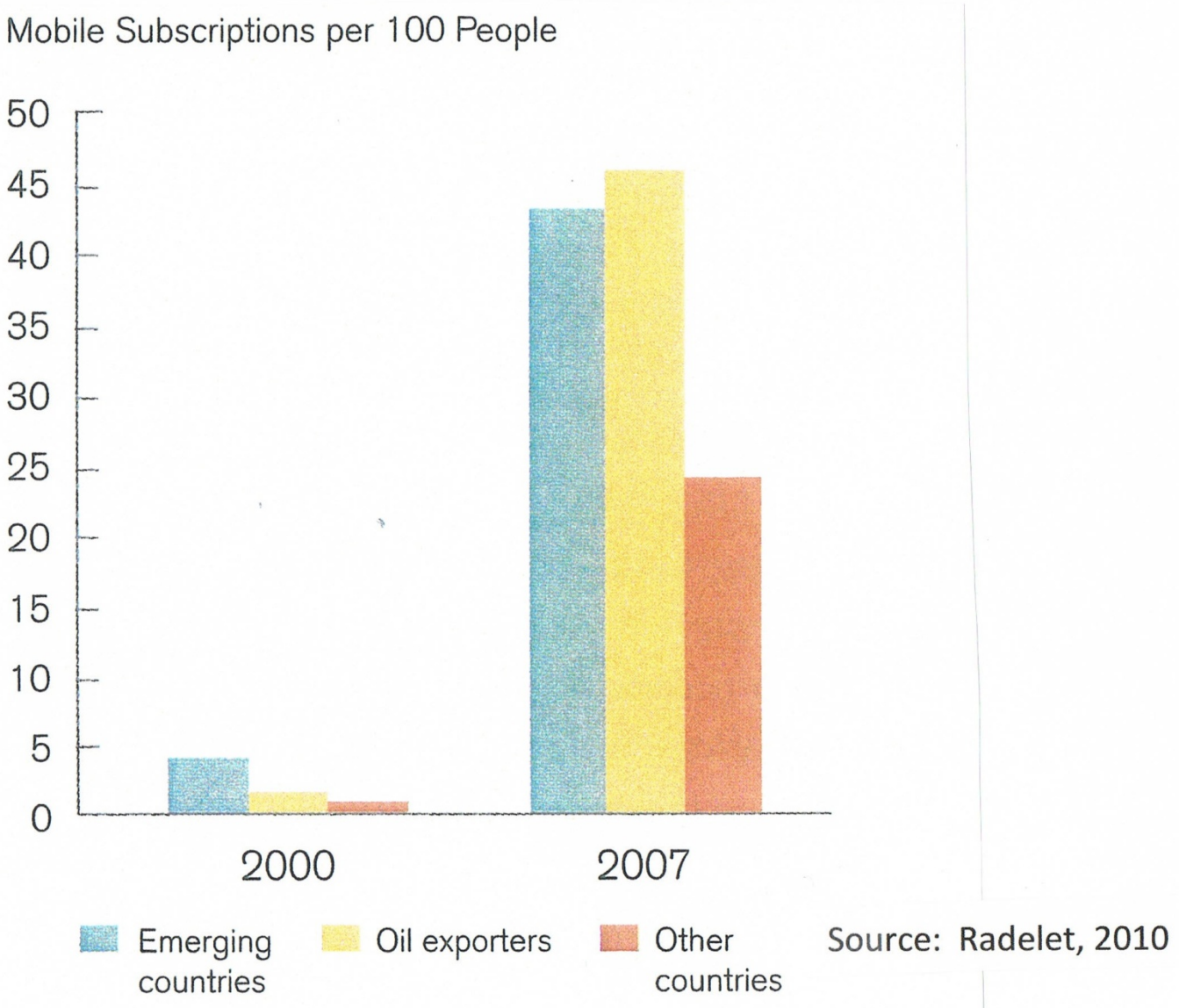
3. A new generation of African leaders

- Well educated in northern and African universities
- Better connected with global events and trends
- More innovative, entrepreneurial, impatient for change
- Frustrated with bureaucracy, corruption
- Significant force for better governance

