

# Agriculture for Development

World Development Report 2008

## A Critical Overview

Can Agriculture Drive Development & Reduce  
poverty?

World Development Report Seminar Series

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# WDR Seminar Series

- Purpose - to (re)debate the role of agriculture in development
- Not a new debate
  - The historic role (& Rostow's stages of growth)
  - Persistent theme in rural development since 1960's 'agricultural growth based on small-farm efficiency model' & various permutations
  - WDR 2008 on the trail of Africa Commission (2005), UN Millenium Project (2005), Dfid Agricultural Policy Paper (2005), NEPAD Statement of Priorities (2003)

# So why the return of the small farmer agenda?

- The persistence of poverty and most poverty is rural
- Evidence of declining flows to the sector .. and why that happened' (e.g. World Bank)
- Rural development has lacked a convincing narrative
- A renaissance in the ideas of agriculture-led poverty reduction

# Style of Seminar Series

- Selective
- Attention to evidence and argument
- Attention to the story – what is being told and how it is being told

# Narratives and story telling

‘Rural development is a genuinely uncertain activity and one of the principal ways practitioners, bureaucrats and policy makers articulate and make sense of this uncertainty is to tell stories or scenarios that simplify the ambiguity. The more uncertain things seem at the micro-level the greater the tendency ..to require broad explanatory narratives that can be operationalised into standard approaches (Roe, 1991:288)

# Policy Narratives

‘Such ‘policy is a kind of gloss on events: typically a position that claims to be exemplary in some way is presented in language chosen mainly to attract and persuade one of this. It neither invites or accepts refutation, especially when it takes a high moral posture; rather by every trick and trope in the book, its hallmark is nonrefutability’ (Gasper & Apthorpe)

# Structure and scope

- Overview of main claims, evidence and arguments
- Critical reading
  - Reading the narrative
  - Development in historical perspective
  - Attention to context
  - Measuring and understanding poverty
  - Evidence from India

# **‘In the 21<sup>st</sup> C agriculture continues to be a fundamental instrument for sustaining development and poverty reduction’ [1]**

- Agriculture alone not enough but uniquely powerful [1]
- ‘Today’s agriculture offers new opportunities to 100s of millions of rural poor to move out of poverty..pathways open to them include smallholder farming and animal husbandry, employment in the ‘new agriculture’ of high value products and entrepreneurship and jobs in the emerging rural nonfarm economy’ [1]
- ‘Agriculture operates in three distinct worlds’
  - One agriculture based
  - One transforming
  - One urbanised

And for each the AFDA differs

# Responding to three main questions

- What can agriculture do for development?
  - Has served as a basis before, more countries could benefit if reversal of policy neglect
- What are effective instruments in using agriculture for development?
  - ‘Priorities are to increase the assets of the poor, make smallholders more productive & create opportunities in the RNFE that the rural poor can seize’ [2]
- How can agriculture for development agendas best be implemented?
  - Design context specific policy processes, mobilise political response & improve governance of agriculture

# I: What can agriculture do for development?

## Content

- Growth & poverty reduction in agriculture's three worlds
- Agriculture's performance, diversity and uncertainties
- Rural Households and their pathways out of poverty

