

**USAID ECONOMIC GROWTH OFFICERS WORKSHOP  
OCTOBER 15-19, 2007  
WASHINGTON, D.C.**

Session Title: World Development Report 2008 – The Role of Agriculture

Date and Time: Wednesday, October 17, 2007, 3:45 – 4:15 p.m.

Type of Session: Plenary

Speaker(s): Professor Alain de Janvry, University of California, Berkeley

Moderator: Lena Heron, USAID

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Overview of Session:



Alain de Janvry addresses workshop attendees. Photo by Paul Goodman.

- Alain de Janvry, the co-author of the 2008 World Development Report, called for renewed attention to agriculture, a sector where about 3 billion people work—most of them in extreme poverty. Though 75% of the rural poor work in agriculture, agriculture receives only 4% of official development assistance (ODA).
- He reminded the audience that agriculture has been the trigger of growth in many countries. China, India, Vietnam, and Sub-Saharan Africa (since 1995) have had a comparative advantage in agricultural trade.
- The 2008 World Development Report (WDR) focuses on agriculture, but this is not just business as usual, it re-thinks the relative roles of the state, the market, and civil society. Business and agri-business are being brought into the dialogue; investment climate issues are being reconsidered; new approaches and donor supports are focusing on the rural non-farm economy, value chains, income diversification, and insurance schemes to mitigate risk are all examined.

Speaker's Remarks:

There is a striking discrepancy that 75% of the rural poor are in agriculture, but only 4% of official development assistance (ODA) goes to agriculture; (compared to 12% of ODA in 1990). Similarly, only about 4% of public spending in Sub-Saharan Africa (SSA) goes to agriculture.

The main message: agriculture must be given a more prominent place on the development agenda, or the Millennium Development Goals (MDGs) will not be met.

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He is not suggesting a business-as-usual approach to agriculture. We need to reconsider basic questions in agriculture: reconsider the relative roles of the state, market, and civil society.

There are 3 categories of countries:

- 1) Agriculture-based countries, with a high share of the population in the rural sector (SSA countries – 417 m)
- 2) Transforming countries, in which agriculture has a low share of growth, but high percentage of rural poor/total poor (Asia, MENA, 2.2 billion rural people)
- 3) Urbanized countries, where 30-50% of poverty is still in the rural sector, (LAC, ECA, 255 million rural people).

Agriculture is more than food: it is a trigger of growth, a source of livelihoods for half of humanity, and a source of resources.

Trigger of growth: In Sub-Saharan Africa, which has a comparative advantage in trade, GDP is a large and leading source of growth. Agriculture can be seen as an engine of early growth. Ag production is also important in determining food security and wage competitiveness. Examples from China, India, Vietnam, and Africa since 1995 suggest that it can succeed!

A source of livelihoods: There are 2.5 billion people in agriculture, and 900 million of them are extreme poor. Growth originating in ag is more effective in increasing income of poor. GDP growth from ag can benefit the income of the poor 2-4 times more than GDP growth from non-ag.

A source of environmental services –Sustainable farming systems and environmental services can succeed.

But much under-use and mis-use: Under-investment in agriculture and state-market contradictions in Africa; mis-spending toward private subsidies in India and Latin America; and agrarian structures that do not translate growth into poverty reduction (Latin America). Very important is the issue of quality of spending. In India, 75% of public spending is private transfers actually.

Stunning success has been seen in rural China, where 300 million people were lifted out of poverty in the 1980s.

There are new opportunities!

- Reduced taxation and trade agreements: from 30% tax in 1980 to 10% in 2004 in ag-based sectors.
- There is a “new agriculture”: we’ve seen a 300% increase in non-traditional exports between 1990 and 2004.

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- There has been important progress on the side of technology. We're not only putting ag back on the map, but we're putting it there differently. We have worked with USAID in particular on the institutional side – on new leasing arrangements, for example.
- We are bringing business and agri-business into the dialogue.
- We've seen rapid growth in the rural non-farm economy – investment climate and agribusiness clusters.

The WDR makes several recommendations on “hot” issues:

- DOHA trade negotiations must still progress, with attention to transition in special products. Doha allows huge price distortions – especially on cotton in the US. But what's important is to look beyond Doha. Comparative advantage is important, access to markets, etc.
- Subsidies can be used, with attention to market development. Each subsidy has a cost, and needs an exit strategy.
- Growth can be made “pro-poor” – how can they deliver to supermarkets? Requires new institutions, new ways of producing.
- GMOs have unrealized potential for the poor – with attention to biosafety.
- Biofuels could be important – but need more productive technologies. This could create conflict with the price of food; but there are interesting innovations in terms of technology.
- Adaptation to climate change requires urgent attention. There is new emphasis on the role of the state. USAID has been importantly paying attention to that issue.

An agenda for ag-based countries:

- In Africa, ag is the essence of growth, but must be based on the productivity revolution. It will need to be differentiated, decentralized, and multi-sectoral. We need to put in place market institutions. It will need to be regional. Objectives are to achieve smallholder competitiveness, market entry for subsistence farmers, resilience for subsistence farming systems and food security, and income diversification.
- For Asia: Ag can offer a multiplicity of pathways out of poverty, through massive investment in human capital in rural areas, “new” ag and green revolution for marginal areas, decentralized economic activity, and safety nets for those left behind.

The WDR was developed in a collaborative way. But this document is only good for opening the next phase – we need to define agriculture at a national and regional level: what are the priorities of the agendas – what actors could be mobilized?

**Key Points Discussed During Question & Answer Segment:**

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**Q:** Issue of population has not been treated in depth. In Gregory Clark's new book – Farewell to Alms there are parts of SSA where improvements in technology are going to result in larger populations.

**A:** This issue is not addressed in the WDR, because it is a report on agriculture. But we do look at given population growth, 1) ag alone won't do it; need non-farm employment. There is a huge unemployment problem in South Asia; and migration. What we have learned, we can do a lot on the supply side. Demand side reduces number of kids that mothers have...the Bangladesh story will be good in that respect.

**Q:** Can you give examples of PPPs in rural sector?

**A:** Value chains. Public sector can give matching grants, etc. There are a lot of nice examples on value chains. Also, ag extension services – this was a pub sec activity until a few years ago. Now it's PPP. In Uganda, the World Bank funds a program going from public sector to producer organizations.

**Q:** What will be the role of the government for countries that cannot compete on cost?

**A:** Redefinition of Ministries of Agriculture, which tend to be the saddest ones you can go to in a given country. Decentralization is important, but often does not play in favor of ag. Many of the functions of ag should not be decentralized, because there are important economies of scale (research, sanitation, etc.)

**Q:** Ideas for programmatic ways to mitigate risk for farmers?

**A:** Reduce cost of risk management in terms of what people do: risk diversification. Risk coping – provide safety nets – so that when there is a shock, you do not need to decapitalize your assets. There are not enough risk sharing mechanisms available in ag. USAID's helping with index-based insurance, but these have not really reached the majority of small share-holders.

**Moderator:** USAID is doing work on insurance for correlated risk and different mechanisms for dealing with idiosyncratic risks.

**Q:** You mention that only 4% of ODA goes to ag, but there are an awful lot of things that are not explicitly ag, but that affect ag such as infrastructure and policy. I am especially interested in policy. What are the key policy issues for ag development in Africa?

**A:** First priority – get macroeconomic policies right. We have made more progress in reforming macro policies than ag. Taxation of ag has fallen significantly over the last 20 years. Looking beyond the 4% figure is also important: the 4% includes research, irrigation, extension, marketing, etc.