

SUPPORT AGRICULTURAL DEVELOPMENT IN AFRICA? IF SO, WHY AND HOW?

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Bertrand Russell: “Change is inevitable but progress is not.”
 David Orr “Competency in doing good is still an undiscovered Art.”
 Dr. Yunis (Bangladesh): “Whose eyes should we use – ours or theirs?”

INTRODUCTION

1. According to title of this conference – is focusing on US farmers and whether they are losing, winning or holding onto their competitive edge. Perhaps this paper should not be given!
2. **Hope to show:**
 - Why development in Africa is imperative.
 - Why emphasis has to be on agricultural development, at least for now.
 - What needs to be done to support agricultural development?

WHY AFRICAN DEVELOPMENT IS IMPERATIVE

1. *Development trends:*

- National income/capita: level and growth rates (Table 1):

Table 1: Income/Capita: Level and Growth Rate

Area	National Income/Capita (\$)		Growth Rate in National Income/Capita (%)	
	1993	2002	1980/1992	1990/2001
High income countries (HICs)	23,090	26,510	2.3	1.4
Low income countries (LICs) ^a	1,090	na ^a	0.9	1.7
Sub-Saharan Africa (SSA)	520	460	- 0.8	0.1

a. Includes all those countries that are not HICs. Therefore basically all countries in Asia, Africa and Latin America

b. Not available.

Sources: Nafziger [1997] and World Bank [2003].

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- Low income countries (LICs) in general losing out.
- Sub-Saharan Africa (SSA) very bad:
 - SSA -- little progress in increasing income/capita.
 - Absolute gap of SSA increasing compared with other LICs.
 - Absolute gap of SSA and other LICs increasing relative to HICs.
- Inequalities in income -- major concern – shares of income in relation to population (Table 2):

Table 2: Share in World's Population and World GNP, 1995

Area	Share of World, 1995		Gini Coefficient on Income Distribution	
	Population	GNP		
USA	4.6	25.6	33.6 (1969)	38.0 (1991)
China	21.2	2.7	27.2 (1983)	36.2 (1991)
SSA ^a	12.3	1.3	na	na

a. Estimated from different sources.
Sources: Foster and Leathers [1997]; Deininger and Squire [1997].

- Income distribution becoming more unequal within most countries over time – Gini coefficients in Table 2.
- Widening gaps between LICs and HICs account for much of increase in worldwide income inequality across individuals in past 40 years (Figure 1).
- Africa is likely to be at the bottom end of that!



- Population and distribution (Table 3):

Table 3: Population (Billions), 1995 and 2020

Region/ Group	Population		Population Increase, 1995-2020		% Share of Increase
	1995	2020 ^a	Increase	% Increase	
World	5.67	7.50	1.84	32.4	
HICs	1.17	1.21	0.04	3.8	2.5
LICs	4.50	6.29	1.79	39.8	97.5
Africa	0.70	1.19	0.49	70.3	26.7

a. Medium-variant population projections.
Source: United Nations [1999].

- 97.5% of global population increase between 1995 and 2020 will occur outside HICs.
 - Percentage of world population in LICs increasing – 79% (1995) and 84% (2020).
 - Population in Africa during that period (1995 – 2020) will increase 70.3% -- highest for any region in world.
 - Africa will account for 27% of the increase in the world's population during the period 1995 – 2020.
- Undernourishment (Table 4):

Table 4: Trends in People Undernourished

Area	Number of Undernourished People (Millions)			
	1969/71	1979/81	1990/92	1998/2000
All LICs	918	906	na	799
SSA	103	148	173	200
Percentage of Population Undernourished				
	1969/71	1979/81	1990/92	1998/2000
All LICs	35	28	27	25
SSA	38	41	35	33

Sources: Foster and Leathers [1997] for 1969 to 1981. UNDP [2002], FAO [2001] and NEPAD [2002] for later years. Therefore data sets may not be directly comparable.