# What can agriculture do for development?

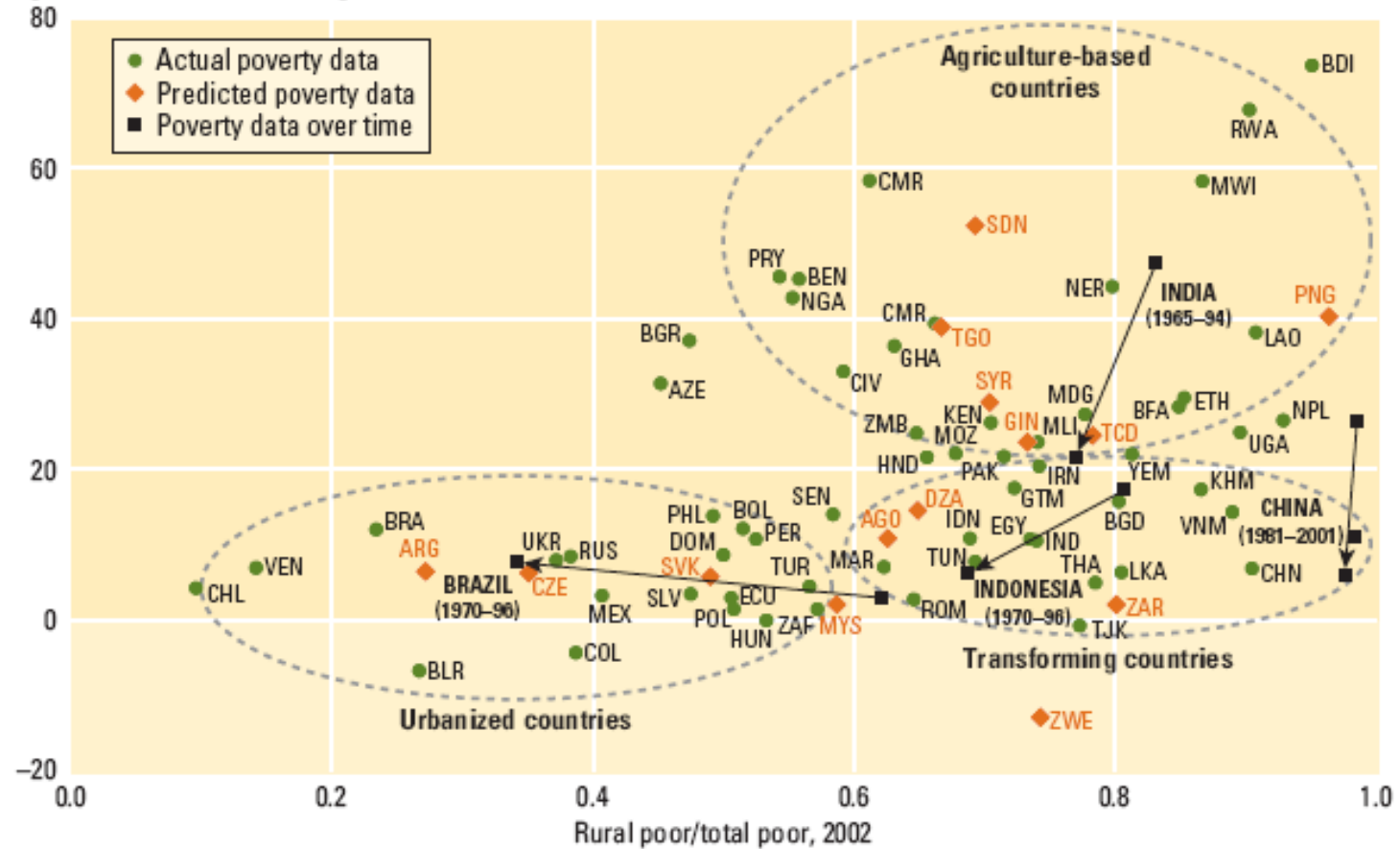
- Contributes as
  - An Economic activity - a source of growth, for food security (*because it is a source of income for the majority of the rural poor* [3])
  - A Livelihood – agriculture as source of livelihood for an estimated 86% of rural people .. *'where poverty has declined a result of falling rural poverty due to better rural conditions and not migration'* [3]
  - As a provider of Environmental services ..but also a user (and misuser – water)

# What can agriculture do for development? Its contribution differs in three rural worlds

- **Agriculture based countries (SSA)**
  - As a major source of growth (av 32% GDP growth) because of a large share in GDP and most poor are rural
- **Transforming countries (China, India, SA )**
  - No longer major source of growth (av 7% GDP growth) but poverty rural
- **Urbanised countries (LA, C Asia. E Europe)**
  - Even less contribution to growth (5% av) but rural areas 45% of poor

**Figure 1.3 Agriculture-based, transforming, and urbanized countries constitute agriculture's three worlds**

Agriculture's contribution to growth, 1990–2005, %



# Three rural worlds & their dimensions

- Evolutionary paths .. Can move from one country type to another
- Sub-national diversity
- Diversity in resource potential and market access – *66% of SSA rural poor in less favoured areas or with poor market access [5]*
- Economic & social heterogeneity defining characteristic & *coexists [5]*
- Implications in need for differentiated policy, designed not necessarily to favour one group over another but to serve all households

