Sustaining and Accelerating Africa's Agricultural Growth Recovery in the Context of Changing Global Food Prices

Ousmane Badiane

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Starting in the mid-1990s, Africa embarked upon its longest period of sustained, positive per capita income growth since the 1960s. This growth recovery has made a dent in poverty and holds out hope that a number of African countries may reach the Millennium Development Goal targets for poverty and food security (MDG 1), if not by 2015, then within the following few years. Agricultural growth has been, and will remain, key to reducing poverty and hunger in Africa. To significantly reduce poverty, Africa needs to sustain, broaden, and accelerate its recent growth performance and boost its investments in agriculture. The recent spike in global food prices represents an opportunity that could support further agricultural sector growth in Africa. The unfolding financial crisis, on the other hand, could have the reverse effect, especially if it leads to lower investments in the sector.

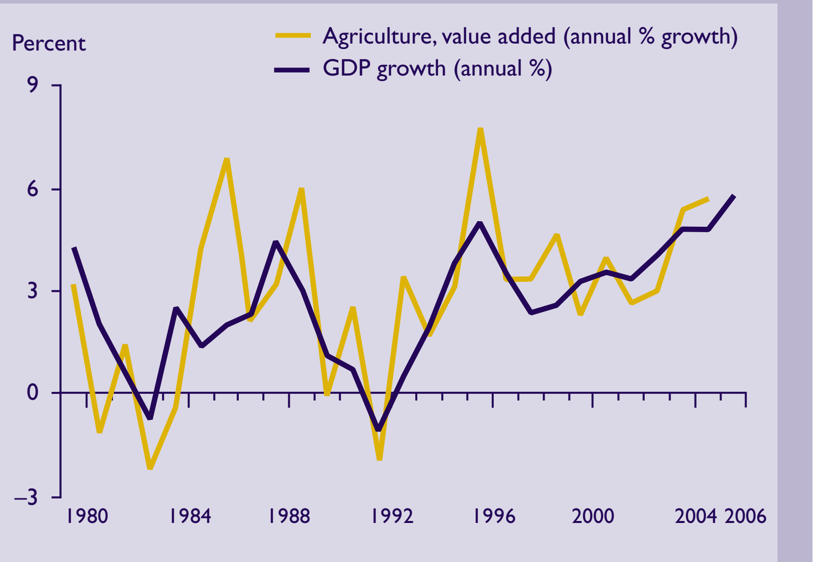
Africa's Growth Recovery

Africa has undergone a remarkable economic and agricultural recovery in the past 10–15 years. Average growth rates of gross domestic product (GDP) as well as agricultural production have risen steadily and have now reached 6 percent a year (Figure 1). Per capita food production has also recovered from its decline during the preceding two decades. Total agricultural factor productivity has shown a similar reversal, growing by 50 percent since the late 1980s. Moreover, African exports have become more competitive in international agricultural markets, reflecting the continent's strong overall economic and agricultural growth performance. Since 2001, the growth rates of African exports—in volume as well as in value terms—have exceeded the world average. As a consequence, Africa's share in the agricultural export market, which began to decline in the early 1970s, has now stabilized at between 2 and 3 percent and may even be trending upward again, although it is still well below the 8 percent mark of the late 1960s.

More importantly, the economic and agricultural growth recovery is not just accelerating, but also spreading to more countries. In 2001–03, only five countries—Angola, Mali, Mozambique, Namibia, and Sudan—exceeded the target agricultural growth rate of 6 percent set by the Comprehensive Africa Agriculture Development Programme (CAADP). By 2003–05, that number had grown to nine countries: Angola, Burkina Faso, Republic of the Congo, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Nigeria, and Senegal. Several other countries were close behind. Overall, between 2003 and 2005, 13 countries in Sub-Saharan Africa achieved annual agricultural growth rates greater than 5 percent.

