

Agriculture for Development:

The World Bank's 2008 World Development Report

The 2008 World Development Report will be on «Agriculture for Development in a Changing World». It argues that agriculture can play five essential functions for development: a source of overall economic growth, an instrument for poverty reduction, a business opportunity, a provider of environmental services, and a tool for food security. Yet, these functions have been under- and mis-used, calling for major redress in the way governments and international donors use agriculture as a key instrument for development.

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Agriculture is a sector with multiple functions. This gives it unique powers as an instrument for development. At some stage, basically every country has looked at agriculture as a way of solving some of its own development problems, in particular because development is itself a multidimensional concept that finds a match in the multi-functionality of agriculture.

We define here agriculture as composed of crops, livestock, agro-forestry, and aquaculture, excluding forestry and fisheries. Development is defined as encompassing economic growth as both a means and an end, reduction in the many dimensions of ill being (poverty, inequality of conditions and chances, vulnerability to shocks), sustainability in resource use, and access to basic human needs such as health, education, citizenship, and social peace.

Multifunctional contributions of agriculture to development

Agriculture has indeed been at the origin of multiple development successes, sometimes stunning like initiating accelerated growth and sustaining massive poverty reduction in China and India, the awakening giants that harbor some 40 percent of humanity. There are also disastrous failures in using the powers of agriculture as an instrument for development, most particularly in Sub-Saharan Africa, which is cursed by continuing economic stagnation, mass poverty, pervasiveness of disastrous diseases such as HIV/AIDS, and the periodic recurrence of intolerable famines. So, how did agriculture help where it worked for development, and what could be done to make it work where it has to this

day failed to deliver its development powers? This is the issue addressed in the World Development Report (WDR) 2008 by the World Bank.

Agriculture has five functions in economic development that make it totally unique. They are: a source of national economic growth, an instrument for poverty reduction, an opportunity for profitable business investments, a source of natural resources for urban use and of environmental services, and an instrument for food security in the poorest countries with no foreign exchange earnings to import their food needs. We consider them briefly one at a time to appreciate how each function works and its importance.

1. Agriculture as a source of national economic growth. This has been learned through the history of Western countries and Japan, where agricultural revolutions always preceded and supported the occurrence of industrial revolutions. More recently, the household responsibility system that marked the end of collectivization in China and the Green Revolution that multiplied yields of food grains by two or three in India allowed to accelerate

Writing contest for young authors in agriculture & rural development

The World Bank is currently preparing the World Development Report 2008 (WDR). It addresses «Agriculture and Development in a Changing World». This remarkable turning point will bring agriculture back to the development agenda.

«agriculture & rural development» invited young post-graduate and PhD students to participate in a writing contest on topics related to the WDR 2008. We asked young authors to write about their innovative ideas on agricultural and rural development. The overarching question was: «What agricultural policies do we need to reach the poor (MDG 1)?»

The writing contest was sent to universities all around the world. The authors of the eight published articles have each won a 400 euro award.

Congratulations and thanks to all candidates for their admirable efforts!

The articles have first been published in «entwicklung & ländlicher raum», in January 2007.



Agriculture must be made more effective for poverty reduction. This is the only way to meet MDG 1 – halving extreme poverty between 1990 and 2015.

agricultural growth, reduce poverty, and induce economic take-offs in other economic sectors, particularly industry in China and services in India. This works as productivity growth in agriculture, frees labor for employment in industry and services, delivers cheap food for consumers, transfers savings and foreign exchange for investment in other sectors, and creates demand for the products of industry and services based on rising farmers' incomes. As growth in other sectors accelerates, the share of agriculture in the economy and in total employment shrinks, a sign of success. In the poor countries of Sub-Saharan Africa, some 50 percent of national growth still originates in agriculture and agriculture employs up to 70-80 percent of the labor force. If agriculture fails to deliver more growth, little else can replace it.

2. Agriculture as an instrument for poverty reduction. Agriculture is still a major way of life for humanity. Half of the world's population lives in rural areas, 2.5 billion are related to agriculture for their survival, and 1.3 billion are smallholders. Some 70 percent of the world's poor and three fourth of the world's malnourished are located in rural areas among households who mainly depend on agriculture for their livelihoods. There is no way the Millennium Development Goal of halving extreme poverty between 1990 and 2015 will be met in Africa and South Asia (where the large majority of the world's

poor are located) without an explicit focus on rural poverty.

Fortunately, agricultural productivity growth has proved to be exceptionally effective for poverty reduction. This is because farming is an activity dispersed in millions of small farms, many of the poorest of the poor are agricultural landless workers who depend on agriculture for employment, and food is the main expenditure for poor consumers so that cheaper food is a major boon for their welfare. In middle income countries like India, China, Morocco, and Indonesia, income gaps between rural and urban areas are rising rapidly, creating major frustrations among rural populations and eventual political instability and violence. Reducing income gaps thus becomes a political priority, calling on the powers of agricultural growth as one of the instruments to achieve this objective.