- Undernourishment and resulting vulnerability to disease major problem in LICs although numbers and percentage going down in LICs in aggregate, thanks to Green Revolution in Asia.
 - However numbers of undernourished increasing in Africa – no Green Revolution in Africa.
 - Undernourishment has resulted in GDP/capita being half of what it would have been if it did not exist [FAO, 2001]
- Conclusion – development indicators:
 - Not very good for LICs as a whole.
 - But very bad for Africa.

Provides imperative for helping Africa?

2. Additional reasons for helping Africa:

- *Moral* – usually personal/individual stemming from personal ethics, religious/humanitarian convictions.
 - *Justice* – easier for government to use as justification.
 - *Security* – possibility of aggressive action on the part of “rogue” nations.
 - *Economic self-interest* – trade increases as incomes increase in LICs.
3. Hopefully most agree something needs to be done – suspect many of the figures presented often not generally known.

WHY EMPHASIZE AGRICULTURAL DEVELOPMENT?

1. Facts for most countries in Africa [IFPRI, 2003]:

- 70% of population still derives their living from agriculture.
- Agriculture is responsible for 33% of the gross domestic product (GDP).
- Agriculture contributes 20% of the value of total merchandise exports (down from over 50% in the 1960s).
- Agriculture is primarily rain fed and operated by small-scale farmers.

2. But agriculture failing – evidence:

- Stagnation with low or negative per capita growth in agricultural production over the last 30 years. SSA is only region in the world with agriculture growing at a rate below [Dorward et al, 2002]:
 - Overall population growth from 1965-1998.
 - Growth in the agricultural labor force from 1980-1998.
- Poor performance on agricultural productivity front:
 - Africa lags behind all other regions in agricultural productivity. For example in 2001, cereal yield average [NEPAD, 2002]:
 - Africa 1320 kg/ha.
 - Asia 3090 kg/ha.
 - Latin America 3040 kg/ha.
 - European Union 5470 kg/ha.
 - Lack of agricultural productivity increases being accompanied by increased ecological vulnerability. Traditional land extensive systems for maintaining land productivity breaking down because of increasing population densities.
- Since 1960s, imports of agricultural products have been rising faster than exports [FAO, 2002]:
 - Since 1980, Africa as a whole has been net agricultural importing region.

- Agricultural imports account for about 15% of total African imports (1998-2000).
- Share of Africa in world agricultural exports has dropped from 8% in 1971-80 to some 3.4% in 1999-2000.
- Undernourishment:
 - Already discussed (see above).
 - But failure of agriculture only part of the problem (see below).
- Food aid has become very important -- remember SSA constitutes about 17% of population of LICs -- derived from Table 3 [FAO, 2002]:
 - The World Food Program, which accounts for 40% of international food aid, has spent 45% of its total investment since its establishment in Africa, and 50% in 2001.
 - In 2000 Africa alone received more than 25% of total world food aid.

3. *Reasons for failure of agriculture:*

- Complex, heterogeneous and often unfavorable biophysical environment hence:
 - No Green Revolution unlike Asia and parts of Latin America.
 - Making improved technology development much more challenging.
- Partly responsibility of African countries:
 - Lack of:
 - Political stability (civil strife).
 - Poor governance (corruption).
 - Transparency/accountability.
 - Poor policies:
 - Neglect of agriculture – urban, non-agricultural bias.
 - Taxing agriculture directly and indirectly greater than other sectors.
 - Direct government intervention in agriculture (e.g., marketing boards, setting prices, support services) – private sector involvement in providing services discouraged by default or sometimes overtly.
- Partly responsibility of HICs and external funding/donor agencies:
 - Frequent changes of approaches of external funding/donor agencies in supporting agricultural/rural development initiatives -- 11 in last 40 years [Tripp, 1992].
 - Structural Adjustment Programs (SAPs) – cutting down funds domestic governments could allocate to supporting agriculture: public spending on agriculture (e.g., research, extension, services) decreased greatly and not taken up by private sector (e.g., private sector plays negligible role in funding agricultural research in Africa, with share of about 2% of total spending compared to 50% in industrial economies [NEPAD, 2002]).
 - Subsidized agriculture in HICs:

- Reducing terms of trade for agricultural exports from Africa.
- Ruining export industry and livelihoods of farmers in some countries (e.g., sugar, cotton).
- Issues relating to aid – support has diminished (see 4 below).
- No one's responsibility:
 - Low population density in many parts – making provision and upkeep of physical and social infrastructure per mile and per person expensive.
 - HIV/AIDS – big problem in many countries.
 - Developed in last 15 years.
 - Since 1985 [FAO, 2001] – estimates of percentage loss of agricultural labor through AIDS for example: 13% Tanzania; 20% in Mozambique and South Africa; 23% in Botswana and Zimbabwe; and 26% in Namibia. Agricultural output of small farmers in some parts of Zimbabwe may have fallen by as much as 50% over the past five years, mainly as a result of AIDS.

4. Aid in more detail:

- Official development assistance (ODA) has:
 - Decreased in relative terms and not compensated by private voluntary assistance (PVA) (Table 5).

Table 5: Official Development Assistance (ODA) and Private Voluntary Assistance (PVA)

Country	Official Development Assistance				PVA (\$/Capita), 1985	
	Percent of National Income (GNP)					Millions (\$) 2001
	1975	1985	1991/96	2001/02		
Norway	0.66	1.03	0.88	0.91	1,346	12.54
Sweden	0.82	0.86	0.94	0.74	1,666	9.34
Netherlands	0.75	0.91	0.75	0.82	3,172	6.74
Denmark	0.58	0.80	0.94	0.96	1,636	3.13
Japan	0.23	0.29	0.24	0.23	9,847	0.84
USA	0.26	0.24	0.14	0.12	11,249 ^a	6.32
DAC ^b	0.33	0.35	na	na		4.13
Total aid (\$ml)	20,042	32,295	56,521 ^c		53,035	1,513 ^d

- a. For a number of years prior to 2001, Japan gave more ODA than the USA.
- b. OECD (Organization for Economic Cooperation and Development) countries are basically the HICs and are largely the same members as the DAC (Development Assistance Committee). Not all countries are included in the list in the table – only those most generous in relative terms plus Japan and the USA.
- c. Applies to 1990/91 period.
- d. PVA amounted to only about 5% of ODA for 1985.
- Sources: OECD [1987; 1977; 2003].

- Percentage going to Africa (Table 6) – not changed much in total.
- USA:
 - In terms of ODA (Tables 5 and 6):
 - Although currently most generous in absolute terms, for a few years prior to 2001, gave less ODA than Japan.

- In relative terms least generous of all major HICs (21st or last in terms of DAC countries).
- But percentage of ODA going to Africa improved.
- However:
 - If military aid included 56% of total aid goes to Near East (1996).
 - USA: total foreign aid bill as percent of amount spent on alcoholic beverages in 1996 was 15% -- 11% if only ODA included!

Table 6: Regional Distribution of Official Development Assistance (ODA)

Regions	United States		Total DAC Members	
	1990-91	2000-01	1990-91	2000-01
Sub-Saharan Africa	19.2	29.1	35.4	33.1
South and Central Asia	10.7	19.3	13.9	16.4
Other Asia and Oceania	6.2	9.9	17.7	19.3
Middle East and North Africa	48.0	15.4	19.2	10.2
Europe	1.1	7.9	2.8	7.9
Latin America and the Caribbean	14.8	18.5	11.1	13.1

a. Percent of total net disbursement.

Source: OECD [2003].

- ODA support to agriculture:
 - Bilateral (i.e., Development Assistance Committee (DAC) members) and multilateral (World Bank Group, Regional Development Banks) have been major funding source for agricultural development in LICs, particularly in Africa.
 - During 1990s overall ODA from OECD countries dropped sharply [Conway, 2003]:
 - Aid decreased nearly 22% between 1991 and 2000.
 - Aid to Africa dropped by 35% between 1995 and 1999.
 - Aid to agriculture in Africa decreased by almost 50% between 1986 and 1997.
 - Share of global agriculture ODA (i.e., both multilateral and bilateral) budget given to Africa was 30% in 1990 falling to 21% in 1998.
 - The World Bank, prime funding source for Africa, had following percentages devoted to agriculture [IFPRI, 2003]:
 - 1978 -- 39%
 - 1996 – 12%.
 - 2000 – 7%.
 - USAID from 1992 – 1990 [IFPRI, 2003]:
 - Funding for agriculture 10% down to 5% of its total obligations.
 - Cut agricultural investment in SSA by 57% to about \$80 millions.