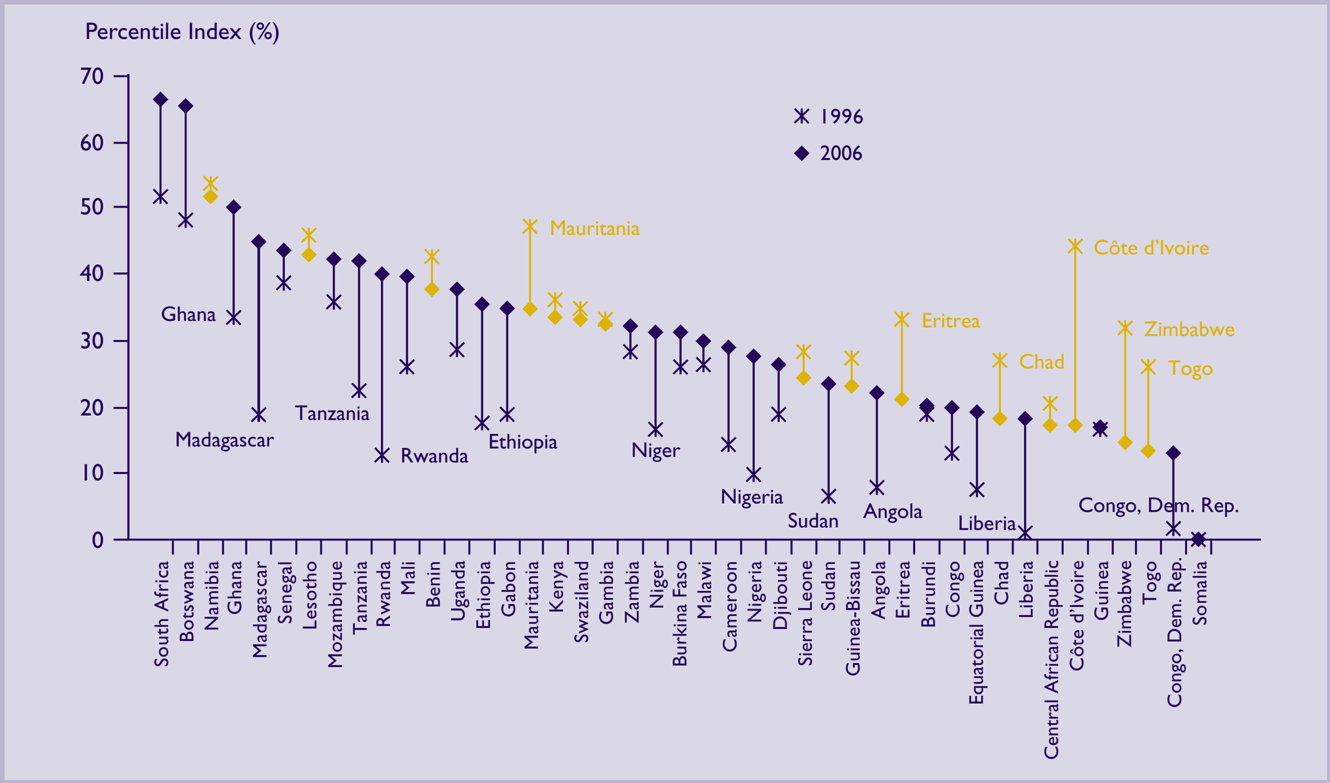
Recent IFPRI research on the sources of agricultural productivity growth among Sub-Saharan African countries shows that total factor productivity (TFP) growth shifted from a negative rate (–2.0 percent) between the 1960s and the 1980s to a positive rate of near magnitude (1.7 percent) from 1985 to 2003. In addition, productivity growth accelerated from 1.65 percent during 1984–93 to

Figure 1—GDP and agricultural growth in Sub-Saharan Africa, 1980–2006



Source: Based on data from the World Bank, *World Development Indicators 2007* (Washington, D.C.: 2007).

Figure 2—Changes in government effectiveness in Sub-Saharan Africa, 1996–2006



Source: Based on data from the World Bank governance database.

Notes: The index denotes the world ranking of a given country in terms of government effectiveness. The length of the bars indicates the change in percentile index or ranking for each country relative to others in the world, with an increase (dark bars) indicating an improvement in effectiveness and a decrease (gold bars) indicating a decline in effectiveness.

1.83 percent during 1994–2003. A decomposition of the sources of the productivity growth suggests that efficiency gains contributed 90 percent and technical change contributed 10 percent during the post-1994 period. If Nigeria is excluded from the sample, the contribution of technical change increases to 21 percent.

Among countries that have experienced longer periods of steady growth, such as Ghana, Mozambique, and Uganda, the rate of poverty and the incidence of hunger have fallen significantly. In the case of Ghana, for instance, the poverty headcount fell from 52 to 28 percent between 1992 and 2006, and in Uganda, from 56 to 31 percent. Both countries should be able to achieve the poverty MDG, and even, in the case of Ghana, exceed it. A number of other African countries are also making progress toward the first MDG, and if recent growth trends are sustained, they could achieve the MDG within a few years after the 2015 target date. For many countries, however, achieving MDG 1 by 2015 will require agricultural growth rates higher than 6 percent.