4. ICT revolution

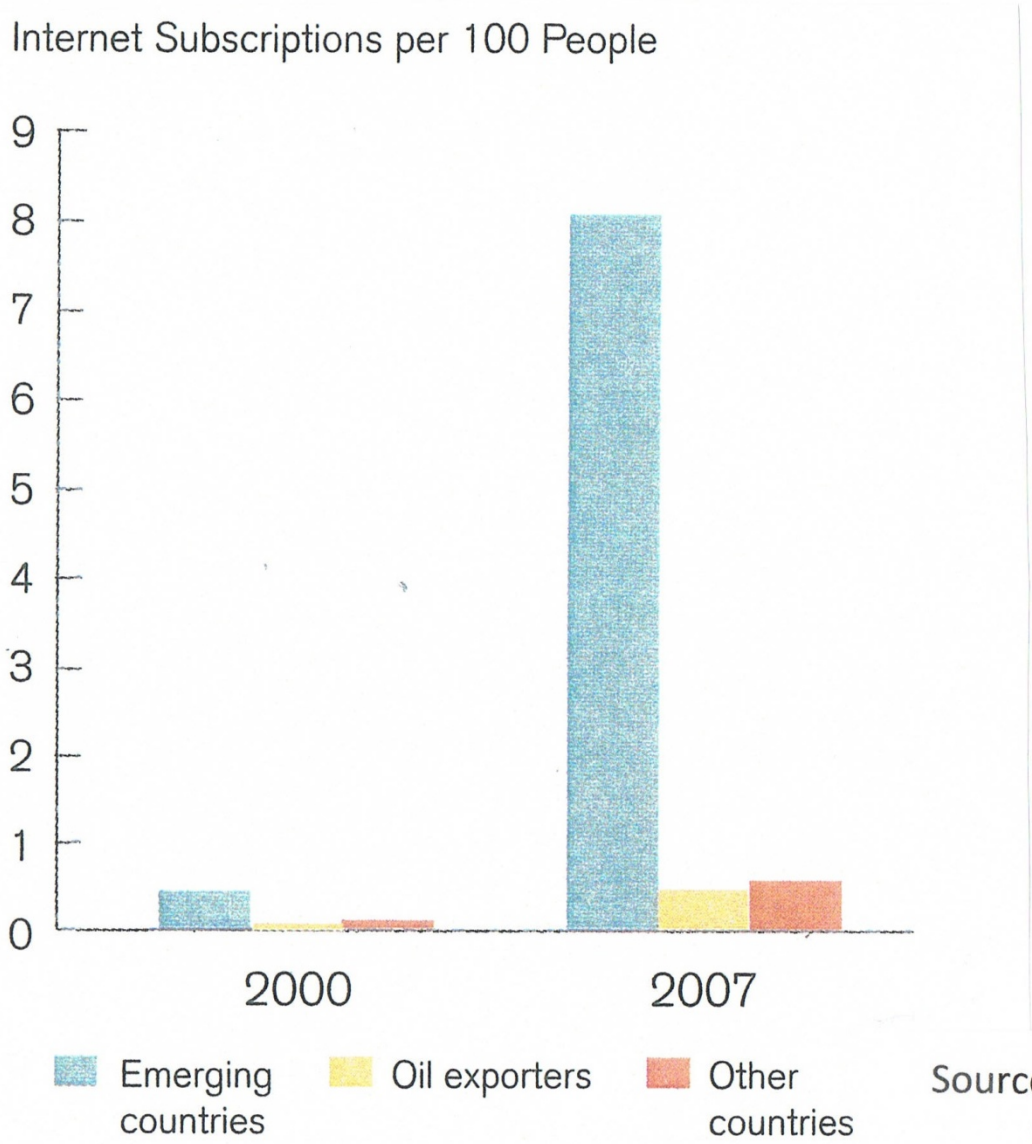
- Sub Saharan Africa is fastest growing mobile and internet market globally
- Recent mobile growth rates > 50%/yr
- Impacts broad ranging:
  - Access to global information…economic, political
  - Amplifies political voice of civil society
  - Rapid growth in Apps that improve access to market, weather, and extension info; facilitate saving, loans and funds transfer; reduce business costs