- Fallacies about substitutes for aid:
 - Trade:
 - Rather are complementary.
 - Aid is required for developing physical and social infrastructure, including agriculture.
 - Private investment (foreign direct investment) is substitute for aid:
 - They serve largely different purposes.
 - Amount has increased substantially in recent years but most goes to wealthier economies (not SSA) – not most needy.

4. Therefore development of agriculture vital:

- “When African agriculture does not function, Africa does not function”.
- “People who don’t produce don’t consume”:
 - No official social security system.
 - Supports some 70-80% of the total population including 70% of the continent’s extreme poor and undernourished [NEPAD, 2002].
 - Absorptive capacity of labor into non-agricultural sector very limited. $G = x/a$ where: G = rate of growth in non-agricultural employment opportunities required to absorb all additions in labor force; x = rate of growth of total labor force; a = proportion of total labor force in agriculture. Typical figures for Africa: $x = 2.7\%$ and $a = 0.3$. Therefore $G = 9\%/year$ – impossible.
- Agriculture is dominant provider of industrial raw materials -- 67% of manufacturing value-added in most African countries based on agricultural raw materials [NEPAD, 2002].

HOW TO DEVELOP AGRICULTURE

1. Not detailed: just principles and go beyond agriculture.

2. Primarily responsibility of LICs in Africa:

- Reduce corruption and civil strife – helped by:
 - Good governance -- transparency and accountability.
 - Empowerment of people – decentralization of budgets and associated decision making (e.g., Uganda).
- Government policy – general:
 - Support development of physical and social infrastructure.
 - Encourage open economy and trade liberalization.
 - Encourage development of safety nets for poor.
- Government policy – specific to agriculture:
 - Have explicit commitment to agriculture and reduce discrimination against

agriculture.

- Encourage empowerment/participation of farmers – farming systems approach to development (research and extension/development initiatives) – continue small farmer emphasis.
- Support systems (input and output): government facilitating and not interventionist role; encourage private sector involvement in providing them.
- Foster agricultural development triangle linkages: research, extension and education.
- Make sure initiatives/incentives to encourage congruency of strategies to promote agricultural productivity and sustainability.

3. *Primarily responsibility of HICs:*

- Aid:
 - Increase commitment to ODA – don't regard trade or foreign direct investment (FDI) as substitute – both come later in development process.
 - Continue aid for humanitarian/emergency purposes but to extent possible give priority to developmental aid.
 - For developmental aid:
 - Give priority to African countries demonstrating the initiatives/commitment to those indicated under 2 above.
 - Support regional initiative for development of agriculture in Africa – specifically the New Partnership for African Development (NEPAD) which has developed a Comprehensive Africa Agriculture Development Program (CAADP).
 - Given difficult biophysical environment support work in area of agricultural biotechnology – “adapt plant to environment” – issue of patented genes and dominance of private sector.
- Supportive policies:
 - Support initiatives to segment market for cheap generic drugs for malaria, TB and HIV/AIDS.
 - Reduce agricultural subsidies in HICs which inhibit competitiveness of agricultural products exported by African countries.
 - Eliminate trade barriers to products from LICs.
- Debt forgiveness – forgive debts to African countries demonstrating the initiatives/commitment to those indicated under 2 above.

CONCLUSION

1. Although in the short to medium term, the USA and other HICs – particularly farmers -- may be hurt from supporting agricultural development in LICs (i.e., including

Africa), there are many reasons that not doing so will imperil the lives of our grandchildren.

2. In the long run everyone will gain! Increased trade as result of increasing incomes beneficial.

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