The fact that countries with higher agricultural growth exhibit lower poverty rates is primarily due to higher incomes among farmers, who make up the poorest segment of the population. In addition, higher incomes in agriculture tend to induce even higher incomes in the rural economy outside of the agricultural sector, as well as in the rest of the economy, and thus reduce poverty among broader sections of the population at large.

For the foreseeable future and in the large majority of African countries, agriculture will remain the most important sector in the battle to reduce poverty and achieve food and nutrition security. The challenge is to sustain this growth in the medium to longer term and even accelerate it over the next few decades.

Implications for Responses to the Recent World Food Price Crisis

African countries must continue to increase their agricultural growth while adapting to the crisis in international food markets. It is important to note, however, that African agriculture itself is not in a crisis and that the food price crisis—in contrast to episodes of drought, flooding, or social strife—has not affected Africa's supply base. Africa should therefore treat the world food market crisis as a short-term macroeconomic threat and a medium- to long-term sector growth opportunity. Within the next two seasons, the bulk of the problem will be one of access to more foreign exchange to meet the higher cost of food imports and to increased fiscal resources to cover the loss of tariff revenue, the cost of food subsidies, or both. These are not agricultural sector issues per se.

The distinction between the global food crisis and the relative health of Africa's agricultural sector is important for policy reasons. A focus on the macroeconomic and stabilization aspects of the food price crisis would lower the risk of undue intervention in agricultural markets, where the largest risk for African countries lies. The risk becomes clear when one considers that the stronger growth of the past 10 to 15 years stems in large part from the positive changes in macroeconomic and sector policies of the 1980s and 1990s—countries reformed their exchange rates, reduced the biases against agriculture in their trade regimes, and cut interventions in domestic markets and pricing. In addition, governments have increased investments—agricultural expenditure grew from US$3.0 billion to US$8.3 billion in constant 2000 U.S. dollars from 1980 to 2005. Governments in dozens of countries have also become more effective, as shown in Figure 2, while creating an enabling environment for the private sector. To maintain and accelerate the recent growth, African governments need to broaden and deepen these reforms as well as raise investment in the sector.

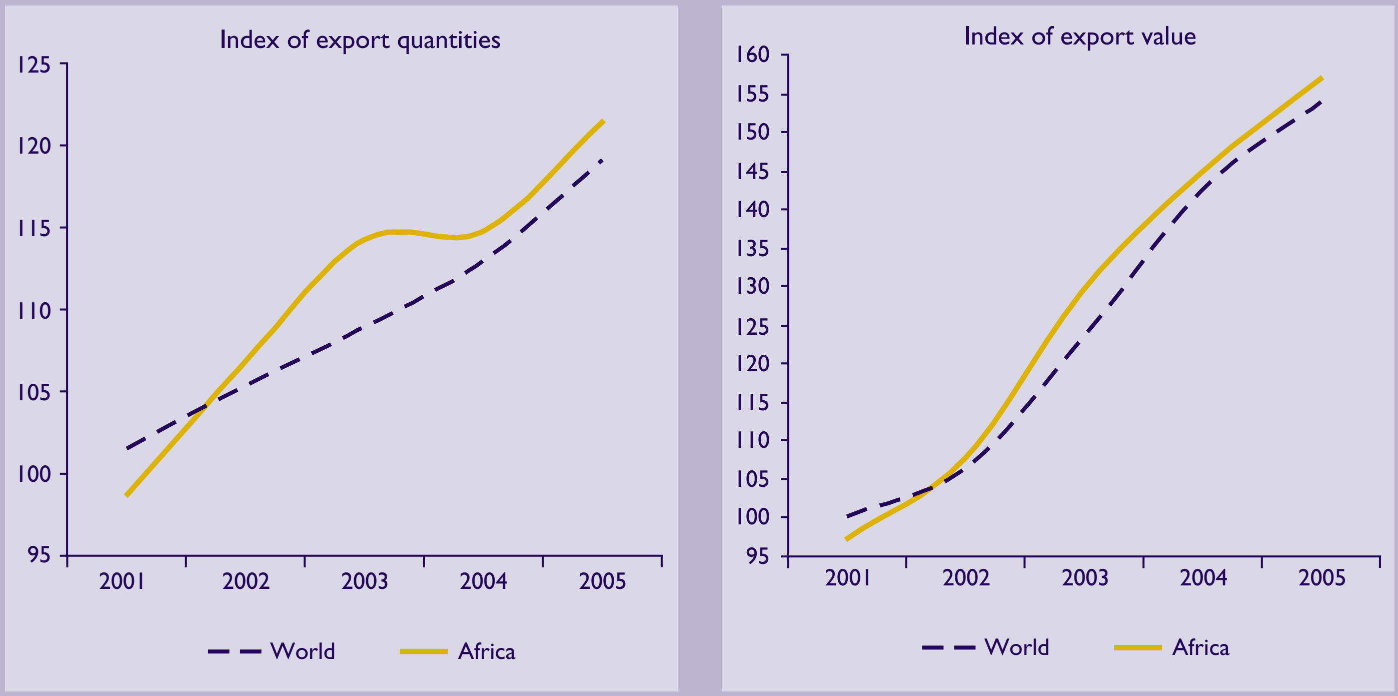
Factors such as weather and improved international prices are widely cited as contributors to the growth recovery, yet good weather and better world market prices failed to produce similar growth in the preceding 25–30 years. If they did so this time around, the improved policy environment must have allowed supply to respond to such factors. But the push for short-term measures in the agricultural sector in response to the world market price crisis could jeopardize the significant improvements in food and agricultural sector policies. There are already reports of price controls, export prohibitions, and other distortionary interventions in input and output markets.

