

Civil Society input to the Africa Commission

on Effective Development Cooperation with Africa



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Agriculture, growth and employment in Africa

- need for institutions, infrastructure, information, innovation, investments and integration

Agriculture is key to employment, growth and poverty reduction in Africa. It is by far the most important sector for any reform agenda in Africa. But it is largely overlooked in development policies and programs. While 75 per cent of the world's poor live in rural areas in developing countries, only 4 per cent of official development assistance goes to agriculture.

Growth and employment

In poor countries the agricultural sector is essential to growth, poverty reduction, and food security. In Sub-Saharan Africa, the agricultural sector employs 65 per cent of the labour force and generates 32 per cent of GDP growth. More than half of rural employment in Sub-Saharan Africa consists of self-employed farmers, many of whom are women.

Agricultural growth in Sub-Saharan Africa has accelerated from 2.3 per cent per year in the 1980s to 3.8 per cent per year between 2000 and 2005. Agricultural growth has indeed been the engine behind recent growth successes in several African countries.

Importantly agricultural growth has strong growth linkages to other economic sectors. A 1 dollar growth in agricultural income typically translates into an increase of 2,5 dollar in total income in the society as a whole. Therefore, agriculture has a strong potential in growth and employment creation in Africa.

Moreover, growth in agricultural productivity and food prices is important in determining, food security, wage levels and competitiveness in the economy as a whole. Without investments in agriculture there is a risk that higher food prices could eradicate five to 10 years of poverty reduction efforts.

The growth potential of agriculture in Africa has been heavily enhanced in recent years by the improved economic and policy framework, high food prices, the promotion of biofuels and the rapid expansion of non-traditional, high-value exports such as horticulture. Success stories of non-traditional agricultural exports are transforming livelihoods and spurring growth.

There is a unique opportunity to use agriculture in Africa as an engine of growth and employment creation.

Poverty reduction

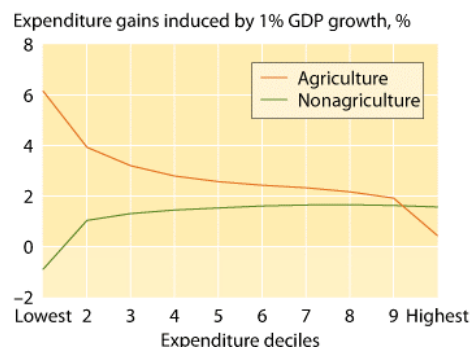
Agricultural development is also key to poverty reduction in Africa. GDP growth originating in agriculture is two to four times more effective in raising incomes of extremely poor people than GDP growth originating outside the sector (see figure 1)

As a result of increased agricultural growth in Africa rural poverty is beginning to decline. In Ghana the re-

duction of rural poverty seen over the past decade is primarily because of strong agricultural performance.

Investments in small-holder and subsistence farmers are critical in a pro-poor development agenda.

Figure 1: Welfare gains from growth in agriculture



Source: Ligon and Sadoulet (2007) for WDR 2008.

Infrastructure and institutions

There is an urgent need for institutional reforms.

Governments must increase investments in roads, information and communications technology, storage and post-harvest technologies, and ensure that appropriate standards and regulations are in place and enforced.

Secure property rights for land and water is critical. Indeed weak land tenure systems and unfair inheritance practices in Africa stand in the way of investments in efficiency, land improvements and irrigation, block access to credit and hampers land markets. In many countries pro-poor land reforms are urgently needed.

It is important to improve organisational opportunities for farmers. Producer organisations are essential for especially small-holders to reap the benefits of market integration and ensure competitiveness.

The lack of financial services and insurance systems are some of the key obstacles to improved rural savings, investments and growth. Here is a need for improvements - both innovation and institution building.

Natural resource management incentives and institutions for promoting environmental services in agriculture needs to be heavily upgraded in Africa.

It is crucial to strengthen women's position, recognizing their experiences and role in food production and include a strong focus on women's property rights, breaking patriarchal power structures and securing access to credit and resources for women.

Information and education

Education levels in rural areas in Africa are extremely low - less than four years on average for rural adult males and less than three years for rural adult females in Sub-Saharan Africa.