Explosive growth in mobile phone subscriptions



Source: Radelet, 2010

Expanding internet access, but still low

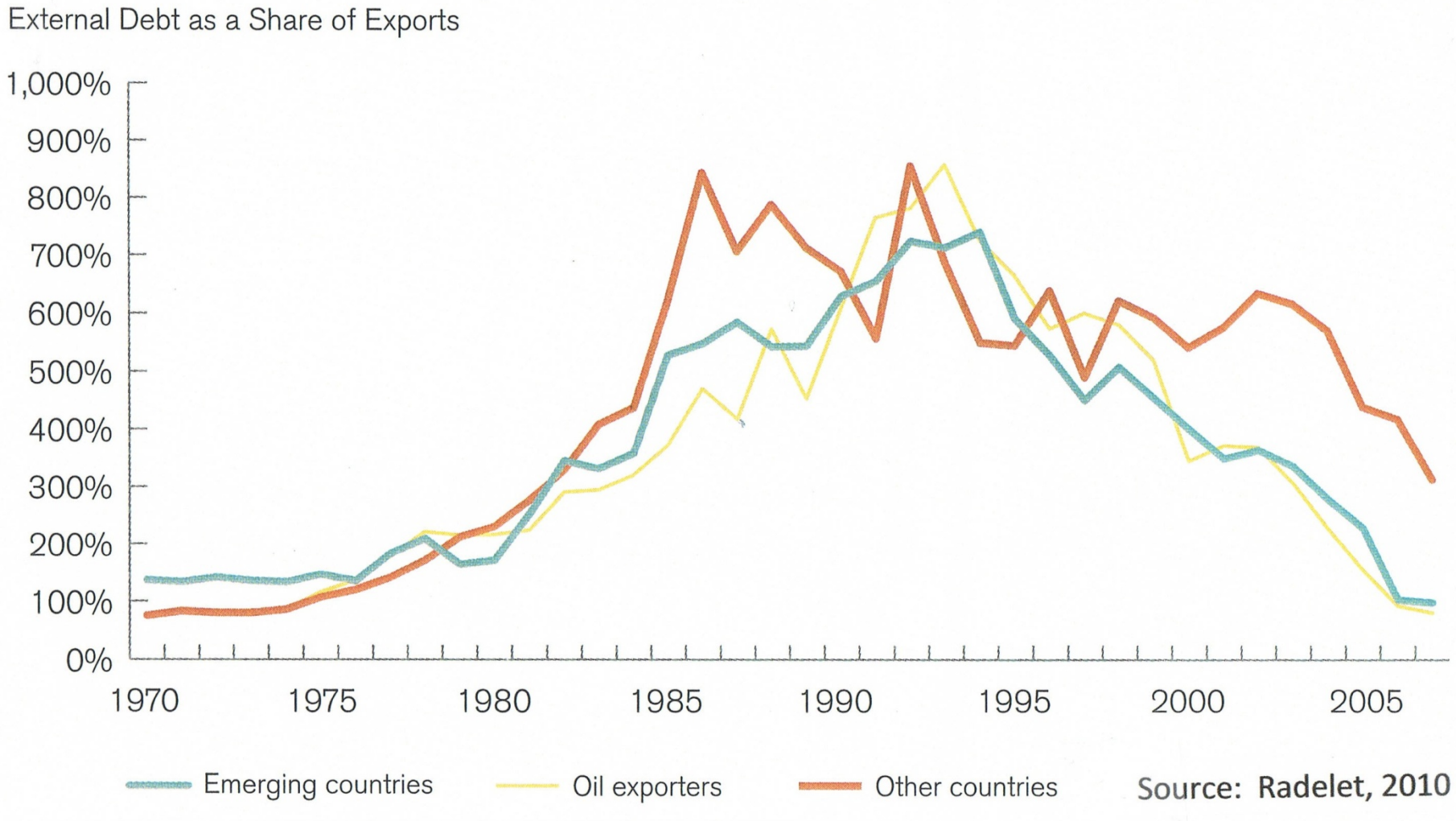


Source: Radelet, 2010

5. Rebalanced relationships with donors

- Donor practices often disempowered African governments, undercutting legitimacy and growth
  - Development strategies imposed by donors
  - Political and economic conditionalities
- Since 2000, OECD DAC examined past aid failures and developed best practice guidelines
  - Aid aligned to national strategies
  - Donor coordination
  - Conditionalities reduced
  - Mutual accountability and results orientation
- Debt forgiveness

Debt burden slashed since early - 1990s



So how has agriculture fared in the broader resurgence?

