

The Role of Agriculture in Development

Implications for Sub-Saharan Africa

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Since a majority of Sub-Saharan Africa's population lives in rural areas and depends directly or indirectly on agriculture, and agriculture's share of the overall economy is large in many countries, it seems obvious that agriculture must be a key component of growth and development efforts. While agriculture-led growth has played an important role in slashing poverty and transforming the economies of many Asian and Latin American countries, the strategy has not yet worked in Africa. There, agricultural productivity continues to lag far behind that of the rest of the world. This has led to growing skepticism in the international development community about agriculture's relevance to growth and poverty reduction today.

Is the conventional wisdom on agriculture's role in the development process still applicable in Africa, or are the skeptics correct in their judgment that a new path must be tried? In weighing these questions, this report first traces the evolution of the perceived role of agriculture in development thinking over the past 50 years, reviewing classic theoretical and empirical literature as well as recent skeptical literature. It finds evidence to suggest that agriculture generally has powerful leverage effects on the rest of the economy, especially in the early stages of transformation when it accounts for large shares of national income, employment, and exports. However, its ability to generate growth and reduce poverty varies widely across and within countries and across agricultural subsectors. Therefore, in the second part of the report, African countries are divided according to a typology based on stage of development, agricultural conditions, natural resources, and geographic location. Finally, the typology is supplemented with in-depth case studies that use economywide models to examine agriculture, growth, and poverty dynamics in Ethiopia, Ghana, Rwanda, Uganda, and Zambia.

The study focuses on low-income countries, since more than 90 percent of Africans live in countries where per capita incomes average a dollar a day. It finds that

26 out of 34 low-income African countries have favorable agricultural potential. The typology identifies four groups of low-income countries: coastal, without minerals (10 countries); landlocked, without minerals (6); mineral-rich (10); and those with less favorable agricultural potential (8). Coastal countries are separated because they may have greater opportunities for export-oriented agriculture or nonagriculture, while countries with rich mineral or oil endowments have alternative sources of growth. (Although the industrial sector is larger in mineral-rich countries, 60 percent of the population still lives in rural areas and 70 percent falls below the dollar-a-day poverty line. In other words, mineral resources have also failed to generate significant income growth or poverty reduction.) Diversity is considerable among the countries classified as having low agricultural potential: some are islands, some are in the Sahelian desert, and some are mountainous. Only 10 percent of Africa's population lives in these countries. Despite poor natural conditions, most live in rural areas, and agriculture offers the only opportunity for growth. To examine the role of agriculture in more detail, case studies are selected from each of the categories in the typology: Ghana (coastal), Ethiopia and Uganda (landlocked), Zambia (mineral-rich), and Rwanda (less favorable agricultural conditions).

OLD VERSUS NEW THEORIES

Past economic development literature holds that agricultural growth is a precondition for industrialization because the sector provides surplus labor, savings for capital investment, and food to sustain a growing nonagricultural labor force. Most farmers in developing countries are smallholders who produce staple crops; agricultural growth reduces poverty by creating income opportunities for them, while lowering food prices for poor rural and urban consumers alike. At the same time, agriculture decreases a country's dependence on costly imported food. Agriculture, however, is based on a nonrenewable

resource—land—so science-based technology adapted to ecological conditions is also fundamental for agricultural productivity growth.

The transformation from subsistence to market activities, necessary for small-farm efficiency, is proving difficult in Africa in today's increasingly global economy. Doubt has surfaced that agriculture-led growth is a viable approach, especially where smallholdings dominate and food can be easily imported. Nevertheless, this study uncovers little evidence that proposed alternative strategies—developing large-scale commercial agriculture, bypassing agriculture and going straight to industrialization (relying on food imports), or encouraging diversification of rural incomes and mass migration from rural to urban areas—will work for Africa either. Although trade liberalization has reduced world food prices, the cost of transporting food within the continent is still prohibitive. And diversification strategies, which have been tried by African farmers for decades, tend to increase inequality because the poor lack the capital required to diversify. Those who migrate to urban areas in desperation face high rates of unemployment.

POLICY IMPLICATIONS

The report shows that despite recent skepticism, agricultural growth is still important for most low-income African countries. It tends to benefit the poor more than growth in other sectors. The empirical analyses in the

various country case studies find that pro-growth and pro-poor agricultural performance depends on the broad participation of smallholder farmers and that food staple growth generates more poverty reduction and food security than other agricultural subsectors.

In an increasingly globalized world, however, African farmers face new and different challenges than those encountered by Asian and Latin American countries during their successful transformations. While the public-sector intervention that shored up the Green Revolution, such as price supports, fertilizer and credit subsidies, and irrigation schemes, have largely fallen out of favor, to be replaced by market-oriented, private-sector strategies, small farmers are hard-pressed to compete in today's markets without support. The ability of African farmers to find pathways out of poverty and to actively contribute to the growth process depends on improving infrastructure and education, distributing key technologies and inputs, and promoting producer and marketing organizations that link small farmers to new market chains. African farmers cannot overcome these constraints on their own, and in the short term there is a need for greater public-sector involvement in many African countries than is currently fashionable. The challenge is therefore to develop new institutional arrangements between the public and private sectors that foster private-sector development without leaving smallholder farmers isolated during the transition.

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