Contemporary issues of agriculture and rural development in Africa, and IFAD’s approach

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The International Fund for Agricultural Development: IFAD

• IFAD has granted and lent about $9 billion (over $4 billion in Sub-Saharan Africa) for agriculture and rural development programs in developing countries.
• Project size varies from $200,000 grants to $50 million loans
• Half of new commitments are to Sub-Saharan Africa
• Third largest multilateral source of development assistance for agriculture in developing countries
• Targets the poorest rural populations
• Special focus on women and indigenous people
• Currently helping about 300 million poor rural people
• Supporter of community designed and managed rural development
ISSUE #1: Aid to agriculture has declined. So too has public investment in agriculture by developing country governments. Was this decline justified?

<table>
<thead>
<tr>
<th>Year</th>
<th>Africa</th>
<th>Asia</th>
<th>Latin America</th>
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<tbody>
<tr>
<td>1980</td>
<td>6.4%</td>
<td>15%</td>
<td>8%</td>
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<td>2002</td>
<td>4.5%</td>
<td>5.6%</td>
<td>2.5%</td>
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Agriculture spending to total spending by developing country governments (World Bank, World Development Report draft, 2007)
Agriculture received 18% of total ODA in 1979; 3.5% in 2004.

- Total aid for African agriculture fell from $1.9 billion in 1981 to $1 billion in 2001 (in 2001 dollars) (source: World Bank)
- World Bank is biggest source of funds for African agriculture, declined to low of $200 million by 2001, increasing only in 2005/06 to $685 million (source: World Bank)
- IFAD’s funding for African agriculture has increased steadily: from $150 million in 2002/03 to $234 million in 2006/07.
The decline occurred because:

- New donor priorities (social protection, health and education, AIDs, development policy lending, anti-corruption, public administration)
- Big agriculture projects fell out of favor (large scale irrigation, integrated rural development, agriculture credit, parastatal enterprises).
- New style agriculture projects require less money: (CDD, irrigation rehab, micro-credit, agriculture research and knowledge, soil rehabilitation, land management, land titling)
- Agriculture not the priority of Ministers of Finance
- Quality problems with agriculture projects, combined with high cost of preparation
- Urban poverty expanding more rapidly than rural.
IS THE DECLINE JUSTIFIED?

Fact #1: Most of the poor are rural  
(70% on average in developing countries, more in Africa)

(World Development Indicators)

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<td>Poverty Rates</td>
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<td>Rural</td>
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<td>51</td>
<td>69</td>
<td>45</td>
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<td>Urban</td>
<td>17</td>
<td>16</td>
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<td>56</td>
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<td>37</td>
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<td>39</td>
<td>49</td>
<td>12</td>
<td>57</td>
<td>31</td>
<td>31</td>
<td>23</td>
<td>15</td>
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<td>Difference</td>
<td>34</td>
<td>30</td>
<td>43</td>
<td>26</td>
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<td>13</td>
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<td>7</td>
<td>12</td>
<td>19</td>
<td>31</td>
<td>-6</td>
<td>21</td>
<td>-2</td>
<td>-6</td>
<td>38</td>
<td>14</td>
<td>21</td>
<td>12</td>
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Fact # 2: because agriculture is the leading sector in low income countries, including most African countries
(World Development Indicators, 2002)
Fact # 3: Agriculture has high economic pay-off

- A 1% p.a. increase in agriculture growth, on average leads to a 2.7% increase in income of the lowest 3 income deciles in developing countries (WDR 2007).
- Agriculture is 2.5 to 3 times more effective in increasing income of the poor than is non-agriculture investment (WDR 2007).
- “Agriculture growth, as opposed to growth in general, is typically fond to be the primary source of poverty reduction (IFPRI, 2007).
- Agricultural growth the pre-cursor to overall economic growth: Europe and North America (in the early part of the 20\textsuperscript{th} century), in Japan a little later, and more recently in China and India.
Fact #4: Donor projects in agriculture perform as well as non-agriculture in recent years

- Outcomes for World Bank projects in the 1970s and 1980s relatively poor (60 to 70% success rate in terms of economic return).
- World Bank has improved through new approaches, to 80-90% success rates recently.
- IFAD projects rate satisfactory in nearly 80% of cases.
- However, agriculture projects in Africa perform less well (65% success rate for World Bank, and about the same for IFAD). AfDB report high level of problems among agriculture projects.
CONCLUSION: Need more funding for African agriculture

1. The decline in investment and aid to African agriculture not fully justified
   • Because the payoff to agriculture investment is high
   • But the special problems of African agriculture, and the more modest donor success needs to be dealt with
Issue # 2: Can better results of agriculture investment be obtained in Africa?

• Public perception of African agriculture: basket case; aid ineffective; green revolution did not come…

• Because agriculture project results less good in Africa than elsewhere in the past, assumption that present and future results will also be poor
Reasons for green revolution of Asia and Latin America not coming to Africa?