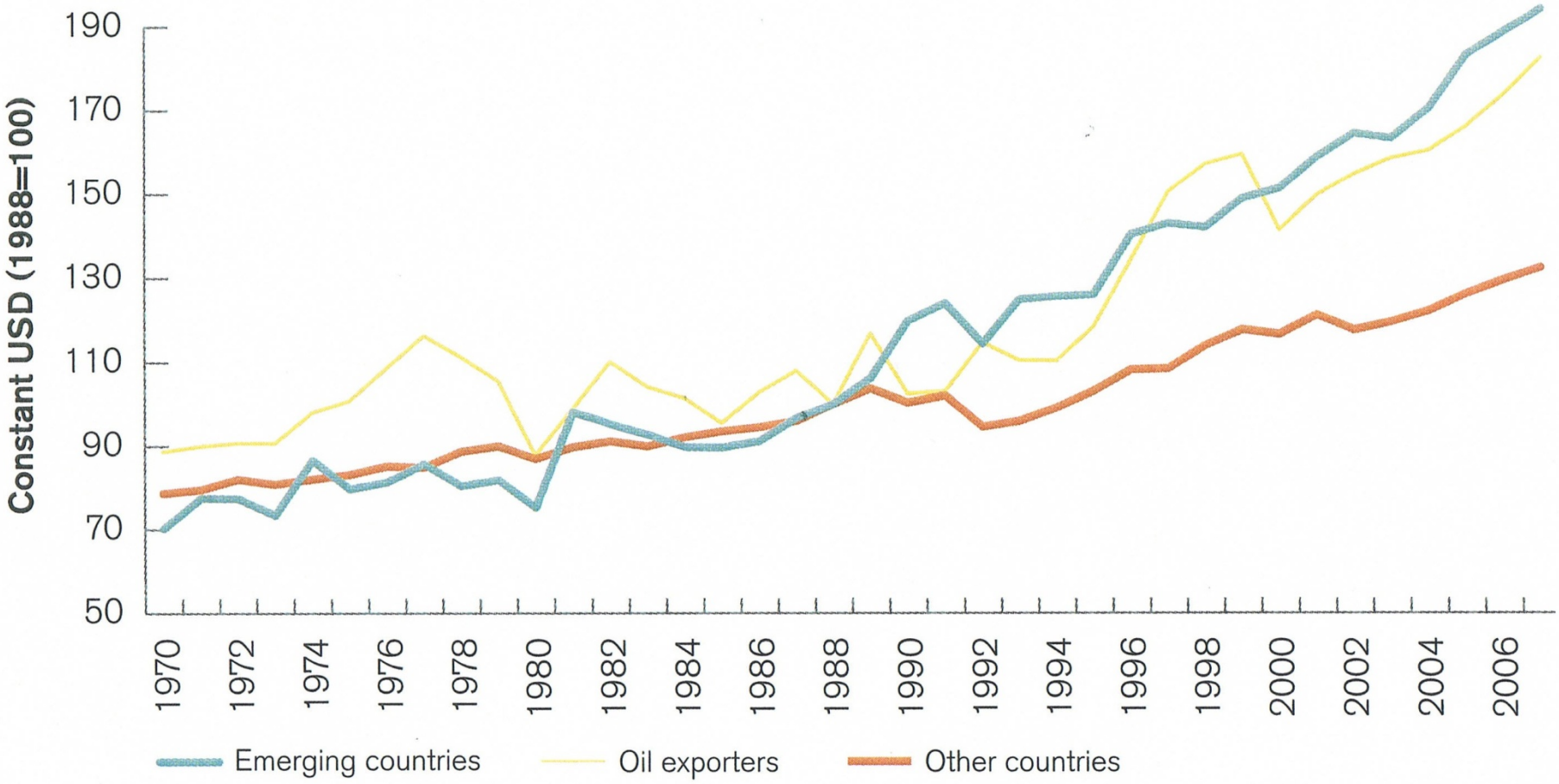
A snapshot through the rear view mirror…

