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STRATEGIES AND PRIORITIES FOR AFRICAN AGRICULTURE

Economywide Perspectives from Country Studies

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The 2000s were Africa's "decade of growth." Countries in Africa south of the Sahara reached milestones in the 21st century's first decade that once seemed impossible, achieving improved governance, macroeconomic stability, and sustained economic growth that exceeded the region's performance in previous decades. Among the economic sectors that improved was agriculture, which grew 3.4 percent per year over 2001-2010, outpacing Africa's population growth rate, which was 2.5 percent, for the first time in the last three decades. Nevertheless, the agricultural sector's growth has lagged behind national economic growth in Africa. Given that most poor people are dependent on farming, this slow growth is an obstacle to regional poverty reduction. Poverty and malnutrition remain severe and widespread south of the Sahara. Additional effort is required to build on recent successes and further reduce poverty in Africa south of the Sahara.



One promising development is African governments' commitment, through the Comprehensive Africa Agriculture Development Programme (CAADP), which is given technical support by IFPRI, to promoting a flourishing agricultural sector. CAADP participants have pledged to spend 10 percent of public resources on their respective nations' agriculture, with the goal of an annual agricultural growth rate of 6 percent. To date, eight nations have reached this spending goal. Public resources need to be carefully invested to promote agriculture effectively, however.

IFPRI researchers conducted a study of 10 African nations south of the Sahara to determine how agricultural growth can contribute to poverty reduction and how public investment can foster this desired growth. In particular, the researchers examined which agricultural subsectors are more likely to drive overall growth and poverty reduction. The study findings were published in *Strategies and Priorities for African Agriculture: Economywide Perspectives from Country Studies*. Although regional diversity makes generalization difficult, the study does reach some overall conclusions with practical implications for African policymakers. One important finding is that producing more staple crops such as maize, pulses, and roots and more livestock products tends to reduce poverty further than producing more export crops such as coffee or cut flowers. These and other findings point to promising future policies for African nations.

STUDY & FINDINGS

The case-study countries for this project were Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Tanzania, Uganda, and Zambia. They were chosen to represent the full diversity of low-income African countries.

For each country, the researchers developed a baseline scenario of future economic growth and poverty reduction based on the past decade's trends. They then simulated accelerated growth of the country's entire agricultural sector and separate agricultural subsectors. Last, they estimated the public resources needed to achieve faster agricultural growth. Their major findings are as follows:

1. Agriculture-led growth has the largest impact on reducing poverty rates. A comparison of agriculture-led growth simulations to baseline and nonagriculture-led growth simulations shows that agriculture-led growth consistently leads to greater poverty reduction in seven case-study countries (necessary information was lacking to do simulations for the remaining three). In Rwanda and Kenya, for example, 1 percent national GDP growth driven by agriculture leads to three to

four times more poverty reduction than growth driven by nonagriculture.

Two conclusions emerge from this observation. First, although nonagriculture is crucial for African economic transformation, the industrial sector may not provide a sufficient platform for broadly based development unless it is linked to agriculture. Second, African agriculture's weaker performance may explain why the continent's "decade of growth" has not translated into a similarly impressive "decade of poverty reduction."

2. Food staples have strong growth linkages. Export crops typically have higher value and growth potential than foodcrops, but in several countries food staples are more effective at generating economywide growth and reducing national poverty. Tanzanian livestock, Mozambican roots, and all staple foods in Nigeria, Uganda, and Zambia are more effective at generating economic growth than those countries' export crops.
3. Food staple growth is pro-poor. Growth driven by staple crops generally reduces poverty to a greater extent than growth driven by export crops. A 1 percent increase in either total GDP or agricultural GDP that is driven by staple foods leads to, at the very least, a

slightly greater decline in the national poverty rate than that led by export crops (although the difference in poverty reduction is smaller when export crops are grown by small farmers). The most pronounced differences in poverty effects occur in the cases of Rwanda and Uganda—in Rwanda, growth driven by maize or pulses is 30-60 percent more effective at reducing poverty than is export-driven growth. Among other limitations, export agriculture involves exports of raw materials, which do not generate income from processing agricultural products: promoting export agriculture may make it difficult for a country to develop labor-intensive manufacturing and services. Incorporating this kind of domestic downstream processing is crucial if export crops are to provide a meaningful platform for rural and national development.

4. Although investment analyses showed that significantly more public resources would be required to generate faster agricultural growth, such public investment in staple sectors is probably cost effective. Comparable cost assessments for nonagriculture are needed if policymakers are to conclude that agriculture is the least expensive policy option for achieving economic-growth and poverty-reduction targets. Nevertheless,