- *‘commercial smallholders deliver food surpluses to food markets and share in the benefits of expanding markets for the new agriculture of high-value activities. But many others are in subsistence farming mainly due to low asset endowments and unfavourable contexts. Consuming most of the food they produce, they participate in the markets as buyers of food and as sellers of labour. Membership of these categories is affected not only by asset positions, but also by gender, ethnicity and social status, as they imply differing abilities to use the same assets and resources in responding to opportunities [5-6]*

# Agriculture has a strong record in development

- Agriculture has special powers in reducing poverty
  - Cross-country estimates show agric based GDP growth twice as effective in reducing poverty as GDP growth originating outside agric
- Agriculture can be the lead sector for overall growth in the agriculture-based countries
  - Given the prevalence of staples that are only lightly traded & comparative advantages in the tradable subsectors remaining in primary sectors .. ‘agricultural growth was the precursor to the industrial revolution’ [7] in the past and more recent present (China, India & Vietnam)

- Yet agriculture has been vastly underused for development
  - Urban bias, lack of investment, pressures of recurrent food crises
- And new opportunities are emerging since 1982
  - Dynamic new markets, technological & institutional innovations
  - Emerging new agriculture is led by private entrepreneurs in extensive value chains linking producers to consumers & including many entrepreneurial smallholders supported by their organisations

# Rural Households & Pathways out of poverty

- Two frequent misconceptions
  - Rural households are either all farmers or all diversified
  - The types of activities households pursue determine their success in moving out of poverty – not so
    - Dualism between market & subsistence orientation
- Rural households design livelihood strategies to suit their asset endowments
- Three complementary routes of moving out of rural poverty
  - Farming, labour and migration

- *Production is mainly by **smallholders** who often remain the most efficient producers, in particular when supported by their organisations. But when these organisations cannot capture economies of scale in production and marketing, labour-intensive commercial farming can be a better form of production and efficient and fair labor markets are the key instrument to reducing rural poverty. The **private sector** drives the organisation of value chains that bring the market to smallholders and commercial farms. **The state** – through enhanced capacity and new forms of governance – corrects market failures, regulates competition and engages strategically in public-private partnerships to promote competitiveness in the agribusiness sector and support inclusion of smallholders and rural workers [8]*

# II What are effective instruments for using agriculture for development?

## Content

4. Reforming trade, price and subsidy policies
5. Bringing agriculture to the market
6. Supporting smallholder competitiveness through institutional innovation
7. Innovation through science and technology
8. Making agricultural systems more environmentally stable
9. Moving beyond the farm

# What are effective instruments in using agriculture for development?

- Increase access to assets
  - Focus on land, water and human capital (education, health) ..assets of poor often squeezed, expropriated by dominant interests, social biases in policies
  - Requires significant investments in public goods, institutional development (property rights), affirmative action to equalize chances for disadvantaged or excluded

- Make smallholder farming more productive and sustainable
  - Improve price incentives & increase the quality & quantity of public investment – reform in both developing and developed country trade policies;
  - Make product and input markets work better – food staples and price volatility & risk management, bulk exports (but long term decline), high value markets, inputs markets
  - Improve access to financial services & reduce exposure to uninsured risks
  - Rural finance
  - Managing risk

- Enhance the performance of producer organisations
  - Collective action by producer organisations can reduce transaction costs .. But in spite of many successes, effectiveness frequently constrained by legal restrictions, low managerial capacity, elite capture, exclusion
- Promote innovation through science & technology
  - Invest in R&D, the Asia –Africa yield gap, narrow the income productivity gap between favoured and less favoured regions, focus on more sustainable & resilient agric systems & biotechnology
- Make agriculture more sustainable – and provider of environmental services
  - Getting the technology right, getting the incentives right and payment for environmental services
  - The urgency of dealing with climate change

- Moving beyond farming – a dynamic rural economy and skills to participate
  - Rural employment as daunting challenge
  - The role of agricultural wage employment
  - Rising rural nonfarm employment
  - Creating rural employment – policy priorities & labour regulation
  - Providing safety nets - protection

