

Agricultural Development and Poverty Reduction in Africa
2007 Global Forum on Agriculture
12-13 November 2007

Chair's Report

1. The 2007 Global Forum on Agriculture was jointly organised by the OECD, IFAD, FAO and World Bank, held in Rome, chaired by Neil Fraser (New Zealand Ministry of Agriculture and Forestry) and hosted by the Italian Ministry of Economy and Finance (MEF). This was the first time that this OECD-initiated policy dialogue has been held outside Paris. Some 98 invited participants from 24 national governments as well as international donors and development agencies, regional organisations, civil society and the private sector, met to discuss African agricultural development and poverty reduction. This summary reflects various issues discussed and views expressed during the Forum. It does not attempt to identify areas of consensus among the participants or organisations involved. All presentations from the Forum are available on internet address www.oecd.org/agr/ete
2. The Forum addressed specific questions related to market and trade developments, international and domestic policy reforms and governance issues related to (primarily sub-Saharan) African agricultural development with the aim of identifying some specific areas where cooperative efforts could help achieve common development goals. The World Bank's just released 2008 World Development Report and new OECD/IFAD/FAO analytical work provided key inputs for discussion.
3. The Hon. Mr. Cento, Undersecretary of State, MEF, welcomed the Forum initiative, stressing that the organising institutions (and the WFP) would be more effective in agricultural development and the fight against hunger if there were more co-ordination of strategies, better definition of mandates and a more efficient administration/implementation. For Africa, he joined the call for greater investment in agriculture but with a longer term vision more focused on sustainable management of resources.
4. OECD Deputy Secretary-General Padoan noted that African development strategies have lacked a strong agricultural component, resulting in limited country, donor and private investment in the sector; and that there is insufficient donor co-ordination, regional integration and stakeholder buy-in. To some extent, this is reflected in the decline in aid to agriculture and rural development and a lack of progress on the MDGs for poverty reduction and hunger alleviation. He challenged the Forum to address three key policy questions where further analysis and policy dialogue are essential.
5. This Chair's Summary groups various observations under these three questions but the discussion was couched under the general consideration that poverty remains a distinctive feature of most of the farming communities in sub-Saharan Africa; that poverty is the human condition of millions of Africans. More than 65% of the population is rural with poverty predominately rural, both in absolute and relative terms. But there has been slow progress with the overall share of undernourished people declining, and some countries, like Ghana and Gabon, having already met MDG goals for undernourishment. Most success stories are correlated with improvements in agricultural production growth.
6. Emerging new pressures of rapid urbanization, integration in global markets, climate change, bio-fuel/food competition and rising food prices will challenge policy makers but there are signs of a brighter future such as growing peace/security and improved governance, renewed commitments to agriculture at the national level (e.g. NEPAD, CAADP and the Maputo Declaration¹), an expected turnaround in official

¹ The New Partnership for Africa's Development (NEPAD) is a vision and strategic framework for Africa's renewal. The Comprehensive Africa Agricultural Development Programme (CAADP) has been endorsed by the African Heads of State and Government as a framework for the restoration of agriculture growth,

development assistance (ODA) for African agriculture, and rising public interest in moving African agriculture up the political agenda (G8, NGOs, charities, aid organisations). There was a strong consensus that more tailored, effective policies were essential to improve progress towards the MDGs on hunger alleviation and poverty reduction.

What is the role of agriculture in rural development and poverty reduction?

7. The World Bank's 2008 World Development Report (WDR) reflects a major change of heart as to the important role of agriculture in economic growth and poverty reduction and will fuel the debate on appropriate policy responses. It makes the point that agricultural growth in Africa is accelerating but that productivity is lagging, while emphasising that growth from agriculture is especially effective for poverty reduction (results from 43 countries suggest GDP growth from agriculture benefits income of the poor 2-4 times more than GDP growth from non-agriculture). The WDR stresses the need to focus on increasing smallholder productivity through investments better tailored to local needs.

8. Participants agreed that high-value, labour-intensive products for external, regional and domestic markets offer strong growth opportunities. The need for technical (conservation farming, Bt cotton) and institutional innovations (weather and price risk insurance, agro-dealer networks, stronger producer organisations, private-public-CSO partnerships) were also highlighted. But major challenges persist in the form of constraints on growth, such as:

- OECD country trade policies;
- poor rural investment climate;
- limitations to pro-poor growth (connecting smallholders to markets, improving assets of the poor - especially women, reaching lagging regions); and
- implementation bottlenecks (weaknesses in governance, underinvestment in core public goods).