To harvest the potential of agriculture for growth and employment in Africa it is necessary to invest massively in rural education. This will enhance productivity in agriculture, ease adoption of new technologies, improve extension services and pave the way for labour intensive high-value activities such as flowers, fruits and vegetables, dairy farming and non-farm employment activities. It can substantially enhance the multiplier effect of growth in agriculture, but to do so it is important to build institutions to enhance small-holder participation.

Greater geographic labour mobility and improvements in skills of younger generations are also central to reducing rural poverty.

Innovation

For agriculture in Africa to create growth and employment there is a need for a productivity revolution - especially in smallholder farming.

One of the most important prerequisites for this to happen is investments in pro-poor agricultural research and development. Again, however, African countries fail to ensure the necessary investments. While countries as China and India have tripled investment in agricultural research and development over the past years it has increased by barely a fifth in Sub-Saharan Africa and declined in about half the countries there. The result is clearly visible in stagnant cereal yields and low or negative agricultural productivity increases.

One of the top priorities is to reverse the stagnation of investment in agricultural research and extension services. Agricultural research funding in Africa should increase in real terms by at least 10 percent per year to 2015. This would double the agricultural research investment on average to at least 1.5 percent of agricultural GDP in African nations. It should take place in national agricultural science systems that involve farmers in education, research and extension and with support from the international agricultural research system.

The tendency toward stronger protection of intellectual property rights is of concern because it can result in less access to new technology and higher costs for the farmers and it can create barriers for agricultural research and innovation in Africa. If the benefits of modern science and technology are to reach poor African countries farmers, it is important to ensure easier access to intellectual property rights in agriculture, modelling the progressive steps made in medicine.

Integration

For decades African agriculture has suffered negatively effects of international trade policies, especially protectionism and agricultural subsidies in rich countries, which has led to low and unstable international prices on agricultural products. With full trade liberalisation international agricultural commodity prices would increase on average by 5,5% with cotton, critical to West Africa, increasing by 21% and oilseeds by 15%. There is a need for further reforms and market integration both within Africa and internationally.

However, even in cases where export opportunities of agricultural products to the rich countries have improved, there is no guarantee that the African countries can penetrate the new markets. As the old trade barriers disappear, new ones appear - technical standards, environmental demands, food standards, sanitary and phytosanitary standards and demands for traceability. This threatens to exclude small-holder participation in global food markets and calls for policy development, research and investments in infrastructure. Here rich countries must assist developing countries in meeting quality and safety standards to ensure genuine market integration.

Investment

Historically, the heavy exploitation and taxation of agriculture in Africa (around 45% in Sub-Saharan Africa in the 1980s) have been lethal to growth, employment and poverty reduction. Even today in Sub-Saharan Africa, a region heavily reliant on agriculture for overall growth, public spending for farming is only 4 percent of total government spending and the sector is still taxed at relatively high levels. Public spending on agriculture as a share of agricultural GDP in Sub-Saharan Africa is less than half that in other regions, and less than half the NEPAD target of 10 percent of the national budget.

Reducing taxation and barriers to agricultural growth and improving rural investment climates is the first priority, but in many African countries carefully targeted and designed subsidies must be part of a comprehensive strategy to improve agricultural productivity.

There is a desperate need to invest heavily in agricultural development in Africa. Rich countries and the African countries must share the responsibility.

Investments in agriculture will have large returns, spurred by the high world market prices on agricultural commodities, and are desperately needed to avoid negative impacts from climate change. Rich countries must contribute significantly to help African countries and farmers to adapt to climate change

Policy recommendations

- Increased support for rural infrastructure, institutional development, land reforms, organisational development, rural finance and women's rights.
- Enhanced investments in rural education, research, development and extension services. Ease access to new technology and intellectual property rights for poor countries and farmers in Africa.
- Promote trade and agricultural reforms to ensure increased market access and integration for African agricultural products and overcome new barriers.
- Ensure higher public spending on public goods to facilitate agricultural and rural growth in Africa and that at least 20 percent of development aid is targeted towards such activities

Litterature

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