What does the WDR mean in practice? – the view of east and central African countries

Countries in east and central Africa depend on agriculture as the main vehicle for economic growth. The overall message of this year's World Development Report (WDR) is that agriculture is a vital development tool for achieving the Millennium Development Goal (MDG) that calls for halving by 2015 the share of people suffering from extreme poverty and hunger. This paper considers implications of the WDR for ten countries in eastern and central Africa (ECA).

The Word Development Report 2008 of the World Bank provides guidance to governments and the international community on designing and implementing agriculture-for-development agendas that can make a difference in the lives of hundreds of millions of rural poor.

The Report recognises that in much of sub-Saharan Africa, agriculture is a strong option for spurring growth, overcoming poverty, and enhancing food security. It also points that agricultural productivity growth is vital for stimulating growth in other parts of the economy. But accelerated growth requires a sharp productivity increase in smallholder farming combined with more effective support to the millions coping as subsistence farmers, many of them in remote areas. Recent improved performance holds promise, and there are many emerging successes that can be scaled up. However, increasing food prices occasioned by rising fossil fuel costs may dampen recent gains.

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Implications of the WDR to ECA member countries

The ten countries considered in eastern and central Africa (ECA) are members of the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA): Burundi, Democratic Republic of Congo, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Sudan, Tanzania, and Uganda. ECA has a population of more than 280 million people, most of them are in rural areas and pursue agricultural livelihoods. Agriculture looms large and accounts for 43 percent of total gross domestic product in EAC. Although the ten countries have different social, political, and economic backgrounds, and four are landlocked, they however, share considerable similarity in objectives to agricultural development such as, alleviation of poverty, promotion of food security, promotion of commercialisation of smallholder agriculture, and increasing agricultural production and productivity (ASARECA 2006). What are the implications of the WDR to these countries?

We are starting on a positive note. Firstly, between 1995–2006 many ECA economies exhibited faster and steadier economic growth in tandem with the rest of the world and had reversed the collapses over 1975–85 and the stagnations over 1985–95 (World Bank 2007). This growth which is accompanied by some reductions in poverty and hunger is a result in part of significant policy reforms especially at the macro level. To achieve the above mentioned development objectives, this growth needs to be increased and sustained.

Secondly, ECA governments and their development partners have embraced agriculture as a priority for Africa's poverty reduction and economic growth strategies. In 2003, ECA heads of state joined their counterparts in the rest of Africa to adopt the Comprehensive Africa Agriculture Development Programme (CAADP) of the New Partnership for Africa's Development (NEPAD), African-led plan to stimulate agriculture on the continent. The specific targets of CAADP include achieving annual agriculture growth rates of six percent by allocating ten percent of national budgets to the agricultural sector by 2008. Fulfilling the current commitments to CAADP and MDG targets is an important first step to avoiding a relapse and building a foundation for growth. A few countries are already following through on the commitments, but the majority are behind and will require greater efforts to reach the targets and ensure long-term growth (Michael Johnson et al., 2007). This will require focus on three functional areas critical to agricultural growth within which institutional and organisational reform will play out: technical change and productivity, market efficiency, and increased private sector investments.

Increase crop productivity

Increases in food crop productivity will likely remain a key driver of rural non-farm activity in ECA. Nearly two-thirds of rural households derive most of their total income from food production for own consumption. In ECA, yields of most crops are below African and global levels except for cassava, beans, coffee and tea. Increased productivity is the basic engine of agricultural growth and will depend on an appropriate incentive environment that generates the profits that motivate farmer investment in new technologies. Increased profits and cash flow will in turn depend on better relative prices received by farmers and access to investment resources, all of which will arise from more efficient output, input and financial markets. Widespread productivity increases in food crops would therefore release labour and capital from food crop production – for large numbers of households, especially the poorest – making them available for the production of higher-value crops and non-farm activities.

In general policies aimed at strengthening of institutions and reducing input costs e.g., reduction in tariffs and taxes are required. However, targeted interventions to support the poor without distorting domestic incentives to produce more food e.g., cash transfers based on income level, location or occupation, and subsidised inputs e.g., fertilizers and seeds may be required. Since smallholder farming systems in ECA are highly diversified no single intervention is going to lead to significant increases in incomes. Integrated packages that motivate sustained investment by farmers in improved productivity will be required. Productivity growth will require an expansion of area irrigated, improvements in management of soil fertility, as well as the adoption of better seeds which will require increased investment in public research and development.

There appears to be a vicious cycle in which low surplus production constrains the development of markets, which in turn constrains smallholders' ability to use productive farm technologies in a sustainable manner, reinforcing semi-subsistence agriculture. Crop production expansion is difficult to sustain in the face of highly inelastic product demand, which causes precipitous price plunges when local markets are unable to absorb surplus output. Such price drops are a major cause of subsequent farm dis-adoption of improved technology. The demand function for staple grain crops can be made more elastic, and shifted outward, through market-facilitating public investments and policy choices and by nurturing important marketing institutions (Thom Jayne et al., 2006).

Transport costs are generally the largest single component of price differences between surplus and deficit areas. As transport costs decline, the size of the market expands for any particular farmer and demand becomes more elastic. More generally, there is strong evidence that a country's level of infrastructural development is associated with its level of agricultural productivity (Mghenyi and Jayne 2006).

Photo: laif

In the streets of Zanzibar's main town Stonetown. Beside tourism the production of fruits, vegetables and spices is the main source of income.

