Overseas Development Institute

OPINIONS

July 2005

www.odi.org.uk/publications/opinions 45

Restoring Growth in African Agriculture

Steve Wiggins

Interest in African agriculture is being rekindled after two decades of relative neglect by both governments and donors – and corresponding slow growth of the sector. For most countries, agriculture has to grow if the economy is to develop, if rural poverty is be alleviated. It is now clear that getting the 'Washington Consensus' conditions right for business may be necessary, but is certainly not sufficient to get agriculture moving. So what more needs to be done?

Not all are convinced that agriculture deserves such prominence. The case has to be made. There are good reasons to expect agricultural growth to reduce poverty. Farming can be labour-intensive, creating jobs. Agricultural development raises returns to land, one of the few assets that the many rural poor in Africa have. Moreover, growth of food output should push down the price of staple foods, to the immense benefit of the poor who even in rural areas are overwhelmingly net buyers of food.

Expectations are matched by the record: few if any developing countries have made progress in development without agricultural growth. In Africa, as Figure 1 shows, the growth of a key alternative to agriculture, manufacturing, has been stalled for most of the last twenty years. For the near future, growth will have to come from agriculture.

But we need as well to be able to present to policy-makers a credible and coherent strategy, and one that can be implemented within current and likely structures for public action. Given the history of previous drives for agricultural development in Africa that have stalled and disappointed, the policy audience can be forgiven for being sceptical.

Amongst specialists, consensus on agricultural development in Africa is limited, partly since reliable evidence on how rural economies work is patchy and what applies in one area may not in another. That said, while a wide range of actions may apply in particular contexts, six points usually deserve the attention of policy-makers.

One, agriculture, like any other part of the economy, needs a supportive economic environment: one where inflation is contained at levels that allow stable expectations to be formed (15% or less annual); where exchange rates allow exporters to compete on world markets; where interest rates encourage investment in production (20% or less annual, in real terms) – and not pushed sky high by the needs of states to borrow internally. In addition, farming relies on public goods and services, hence there has to be adequate provision for such spending in public budgets.

Two, focus on markets and the demand for farm produce. This may seem too obvious to mention, but surprisingly often receives too little attention compared to supply-side issues. Farmers, and those working for them, need a clear view of market opportunities, at home and abroad, for commodities and staples as well as for the fashionable high-value produce. More attention needs to be paid to the competitiveness of different agricultural sub-sectors and systems, rather than output and yields that tends to be first point of reference at present.

This means making sure that farmers have physical access to markets. That usually implies investing in roads, or rehabilitating rail systems, and maintaining them; it also often means reforming transport operations – for example encouraging competition in road freight and getting reliable long-distance rail services.

A focus on markets also means making sure marketing chains work well: above all at the interface between the many small farmers and the traders who buy their produce. Growing crops and raising animals is one thing; ensuring a flow of consistent, good quality produce, in volume, on schedule, and with certification is another.

Three, pay attention to supply chains – for provision of seed, fertiliser and other inputs, services, and for marketing – and how they work. All too often, liberalisation in rural Africa has stumbled over market failures. Profitable investments go begging since the uncertainties over the intentions of other actors and hence the risks are too high. Solving these will require institutional innovation entailing ingenuity, experimentation, adaptation to local circumstances, and sustained engagement between facilitators and actors in the chains. These facilitators may be staff from large companies, central ministries, local government, farmer associations or NGOs.

Four, if there is a single common failing that affects farmers and others in the rural economy, it is lack of financial services – the means to save, borrow, send and receive funds over distance. This applies to all rural activity, not just agriculture. Much useful work with micro-finance has taken place during the last quarter century, mainly by NGOs; but there is much to be done to scale up and institutionalise successful cases.

Five, in some areas, particularly those densely-settled, differences between longstanding customary and recent statutory rights can create uncertainty, conflict and hinder investment. The conventional answer is to survey, title and register the land as individual freehold. But this can be costly and time-consuming, registries can quickly become out of date, and secondary – often female – and temporary rights to land may be set aside. The alternative is to look to local systems and processes that allow flexible and equitable adjudication of land claims.

Six, because so much of agriculture is specific to the geographical context, development programmes need local tailoring. The implication? Work with farmer groups on key issues such as marketing, input supply, credit, insurance, technology development and environment conservation. Encourage experimentation; and make sure that lessons are learned and publicised.

Given that governments and donors usually prefer to fund country-wide programmes with standard operations, accommodating such flexibility is a challenge. Challenge funds are one option: let farmer groups and those working with them apply for funds they need when they need them. This will also encourage competition between those who may work with farmer groups – government agencies, NGOs, private business.

While there is a plethora of other things that may be important in given cases and moments, they may need to be set aside for the moment, so we can focus on solving the first round of problems before moving to more difficult ones.

Source: Data from FAOSTAT on agriculture and World Development Indicators on manufacturing

Steve Wiggins (s.wiggins@odi.org.uk) is a Research Fellow of the Overseas Development Institute.

Overseas Development Institute, 111 Westminster Bridge Road, London SE1 7JD
Tel: +44 (0)20 7922 0300, Fax: +44 (0)20 7922 0399
Email: opinions@odi.org.uk
Website: www.odi.org.uk/publications/opinions