- Diverse
  - Agro-ecologies highly variable
  - < 7% of farm land is irrigated
  - No dominant food staples
- Low productivity
  - Yields <50% of world averages
  - Low use of purchased inputs, extensive systems
- Multiple market failures → low demand elasticity → subsistence orientation

But even in agriculture, “emerging countries” gaining since 1990s

- Agric production growing at ave annual rate of 3.2% since mid-90s
- Food production per capita increasing, reversing declines in the 70s and 80s
- Food insecurity falling
  - 2.2 mil fewer undernourished
  - Hunger prevalence reduced from (30% to 23%)

Agricultural output growing faster than population

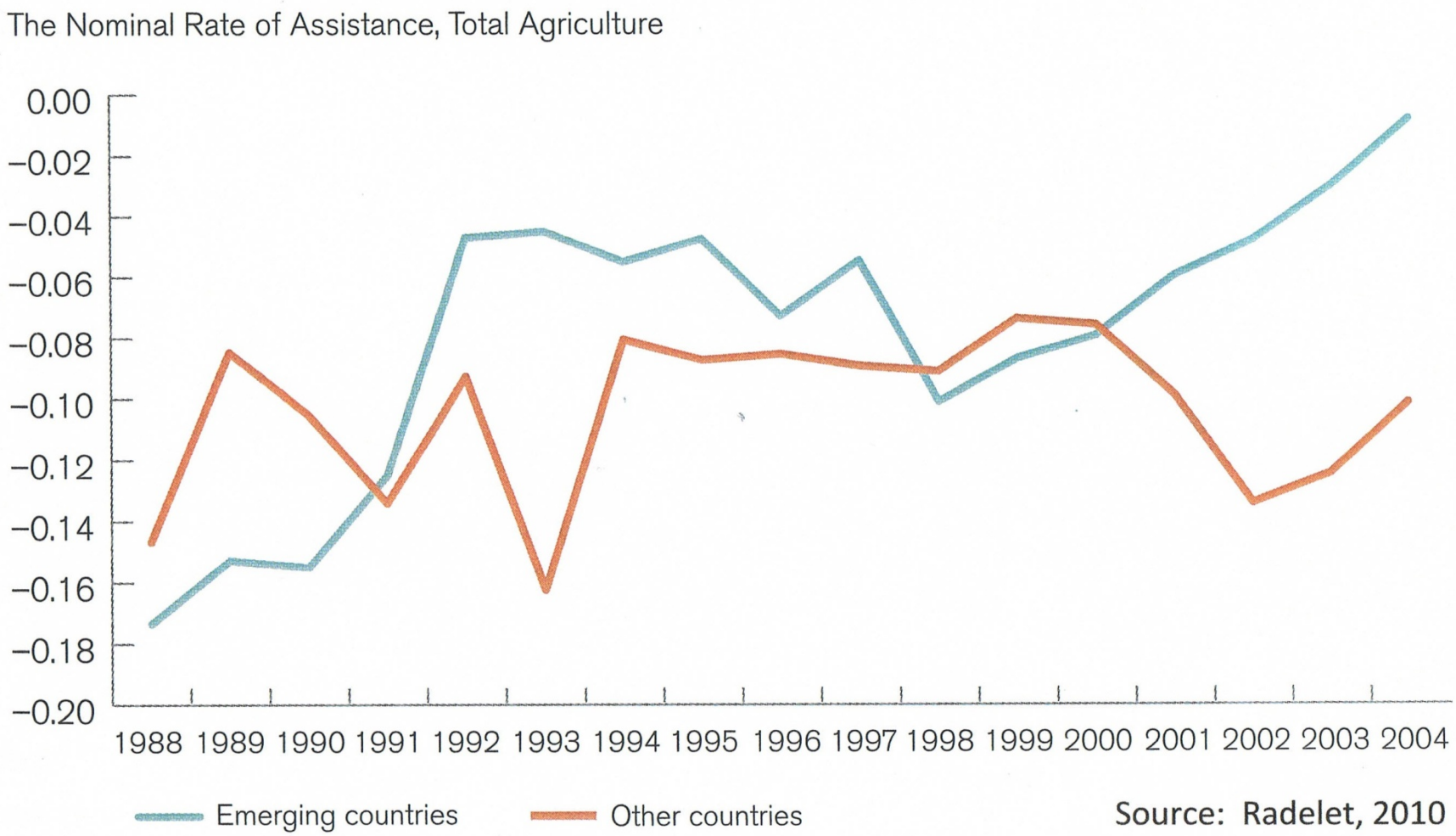


Source: Radelet, 2010

Factors driving the agricultural resurgence

1. Favorable policies, reversing the "urban bias"
   - Deregulation of farm gate prices
   - Promotion of agribusiness sector
   - Lower taxes on farm inputs, exports
   - Lower subsidies on food imports
2. Input and output markets more efficient
   - Investments in transport, storage and ICT
   - Privatization and decline of marketing boards
3. New production technologies

Urban bias against agriculture nearly eliminated in "emerging countries"



Source: Radelet, 2010

Radically changed technology development paradigm

- Research in 60s-80s shaped by Asian Green Revolution
  - Priority on plant breeding to increase genetic yield potential
  - Broad adaptation under high input systems
- Approach worked in high potential areas of Asia, but failed in Africa
  - Vastly different agro-ecologies and crop diversity
  - Lack of infrastructure…irrigation, roads
  - Policies…urban bias
  - Markets…inefficient, low demand elasticity, price collapse
  - Major constraint not genetic yield potential, but yield losses
- African conditions incentivized farmers to minimize risk and pursue extensive, subsistence strategies
- Results: repeated failure of input-dependent "improved" varieties on farm

Farming systems researchers documented failures in 80's

- Alternative goals and approaches proposed
  - Local agro-ecological adaptation rather than one-size-fits-all
  - Breeding goals shifted to yield loss reduction and stability
  - Use of local genetic resources
  - Improving farmers' flexibility
- Farmer participatory approaches
- New paradigm gradually adopted by mainstream researchers in last 25 years

The result: rising productivity in key food and cash crops since 1990s

Rice

Maize

Sorghum

Cassava

Cotton