# III How can agriculture for development best be implemented?

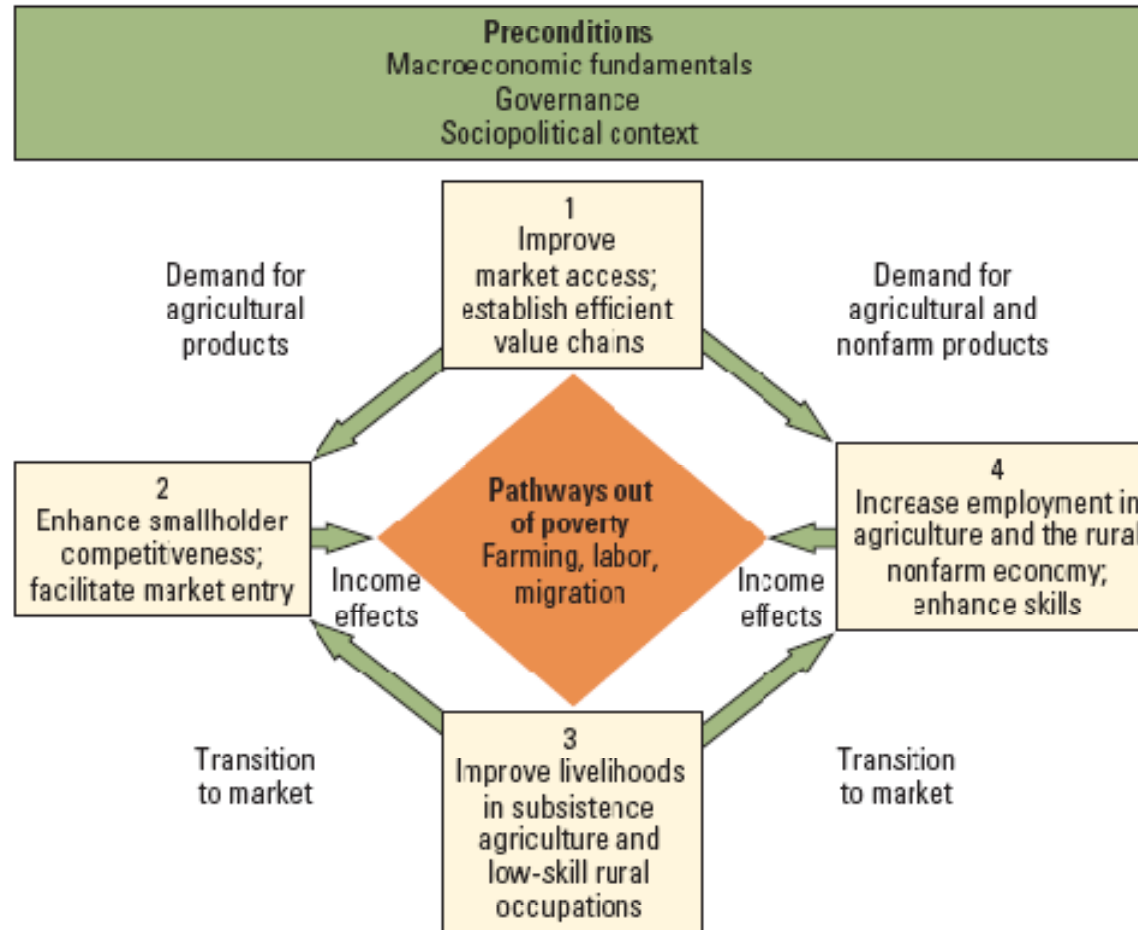
## Content

- Emerging national agendas for agriculture's three worlds
- Strengthening governance, from local to global

# How can afda best be implemented?

- Requires a policy framework anchored in the behaviour of agents – producers and their organisations, the private sector in value chains, and the state [18]
- Opening & widening pathways out of poverty
  - ‘households pursue portfolios of farm and nonfarm activities that allow them to capitalise on different skills of members
  - Pathways out of poverty can be in agriculture, wage employment in agriculture, wage or self-employment in the RNFE, migration

**Figure 9 The four policy objectives of the agriculture-for-development agenda form a policy diamond**



Source: WDR 2008 team.

- Agriculture based countries (SSA plus)
  - Using agriculture as the basis for economic growth .. Essential to growth .. Reducing mass poverty & food insecurity ..requires a productivity revolution in smallholder farming .. But different from the Asian GR'
- Transforming countries (S + SE Asia, ME)
  - Key issue of addressing income disparities ..most poor are net food buyers .. The route not through protection or subsidies but through diverse pathways .. Shifting to high-value agriculture, decentralizing nonfarm economic activity to rural areas and assistance to help people move out of agriculture
- Urbanised Countries (LA, Europe, CA)
  - Agriculture can help reduce remaining rural poverty is smallholders become direct suppliers in modern food markets, good jobs created in agriculture & agro-industry & markets for environmental services introduced

- Implementing an agriculture for development agenda
  - 2 challenges:
    - overcoming policy biases, underinvestment & mis-investment
    - Strengthening governance for the implementation of policy
  - The future offers more promise
    - The PE has changed in favour of agriculture & rural development: both rural civil society organisations & private sector in agriculture value chains are stronger
    - Private agribusiness sector has become more vibrant
    - New powerful actors entered agriculture value chains

- New role for state
  - In market development, incentives, property rights
- Strengthening civil society & democracy
  - The third sector (communities, NGOs etc)
- Mixture of centralising & decentralising services
  - Community driven development; decentralised institutions needs to address local elite capture & social exclusion
- Improving donor effectiveness
- Reforming global institutions

# In summary

- Key points
  - ‘the new agriculture is market driven, state-assisted, civil society influenced and grounded in technological and institutional innovations’
- Strengths
  - Response to the neglect
  - Dynamics and diversity of rural spaces
  - Unfair trade regimes





# The commodity that proves the case?

- Attributes
  - Maximises returns to scarce resources
  - Labour absorbing
  - Multiplier effects
  - Well established value chain with returns for all
  - Low risk crop in a high risk environment
- Welfare outcomes
- But it is seen to be 'illegal'

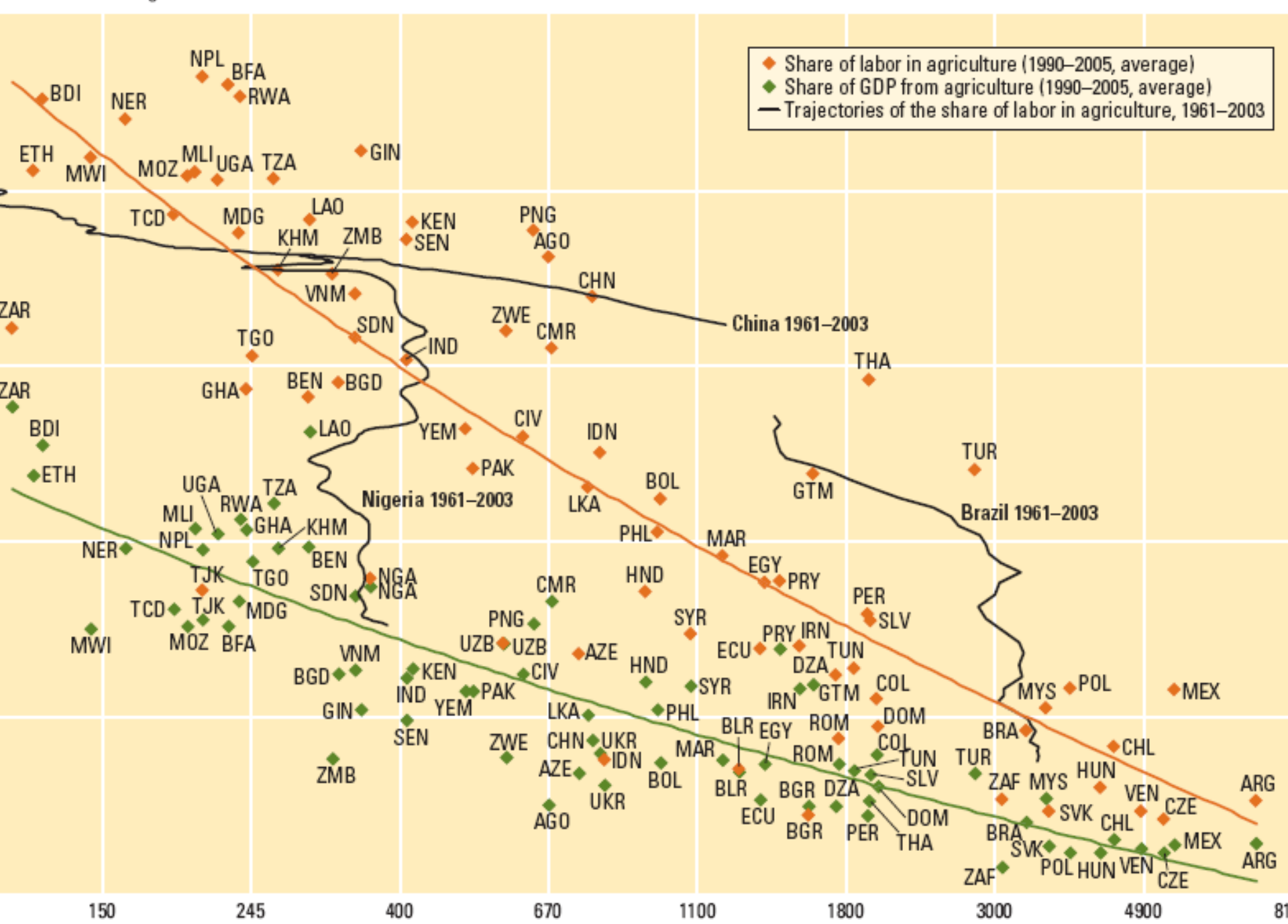
# Questioning Agriculture for Development

- The exclusions
  - Forestry & Fisheries
- Downplayed / Neglected
  - Risk & vulnerability – food & nutrition security *‘today’s agriculture’s ability to generate income for the poor, particularly women, is more important for food security than its ability to increase food supplies [95]*
  - Long wave change - climate, epidemics, demographic
  - Environmental / Sustainability issues

# Reading the narrative

- Attention to framing, naming, numbering and coding
- Poverty as economics and mechanisms, not as politics and institutions
  - Not a relational account of poverty - inequality
  - the focus on ‘numbering’ ..absolute levels, the basic facts but ‘basic’ is not unarguable (cf WDR 2000 – opportunity, empowerment, and security)
  - Policy drives the practice of numbering rather than numbering practice driving policy
- ‘These two stylised facts suggest an essential but evolving role for agriculture in fostering growth and reducing poverty’
  - Factually incorrect simplifications accepted for the purpose of theorisation; holding that that what is true is ‘existent’ only ‘stylistically’

labor and GDP in agriculture



- Implicit dualism
  - ‘coexistence’ of heterogeneity (SL14)
- Language –
  - ‘pathways open to the poor’, ‘opportunities that the poor can seize’
  - ‘Entrepreneurial spirit’
- Stripped Down concepts
  - Market as ‘mechanism’ – ‘a machine of the ghost’
  - ‘Value chains’
  - ‘Livelihoods’
  - ‘Social capital’ and organisations’

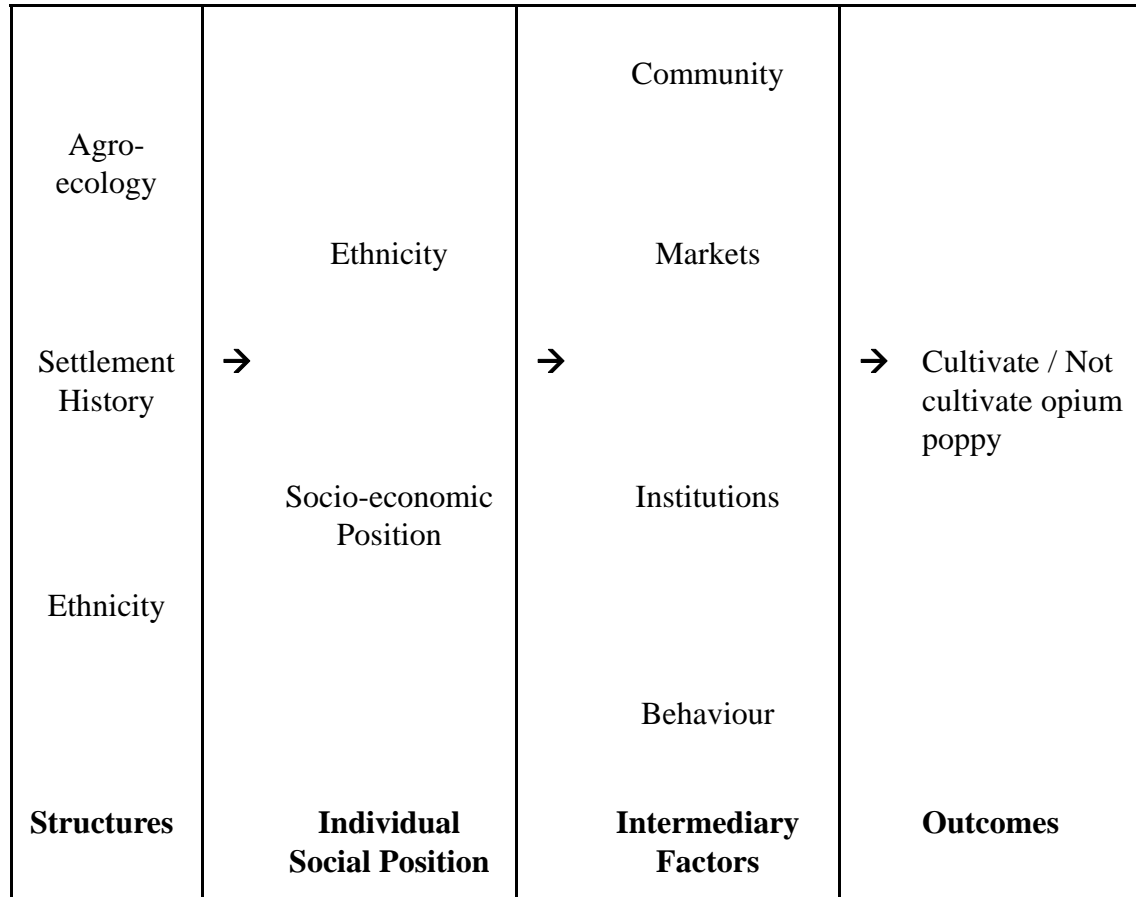
# History & Evolutionary Pathways

- Historic role of agriculture
  - Can provide savings for non-agric dev; Need to release labour ..  
But also to grow to provide consumption for industrial sector
  - Necessary but not sufficient
- But there is a need to be attentive to history – and conditions of growth – not under free trade conditions (Chang, 2002)
  - ‘There is now broad consensus that the spectacular growth of these countries [East Asia] ..is fundamentally due to activist industrial , trade and technology policies’
- ‘The Shrinking of Development Space’ (Wade, 200)
- Asia – Africa contrasts
  - Market size and food deficits; note Asian support policies –  
Indonesia fertiliser price 30% world market, huge infrastructure

# Context and structures

- The focus on agency to the neglect of structure and wider determinants of behaviour
- Risks as stochastic and covariant rather than in terms of its structural dimensions caused by inequalities and exclusion .. shocks to be seen as hazards
- How is context described ?
  - price and trade policies, access to input & output markets, institutional innovations, technological options, labour productivity and labour market returns  
' these affects return to rural household assets and exposure to risk is relevant across all these themes'

Figure 1: Mapping the Determinants of Opium Poppy Cultivation



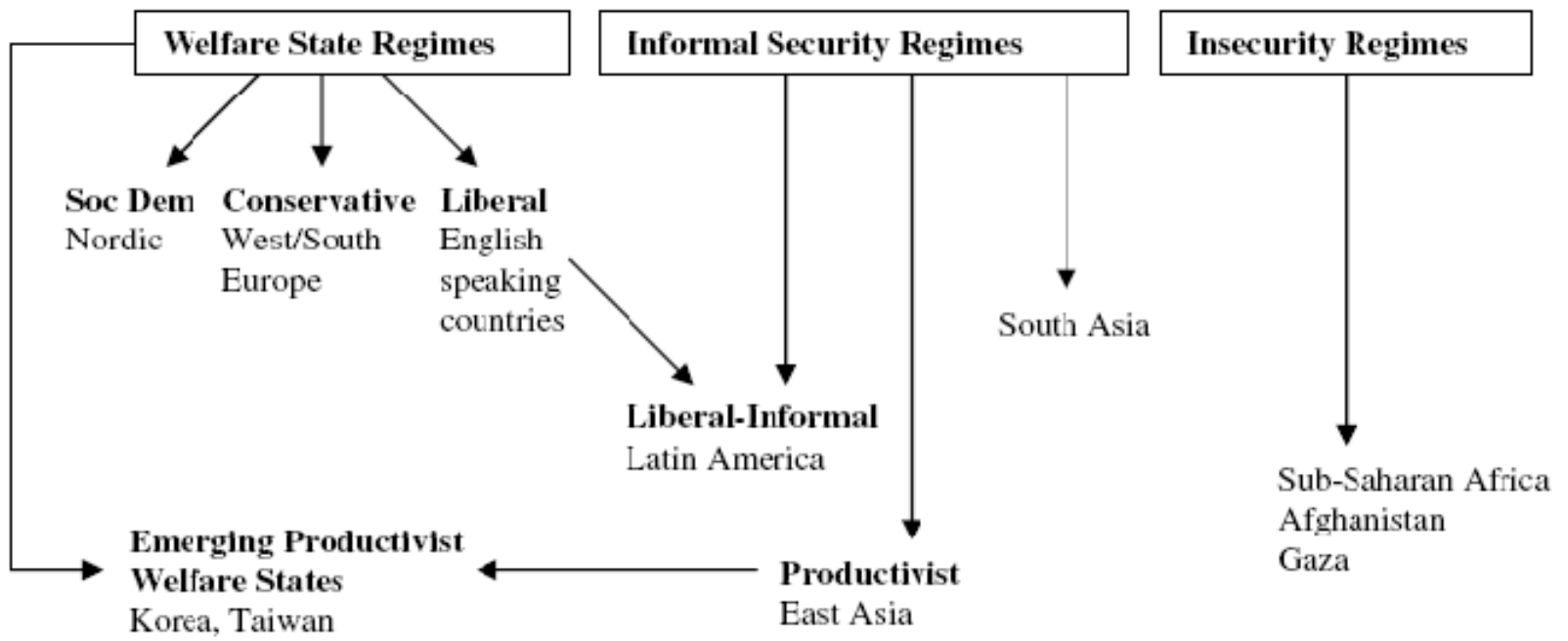


Figure 2. *A taxonomy of global welfare regimes.*

# Poverty: 'becomes what has been measured & is available for analysis'

- Measurement
  - The amount of absolute poverty perceived is highly dependent on both the circumstances of its occurrence & the instruments & criteria used to measure it ..'method paints the picture'
  - Vietnam & VHLSS poverty fell by 33% 2002-04 'the failure to capture migrants in surveys that aim to measure living standards in a rapidly urbanising country in which the structure of the labour force is experiencing profound change leads to questions concerning the intent, representativeness and accuracy of the surveys' (Pincus & Sender, 2006:7)
- The need for the analysis of causes of poverty which takes us into research on chronic poverty etc
- The dangers of 'trajectories' which risk locating the cause of poverty in the characteristics of the poor themselves or in terms of the effects or experience of poverty traps

# The Case of India

- The first summarises the evidence on long-term change over the three decades. Its conclusions point to a green revolution run out of steam, technical change favouring larger land holdings and an increasingly differentiated agricultural population. There is diversification but it has largely privileged the landed who have trebled diversified on-farm, off-farm and into the state or urban economy, a route effectively denied to the land poor. Attention is also drawn to the significance of location and agro-ecological potential which where positive has facilitated virtuous paths of growth but where limiting has prevented it. Some twenty six percent of poor households remain dependent on state provision of low-price grain.

Harriss-White & Janakarajan, 2004)

# India continued:

- Analysis of performance of different Indian states in poverty reduction – 3 broad conclusions
- First structure & functioning of local agrarian power and the relations of local and state level power holders exercise a significant influence on policy making processes & development outcomes – politics makes a difference
- Second populist regimes with charismatic leadership can deliver pro-poor policies and programmes;
- Third well-organised left of centre parties which successfully confront local landed power through modest agrarian reforms are probably best able to deliver poverty reduction (W.Bengal, Kerala)
- (Hariss J C: 2006)

# Conclusions

- Report that is strong on deductive and generalising statement;
- An economic rationalism that is deeply imbued with scientific notion of automatic or mechanical linkages
- Contrasting it with realism's inductive and particularising style, and the weakness of the narrative are apparent: the neglect of causation and reproduction of poverty for which an analysis of structures and power is required
- Evidence more that changes in structure are more likely to lead to poverty changes

# The Seminar Series

1. An analytical overview (Adam Pain)
2. The Limitations of Agriculture for Poverty Reduction in Sub-Saharan Africa (Frank Ellis)
3. Climatic Change and Development (Lisa Schipper)
4. Agricultural Growth and Persistent Poverty: commodity markets in West Bengal (Barbara Harris-White)
5. Technological change is not just about technology transfer (Ian Christoplos)
6. An open debate (to be determined)