• Less government taxation of agriculture in Asia and Latin America than in Africa where effective taxation up to 40% of agriculture GDP
• More government resources allocated to agriculture in Asia and Latin America
• Better local governance in Asia, reflected in better performing projects
• Green revolution technology focussed more on cereal monocultures, especially those suitable for irrigation; an Asian advantage
• Accompanying investment climate, infrastructure more poorly developed in Africa
• Civil strife more common in Africa
• In some African countries more difficult natural constraints
What has changed in Africa to improve its agriculture chances?

- More effective government policies: agriculture taxation fallen to about 10% of agriculture value from 40% and public expenditure to agriculture increasing
- Commodity price increases makes agriculture more profitable
- More effective local African management of projects and more intense African civil society attention
- More effective donor projects and harmonization under African leadership
- Remittances to African rural areas by African migrants and up-tick in private investment in some countries
- African countries cooperating with one another (CAADP and NEPAD are examples)
Agricultural Growth in Sub-Saharan Africa already reflecting changed situation: now better than in rest of World
(FAO Summary of World Food and Agriculture Statistics, 2005)

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<tbody>
<tr>
<td>World</td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Developing countries</td>
<td>3.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>2.9</td>
<td>3.9</td>
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Enabling the rural poor to overcome poverty

IFAD
African Agricultural Exports growing fast, but from low base  
(source: FAO 2005 Summary of World Food and Agriculture Statistics)

### Agriculture Export growth rate
Percent per annum

<table>
<thead>
<tr>
<th>Period</th>
<th>1980-90</th>
<th>1990-00</th>
<th>2000-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent</td>
<td>-1.4</td>
<td>3.2</td>
<td>6.9</td>
</tr>
</tbody>
</table>

### Value of Agriculture Exports
$ Billion (2003)

<table>
<thead>
<tr>
<th>Region</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>World</td>
<td>523</td>
</tr>
<tr>
<td>Developing countries</td>
<td>153</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>12</td>
</tr>
</tbody>
</table>

Enabling the rural poor to overcome poverty

IFAD
But serious under-nutrition, food security problems, and low crop productivity remain
(source: FAO, 2005)

<table>
<thead>
<tr>
<th>% of population under-nourished</th>
<th>Calories of food per person</th>
<th>Crop productivity in 1999/01 $ per ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>14</td>
<td>1969-71</td>
</tr>
<tr>
<td>Developing country</td>
<td>17</td>
<td>2000-02</td>
</tr>
<tr>
<td>SSA</td>
<td>33</td>
<td>World</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industrial country</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSA</td>
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<td></td>
<td></td>
<td>World</td>
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<tr>
<td></td>
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<td>Developing</td>
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<td></td>
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<td>SSA</td>
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Issue # 3: If more resources were available for Africa, what are the productive uses to which they could be put? What agriculture strategy for Africa would be possible?
1. WATER RESOURCE DEVELOPMENT

- Rainfed agriculture dominates (95% of land) in Africa. Agriculture technology focus needs to be on rainfed.
- But, Africa has potential to irrigate 20% of its arable land.
- Only 3.6% is irrigated (mostly Sudan and Madagascar); compared to 26% in developing countries overall.
- Small-scale irrigation systems are cost-effective in Africa.
- Focus on high potential for irrigation; in Ethiopia, Sudan, all Sahel, South Africa, Malawi, Botswana, Zimbabwe.
- IFAD invests in African irrigation and rural water supply.
#2: Roads

Kilometers of paved roads per million people in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Km</th>
<th>Country</th>
<th>Km</th>
</tr>
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<tbody>
<tr>
<td>USA</td>
<td>20,987</td>
<td>Guinea</td>
<td>637</td>
</tr>
<tr>
<td>France</td>
<td>12,673</td>
<td>Ghana</td>
<td>494</td>
</tr>
<tr>
<td>Japan</td>
<td>9,102</td>
<td>Nigeria</td>
<td>230</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1,586</td>
<td>Mozambique</td>
<td>141</td>
</tr>
<tr>
<td>South Africa</td>
<td>1,402</td>
<td>Tanzania</td>
<td>114</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,064</td>
<td>Uganda</td>
<td>94</td>
</tr>
<tr>
<td>India</td>
<td>1,004</td>
<td>Ethiopia</td>
<td>66</td>
</tr>
<tr>
<td>China</td>
<td>803</td>
<td>Congo, DR</td>
<td>59</td>
</tr>
</tbody>
</table>

Source: Encyclopedia Britannica, 2002
# 3: Fertilizer use in Africa is pitifully low
(FAO)

<table>
<thead>
<tr>
<th>Fertilizer use in Kg/ha of nutrients</th>
<th>1980-81</th>
<th>2002-2003</th>
</tr>
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<tbody>
<tr>
<td>Industrial countries</td>
<td>131</td>
<td>116</td>
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<tr>
<td>Developing countries</td>
<td>56</td>
<td>115</td>
</tr>
<tr>
<td>Of which SSA</td>
<td>8</td>
<td>9</td>
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</table>
Invest in Smallholder Input Retailer Systems to handle farm inputs thru:

• Business development assistance
• Farmer groups and coops
• credit
• Technical advisory services
• Contract service providers
Public-Private Partnerships important in input supply

Example: Smallholder Seed Sector

- Germplasm Development
- Foundation Seed Production
- Farmer Seed Production
- Distribution

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# 4: Support markets for smallholders

Inputs

Storage

Processing

Marketing

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Other solutions underway:

Improve basic foods and staples

Include cash crops: exports are growing

Integrate livestock to match rising demand

Develop private Agro-processing & mktg

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Issue #4: There has been a long term decline in commodity prices. The chart shows the period 1979-1999. Agriculture profitability compromised by declining prices.
Recent increases may spell change; 2000-2005
(GEM, 2005)
New Commodity Price Issues

• Most recently, agricultural commodity prices booming
• Increasing constraints in Africa to expansion of area under crops and under irrigation as demand for agriculture commodities increases = upward pressure on prices
• Bio-fuel innovations, pressured by response to climate change and demand for fuel likely to exacerbate this trend
  – Good for farmers, bad for agricultural commodity consumers
• IFAD studying implications for its work
Issue #5: Agriculture trade faces higher tariffs than manufacturing world wide. This reduces agriculture trade flows.

Figure 1: Average tariffs

Source: GTAP release 6.03
The solution is trade and subsidy reform

• Industrial countries remove agricultural trade protection and agricultural subsidies
• African countries should reduce their trade protection, in part to stimulate south-south trade
• Should African countries unilaterally reduce agricultural trade protection and agricultural subsidies, if industrial countries do not?
  - **Pro**: Unilateral developing country trade and subsidy reform would reduce food prices to their own consumers and stimulate agricultural trade between developing countries
  - **Con**: this would invite dumping of agricultural products by industrial countries
  - **Answer**: Careful liberalization to facilitate south-south trade, and opening where industrial countries are open; but protection from dumping, and continued protection for the poorest countries
Issue # 6: Agricultural innovation and investment has worked best in agriculturally well endowed areas. Less well endowed are left behind. Should donors bother with the less well endowed?

- Less favored areas include uplands, areas with poor infrastructure, using low input farming techniques, often in the forest areas or forest margin, in arid and semi arid lands, and on degraded land. Migratory herders also neglected.
- Many of these areas are in Africa. A continued neglect of such climatic zones would discriminate against African agriculture.
IFAD believes that there is an investment answer for the less well endowed areas, including in Africa.

- Invest in R&D for draught tolerance and natural resource management
- Conservation farming
- Crop-livestock interaction
- Livestock management on rangelands and in arid/semi-arid conditions
- Small scale irrigation, rural water supply and water harvesting and management in water scarce situations
- Land rights
- Land reclamation and soil fertility improvement
- Appropriate infrastructure
- Adapted financial services
- Risk management instruments
- Support for farmers groups, combined with local level government capacity building, and institution building more broadly
Irrigation in Niger
Somalia Integrated rural development
Agricultural Extension (farmer training) in Lesotho
Uganda Micro credit project; goes to women’s groups
Issue # 7: Land issues serious in Africa

• Land degradation (salinization, loss of soil fertility, erosion) has negative impacts on agriculture and ecosystem
• Climate change will exacerbate this problem
• Inadequate tenure systems provide little security of ownership
• In some countries, highly unequal land distribution
THE SOLUTIONS

• Rehabilitation of degraded lands (not just land conservation) projects

• Incentives for good land management (such as payments for biodiversity conservation and carbon sequestration, community ownership and land tenure security)

• Introduce land administration (cadastre, titling, registration)

• Land reform
Summary of key IFAD approaches to agriculture and rural development

• Capacity building for farmer organizations, Water User Associations, herders associations, trade associations:
• Land tenure security and redistribution (community based land reform, land registration and titling)
• Building capacity of local government
• Reducing risk and vulnerability for farmers
• Nutrition and household food security interventions
• Rural finance
• Off-farm rural work (thru agro industry, agricultural services, rural infrastructure)
Key IFAD approaches continued

- Small scale irrigation and drainage, and rural water
- Supports national and international agriculture research; is a co-sponsor of CGIAR.
- Support agriculture services more broadly (extension, veterinary, planning, standards…)
- Sustainable recovery and rehabilitation of farmland
- Is a manager of Global environment fund resources, focusing on investment in protected areas, combating soil degradation and desertification, adaptation to climate change
- Conservation of coastal marines, small scale local fisheries, aquaculture
- Regional and sub-regional approaches, for example NEPAD
- All of the above often thru territorial development, thru sector wide approaches or through regional or national projects
POSSIBLE NEW APPROACHES

• Mobilize remittances (estimated at $ 300 billion in 2006) for rural development
• Partner with private sector investors and farmer associations (equity investments and assuming risk?)
• Partnerships with Foundations
• More focus on climate change and environmental issues as entry point for development
• Donors need new instruments of intervention