

world development report

2008

Agriculture for Development



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Erick C.M. Fernandes
Advisor, Land and Natural Resource Management
Agriculture and Rural Development
The World Bank



Outline

- ❑ Key WDR findings and messages
- ❑ Improved Opportunities
- ❑ Challenges to be addressed
- ❑ What can be done?
- ❑ WDR recommendations



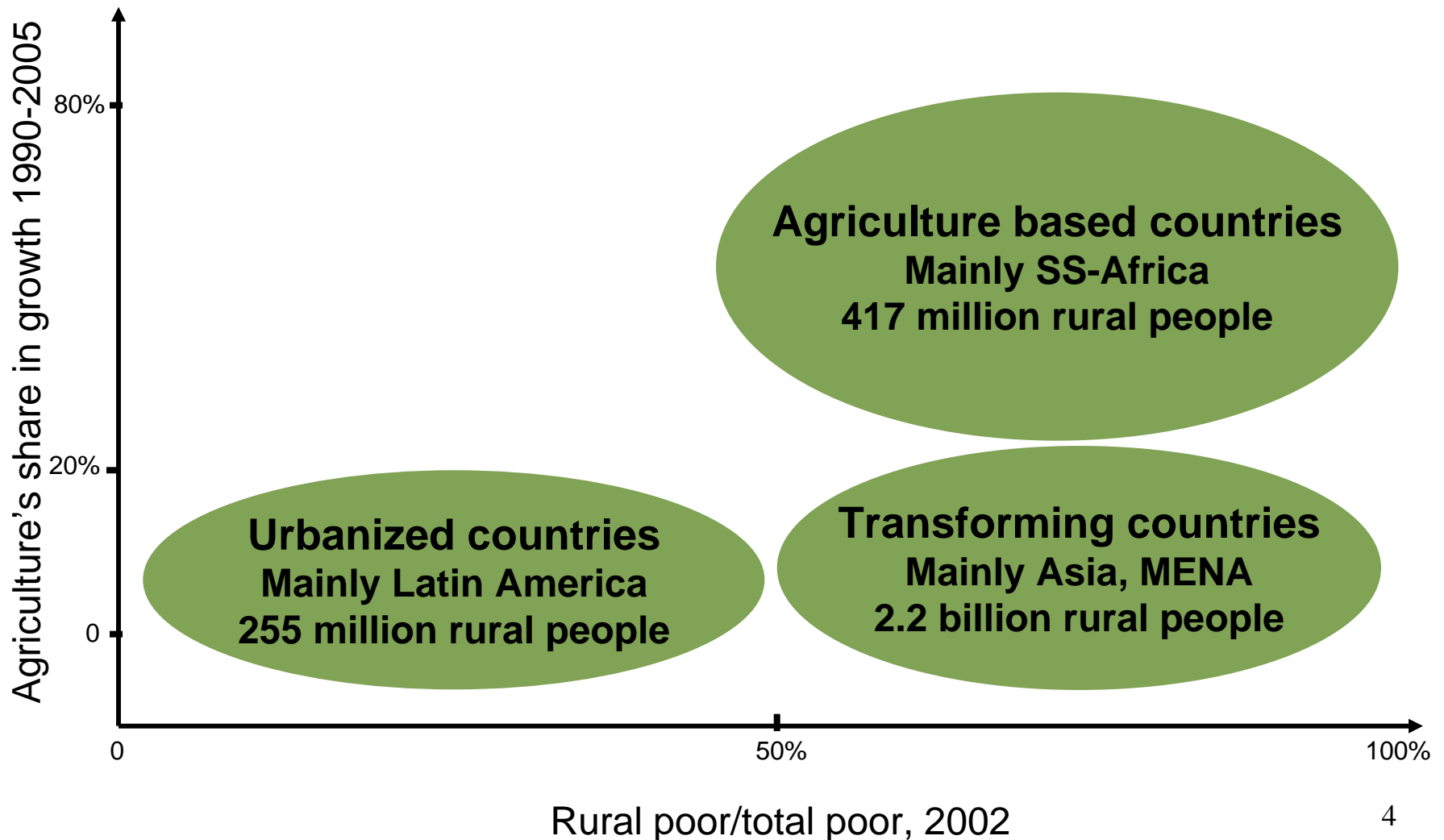
75% of the world's poor are rural and most are involved in farming.