9. Still, many speakers reminded participants that in African countries it is the small family farms that dominate. These generally very poor smallholders are primarily concerned with producing to feed their families and have little or no links to commercial markets. The local markets are often the only option for selling whatever produce is not consumed by the family.

10. Agricultural markets in Africa were seen as poorly developed with brand recognition, grading and quality certification almost non-existent. Inter-seasonal and inter-regional arbitrage is outside the purview of most traders and commodities are not pooled for transport or storage. New institutional ways to interlink credit and output-labour markets (producer organisations, contracting) are required with more efficient use of existing technologies and investments to lower marketing margins and thus enhance producer returns. But agricultural development alone is insufficient. Development of the wider rural economy was seen as key in reducing poverty in rural areas.

11. There was considerable discussion on the need for infant industry type of protection or other support for selected agro-industrial sectors, although some cautioned that such protection should be transitional, time bound and carefully targeted. Others argued that unilateral trade and subsidy reform would reduce food prices to consumers and stimulate agricultural trade between developing countries. The point was made that trade protection for domestic producers comes at a cost to domestic consumers.

food security, and rural development in Africa. The primary CAADP goal is agriculture led development that eliminates hunger, reduces poverty and food insecurity, opening the way for export expansion. The Maputo Declaration provides strong political support to the CAADP and its evolving Plan of Action.

12. It was also noted that many African countries continue to tax agriculture (albeit much less than before) and that moves to protect domestic consumers against rising food prices can reduce returns to domestic producers. The need for a sequencing of reforms, starting with a liberalisation of developed country markets was suggested and this idea resurfaced many times during the Forum. At several times producer organisations in particular highlighted the need to fit the pace and nature of reform to the various *rural worlds*, recognising the highly diverse range of assets, access to markets and family livelihoods (e.g. globally competitive, subsistence farmers, landless labourers) and their different capacities to adjust. Careful liberalisation to facilitate south-south trade was also encouraged, while acknowledging that Africa could benefit from broader liberalisation if the Doha Round spirit is maintained and aid-for-trade becomes more effective.

How can ODA and public investment for agriculture be most efficient?

13. Aid to agriculture has declined in relative terms, as have public investments in agriculture by African countries. Agricultural-based countries in general, and Africa in particular, spend too little on agriculture and R&D; and the quality of existing spending is often poor. Agriculture GDP in agriculture-based countries is close to 30% of total GDP while public spending on agriculture averages only 4% of Ag GDP. Spending on agriculture-related R&D as a per cent of Agriculture GDP is generally less than 1%.

14. Agriculture received 18% of total ODA in 1979; down to 3.5% in 2004 with new donor priorities (social protection, health, AIDs, anti-corruption, public administration) and big agricultural projects fell out of favour due to quality problems and high costs; this despite the high economic pay off. However, investment in agriculture has become more attractive due to factors such as:

- improved governance;
- rising commodity prices;
- more effective local African project management;
- greater donor harmonization under African leadership; and
- greater regional cooperation (CAADP, NEPAD).

15. Participants discussed the most productive uses for new resources; what agricultural strategy for Africa is most feasible. Water resource development was a high priority as Africa has potential to irrigate 20% of its arable land, yet only 3.6% is currently irrigated. Small-scale irrigation systems have proven to be cost-effective in Africa. Roads were another priority with many African countries at the bottom of the developing country “paved roads per million people” table. Much of the road system still reflects the historical colonial pattern directed towards the ports, rather than a cross border pattern that would encourage intra-regional trade.

16. Fertilizer use in Africa is low with 9 kg/ha of nutrients in sub-Saharan Africa, compared with 115 kg/ha on average for developing countries. Investments in smallholder input retailer systems (business development assistance, farmer groups and coops, credit facilities, technical advisory systems and contract service providers) were proposed to develop farm input markets. It was stressed that these developments should address demand as well as supply constraints. Many smallholders did not have the access to technologies, finance or risk insurance required to utilize high cost inputs.

17. Special attention was focused on less well endowed areas. Innovation and investment has worked best in agriculturally well endowed areas with less favoured areas (uplands, areas with poor infrastructure, arid and semi-arid lands, degraded land, migratory herders) being left behind. There is an investment answer for these less endowed areas such as:

- investment in R&D for drought tolerance and natural resource management;

- conservation farming;
- crop-livestock interaction;
- livestock management on rangelands (rising demand provides new opportunities for livestock development);
- small scale irrigation;
- infrastructure development;
- risk management instruments; and
- local capacity building.

18. Participants emphasised the need for new investments procedures to better incorporate the voices and interests of the new actors in agricultural development, such as regional economic organisations and farmer's organisations. Again it was often emphasised that agricultural policy affects different rural groups (worlds) in different ways; that developments in one rural group can improve or impair the livelihoods of others; and that the range of public investments and agricultural support needed to better reflect the diverse nature of African agriculture.

What kinds of trade and agriculture policies are best suited to enhance the sector's contributions to overall development and poverty reduction?

19. Where agricultural performance has been strong, a constant has been the development of a stable macroeconomic environment (inflation and exchange rates) and significant sectoral policy reforms (reductions in protection, increased market orientation). This has been observed in virtually all transition and emerging economies and remains a valid observation for developing countries, including Africa. Privatization, closure or cutbacks in the scope of parastatals, sharply diminished role of government administered pricing, reduction or elimination of export taxes and the harmonization and reduction in some tariffs are common reforms that created the environment for improved sectoral performance.

20. Despite progress some anti-agricultural biases remain (cotton in Mali, cocoa in Ghana) and investment in public goods is lagging. The road to economic development poses adjustment policy challenges (income diversification, transition to non-farm work, rural-urban migration). Policies fostering and facilitating structural adjustment are important to development. Pro-poor growth requires a broader agenda, including enhancing agricultural productivity, improving market opportunities, promoting diversified livelihoods, and reducing risk and vulnerability.

21. Reforming OECD country agricultural policies can help (especially for cotton) but there is also a need for a new development agenda based on adapting approaches to diverse contexts (place of agriculture in the rural economy, people's livelihood strategies, productive potential of land/labour resources), building institutions, empowering stakeholders, supporting pro-poor international actions and fostering country-led partnerships.

22. There was recognition that, despite recent reductions (for example in the EU), farm support in OECD countries remains high, which stimulates production, reduces imports and expands exports at the expense of competitive low-support exporters. Many participants argued the need for temporary protection in developing countries, in order to protect small-scale farmers against unfair competition with imported goods. Still, sustainable improvements to competitiveness require strong supply capacity, which in turn requires agricultural research and extension, the ability to comply with public and private standards, rural and transport (ports, logistics) infrastructure improvements, effective customs administration and attractive conditions for foreign investment.

23. There was recognition that many developing countries need ODA to overcome their supply-side constraints and benefit from increased market access. A WTO taskforce agreed aid-for-trade should

encompass traditional technical assistance and capacity building (SPS, trade facilitation), trade-related infrastructure, supply-side constraints and trade-related adjustment.

24. Assistance for trade policy and regulation remains marginal and negotiation driven. Past experience suggest most donors are unable to attribute trade performance improvements to their trade-related assistance. Programmes suffer from poor objective-setting and generally weak management for results. Country ownership is often not taken into account and there is a poor implementation of aid effectiveness principles (Paris Declaration).

25. Better monitoring of aid-for-trade could help. A global accountability mechanism to enhance transparency and dialogue should help to create incentives to donors and partner countries to better apply the Paris Declaration on aid effectiveness, while helping to learn from successes and failures by disseminating best practices, shortcomings and providing incentives for corrective action. It would also help establish a clearer link between partners' demands and donors' responses.

26. Preliminary results from an OECD/WTO monitoring effort indicate that aid-for-trade volumes are rising, but the share in sector aid is still declining. Aid-for-trade is being prioritised in donor strategies and there is high awareness of the need to address regional constraints, but challenges regarding "how to" remain. Many partner countries have costed their trade strategies and identified key constraints, but are uncertain about which fraction of financing needs is to be met by ODA. There is a consensus on the Paris Declaration approach but implementing aid effectiveness principles remains challenging, particularly in terms of management for results and mutual accountability. Priority areas for improvement include a much stronger engagement of partner countries, greater focus on best practices, comparable data and integration of the regional dimension, and increased efforts to evaluate the impacts on trade performance.

27. As noted above, there was considerable discussion around the question of the sequencing of reform. Many participants felt the order for action on trade should be a reduction in subsidies in OECD countries, followed by better regional integration, and then African trade liberalization. There were also a number of participants who argued that some protection was needed in Africa in the interim, until the regulatory and infrastructural conditions are conducive to better market functioning.

28. In summary, a policy framework for development and poverty reduction was proposed by the FAO and supported by many participants. This framework includes a "checklist" for effective development that requires governments to address the four Is – Institutions (and policies), Investments, Incentives, and Innovation. To that could be added a general call for international development organisations to enhance their co-operation to better realise their respective complementarities in the fight against poverty.

Findings from case studies

29. The Forum provided the opportunity to review some recent case studies, thereby examining the more general observations cited above in the context of specific country experiences. The key findings of the analyses undertaken by the joint OECD/IFAD/France *Support for African Agriculture Project* (SAAP) examines the linkages between agriculture development, policy reform and poverty reduction in three African countries (Cameroon, Mali, Ghana) over the past 40 years. Findings from these three case studies highlight a major insight found in the WDR - that agriculture in Africa has not merely been neglected in the past, it has been penalised. Poor economic policy choices created an unfavourable macroeconomic environment; exports were heavily taxed; public investment in the sector, whether by governments or by donors, was meagre.

30. The SAAP work shows that an improved macroeconomic environment, reduced protection and recent increase in sector aid-flows seem to be paying growth dividends. Agriculture in all three study

countries has been growing for 10 to 20 years. A significant contributor was growth in both traditional and non traditional exports – an avenue for agricultural and economy-wide growth advocated by the WDR. There has also been some success in reducing poverty but more could have been expected on this front given the strong growth in agricultural production and productivity witnessed.

31. Poverty has declined in all three SAAP countries, but it is not clear how much of that was due to agricultural growth and how much was due to other factors. The sharpest reductions in poverty rates were in urban not rural areas. In Ghana, the country achieving the highest reductions in rural poverty rates, farm incomes per worker have hardly grown at all. Unfortunately, there was insufficient time for discussion of these results or why this may be the case.

32. As the WDR rightly underlines, there are opportunities to further reduce distortions in agricultural markets that slow agricultural growth; whether these distortions come from OECD trade protection and subsidies for its own farmers or the continuing (if reduced) taxation of exports in African countries. This is also the moment to begin to fully redress the underinvestment of public funds in and for agriculture. Here the SAAP results again endorse the WDR call for a broad agenda, one that not only embodies policies aimed at promoting public goods for agriculture (and especially agricultural research and related investments), but also policies aimed at fostering adjustments through diversification of income sources for farm households, mobility for farm workers to participate in labour markets in rural and urban economies, and the rural to urban migration that normally accompanies economic development.

33. Comments from the SAAP target countries supported these results and added specific issues about the process and methodology to the discussion. They emphasised the lack of monitoring tools and analytical resources within the government and stressed the availability and quality of production/price and trade data, both international and national, are weak. Although analytical capacity has been strengthened in African governments, human capital still needs to be strengthened.

34. Government representatives of Cameroon, Ghana and Mali also expressed strong interest in the SAAP approach of a close working relationship with the government and a combination of analysis, policy dialogue and capacity building. Identified benefits include a better understanding of agricultural performance, domestic constraints and policy impacts/options. There has been greater dialogue within agricultural ministries and among different ministries on agricultural issues while public sector agents gained experience in applied research on agricultural policies. Suggested areas of improvement for future work included an expansion of the analysis in such areas as taxation of agriculture, effective protection and impact of OECD country policies, greater country-level policy dialogue involving a broader range of public and private stakeholders and the donor community, and discussion of the implications of results with African regional economic organisations.

35. Drawing on regional and country-level experiences, including many from the private sector, participants emphasised the need for empowering policy dialogue for producer and professional organisations, rural poor and women – not just at the implementation stage but from the beginning of policy reform and strategic planning processes. For such processes, building ownership by government, civil society, and the private sector was identified as an essential component to successful agricultural development.