The role of regional markets within COMESA

Through the CAADP Roundtable processes, national agricultural policies in ECA countries have been undergoing re-evaluation. These processes have recognised the need to improve market access and expand smallholder participation in domestic, regional, and global markets, and countries are enacting policies to create enabling institutional and marketing environments. Regional trade, in combination with good transport infrastructure between countries, has the potential to expand the size of the market, increase the elasticity of demand facing farmers, and reduce price instability. Local production shocks can be mitigated by regional trade, which tends to stabilise markets by linking together areas with covariate production.

The Common Market for Eastern and Southern Africa (COMESA) embracing eight countries in ECA and another 11 in Africa and the East African Community (EAC) of five of the ten ECA countries are leading regional integration. Regional integration is critical especially for landlocked countries, given its ability to generate positive spillovers, new market opportunities, and enhanced food security. COMESA and EAC are taking a lead role in the CAADP process by encouraging member countries to open up their markets for regional trade and investments with the eventual goal of establishing free trade areas. Among their investment priorities are increasing investment in regional infrastructure, streamlining of regulations and minimisation trade barriers. These investments are augmented by facilitation of regional research initiatives to harmonise policies, regulations and procedures aimed at increasing generation and transfer of technologies and trade.

Progress on regional infrastructure is slowed by the technical complexity of multi-country projects and the time required for decisions by multiple governments. Although ECA has been slow to mobilise the private sector for the provision and financing of infrastructure, there is an upward trend in private sector provision and management of infrastructure, in telecommunications and energy.

Trade barriers include restriction of movement of staple foods coming from neighbouring countries, export bans and cumbersome customs procedures. These barriers vary unpredictably, and make it risky for trading firms to invest in developing durable marketing networks across ECA. They also impose transaction costs on investors and traders which results in lower demand and lower prices for farmers and higher prices for consumers.

Investing in innovations and research

Innovations in agricultural technologies are also crucial to help overcome land and labour constraints, improve food security and nutrition, address the effects of climate change, promote environmental sustainability, and allow smallholder farmers to better compete in markets. At the country level, this requires increased investments in agricultural research and development. Private and public investments are required to reduce the costs of domestic production and marketing through more effective systems for linking smallholder farmers to urban demand centres. Currently, land pressures and low productivity are combining to generate a "push" form of labour migration out of rural areas rather than the "pull" effect that would occur if there was increased demand for off-farm jobs, contributing to the swelling of cities and social problems associated with this.

Another role for research includes identification of organisational arrangements that can concentrate the technical and management know-how, capital and financing, labour, and connections to local and international markets on the small farm. The need for group coordination of out grower arrangements and/or farmer cooperatives seems clear when considering how the majority of small farms in ECA can be expected to acquire the financing required for input purchase, cutting edge technical production know-how, the market clout to access domestic and international markets on favourable terms, and the political voice in domestic politics to garner some influence over public resource allocation.

Conclusion

In the short run, governments should improve access to land among rural households through investments in infrastructure and service provision designed to link currently isolated areas with existing road and rail infrastructure and through allied investment in schools, health care facilities, electrification and water supply, and other public goods required to induce migration, settlement, and investment in these currently under-utilised areas. Such investments will help to reduce population pressures in areas of relatively good access and soils, many of which are being degraded due to declining fallows associated with population pressure.

In the longer-run, the brightest prospect for many smallholders' escape from poverty is likely to involve being "pulled" off the farm into productive non-farm sectors. This requires increased crop productivity, efficient markets and increased investments in agriculture. This will be realised when players in technology generation, institution building, and policy work together to raise the welfare of smallholder farmers. The high level dialogue and commitments need to be followed through with real investment and policy shifts.

Zusammenfassung

Für die Länder Ost- und Zentralafrikas ist die Landwirtschaft der Schlüsselfaktor des Wirtschaftswachstums. Zu ihren Entwicklungszielen zählen Armutsminderung, Förderung der Ernährungssicherung, Hilfe bei der Vermarktung für landwirtschaftliche Kleinerzeuger und die Steigerung der Agrarproduktion und -produktivität. Zwar haben viele Volkswirtschaften ein schnelleres und stetigeres Wirtschaftswachstum auch mit durchgreifenden politischen Reformen, vor allem auf Makroebene, erzielt. Kernpunkte für die auch im Hinblick auf die Erfüllung der MDGs erforderliche Steigerung und Sicherung des Wachstums sind jedoch die Bereitschaft für höhere Investitionen in die Landwirtschaft, weitere politische Reformen und die Mitwirkung an regionalen Initiativen zum Abbau von Investitions- und Handelshemmnissen.

Resumen

Los países del África Oriental y Central dependen de la agricultura como principal impulsor del crecimiento económico. Sus objetivos apuntan a la reducción de la pobreza, el fomento de la seguridad alimentaria, la promoción de los aspectos de comercialización de la pequeña agricultura y el aumento de la producción y productividad agrícolas. Muchas economías han exhibido un crecimiento económico más estable y rápido debido – en parte – a significativas reformas de políticas, especialmente a nivel macro. Sin embargo, los compromisos para incrementar las inversiones en la agricultura, profundizar las reformas de políticas y fomentar la participación en iniciativas regionales dirigidas a reducir las barreras a la inversión y el comercio son los factores clave para lograr el crecimiento más intenso y sostenido que se requiere para alcanzar los Objetivos de Desarrollo del Milenio.