The commotion in the international community and the pressure on African governments to act create a real risk of policy reversal. The international community's response to the world food market crisis stresses famine, malnutrition, and child mortality, whereas the opportunity for a supply response is mentioned only in passing and with very little conviction. Although a response focusing on emergency relief may be adequate in the Horn of Africa, it ignores the fact that African countries are in the middle of the strongest economic recovery in the past 40 years. The world is again willing to spend heavily on an emergency and little on development, even if the emergency, as in this case, is more rhetorical than real. The available evidence so far suggests that the actual increase in food prices among most African countries is a fraction of the increase in international prices. Data from East and West Africa indicate price increases in the neighborhood of 20 percent and in many cases around the average levels of 2004–05, except for rice, where the rate of increase can be as high as 50 percent.

If the economic and agricultural sector performance of the past decade is to be sustained and broadened to accelerate growth and reduce poverty, African countries and their partners need to focus on boosting the supply response to the rise in international food prices during the next two to three years. African countries' recent export performance, as shown in Figure 3, shows that potential for a real supply response may exist. African exporters' response to the positive trends in international agricultural markets exceeded the world average during 2001–05. The supply base behind the recent growth and export recovery has not been affected by the current crisis and should be mobilized to respond to the higher prices.

The international community should resist redistributing development assistance resources away from the medium- and long-term growth agenda in favor of short-term, high-visibility, but less productive investments. There is a need to strike a balance between short-term safety-net interventions and long-term productivity-enhancing investments. African governments, on the other hand, need to raise investments and improve sector policy and strategies as declared under CAADP. In 2005, 14 out of 28 African countries for which data were available had agricultural expenditure shares of 5 percent or more. Eight countries had sector expenditure shares of 8 percent or higher. Nearly 20 countries are actively involved in preparing CAADP roundtables to ensure that the best possible policies and strategies as well as partnerships and alliances are in place to raise the level and maximize the

Figure 3—Evolution of agricultural exports by African countries, compared with the world average, 2001–05



Sources: World Trade Organization, *International Trade Statistics 2007* (Geneva, 2007); United Nations Conference on Trade and Development, *Trade and Development Report 2007* (Geneva, 2007).

impact of agricultural investments. Now they need to accelerate progress toward meeting the 2004 Maputo Declaration pledge of a 10 percent budget allocation to agriculture by the end of this year and implementing comprehensive, long-term sector development programs.

Conclusion

A rational response to the rise in international food prices requires the recognition that these are not times of crisis in Africa, but times of opportunity and growth. Africa's chances of dealing successfully with the world food crisis are much better today than at any other time in the continent's recent past. The strong growth performance of the past 10–15 years provides a solid foundation to build upon and seize the opportunities emanating from the rise in world food prices, which is just starting and is certain to hold for the foreseeable future. Efforts by African governments and their international partners in the agricultural sector should primarily seek to create the conditions for a rapid and strong supply response over the medium to long run in order to sustain the growth recovery in the agricultural sector and beyond. Development partners can help address the short-term impact of the rise in food prices on consumption and fiscal balances by helping African countries meet the higher foreign exchange and budgetary resource requirements, while avoiding distortionary interventions in the sector. Finally, it is crucial that African leaders vigorously pursue implementation of the CAADP agenda and live up to their commitments in order to ensure that current international efforts do not distract from long-term growth and poverty-reduction efforts.

__Ousmane Badiane__ is director for Africa at IFPRI.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
2033 K Street, NW, Washington, DC 20006-1002 USA • T. +1.202.862.5600 / Skype: ifprihomeoffice • F. +1.202.467.4439 • ifpri@cgiar.org • www.ifpri.org