3. Agriculture as a source of business opportunities. Think here of supplying the supermarkets of Mexico or Beijing with fresh produce, exporting to Europe cut flowers from Ethiopia and green beans from Kenya, sweet peas from the highlands of Guatemala to the Safeways in the United States, and soybeans and biofuels from Brazil to the booming Chinese market. These are major business opportunities, that were often made possible by wise public investments in research to secure comparative advantage

and by market infrastructure to support these transactions. The challenge here is to turn these business opportunities into instruments for poverty reduction. This can be done by helping smallholders be part of the market booms, or by rural workers finding employment in agriculture and in the agro-processing sector. The Chile model where exports of fruits and wine to the whole world create major sources of employment in the agro-processing sector, especially for women, provides one of the most accomplished examples.

4. Agriculture as a source of resources and environmental services for the rest of society. Agriculture is a major user of natural resources, in particular 85 percent of tapped fresh water and a third of the land area. Water is increasingly scarce and polluted, and the rapidly rising urban population demands access to water for consumers and industry. Making more efficient use of water in agriculture so some water can be freed for other uses is another reason to invest in agriculture. At the moment, through agricultural practices, livestock, and deforestation induced by expansion of the agricultural frontier, agriculture contributes some 30 percent of the green house gas (GHG) emissions that contribute to global climate change. Given the low value added per unit of GHG in agriculture compared to industry and services, it is good economics to com-

Photo: Worldbank/Vitale



Agriculture should become an important source of business opportunities.

of under- and mis-investment and policy neglect of agriculture.»

Ways of doing this include the following six areas for action:

- Exploit new sources of growth for agriculture, originating both in new dynamic markets and in major technological innovations in biology and information and communication technology.
- Make agriculture growth more effective for poverty reduction, both through direct participation by smallholders and through employment creation in agriculture and the rural non-farm economy. A key actor for this is rural producers organizations that can represent the interests of smallholders in policy negotiations.
- Make agriculture growth more sustainable and a source of environmental services through better management of water, soils, and contributions to climate change.
- Decrease risk in agriculture and food insecurity for rural populations. This is done by offering better financial services, access to insurance, and safety nets providing employment and food to those in chronic poverty or affected by shocks such as droughts and policy change.
- Induce the emergence of political economy coalitions favorable to policy reforms and to higher and especially better investment in agriculture. This is necessary if farm subsidies and protection in the OECD countries are to be descaled and if public budgets are redirected from private rents to socially beneficial public investments.
- Collaborate on a global agenda in support of agriculture-for-development. As agriculture becomes increasingly globalized, coordinated worldwide efforts must be made to address issues of trade; global human, plant, and animal diseases; the delivery of international public goods such as agricultural technology; the rise of energy prices; and the management of climate change.

Additionally, specific strategies must be designed for different categories of countries, particularly the African countries where agriculture is a source of national economic growth and food security, and where a Green Revolution is still to happen; the South Asian countries where shifts to high value agriculture is a major instrument to reduce the rapidly rising rural-urban income gaps; and the Latin American countries where agriculture offers major business opportunities, but where business and social outcomes need to be reconciled.

persuade farmers not to emit these gases. Agriculture can also contribute to watershed management for better water supply to reservoirs, conservation of biodiversity in smallholder farming, and landscape improvement that offers recreation and attraction for tourism.

5. Agriculture as a source of food security.

With globalization and the expansion of trade, most countries can achieve their food security objectives through enhancing their capacity to purchase food on the international market. Inside the country, when food markets work, household food insecurity is an income problem, not a problem of producing more of one's own food. However, food markets do not always work. One situation where this happens is poor countries with no foreign exchange generation capacity outside agriculture that must rely on their own capacity to produce to achieve food security. This includes countries such as Ethiopia, Somalia, Niger, and Rwanda that have no mineral resources to import enough food to meet national needs. It also applies to households with weak connections to markets because infrastructure is deficient, they are in very remote areas, or find themselves unemployed. These countries and households thus face the challenge of securing at least part of their food needs through their own capacity to produce. The challenge becomes quite forbidding if the country or households have very limited productive assets or find themselves under failed states and unfavorable investment climates.

Redefining the role of agriculture

So, how do we capture these multifunctional contributions of agriculture to development? The first observation is that there has been much under- and mis-investment as well as bad policies in capturing them that can be remedied. Under-investment is due in part to adverse trade policies in the OECD countries that depress international prices and limit market access. Mis-investment is seen in the diversion of public budgets to subsidies in many middle income countries. In India for example, 75 percent of the public budget for agriculture goes to non-productive and non-social subsidies as opposed to public goods investments or welfare enhancing subsidies.

Bad policies are seen in biases favoring the urban political constituencies and in international agendas that neglect global issues affecting developing country agriculture such as climate change that differentially hurts crops in the tropical environments where most of the poor live. The main message carried by the WDR 2008 is consequently that:

«Agriculture must play a redefined and far more important role in the national and international development agendas in order to first capture the multifunctional benefits it can offer for specific country contexts and globally in a changing world, and second to overcome the huge current economic, social, and environmental costs