Two additional factors will transform agriculture going forward

1. Rapid urbanization
2. Growth in export markets

1. Growth of urban middle class

- African cities growing at 6% per year
- “Middle class” is fastest growing segment
- Increasing demand for food
- Changing food preferences
- Rise of supermarkets and fast food outlets
- Emergence of new vertically integrated value chains and procurement systems demanding larger quantities, higher quality, and on-time delivery

2. Growth in export markets

- New markets in Middle East, India and China

  Cotton Vegetables

  Oil seed Fruit

  Cocoa Cassava

- Fair trade and organic niche markets in Europe … but limited scale
- Intra-African trade now only 20%, huge potential to grow, but many barriers…need for:
  - Investment in transport infrastructure
  - Regional trade agreements
  - Elimination of informal barriers to trade

An emerging dilemma: will market-led growth be pro-poor?

- Market-led growth is creating incentives for increased production…but also sowing the seeds for greater rural inequality
- New value chains favor well-capitalized, larger farmers located near markets
  - Less risk averse
  - Better positioned to supply more demanding markets… scale, quality, timing
- Strategic interventions are urgently needed to ensure pro-poor growth

10 strategies to bend the agricultural development curve for greater equity

1. Focus on small farmers – the large farm illusion
   - Historic failures of large farm operations
   - Small farmer advantages – knowledge, labor is more incentivized and lower cost
   - Help small farmers transition to more commercial operations
2. Promote collective action in input and output markets …farmers and stockist associations
   - Premiums for volume input purchases and output sales, negotiation leverage with middlemen
   - Improve grades and standards
   - Warehouse receipt systems

Bending the agricultural development curve for greater equity…

3. Land reform to improve efficiency and equity
   - Commercial farming can speed land consolidation
   - Traditional systems often fail to protect tenure security of smallholders, but titling systems costly
   - Hybrid of traditional and modern approaches best
4. Mainstream gender in policy planning, research and market development
   - Women dominate African food systems
   - But limited access to land, credit, inputs, extension
   - Need to target their specific needs, and guarantee participation in farmer associations, etc.

