

# Investments to Promote Inclusive Agricultural Growth: Why it's so hard and so important

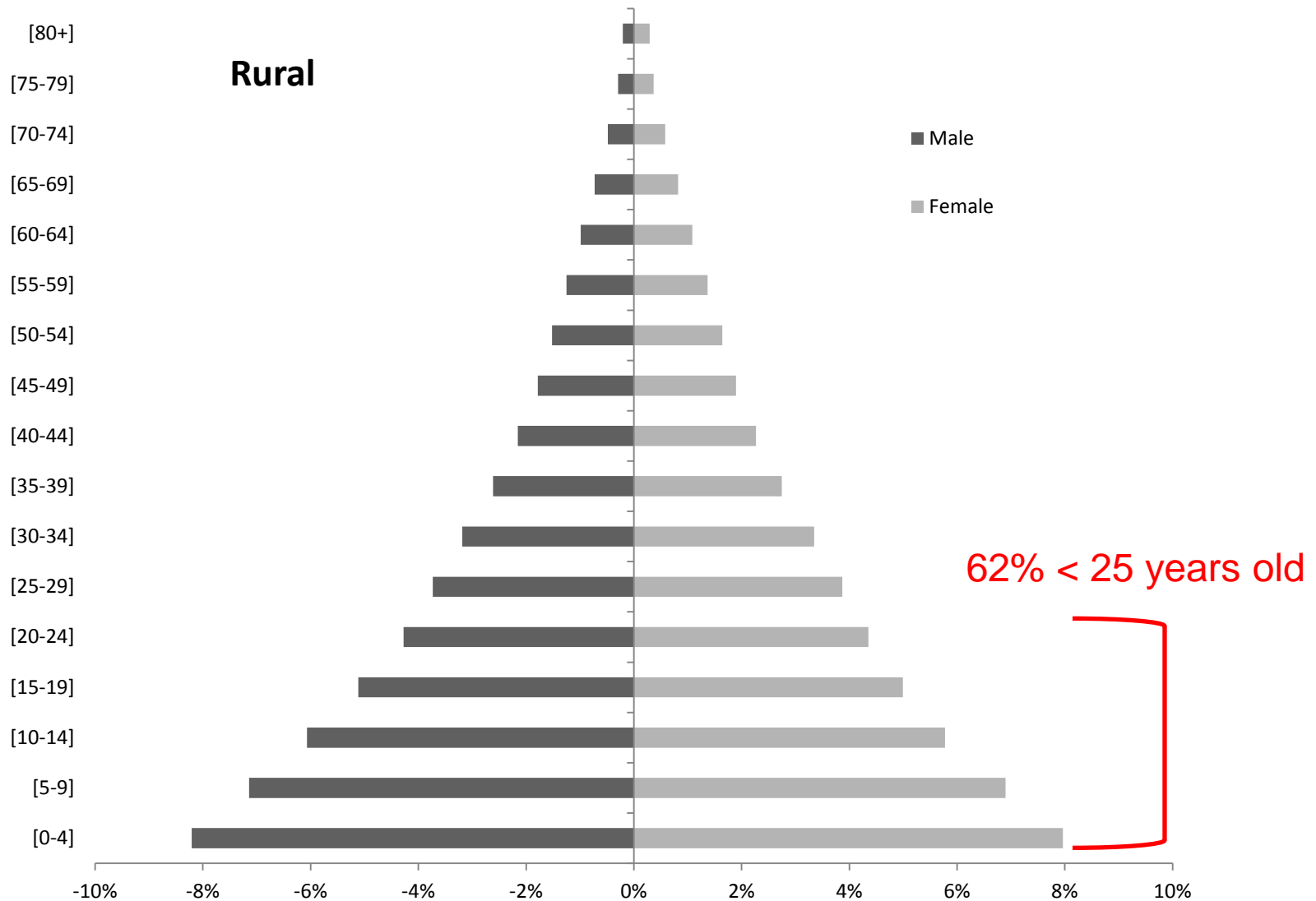
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T.S. Jayne  
and colleagues at MSU

Seminar at USAID, Washington, DC, September 17, 2014



# Age pyramids, rural SSA, 2015



Source: UN Pop Council, 2013

# Main messages:

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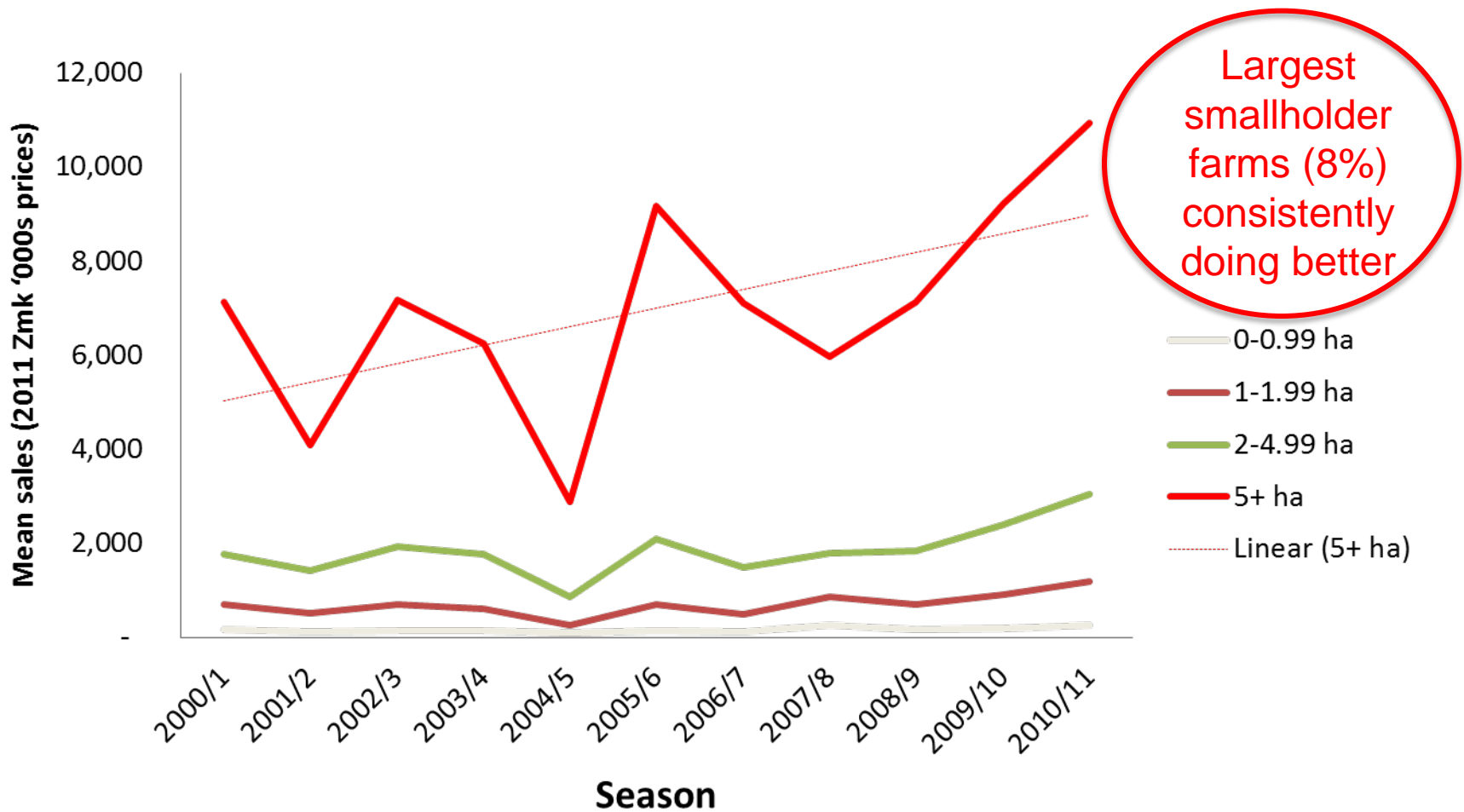
1. Agricultural growth can occur without economic transformation or poverty reduction
2. The pace of economic transformation over the next 2 decades will depend on how fast and how *inclusive* is ag and informal sector productivity growth
3. Achieving inclusive agricultural growth is exceedingly difficult
4. Ag / informal sector is part of a system – holistic approach is needed
5. Ag can't do it alone -- development of manufacturing sector is crucial

# Take home message #1

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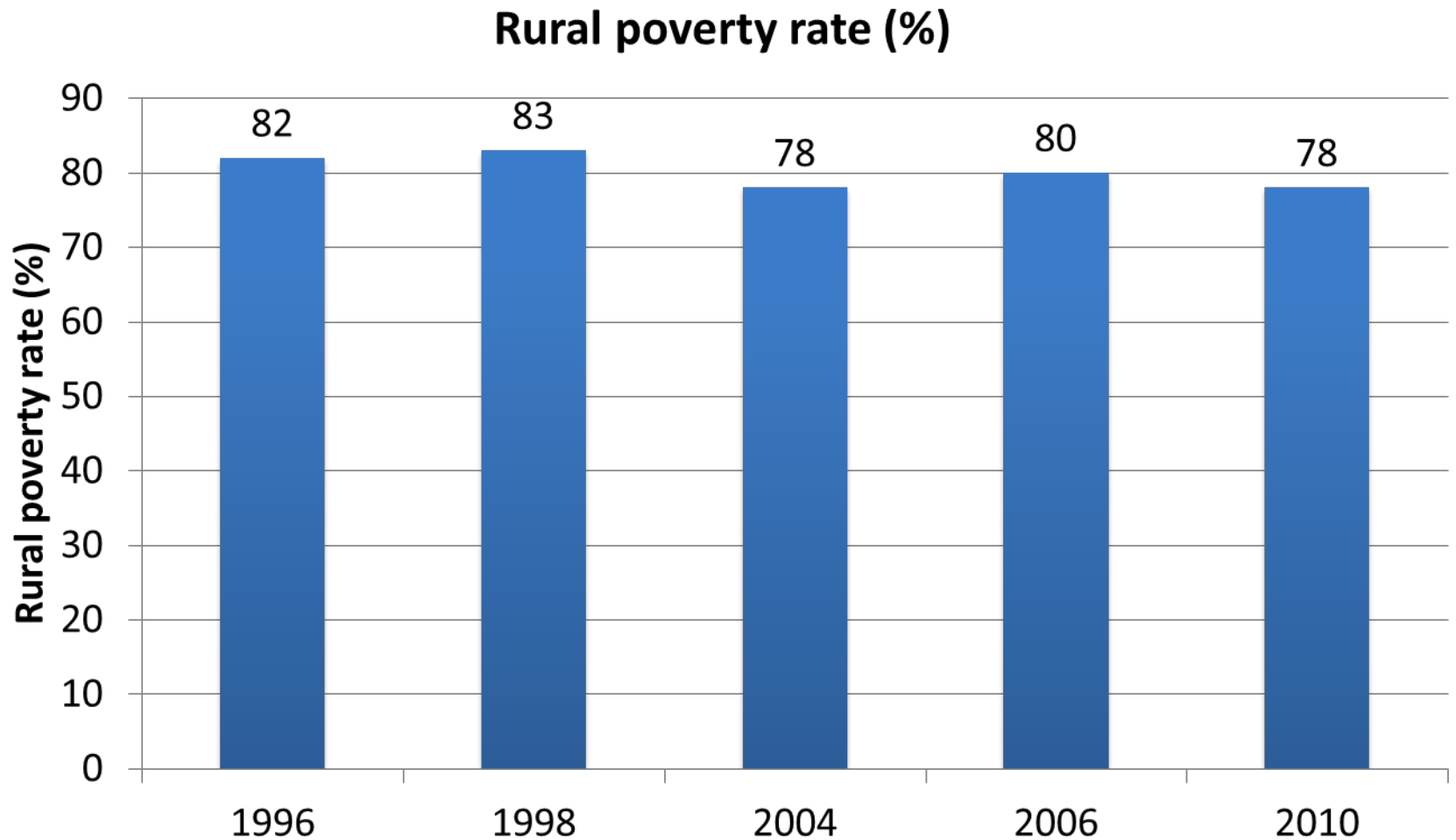
- Agricultural growth  $\neq$  economic transformation or poverty reduction

# Crop sales by farm size over time (2011 Zmk prices)



Source: MACO CFS 2000/1 to 2010/11 and authors' computations

# Rural headcount poverty rates, Zambia

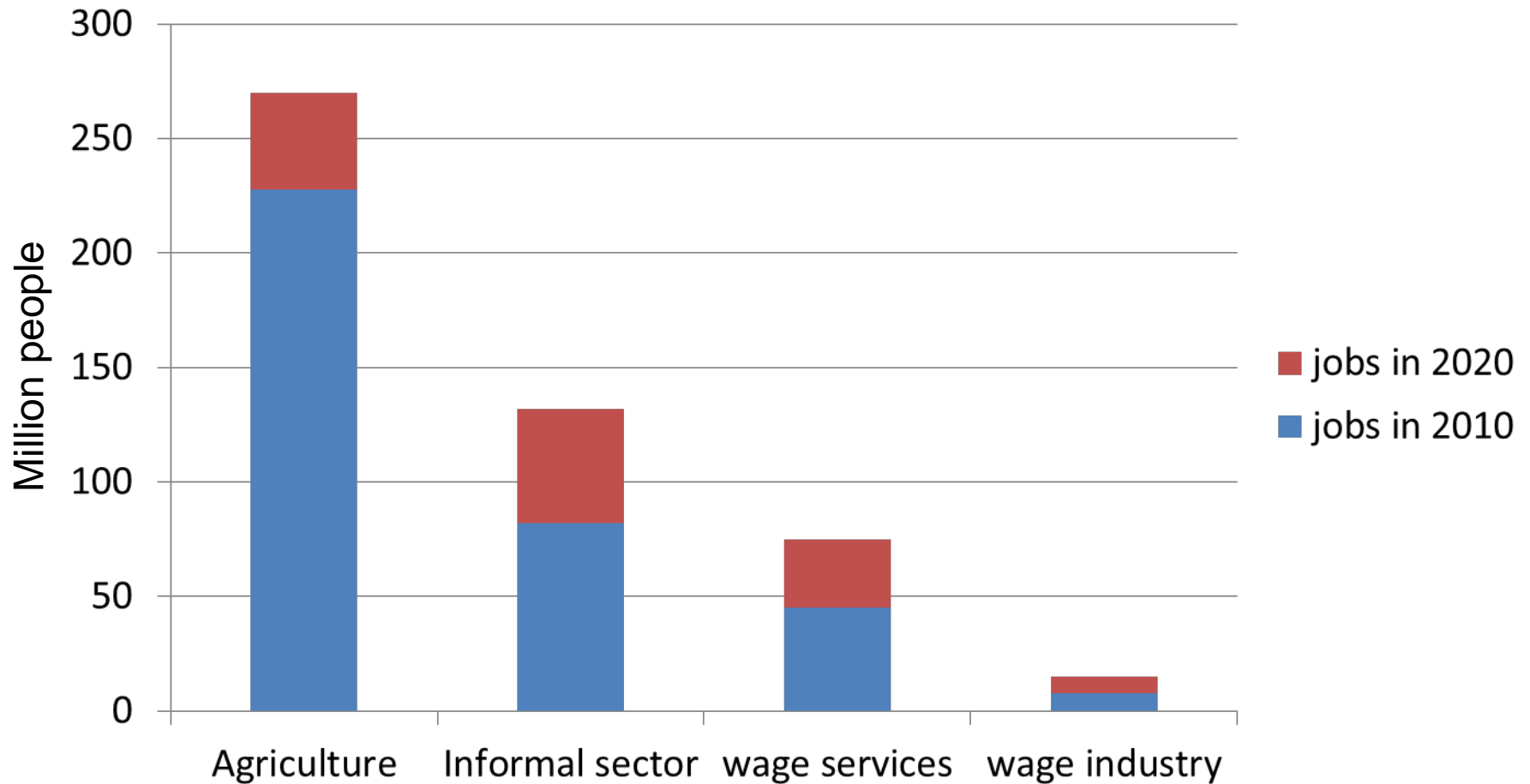


# Take home message #2

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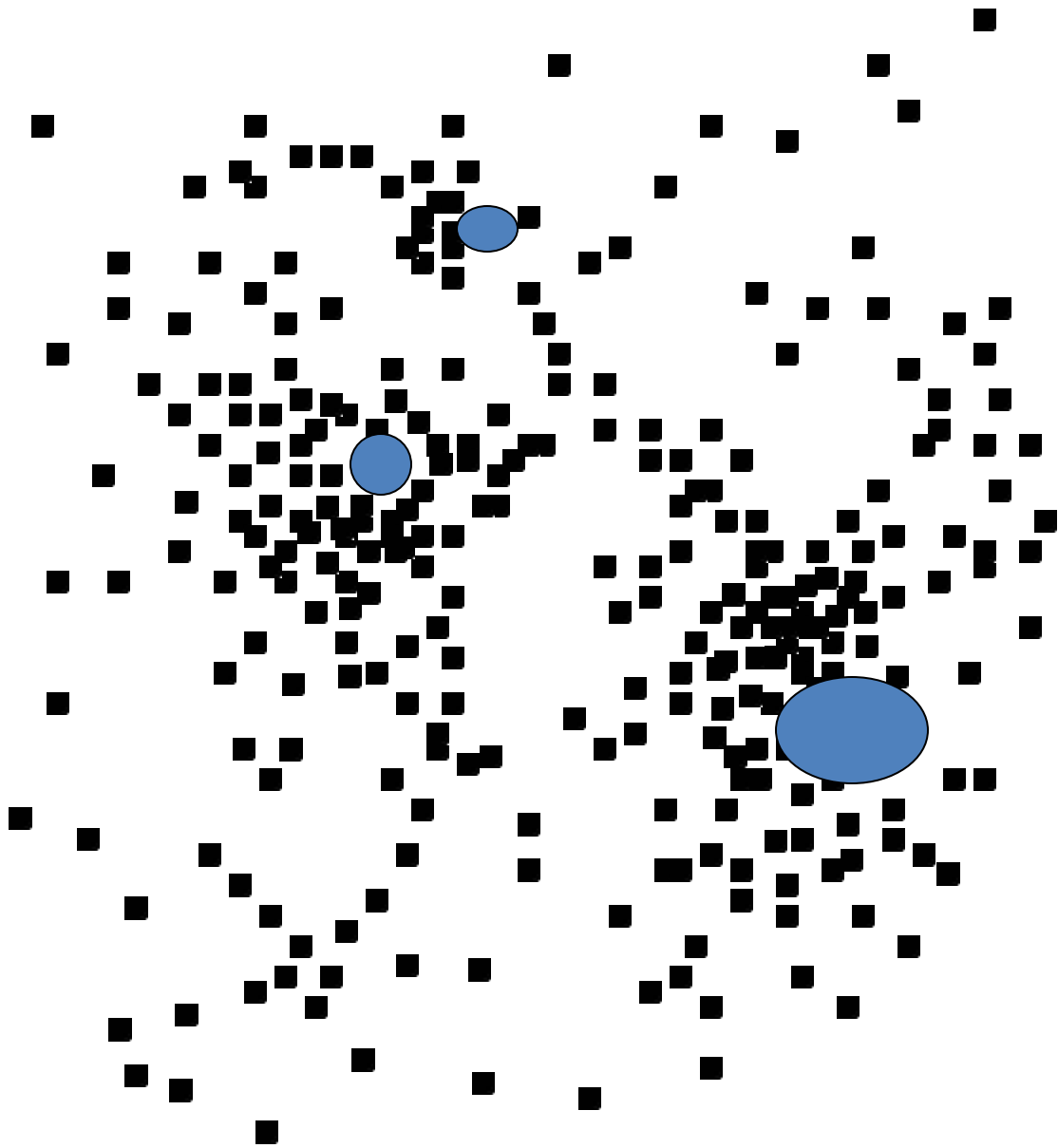
- The pace of economic transformation over the next 2 decades will depend on how fast and how *inclusive* is ag and informal sector productivity growth

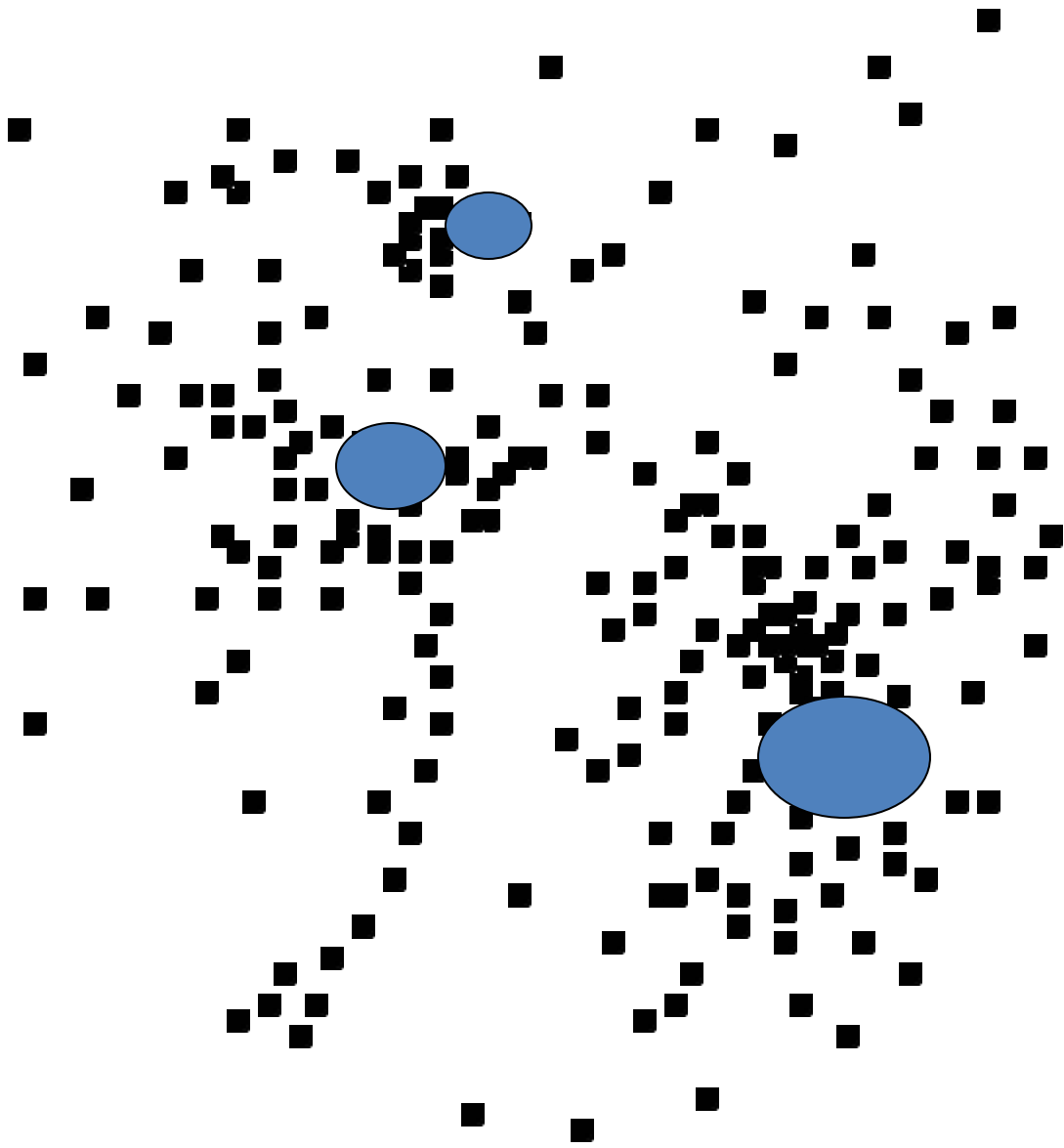
# Jobs by sector, Sub-Saharan Africa

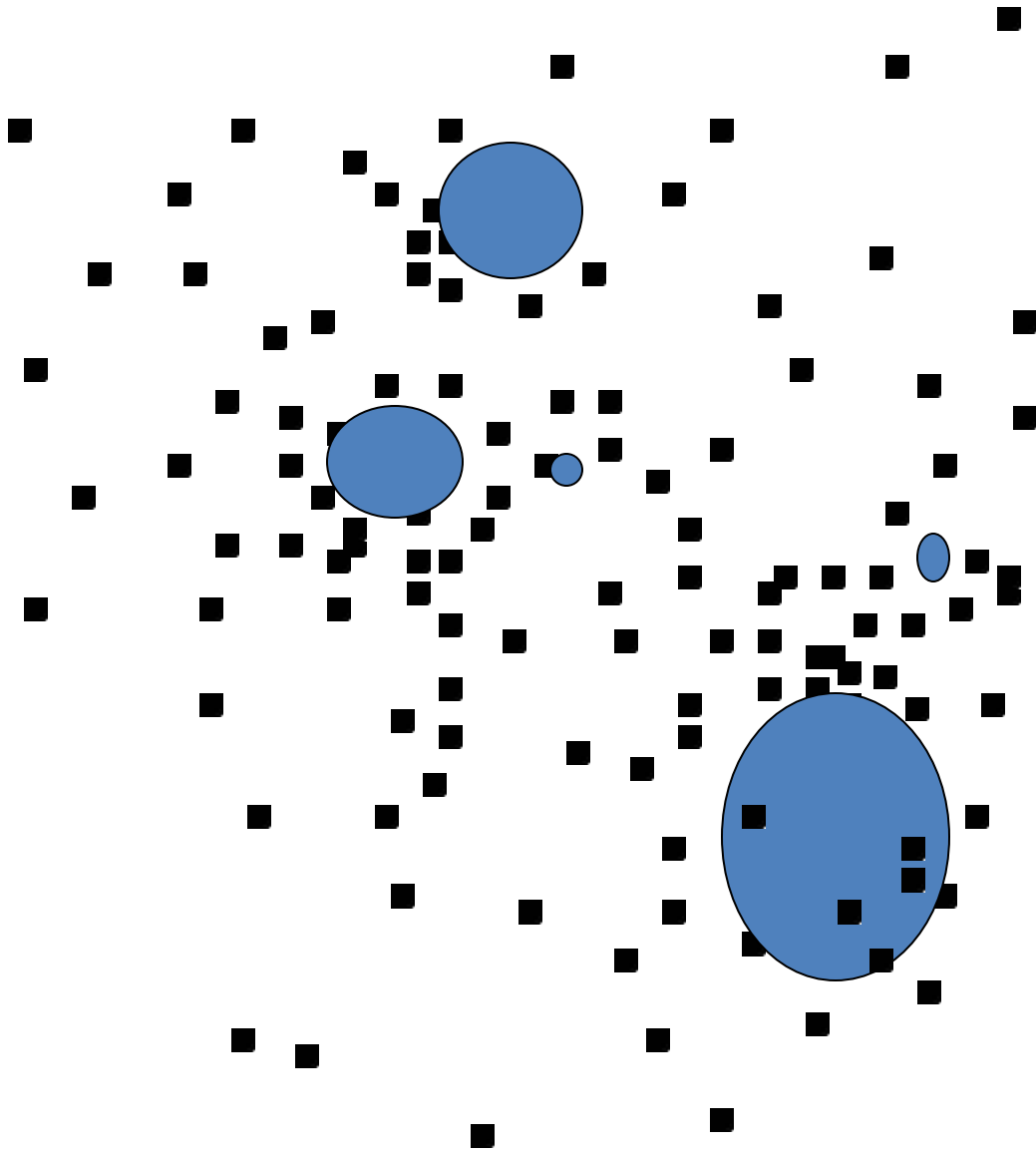


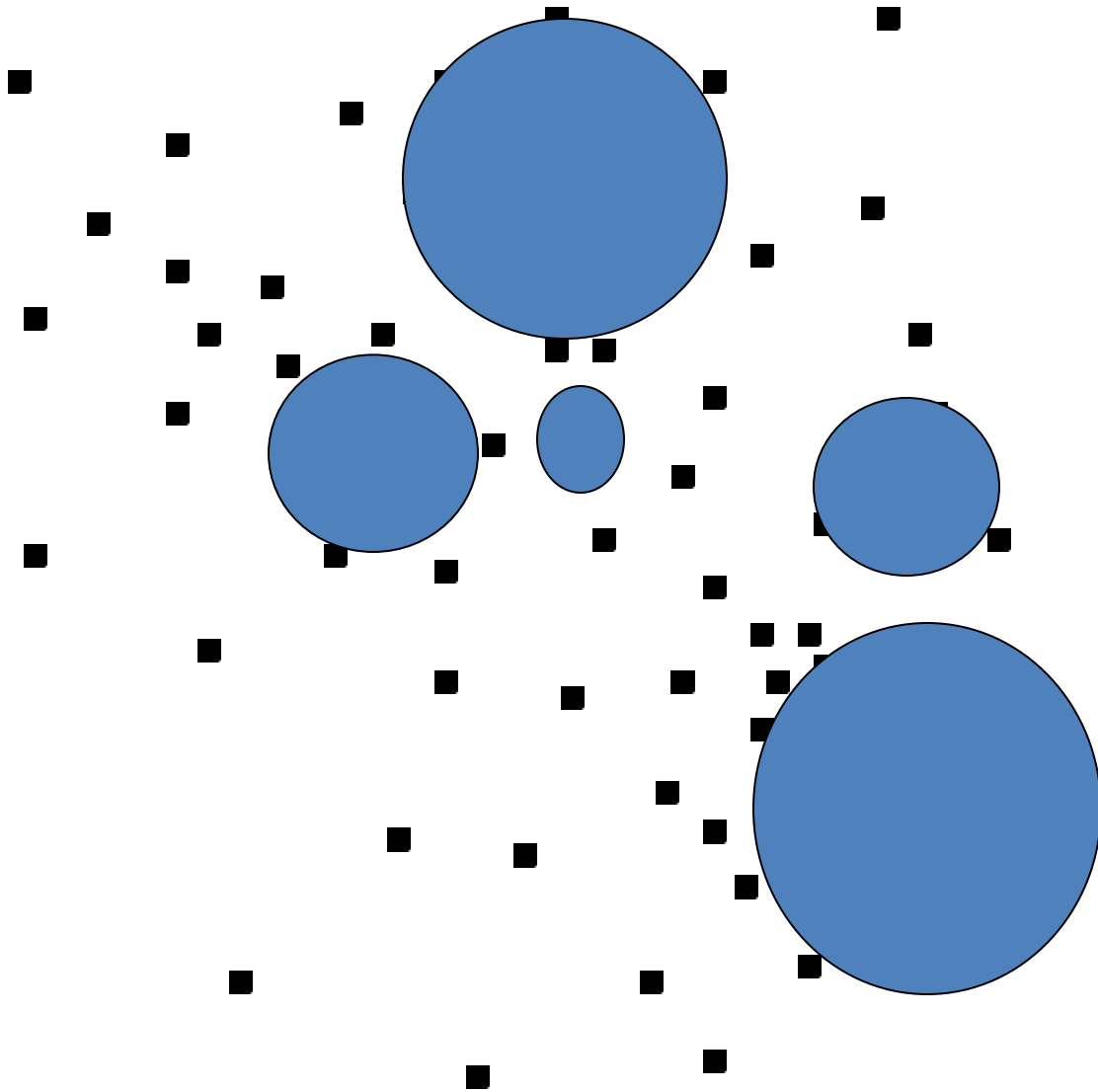
Source: World Bank (Filmer and Fox), 2014









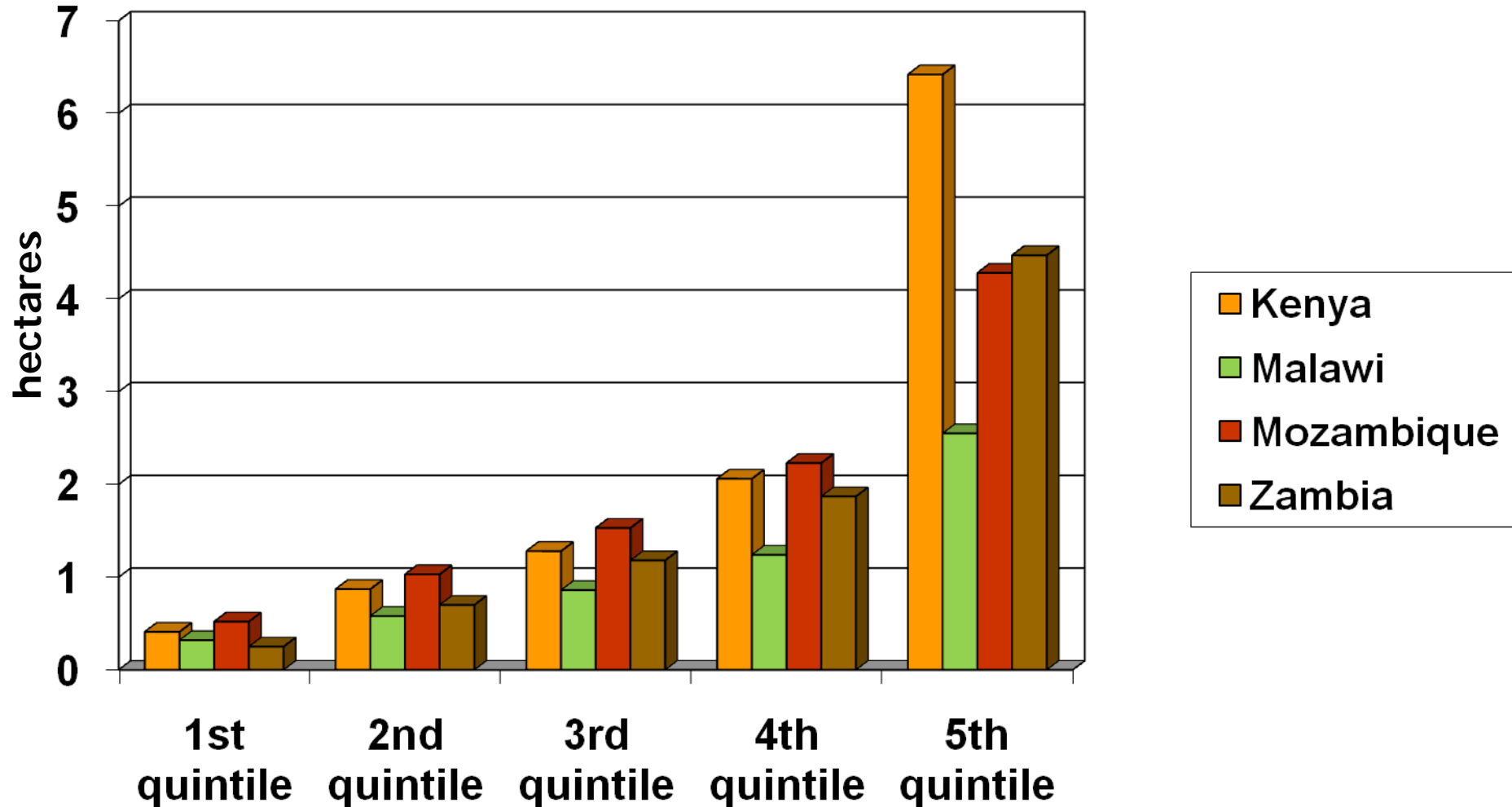


# Take home message #3

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- It's difficult to make agriculture inclusive when there are such disparities in productive assets in rural communities

# Distribution of farm sizes in smallholder farm sectors



# Conclusion:

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- Many (if not most) smallholder households will be treading water, waiting for better paying non-farm jobs to become available
- But for the next 2-3 decades, most Africans will be engaged in farming
- Hence need to encourage inclusive ag growth as an intermediate objective in the process of economic transformation

# Take home message #4

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- Ag / informal sector is part of a system – a holistic approach is needed

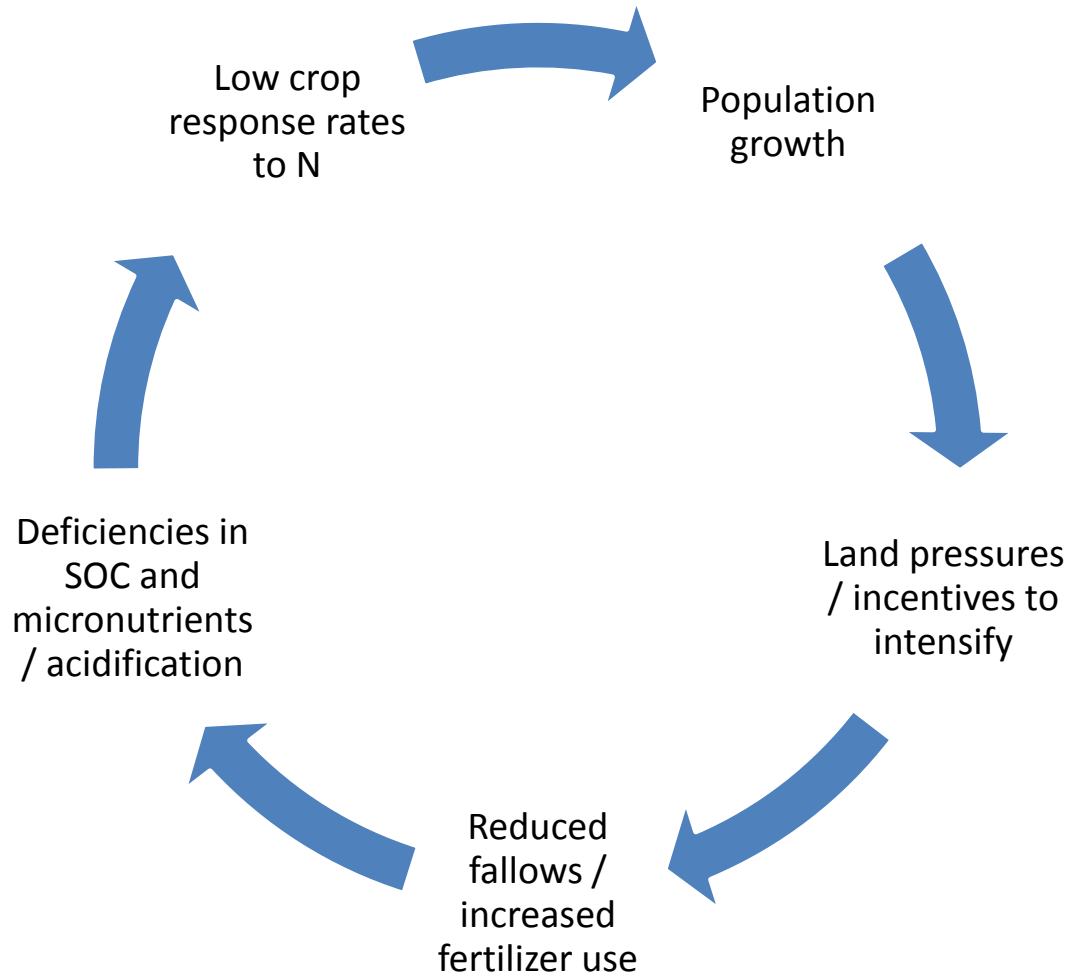


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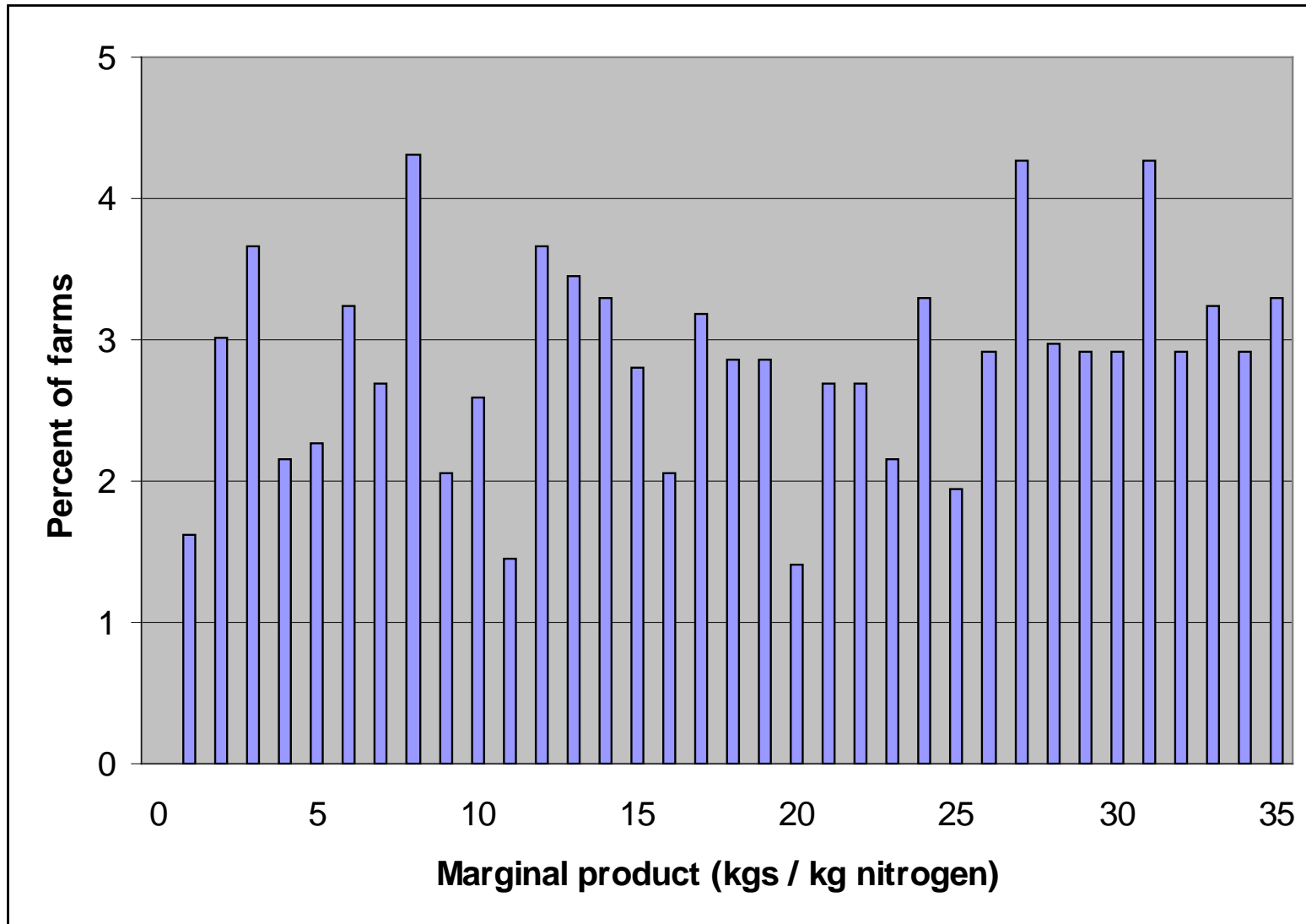
Declining soil fertility is becoming a binding constraint on smallholder productivity growth in many areas

- scaling up modern inputs without sorting out the agronomic / soil constraints will under-achieve

# Everyone agrees that inorganic fertilizer use must go up – why isn't it happening?



# Variation in farmers' efficiency of fertilizer use on maize, Agro-ecological Zone IIa, Zambia



Note: Zonella is a relatively high-potential zone suitable for intensive maize production <sup>19</sup>

# Conclusion:

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Scaling up modern inputs without sorting out increasingly binding agronomic / soil constraints will not succeed

# Take home message #5

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- Ag can't do it alone -- development of manufacturing sector is crucial

## Nine countries contain 90% of Africa's unutilized arable land

|                       | Non-forested unutilized land <sup>1</sup> (million ha) | Proportion | Cumulative Proportion |
|-----------------------|--|------------|-----------------------|
| DRC                   | 84.8   | 46.5%      | 46.5%                 |
| Angola                | 18.9   | 10.4%      | 56.9%                 |
| Congo                 | 12.9   | 7.1%       | 63.9%                 |
| Zambia                | 10.8   | 5.9%       | 69.9%                 |
| Cameroon              | 10.5   | 5.7%       | 75.6%                 |
| Mozambique            | 9.0  | 4.9%       | 80.5%                 |
| CAR                   | 7.1  | 3.9%       | 84.4%                 |
| Gabon                 | 6.5  | 3.6%       | 88.0%                 |
| Sudan                 | 5.8  | 3.2%       | 91.2%                 |
| Rest of Africa (n=45) |  | 8.8%       | 100.0%                |

# Conclusions:

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- Despite being land abundant overall, 40 countries in SSA have limited potential for land expansion
- Rise of non-farm jobs will be crucial to enable most rural farm households to escape from poverty

# What to do?

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- Not sexy  $\neq$  not effective



# What to do?

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- Not sexy  $\neq$  not effective



# Important entry points

|                      | <b>Hot</b> | <b>Not hot</b> |
|----------------------|------------|----------------|
| <b>Effective</b>     |            |                |
| <b>Not Effective</b> |            |                |

# Important entry points

|                      | <b>Hot</b> | <b>Not hot</b>  |
|----------------------|------------|---|
| <b>Effective</b>     |            | <ul style="list-style-type: none"><li>• Crop science (R&amp;D)</li><li>• Soil management / rehabilitation</li><li>• Ag / marketing extension services</li><li>• Organizing farmers into groups for marketing</li><li>• Rural electrification</li><li>• Transport, roads, rail, ports</li><li>• Education, health</li><li>• Rural financial services</li></ul> |
| <b>Not Effective</b> |            |   |

# Ranking of Alternative Investments: Meta-Study Evidence from Asia and Africa

|                                 | The Economist | IFPRI study |
|---------------------------------|---------------|-------------|
| Policies                        |               |             |
| Road investment                 |               |             |
| Agricultural R&D                |               |             |
| Agricultural extension services |               |             |
| Credit subsidies                |               |             |
| Fertilizer subsidies            |               |             |
| Irrigation                      |               |             |

# Ranking with respect to *agricultural growth*: Evidence from Asia

|                                 | The Economist | IFPRI |
|---------------------------------|---------------|-------|
| Policies                        | 1             |       |
| Road investment                 | 2             | 1     |
| Agricultural R&D                | 3             | 2     |
| Agricultural extension services | 4             |       |
| Credit subsidies                | 7             | 3     |
| Fertilizer subsidies            | 5             | 4     |
| Irrigation                      | 6             | 5     |

| Intervention                          | “Do now for now”  | “Do now for later”   |
|---------------------------------------|---|--|
| Agriculture and informal rural sector | <ul style="list-style-type: none"> <li>• Soil amendment</li> <li>• Ag extension support</li> <li>• Coherent land use policy</li> <li>• Policies supportive of inclusive growth within agri-food systems</li> <li>• Local policy institutes</li> </ul> | <ul style="list-style-type: none"> <li>• Soil restoration</li> <li>• Ag R&amp;D</li> </ul> |
| Non-farm / urban sectors              | <ul style="list-style-type: none"> <li>• Reduce costs of business start-ups, corruption</li> </ul>  | <ul style="list-style-type: none"> <li>• Upgrade education value chain</li> </ul>          |
| Cross-cutting                         | <ul style="list-style-type: none"> <li>• Transport, road, rail, ports</li> <li>• Electrification / energy</li> </ul>  | <ul style="list-style-type: none"> <li>• Education</li> <li>• Health</li> </ul>            |

# Thank you