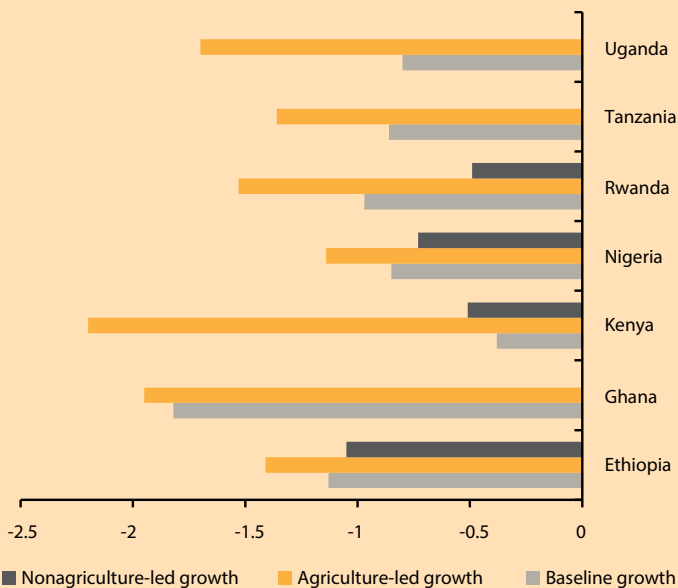
the findings suggest that the returns to nonagricultural growth, measured in the total GDP generated, would need to be considerably higher than those obtained from agriculture to surpass the latter's greater effectiveness in reducing poverty. Thus, despite the demands it places on public resources, agriculture may still be a more cost-effective policy option than nonagriculture.

POLICY CONCLUSIONS

The study's findings point toward practical principles for policymakers in Africa south of the Sahara to consider:

1. **Focus on accelerating agricultural growth.** African policymakers should include an emphasis on agricultural growth in their development strategies. Although diverse agroecological conditions in Africa lead to highly diversified production and consumption patterns, agriculture remains a key development sector in all the low-income African case studies: agriculture-led growth tends to reduce poverty to a greater degree than nonagriculture-led growth.
2. **Promote growth in large agricultural subsectors.** Targeting a relatively large agricultural subsector is essential if agriculture is to serve as an engine of economywide growth. Although rapid growth can easily be achieved for a small subsector that targets niche markets—horticultural products intended for export, for example—the economywide impact of this subsector would be small. In contrast, a large agricultural subsector can create more growth in the whole economy, so that such sectors can become the leading force in the growth process.
3. **Promote growth in several agricultural subsectors.** Agricultural growth must be broadly based, extending across multiple agricultural subsectors: the research shows that growth from a single agricultural subsector is unlikely to generate enough economic growth on its own to significantly reduce national poverty.
4. **Promote growth in agricultural subsectors with strong linkages to the overall economy and the poor.** A subsector with strong economywide linkages generates more income for more people than does a subsector with weak linkages, and the more a subsector's growth benefits the overall economy, the greater the resulting reduction in poverty. Poverty reduction also depends on how large a role a particular subsector

FIGURE 1 Percent change in national poverty rate resulting from a 1 percent increase in total GDP growth rate



Source: Authors, based on results reported in the country case studies.

plays in poor households' livelihoods and on how large a portion of poor households' budgets are spent on the subsector's products.

5. **Consider market opportunities when promoting agricultural growth.** Growth is not only determined by the productivity of targeted agricultural subsectors but also by agricultural market size and the ease of transporting agricultural products to market. Domestic and export market opportunities depend on such conditions as agroprocessing-industry development, domestic and international trade policies, market regulations, and information flows. Improving markets involves reducing transaction costs, supporting market expansion, and developing downstream agroprocessing. Successfully implementing agricultural strategies therefore requires interventions in sectors that are, strictly speaking, outside agriculture, such as rural road infrastructure and local and regional markets.
6. **Improve public agricultural spending's level and efficiency.** Although most of the 10 countries have huge potential to increase agricultural growth and poverty reduction by closing yield gaps and enhancing land-use efficiency, realizing these goals will require substantial agricultural investment increases. These investments include supporting rural roads, irrigation, education, extension, and research and development. Because public resources are scarce and opportunity costs high, public institutions, particularly those with any agriculture-related functions, need to be reformed to improve the provision and delivery of agricultural public goods and services. Although increased spending on agriculture is needed, the fiscal burden can be reduced through improved efficiency.

7. **Adapt agricultural-growth and poverty-reduction strategies to particular regions.** Many developing countries have heterogeneous natural and economic environments that necessitate regionally differentiated agricultural strategies. A single agricultural-growth strategy at the national level is insufficient to decrease regional inequalities and reduce poverty in lagging regions significantly. National policies and interventions planned as part of an agricultural development strategy should therefore be combined with interventions specifically targeting lagging regions and population groups.

Although agricultural growth is necessary to achieve overall economic growth and poverty reduction in Africa south of the Sahara, it is not sufficient. Study findings show that accelerating agricultural growth, even to 6 percent per year, is insufficient for most of the 10 countries to achieve the first Millennium Development Goal of cutting the poverty rate in half. Faster nonagricultural growth and urban development are also necessary to achieving this goal. The choice between the agricultural and non-agricultural sectors is not an exclusive one but a matter of emphasis. Nevertheless, supporting agriculture will be essential if Africa's decade of growth is to be followed by a decade of both growth and poverty reduction. Moreover, the agricultural sector's potential to produce benefits other than poverty reduction is an important topic for future study. How agricultural growth affects nutrition and overall health in Africa south of the Sahara and such growth's potential to foster youth employment are subjects worth further exploration.

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