Bending the agricultural development curve for greater equity…

5. Promote innovative pro-poor financing
   - Lessons from micro-credit and micro-insurance
   - Loan guarantees for non-collateralized credit
   - Low cost credit for inputs in out-grower schemes
6. Smart subsidies that increase purchasing power and expand private input markets
   - Voucher systems

Bending the agricultural development curve for greater equity…

7. Develop and extend technologies that fit smallholder needs
   - Focus R&D on crops produced and consumed by the poor
   - Focus on scale-neutral, low cost, flexible technologies
8. Expand market information systems
   - Cell phone based
   - Subsidies or tax credits to keep costs low

Bending the agricultural development curve for greater equity…

9. Pass and enforce strong competition laws
   - discourage emergence of monopolies
10. Use tax credits to incentize businesses to work with:
   - smallholders,
   - farmers' associations,
   - small agro-dealers, and
   - in less favorable sub-regions

Conclusion: road ahead uncertain but promising

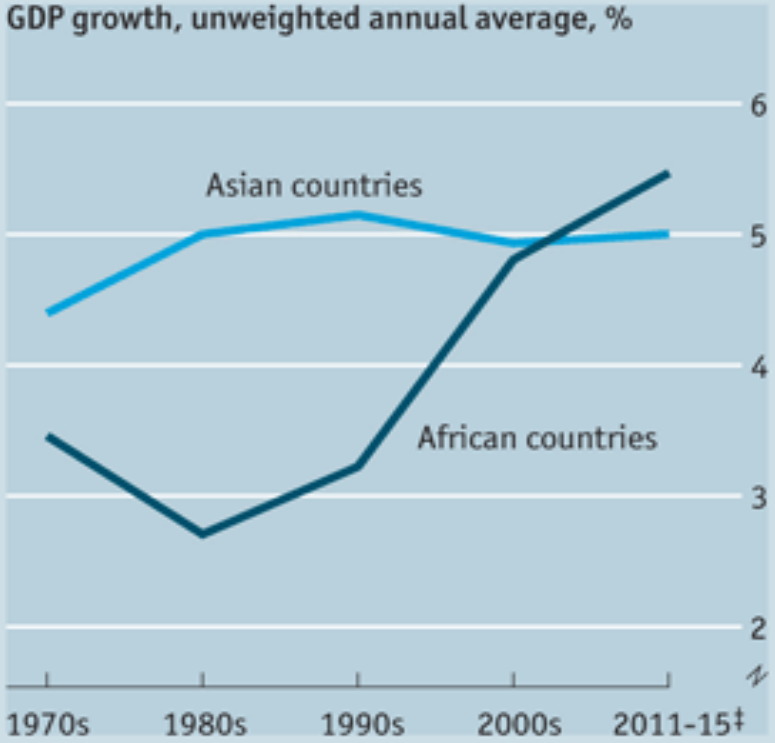
- Progress will not be linear
- Growing risk of duality between African countries
- Success will go to countries that maintain consistent focus on:
  - improving competitiveness
  - innovation in policies, institutions and technologies
- Recent experience with pro-poor growth interventions very encouraging
- **Compelling reasons to be optimistic**

Future growth projections

World's ten fastest-growing economies*
Annual average GDP growth, %

2001-2010†		2011-2015‡	
Angola	**11.1**	China	9.5
China	10.5	India	8.2
Myanmar	10.3	**Ethiopia**	**8.1**
Nigeria	**8.9**	**Mozambique**	**7.7**
Ethiopia	**8.4**	**Tanzania**	**7.2**
Kazakhstan	8.2	Vietnam	7.2
Chad	**7.9**	**Congo**	**7.0**
Mozambique	**7.9**	**Ghana**	**7.0**
Cambodia	7.7	**Zambia**	**6.9**
Rwanda	**7.6**	**Nigeria**	**6.8**

Sources: *The Economist;* IMF



*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast