

World Development Report 2008

Agriculture for Development



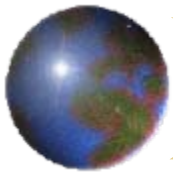
Preliminary version in progress

“75% of the world’s poor are rural and most are involved in farming. Agriculture remains a fundamental instrument for development and poverty reduction”



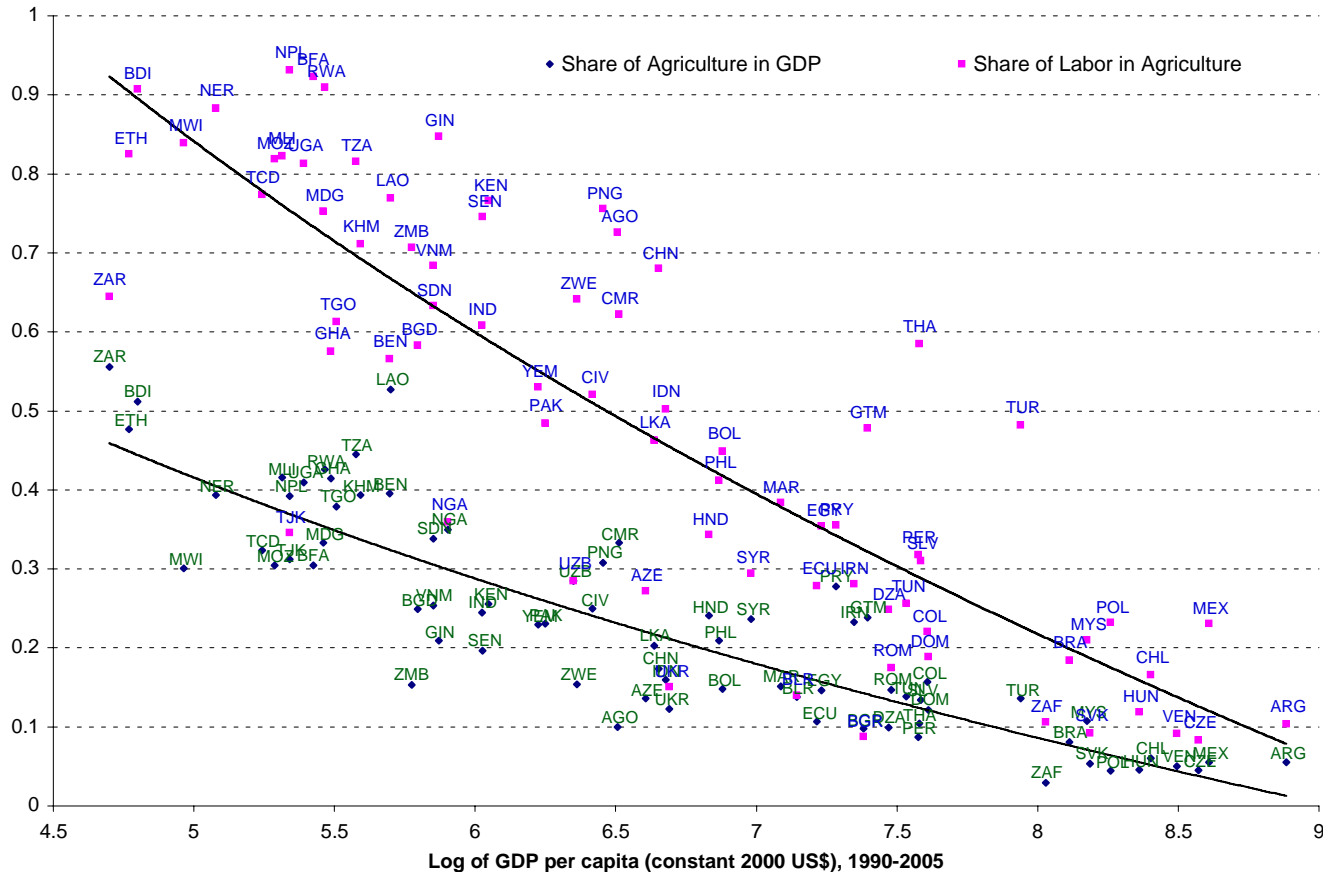
WDR 2008-Agriculture for Development Outline

1. Agriculture remains fundamental for development, and differentially by context
2. But the powers of agriculture are often under-used
3. There are new opportunities to use agriculture that open multiple pathways out of poverty
4. With new (and lingering) challenges to be addressed
5. Differentiated agendas and improved governance
6. WDR positions on emerging issues



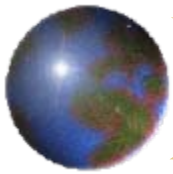
Roles: A large economic sector in poor countries

Share of Labor in Agriculture and Share of Agriculture in GDP

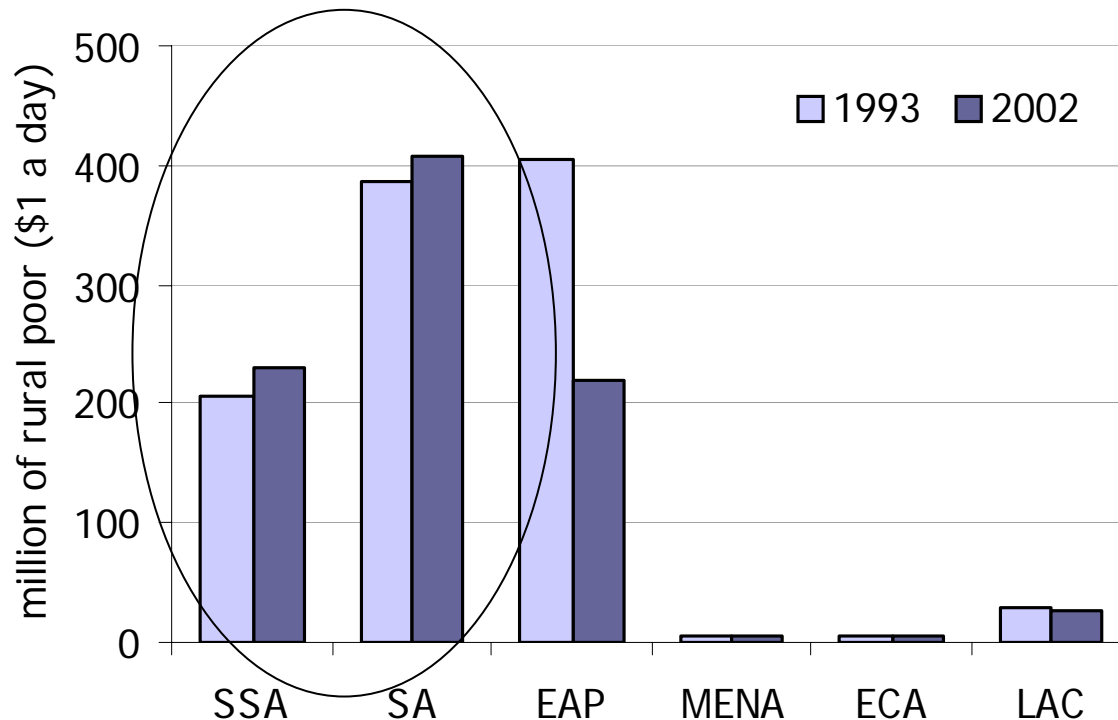


Source: World Bank, DDP, September 2006

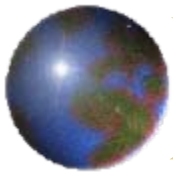
The share of agriculture in GDP can be 30-50% in poor countries;
the share in employment 60-90%



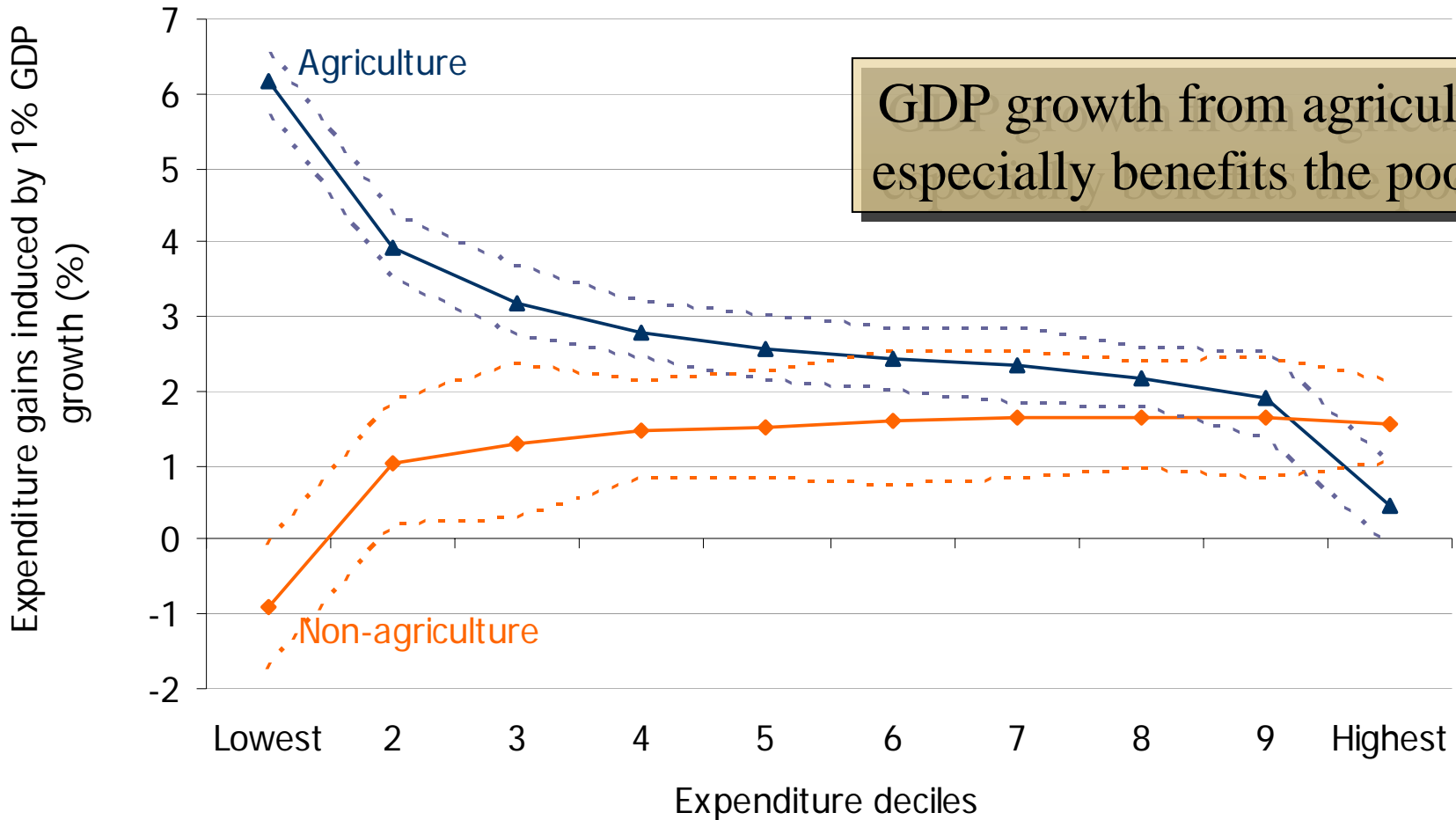
Roles: A source of livelihoods for many, but a huge reservoir of poverty

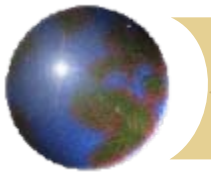


- 2.5 billion people related to agriculture, 1.3 billion smallholders
- 1.9 billion rural poor (\$2/day), 800 m extreme rural poor (\$1/day)



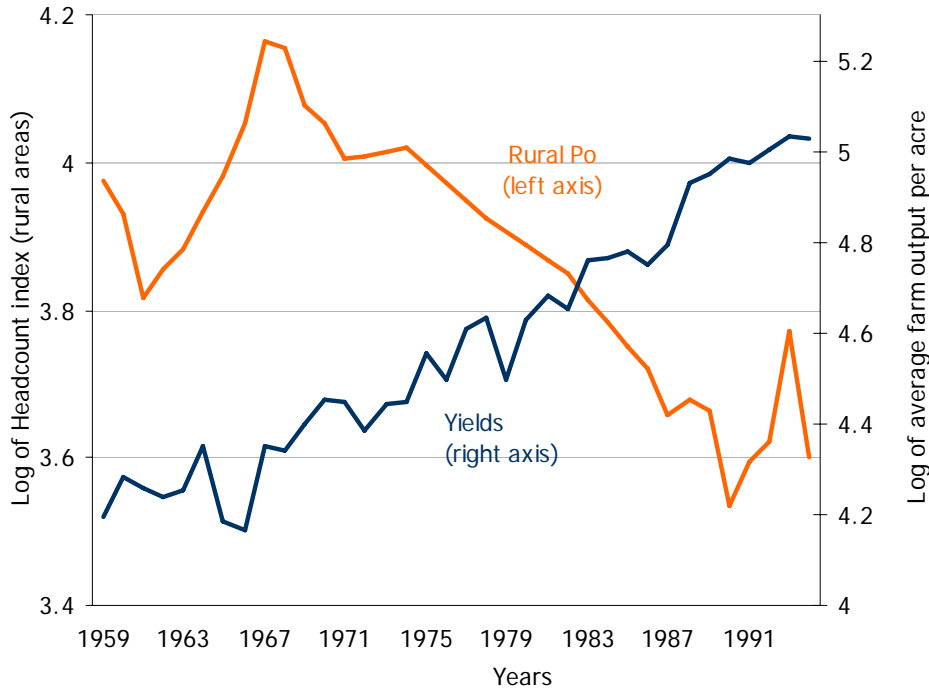
Fundamental role: Agricultural growth has unique powers for poverty reduction



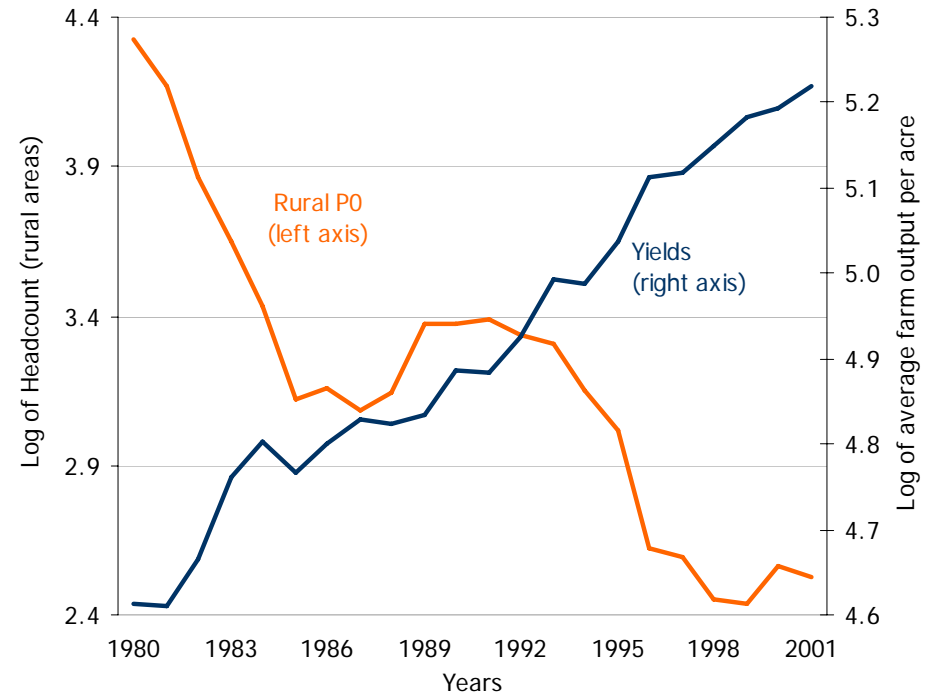


Fundamental role: Impressive successes at rural poverty reduction

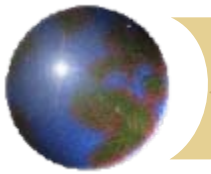
Headcount index and average farm yields
Rural India 1959-1994



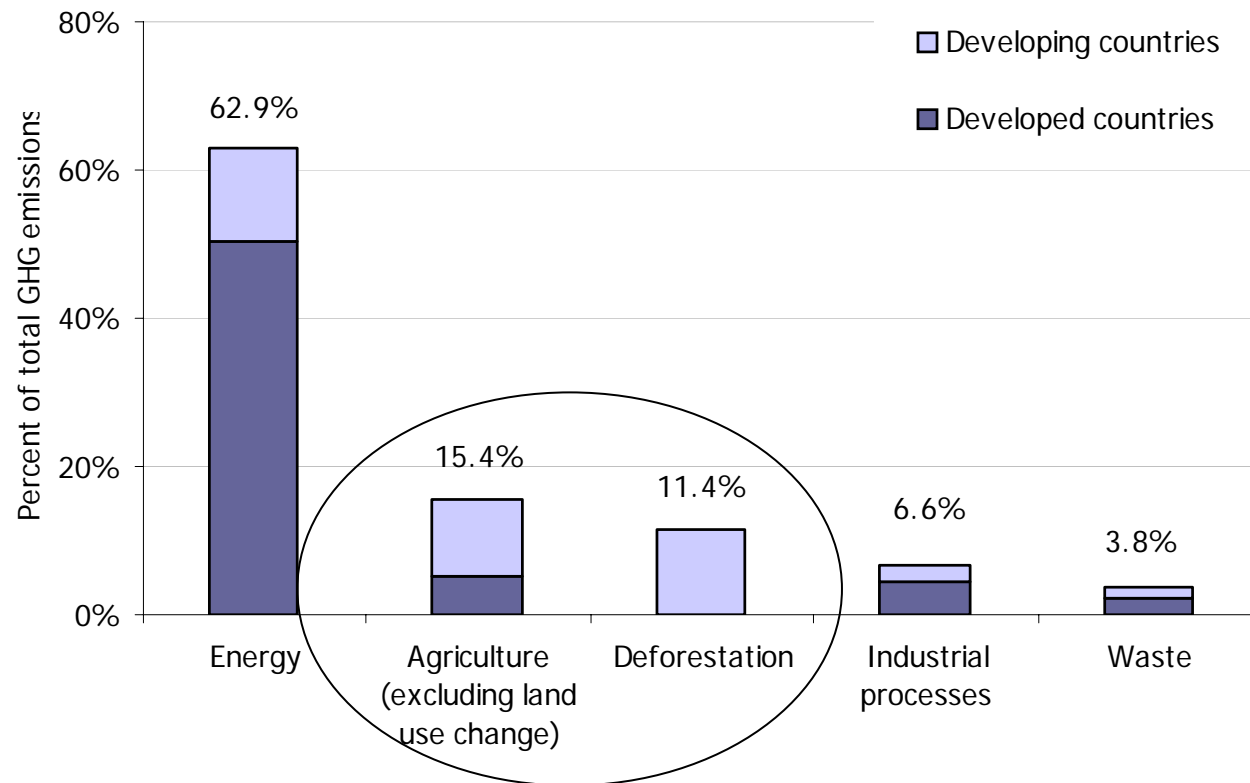
Headcount index and average farm yields
Rural China 1980-2001



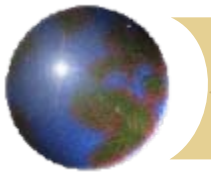
Rural poverty fell sharply in India and China as yields rose



Roles: An important user and often mis-user of natural resources



- Agriculture uses 85% of water withdrawals and causes most of deforestation in developing countries
- Contributes to global warming: 21% (up to 35%) of Green House Gases



Message 1:

The role of agriculture for development is fundamental and differs in the three worlds: growth, equality, inclusion

● **Agricultural-based countries: growth**

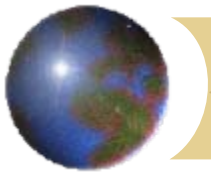
- ▣ Agriculture essential for growth: large sector, price of food with limited tradability, and comparative advantage where tradable
- ▣ Importance for poverty and food security

● **Transforming countries: equality**

- ▣ Rapidly growing nonagricultural sectors
- ▣ Agriculture key to reduce rural-urban income disparities and extreme rural poverty

● **Urbanized countries: inclusion**

- ▣ Subsectors with comparative advantage
- ▣ Include smallholders as suppliers to modern food markets and provide remunerative employment in agriculture



There is also deep heterogeneity across areas, households, and within households

- **Favored vs marginal areas**

- Agro-ecology, market access, social exclusion

- **Household heterogeneity**

- Market-oriented vs subsistence farming
- Rural non-farm enterprises—low vs. high productivity
- Labor markets—high vs low skills
- Migration—out of vs. into poverty

- **Intra-household differences**

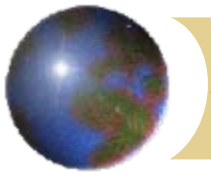
- Gender roles and decision making
- Access to assets and consumption

→ Differentiated approaches are required in enhancing the role of agriculture for development



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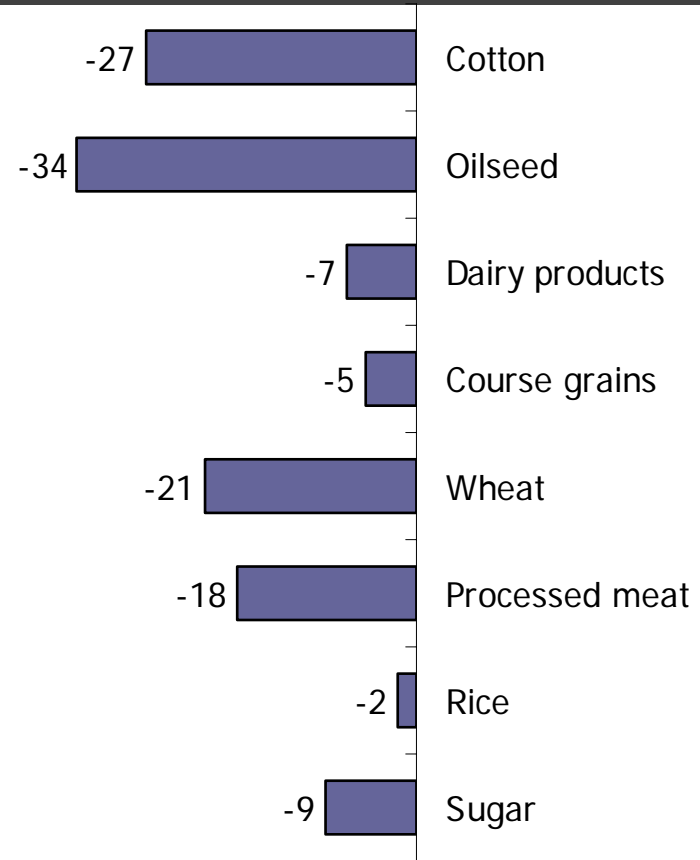


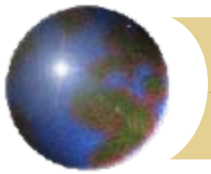
Under-use as global trade distortions remain pervasive

Real international commodity prices have been suppressed by current global trade policies
(% of price)

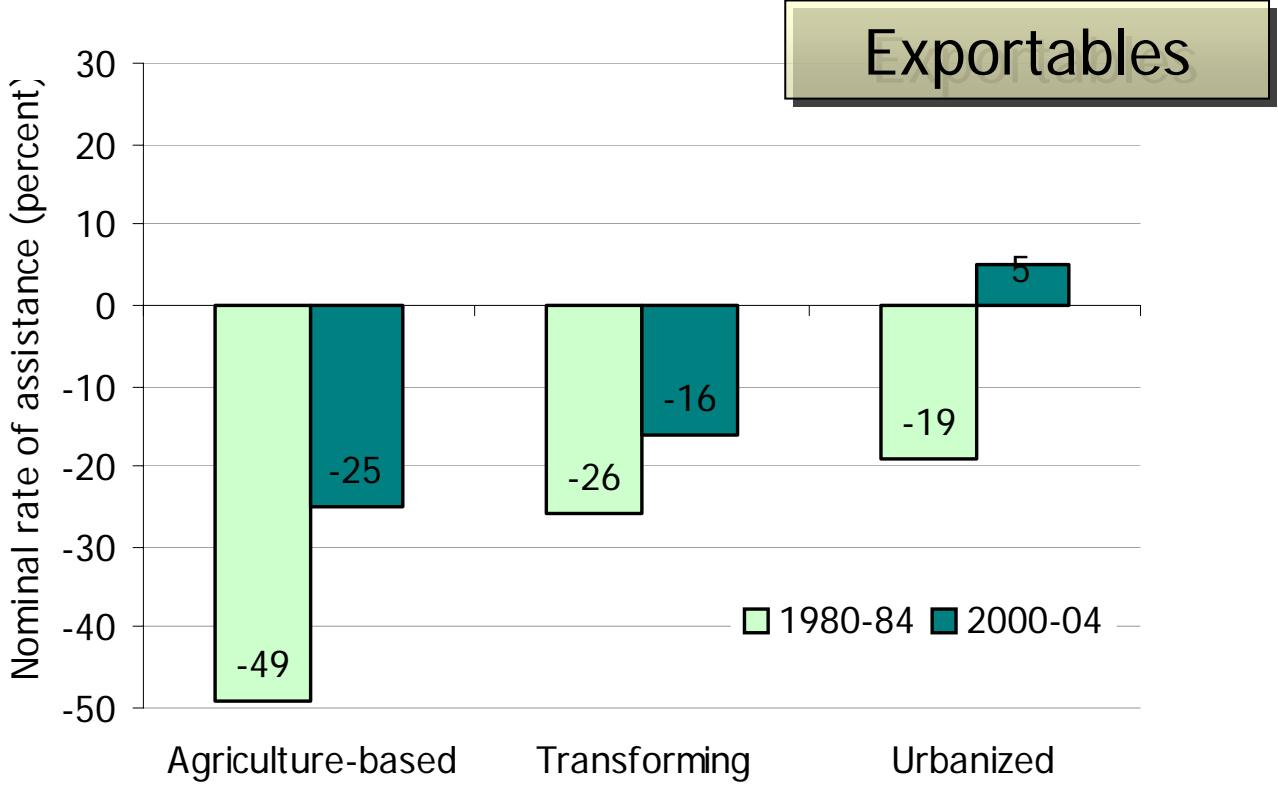


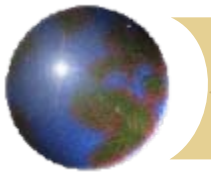
Trade share losses to developing countries due to current global trade policies
(% point loss to developing country trade shares)





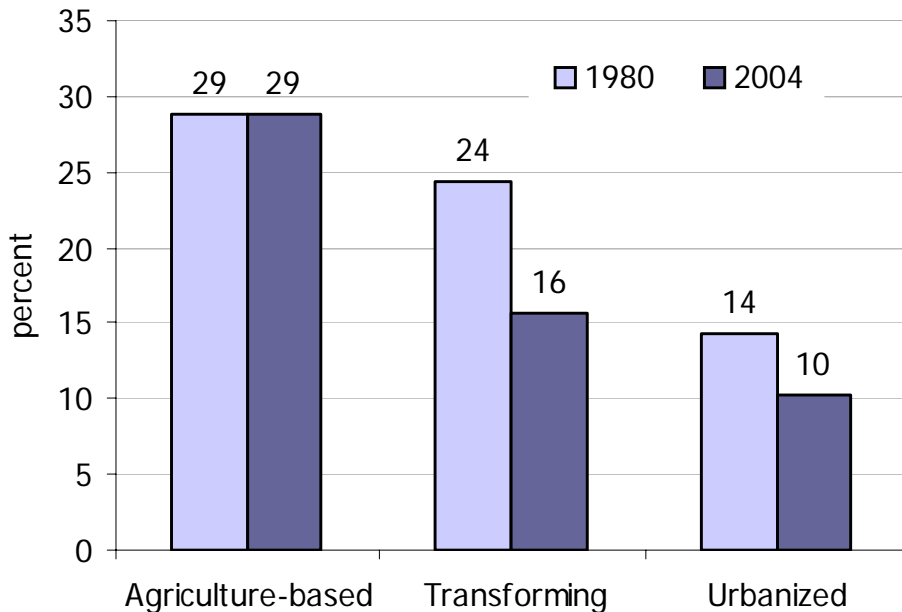
Under-use as taxation of agriculture exports remains high in the agriculture-based and transforming countries



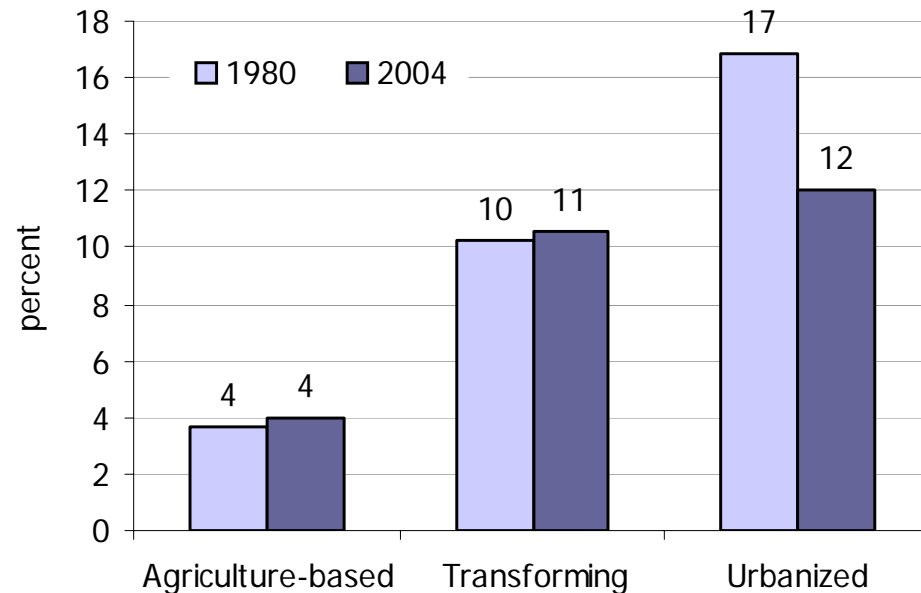


Under-use as public spending on agriculture is low in the agriculture-based countries compared to the share of agriculture in GDP

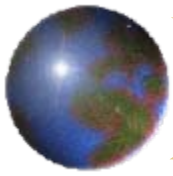
Ag GDP/GDP



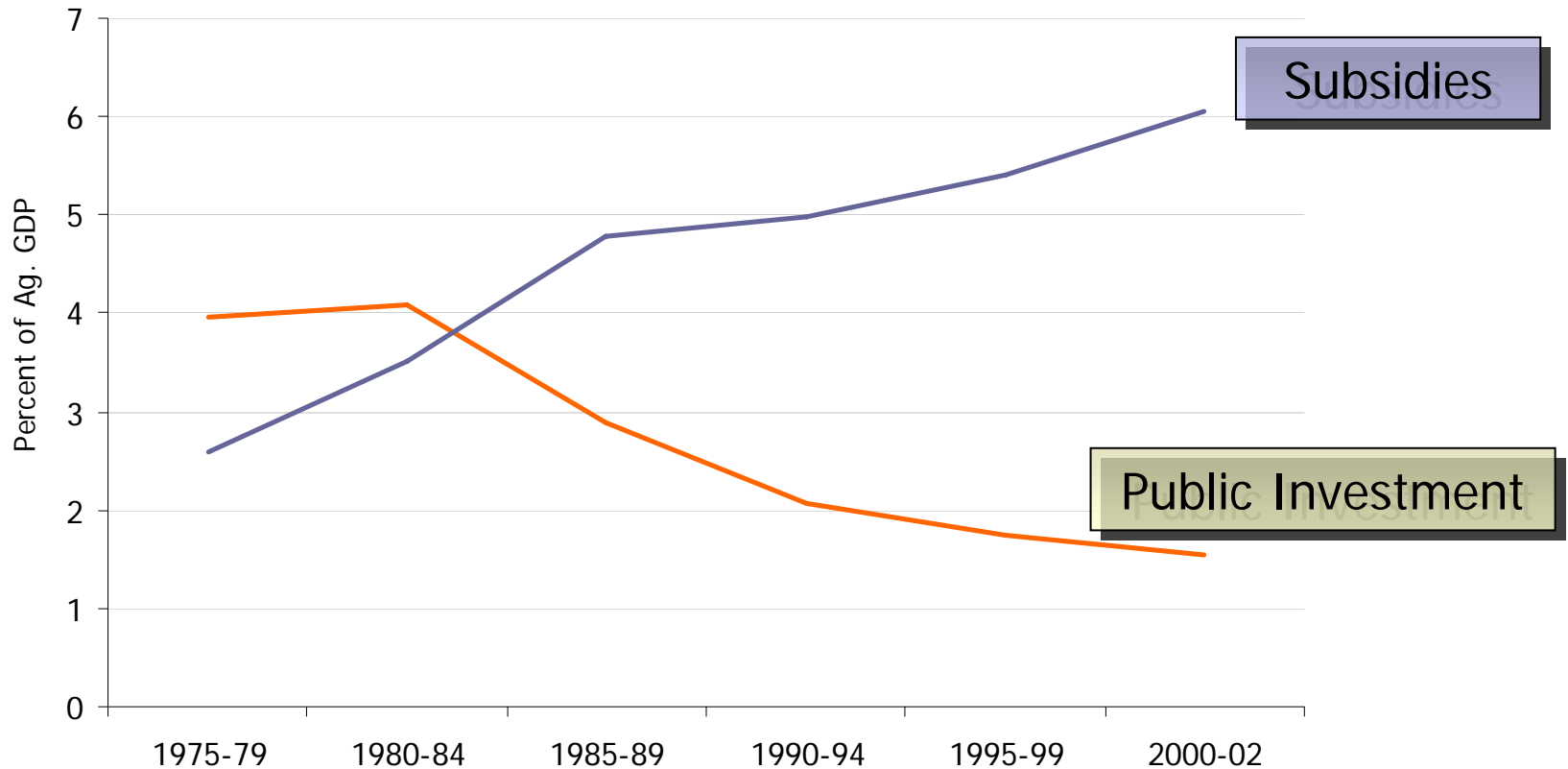
Public spending on Ag/Ag GDP

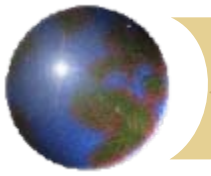


Transforming countries in 1980 had a much higher share of public spending on agriculture as a share of Ag GDP (10%) than the agriculture-based countries do today (4%) even though they had similar shares of agriculture in GDP

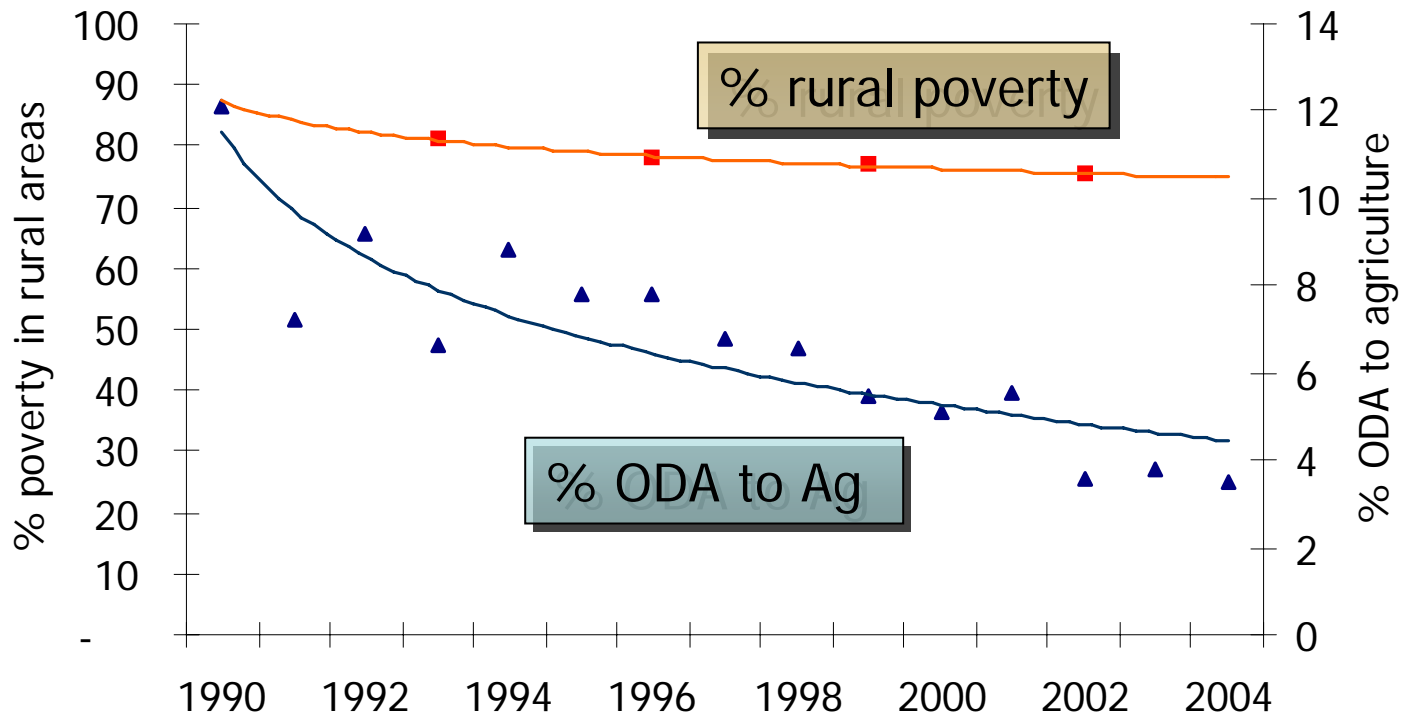


Mis-use is also pervasive: Subsidies are now four times larger than public investment in Indian agriculture





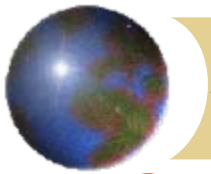
Under-use as donor support to agriculture has declined while rural poverty remained dominant



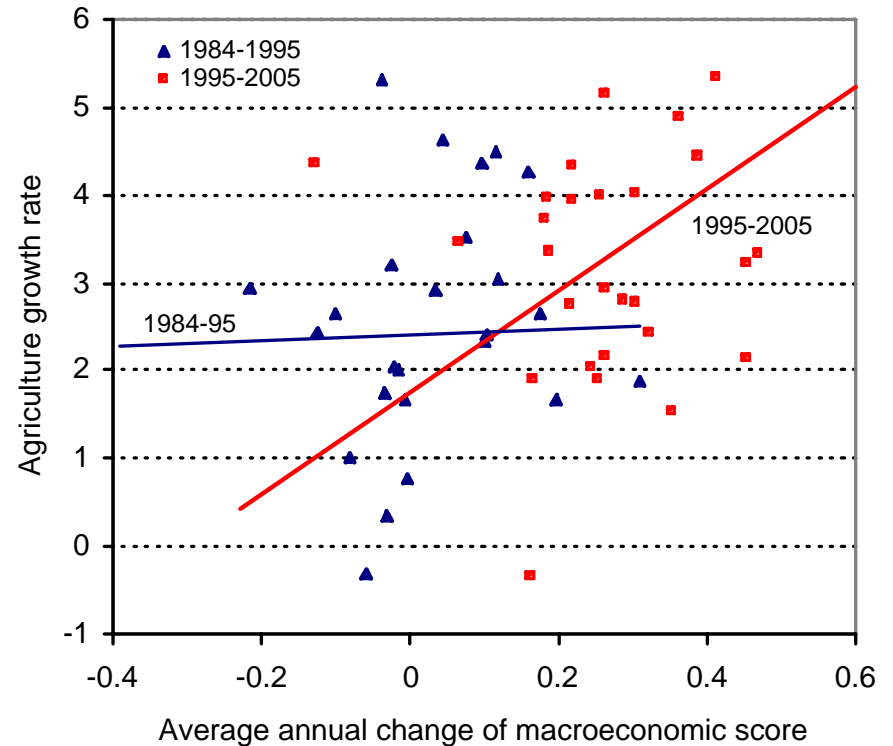
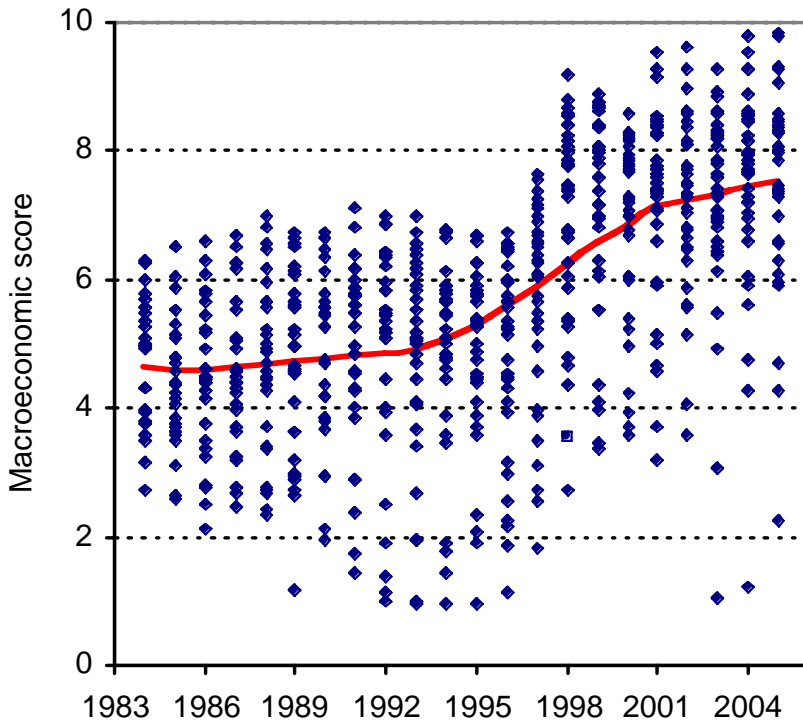


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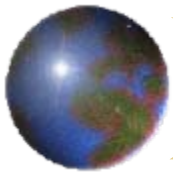
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Opportunities: Improved macro-economic conditions favorable to agricultural growth in SS-Africa

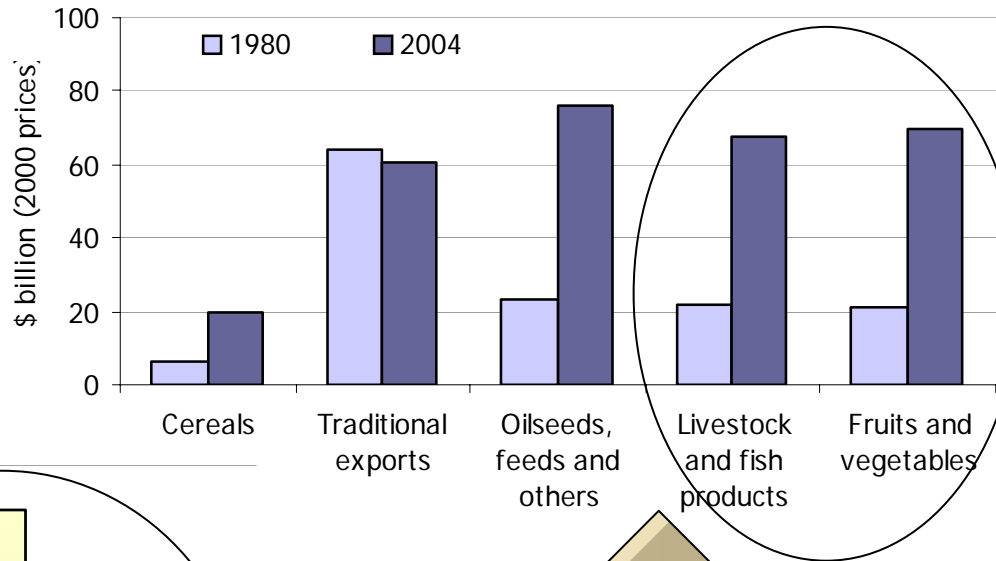


Higher agricultural growth with improved macroeconomic scores since 1995

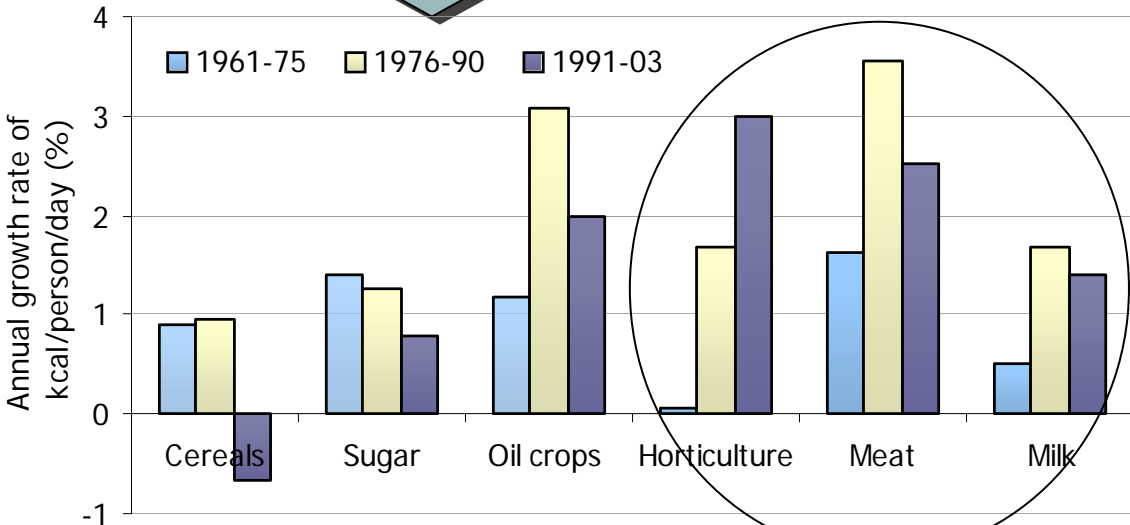


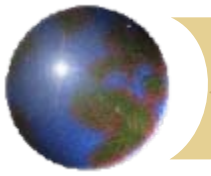
Opportunities: Demands for a new agriculture of high value products and non-traditional exports

Diets in the developing world are changing toward higher value products



Non traditional exports from developing countries are increasing in absolute values and as a share of total exports





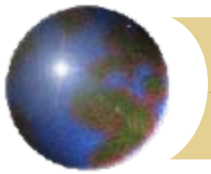
Opportunities: Institutional and technical innovations

■ **Institutional innovations**—a fertile field (with gaps)

- Land administration and markets, with use of IT
- Financial services: microfinance, use of IT
- Risk management: weather insurance
- More effective producer organizations & new approaches to extension using IT

■ **Technological innovations**—progress (with under-investment)

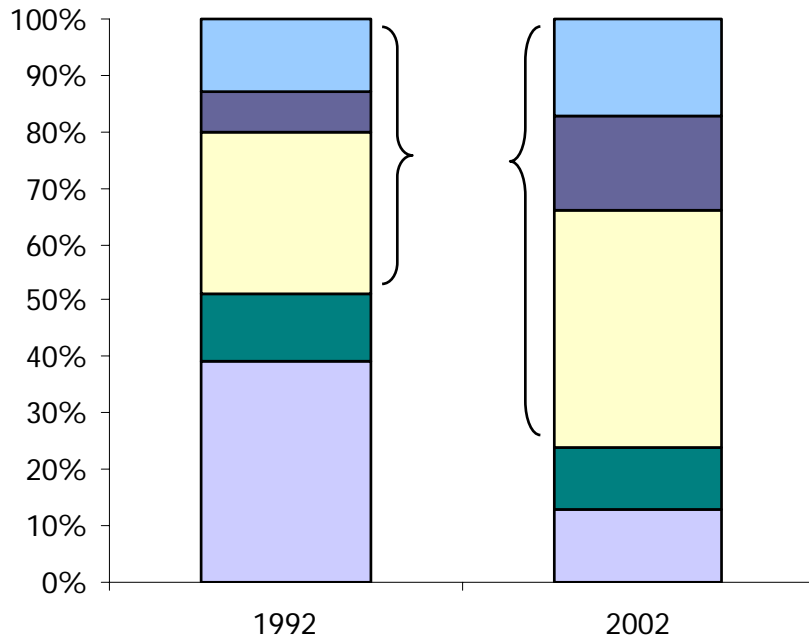
- Continued spread of improved varieties to rainfed areas and better pest resistance
- GMOs--potential but only Bt cotton widely adopted by smallholders
- Conservation agriculture--especially zero tillage
- Improved livestock and fish breeds



Expanding income opportunities in the rural non-farm economy

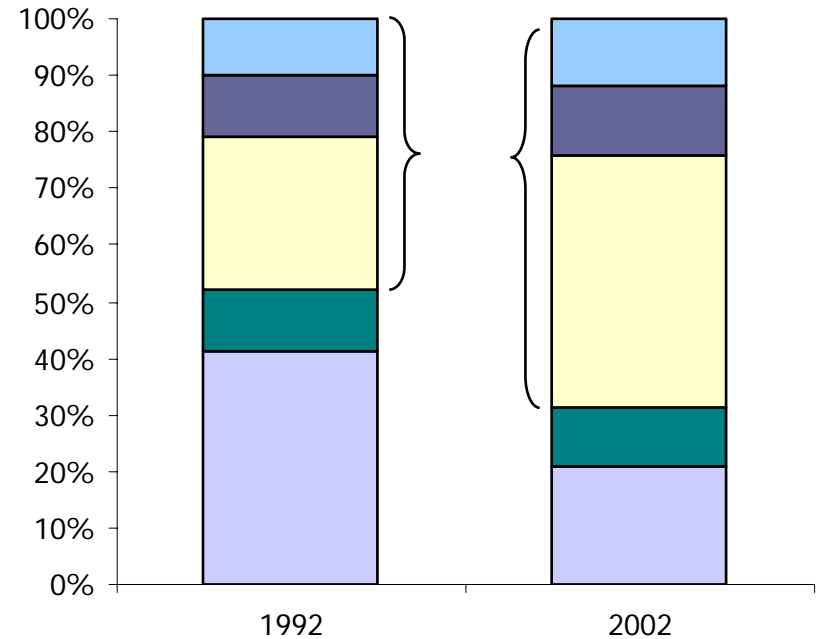
Mexico:

Sources of income rural population



Bangladesh:

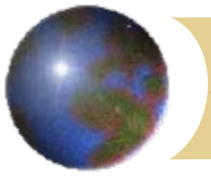
Sources of income rural population



■ Farm ■ AgWage ■ NonAgIncome ■ Transfers ■ Other

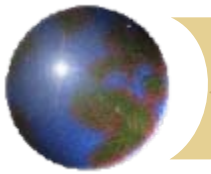
■ Farm ■ AgWage ■ NonAgIncome ■ Transfers ■ Other

Rising share of non-agricultural employment and transfers helping diversify rural household incomes



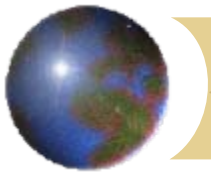
Opportunities: Agriculture for development goes beyond farming

- **Promoting rural nonfarm development**
 - ▣ Investment climate, clusters of agro-industries, entrepreneurship
- **Expanding and formalizing rural labor markets**
 - ▣ Skills, working conditions, gender inclusiveness
- **Investing for successful out-migration**
 - ▣ Manage huge population transitions
- **Providing social safety nets**
 - ▣ Safety nets for welfare and risk-taking



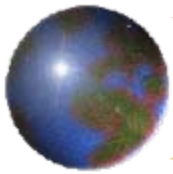
Opportunities open multiple pathways out of poverty for rural households

- **Pathways out of poverty:** not by agriculture alone
 - Farming
 - Agricultural wage employment; wage and self-employment in the rural non-farm economy
 - Migration and remittances
- Recognize important **gender dimensions** to each pathway at household level and within household labor allocation

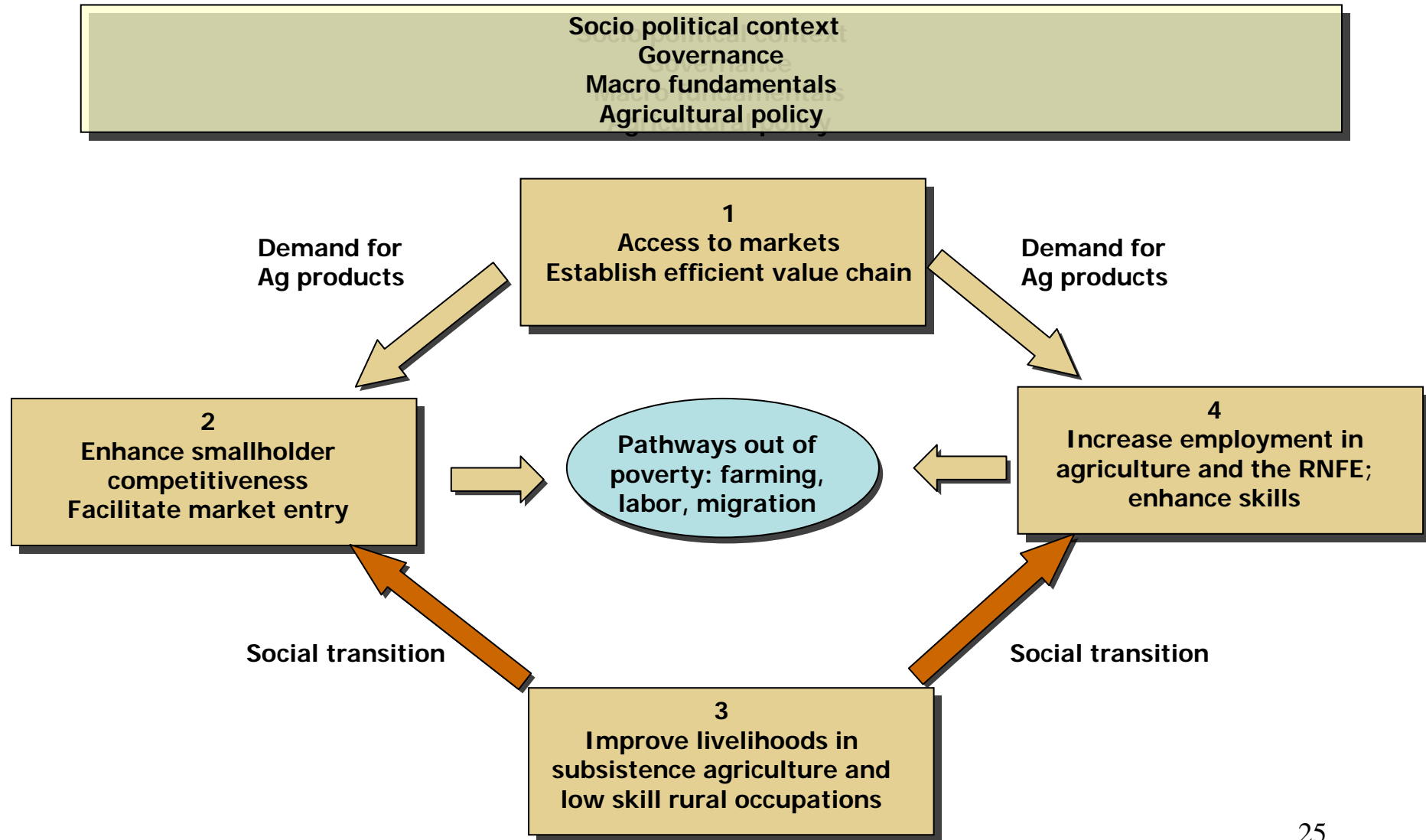


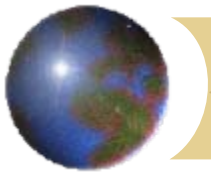
Opportunities: New actors and new roles

- **A redefined role for the state**
 - ▣ Regulation, decentralization, and partnerships
 - **Private and corporate sector**
 - ▣ Agribusiness and the supermarket revolution
 - **Civil society**
 - ▣ Rapid increase in producer organizations
 - ▣ Growing role of NGOs
 - **New philanthropy**
- ➔ **New opportunities for public-private-civil society partnerships in using agriculture for development**



From opportunities to objectives: a policy diamond





Message 2:

The new agriculture is market- and value chain-driven, opening multiple pathways out of poverty for rural households

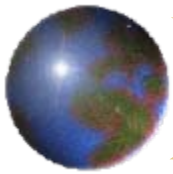
Message 3:

Livelihoods and food security for poor rural populations can be improved by developing more resilient farming systems, facilitating market entry, and improving skills

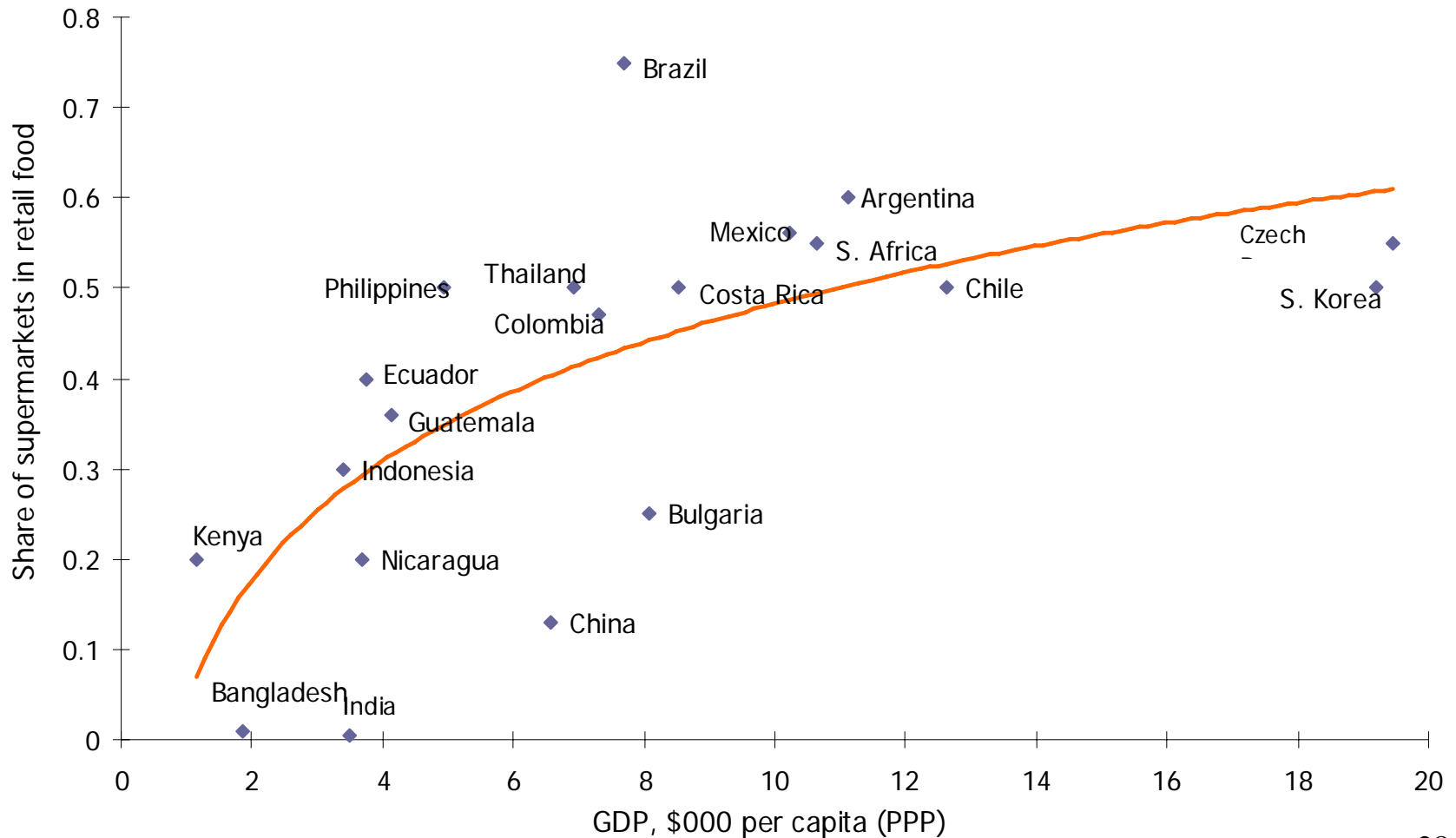


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Rise of supermarkets: A challenge for the inclusion of smallholders

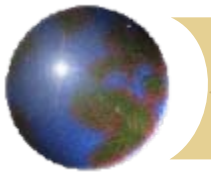




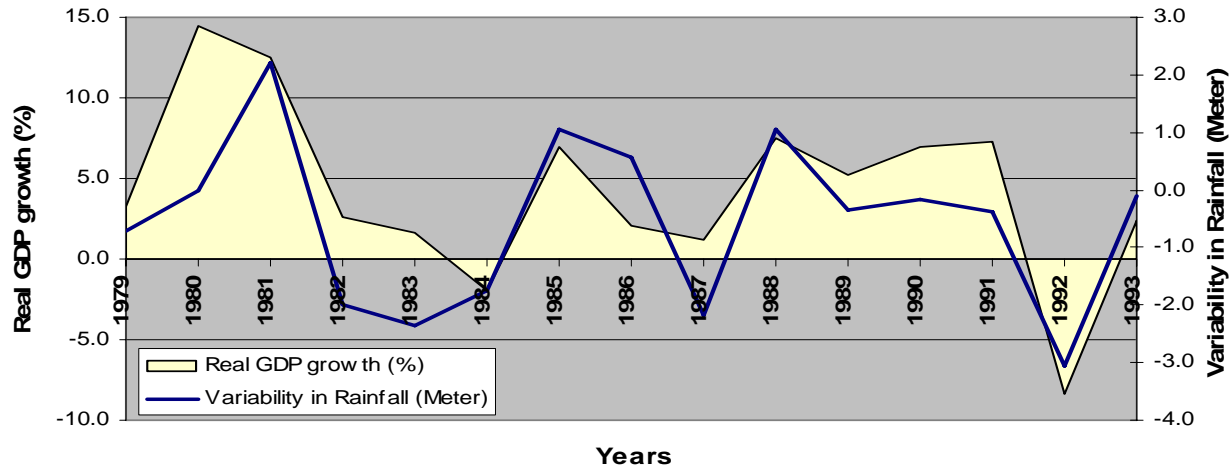
Message 4:

Reducing agriculture's large environmental footprint is an inevitable requirement for success, and providing environmental services one of the development contributions of agriculture

Key for this are removing perverse **input subsidies**, better definition of **property rights**, wider use of conservation **technologies**, **devolution** to communities of control over common property resources, and developing markets for **environmental services**



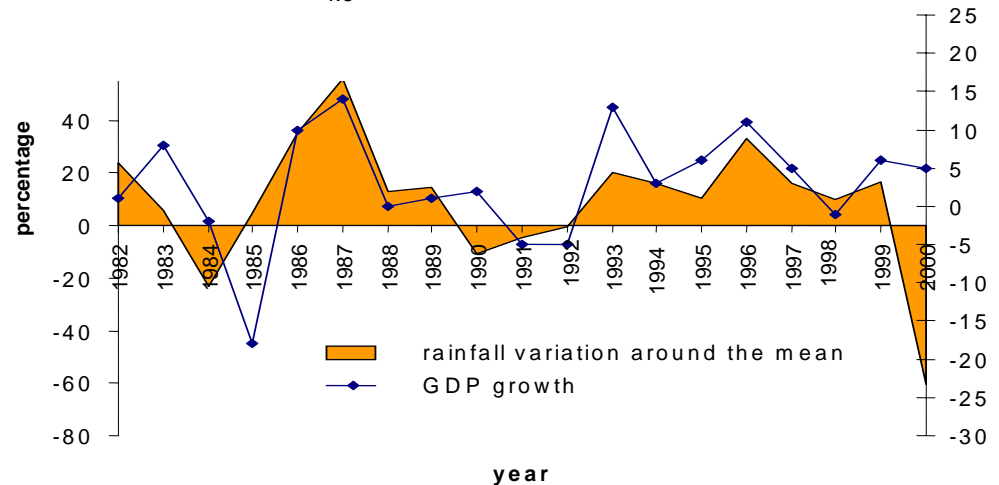
The rising cost of climatic instability on agriculture-based countries must be urgently addressed



Zimbabwe 1978-1993

Rainfall & GDP growth

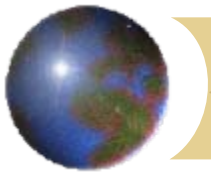
Ethiopia 1982-2000





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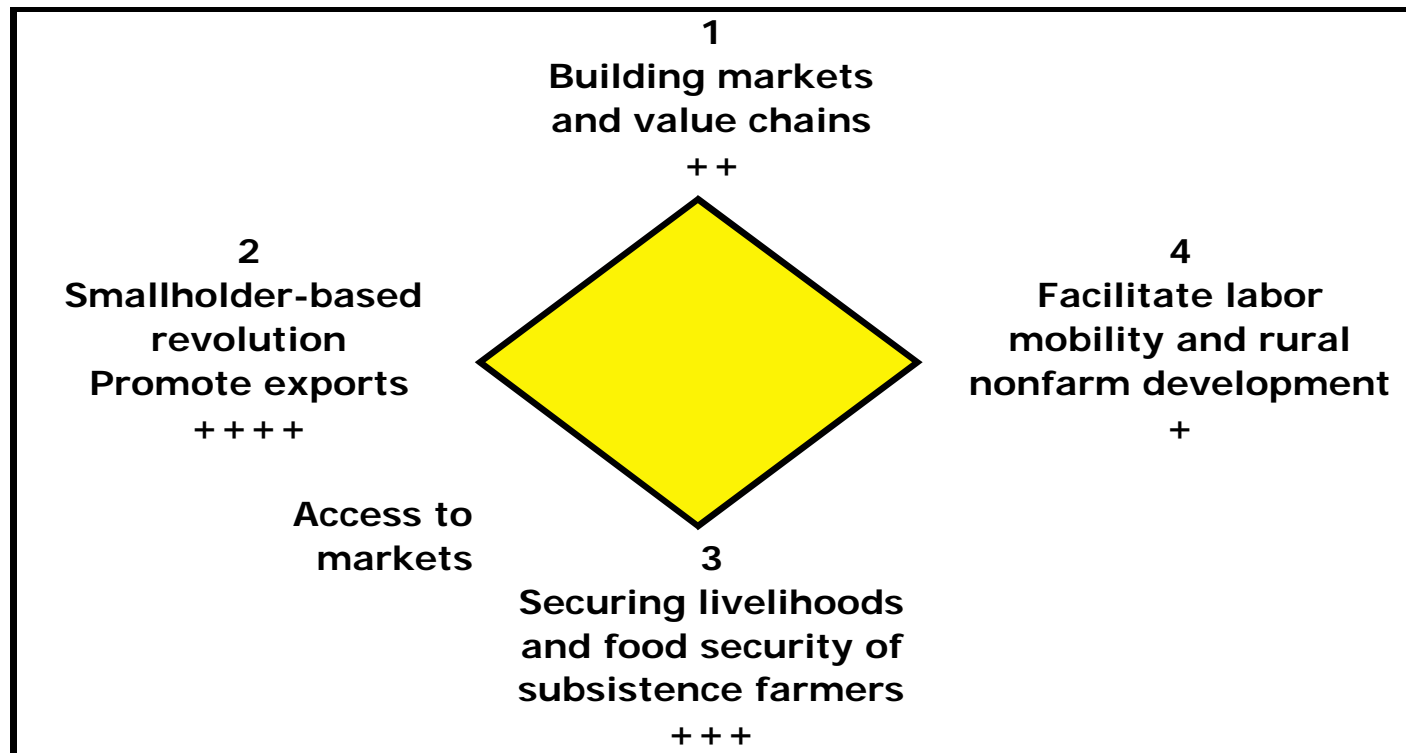
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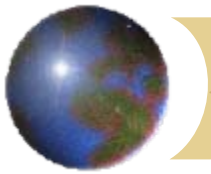
Agenda for agriculture-based countries (SS-Africa): agriculture for growth

Structural features

- Diverse local conditions
- Small and landlocked countries
- Low population density
- Deficits in human resources
- Limited food tradability
- Some foreign exchange constraints



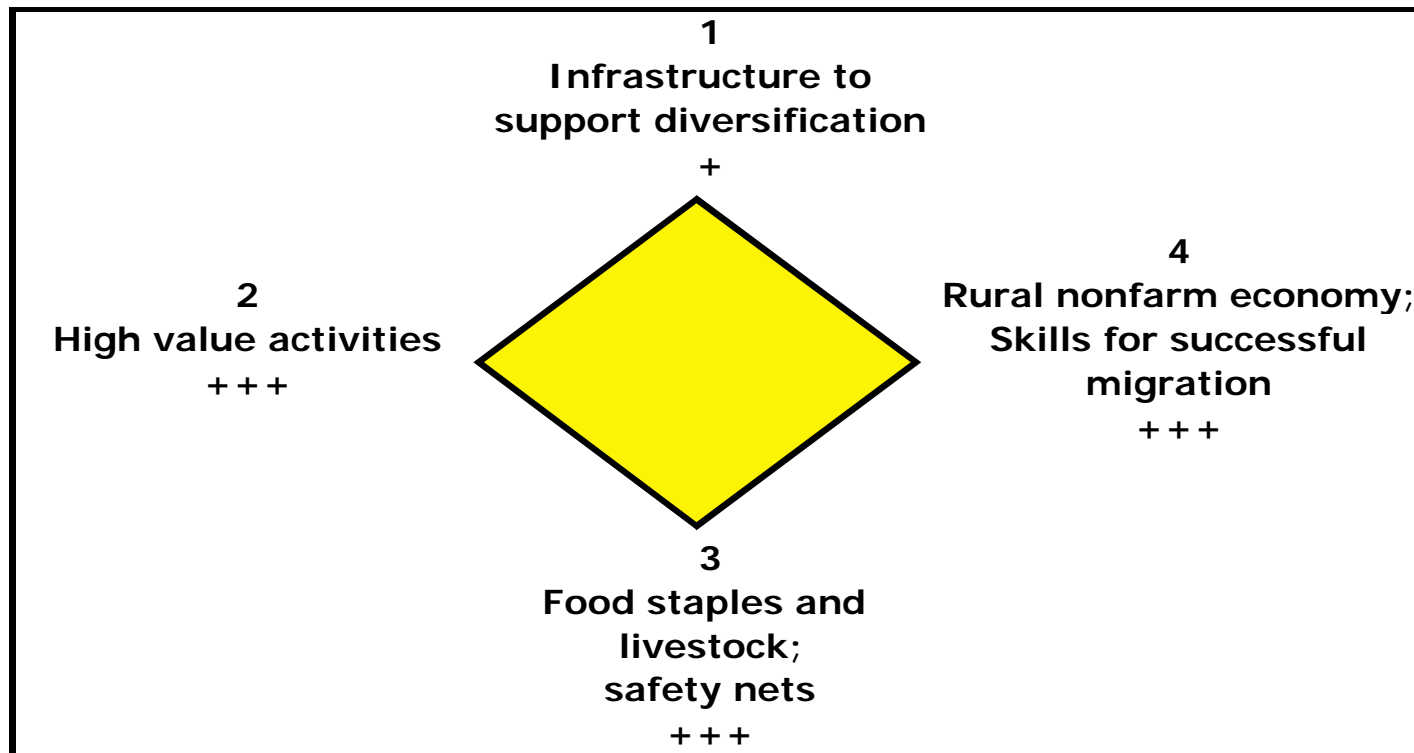
Policy diamond for agriculture-based countries



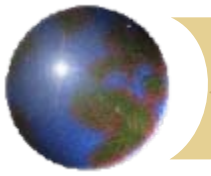
Agenda for transforming countries (Asia, MENA): agriculture to reduce disparities

Structural features

Demographic pressures
& declining farm sizes
Water scarcity
Lagging areas
Political economy of
ag policies



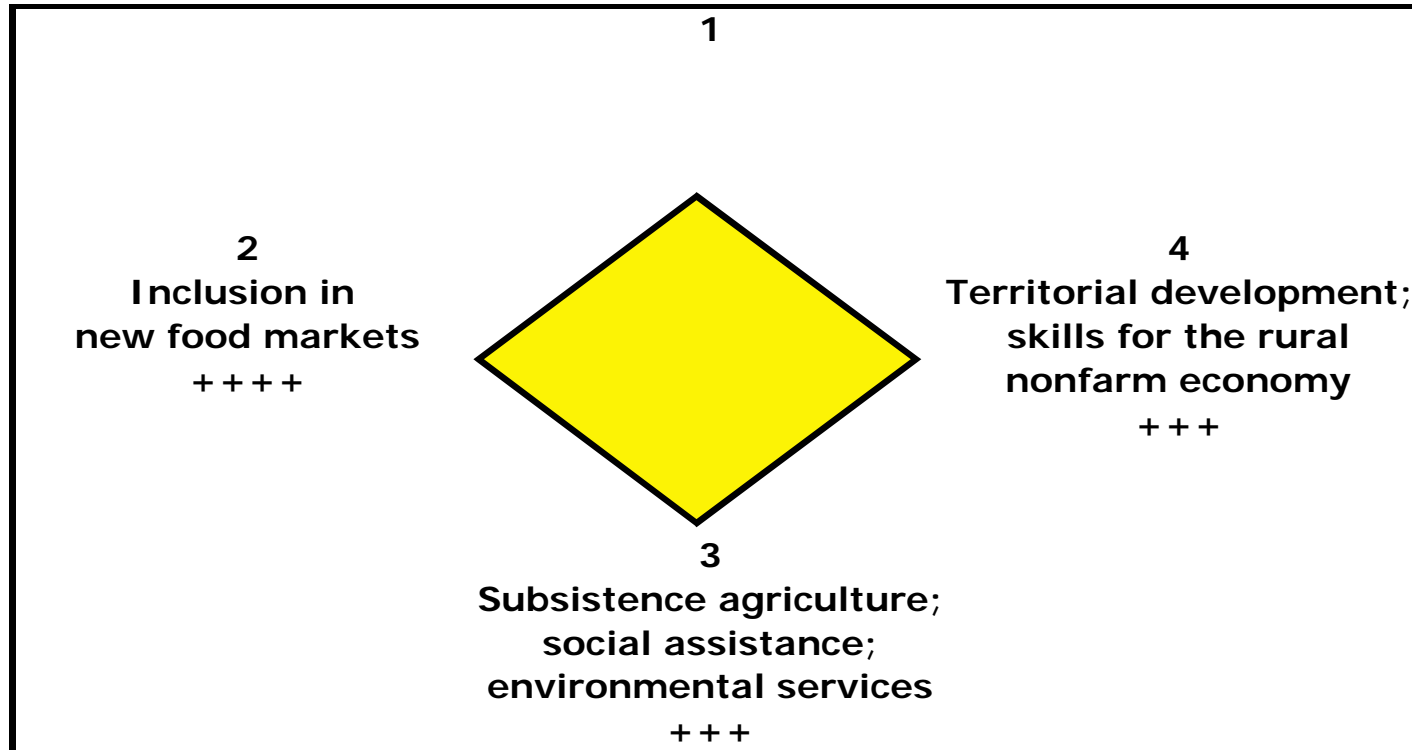
Policy diamond for transforming countries



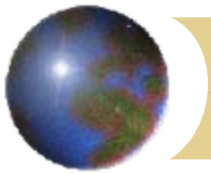
Agenda for urbanized countries (LAC, ECA): agriculture for social inclusion and jobs

Structural features

Supermarket revolution
Resilient rural poverty &
high inequality
Weak governance for
agriculture



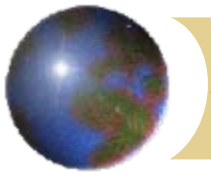
Policy diamond for urbanized countries



Improving governance to implement agriculture-for-development agendas

- **Double weakness of governance as a hurdle**
 - Governance weakest in agriculture-based countries
 - Governance weak in agriculture vs other sectors
 - Global governance needed for successful national agendas
- **Improving governance at national, local, and global levels**
 - National and local: Inter-sectoral coordination, Min of Ag., decentralization
 - Global: Coordinate sectoral agencies for complex and inter-related issues (trade, climate change, diseases, IPGs)
 - New corporate and philanthropic actors

Message 5: Using agriculture for development requires fixing the current serious deficiencies in local, national, and global governance for agriculture



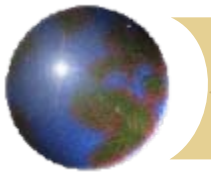
Managing the political economy of agriculture-for-development agendas

- **Political management** of regressive subsidies, price distortions, and restrictive trade policies
 - ▣ Roles of information, decentralization, new actors
- **Coalitions of interests** on specific policies
 - ▣ Winners and losers: role of dealmakers
- Need to explore potential **pathways to reform**
 - ▣ Role of second best instruments and of sequencing



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WDR positions on emerging issues

● **Doha must progress**

- Emphasis on anti-poor policies such as cotton subsidies
- But even more important is to introduce complementary supporting policies for investment and smallholder response

● **Food staples (special products) may need protection but only as part of transition strategies**

- Recognize gainer-loser tradeoffs especially for the poor by country
- And only use as clear transition policies at best

● **Subsidies can be used to trigger change**

- “Market smart” subsidies can be needed to assist learning and promote market development when there are economies of scale



WDR positions (cont.)

- **Public investment in agriculture must increase**
 - ▣ Especially in Africa, but emphasize quality first
- **GMOs have unrealized potential for the poor**
 - Offer promise but need public R&D (or private incentives) and efficient regulatory frameworks
 - ▣ IPRs are not the immediate constraint, but innovative formulas are needed to build capacity for the future
- **Biofuels will be important, but require caution**
 - ▣ Improve efficiency, and recognize food and environmental tradeoffs
- **Climate change requires immediate attention**
 - ▣ Urgency of funding adaptation for poor countries
 - Extend carbon financing to provide agriculture incentives

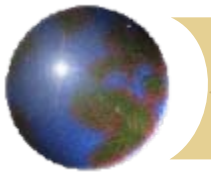


Development of WDR: used a collaborative approach to raise issues, suggest an approach.

Follow up on WDR: pursue a collaborative effort to customize and implement.

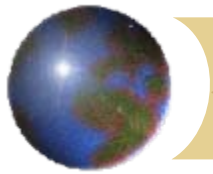
Thank you

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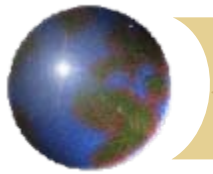
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APPENDIX TABLES



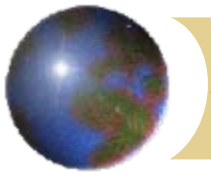
WDR chapter outline

1. Growth and poverty in agriculture's three worlds
2. Agriculture's performance, diversity, and uncertainties
3. Rural households and their pathways out of poverty
4. Realizing gains from trade, price, and subsidy policy reforms
5. Bringing agriculture to the market
6. Supporting smallholder competitiveness through institutional innovations
7. Innovating through science and technology
8. Making agricultural systems more environmentally sustainable
9. Moving beyond the farm
10. Emerging national agendas for agriculture's three worlds
11. Strengthening governance, from local to global



Short focus sections

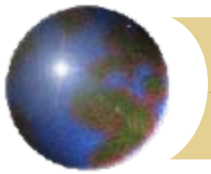
- ❑ Declining rural poverty has been a key factor in aggregate poverty reduction
- ❑ What can biofuels do for agriculture and the environment?
- ❑ What are the links between agricultural production and food security?
- ❑ Agribusiness for development
- ❑ Capturing the benefits of GMOs for the poor
- ❑ Adaptation and mitigation of climate change in agriculture
- ❑ Education and skills for rural development
- ❑ The two-way links between agriculture and health



Characteristics of the three worlds

	Agric-based	Transforming	Urbanized
Rural population (million)	417	2,220	255
Agriculture GDP growth rate*	4.0	2.9	2.2
Non Agriculture GDP growth rate*	3.5	7.0	2.7
Agricultural % of GDP growth	32	7	5
Number of poor (\$1/day)	170	592	32
% of rural poor in total	70	81	45

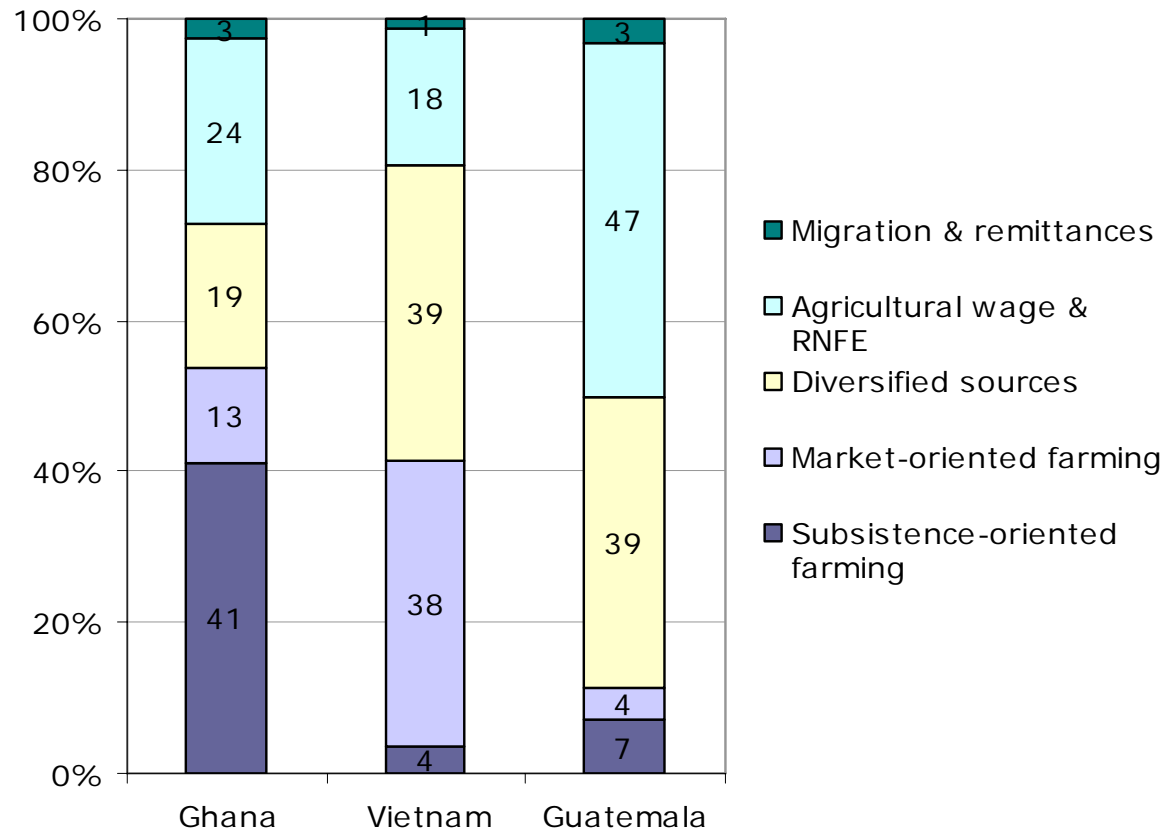
*Growth rates correspond to the 1993-2005 period

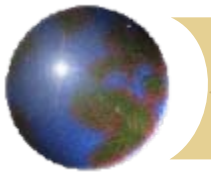


Heterogeneity across smallholders:

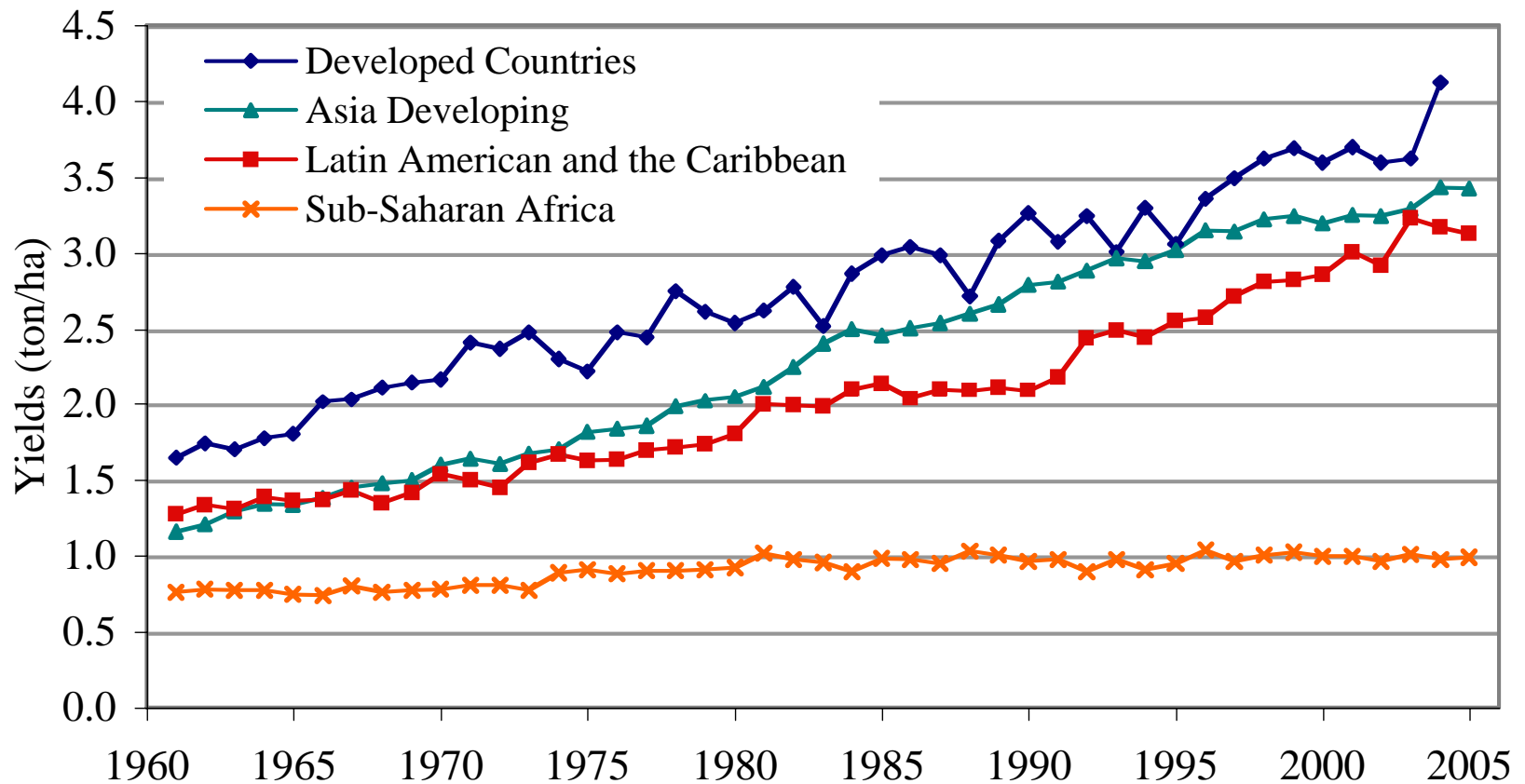
Sources of household income differ by country context

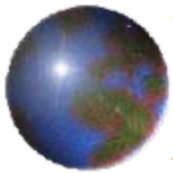
- Subsistence farming high in Ghana
- Market-oriented farming and diversification high in Vietnam
- Non-farm incomes and diversification high in Guatemala





Technological innovations: Sustained gains in yields, but falling behind in Sub-Saharan Africa

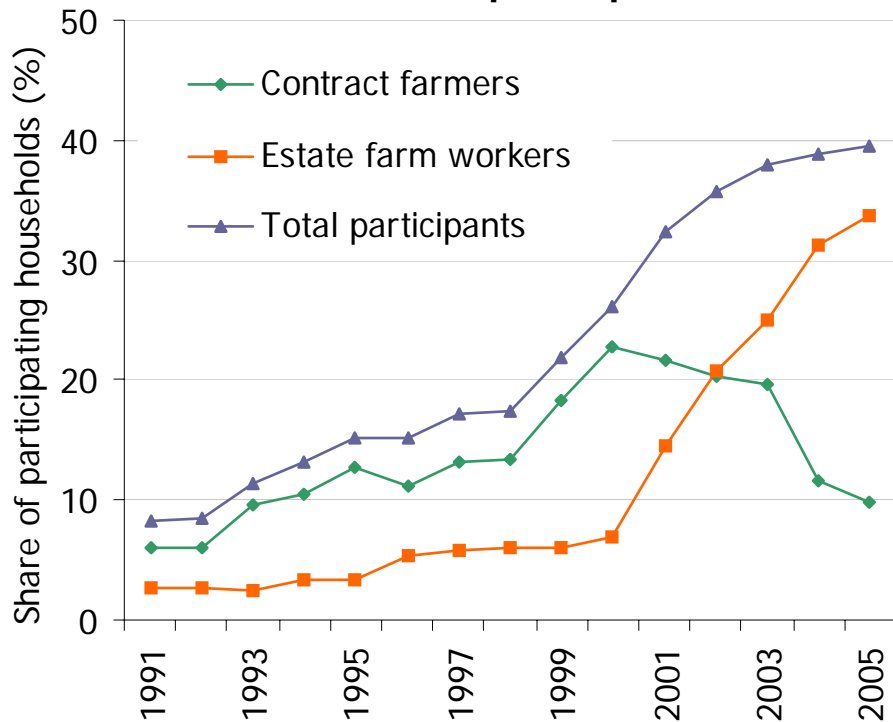




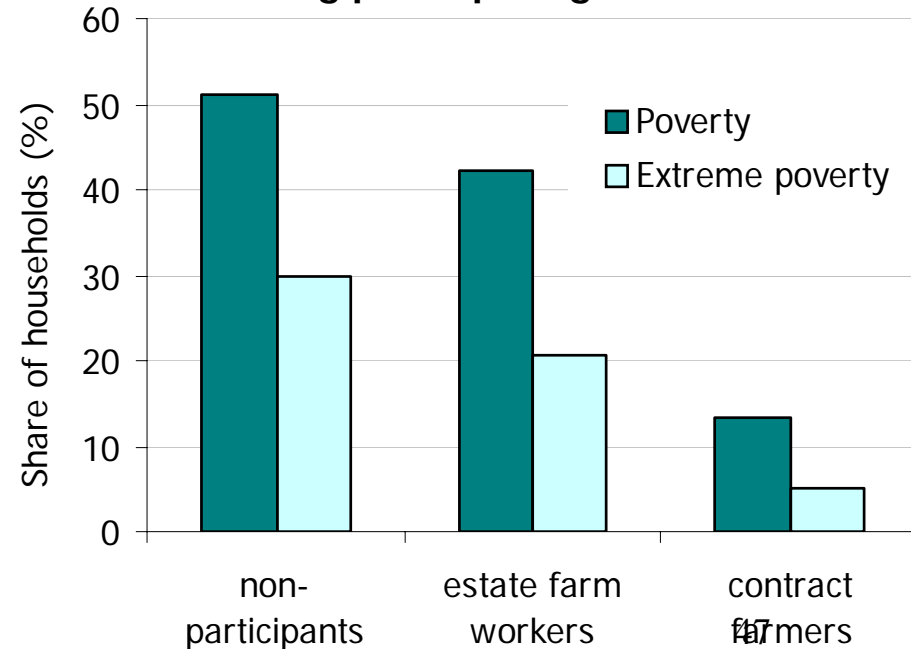
Smallholder inclusion and employment as two options for rural poverty reduction

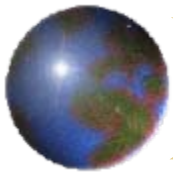
Green bean export production in Senegal:
Participants – whether as contract farmers or as farm workers in estates – had higher income than non participating households

Household participation



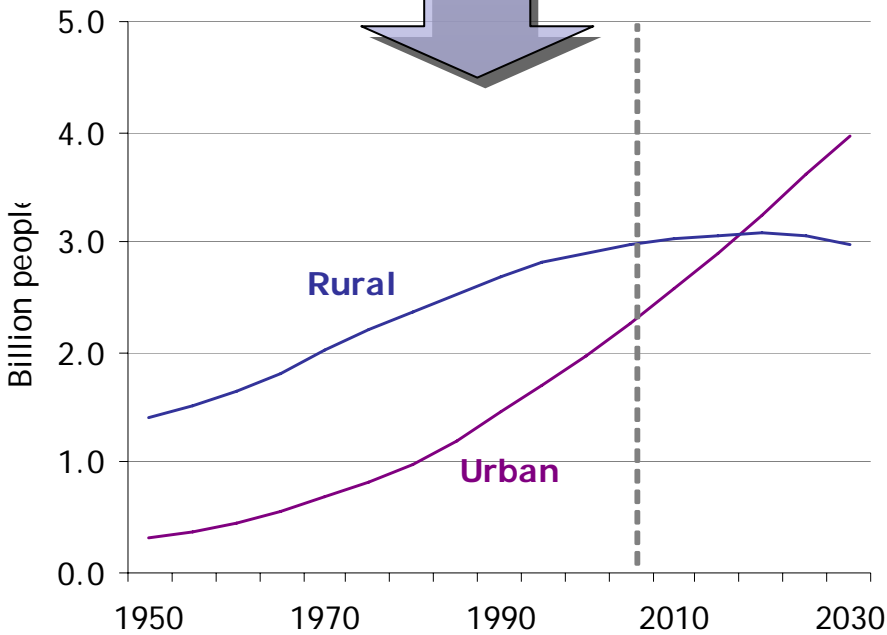
Incidence of poverty and extreme poverty among participating households



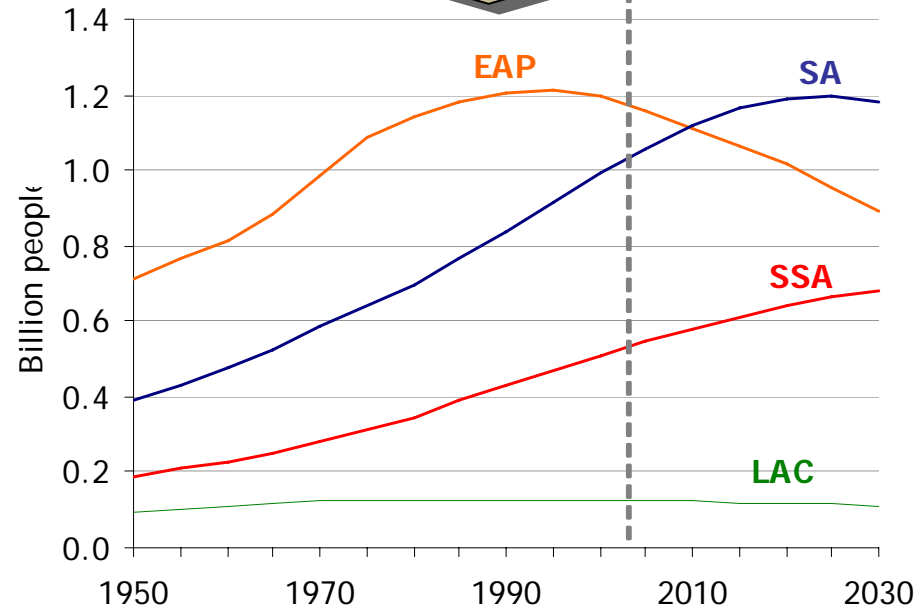


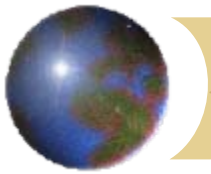
Agricultural population transitions: the need to prepare surplus populations

Population in developing countries will remain predominantly rural until 2020

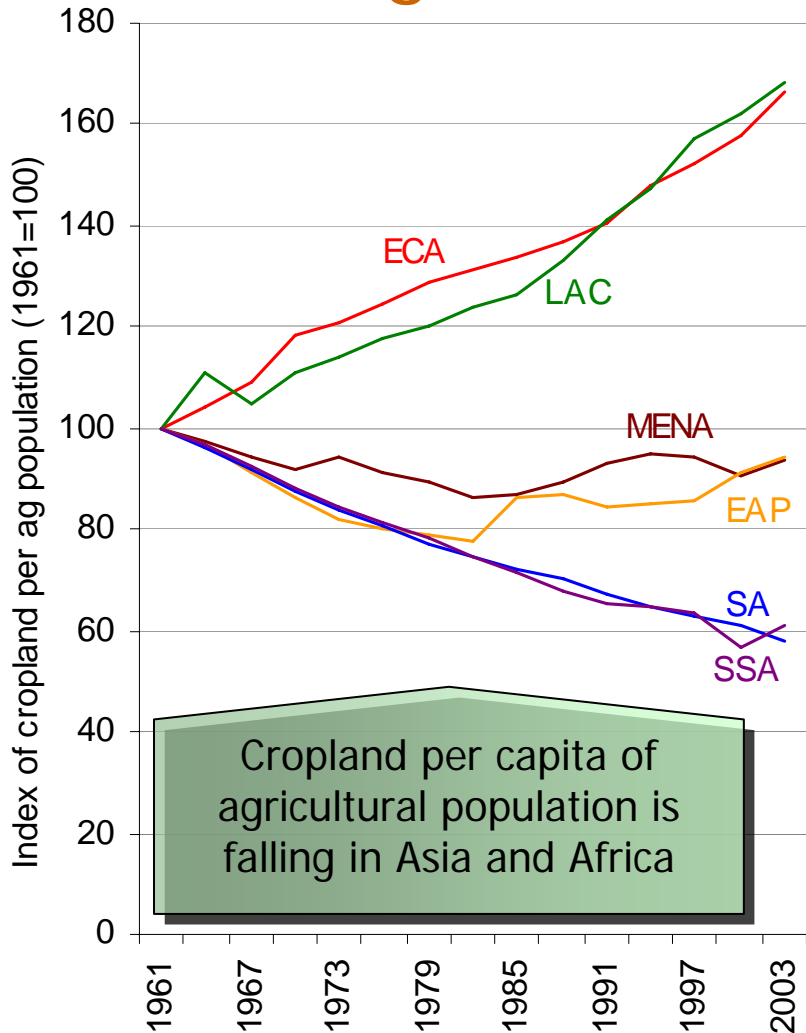


Rural population has been declining in Latin America and East Asia since 1995 due to slower population growth and rapid urbanization





The increasing land and water constraints on agriculture must be addressed



Water scarcity affects millions in Asia and over 60 percent of population in the Middle East and North Africa