In the 21st century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability.



The three worlds of agriculture

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Three Functions of Agriculture for Development

1. Lead sector for growth
2. Source of livelihoods
3. A way of better managing natural resources (and benefiting from environmental services)



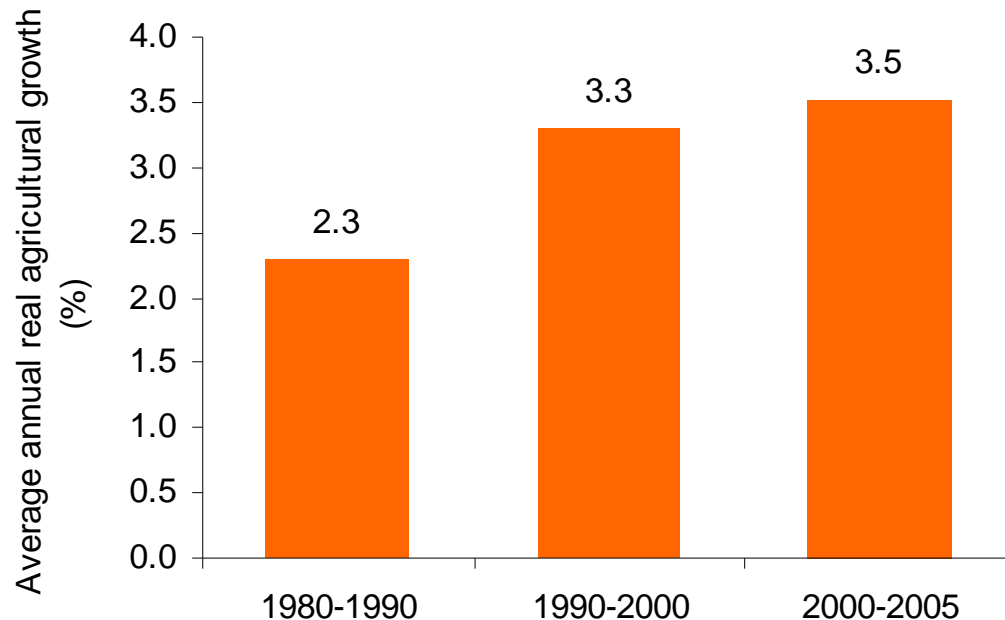
1. A trigger for overall growth

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- Large sector for GDP growth
- Affordable food and wage competitiveness
- Comparative advantage in trade
- Strong growth linkages

Success:
China, India, Vietnam

Accelerating agricultural growth in Africa

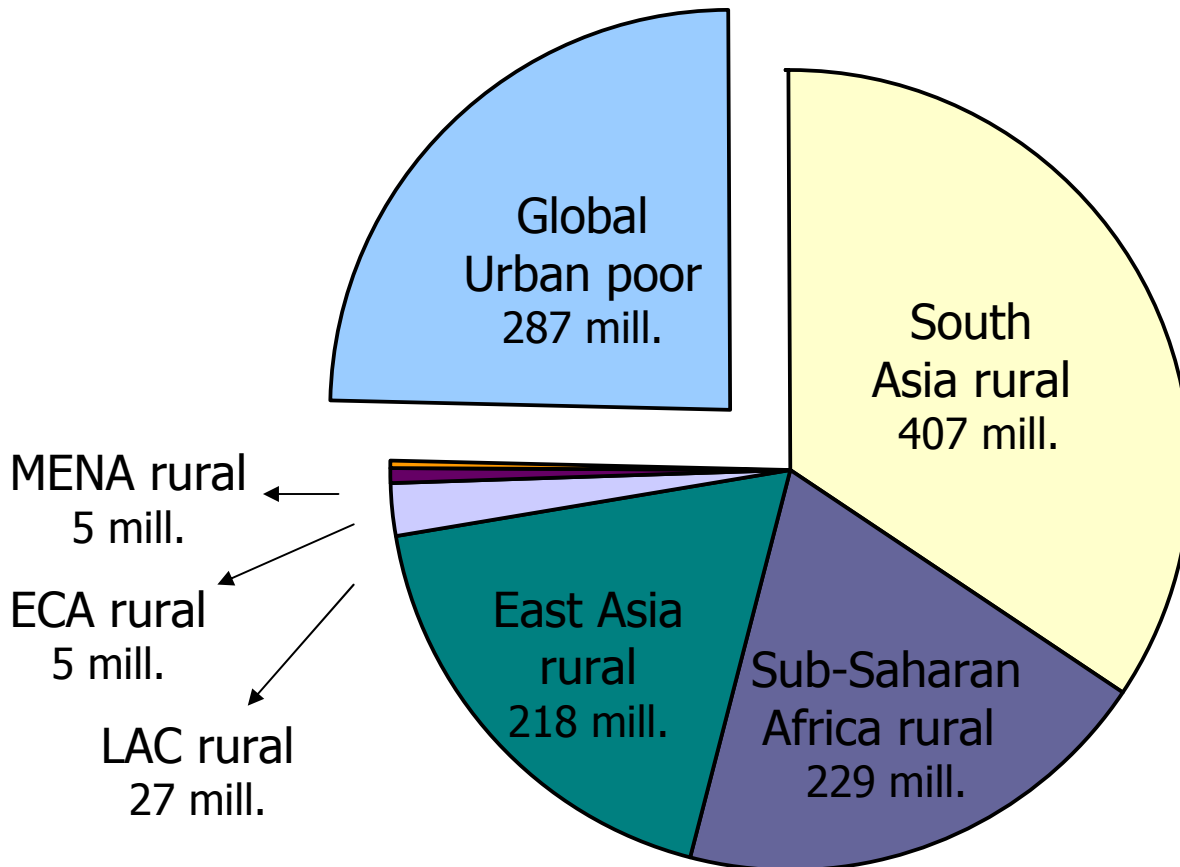




2. A source of livelihoods

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Global extreme poverty 2002, \$1.08 a day

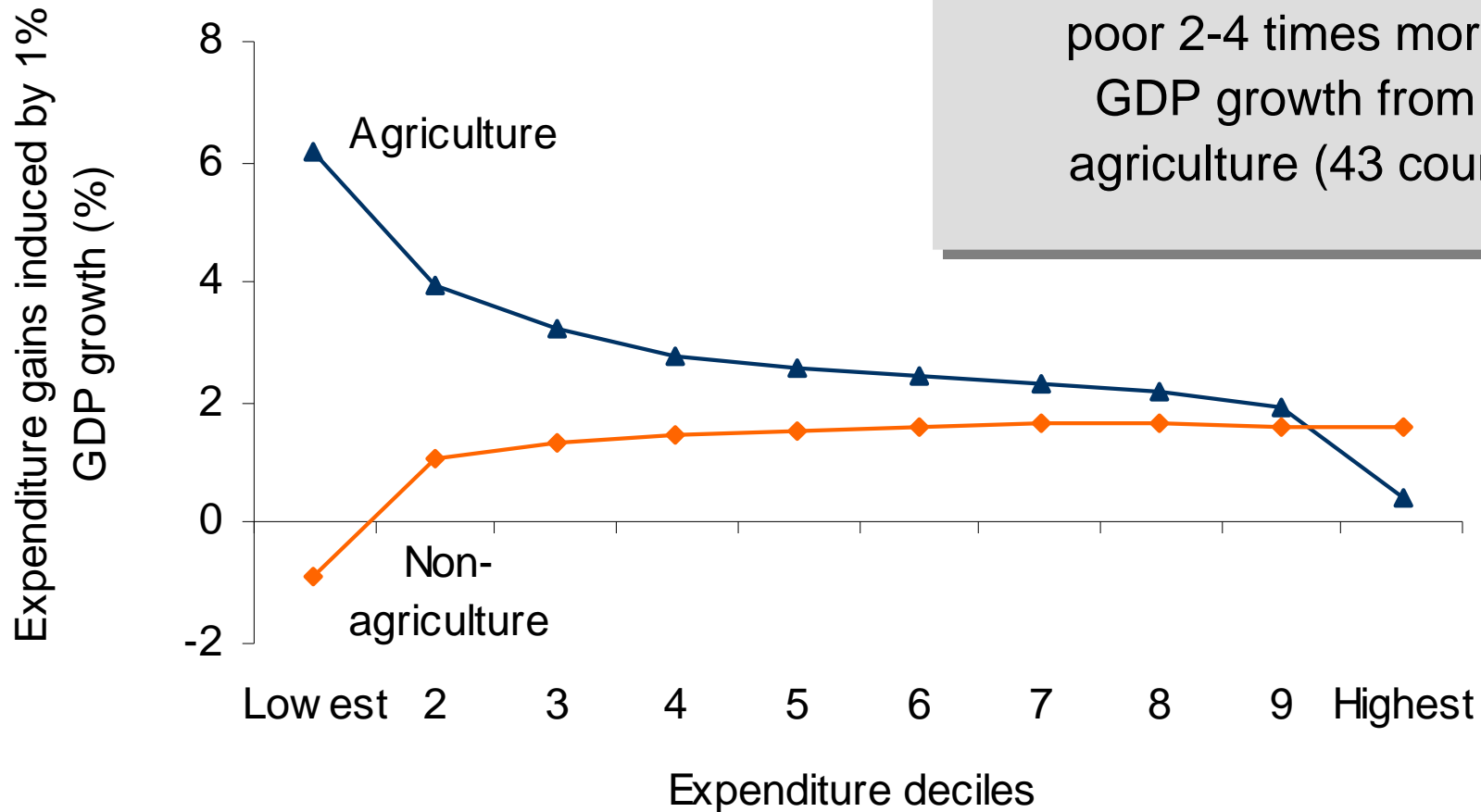


- 2.5 billion people depend directly on agriculture
- 800 m smallholders
- 75% of poor are rural and the majority will be rural to about 2040



Growth from agriculture is especially effective for poverty reduction

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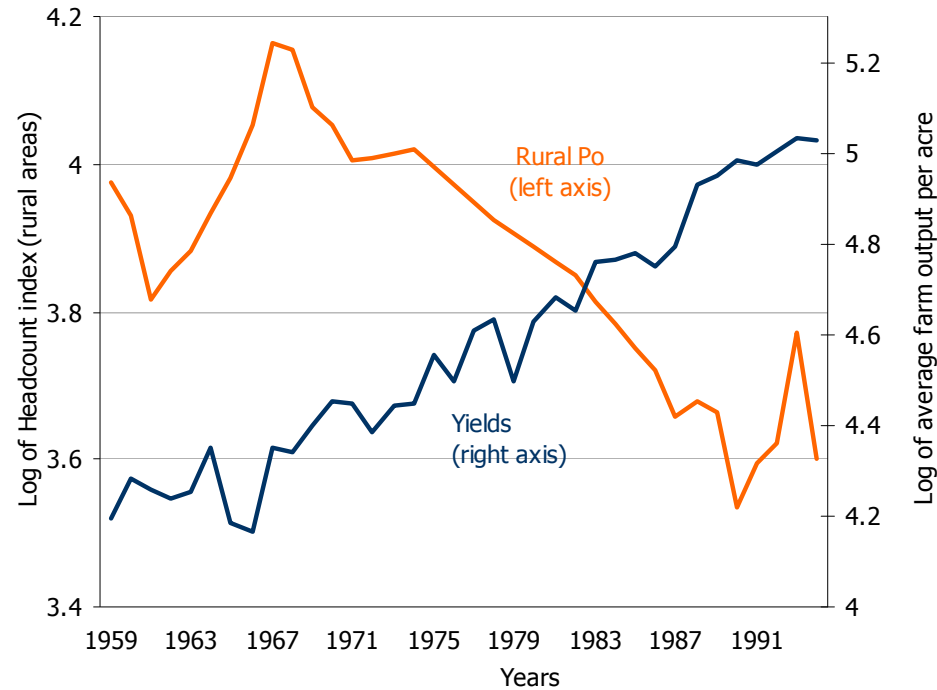
GDP growth from agriculture benefits the income of the poor 2-4 times more than GDP growth from non-agriculture (43 countries)



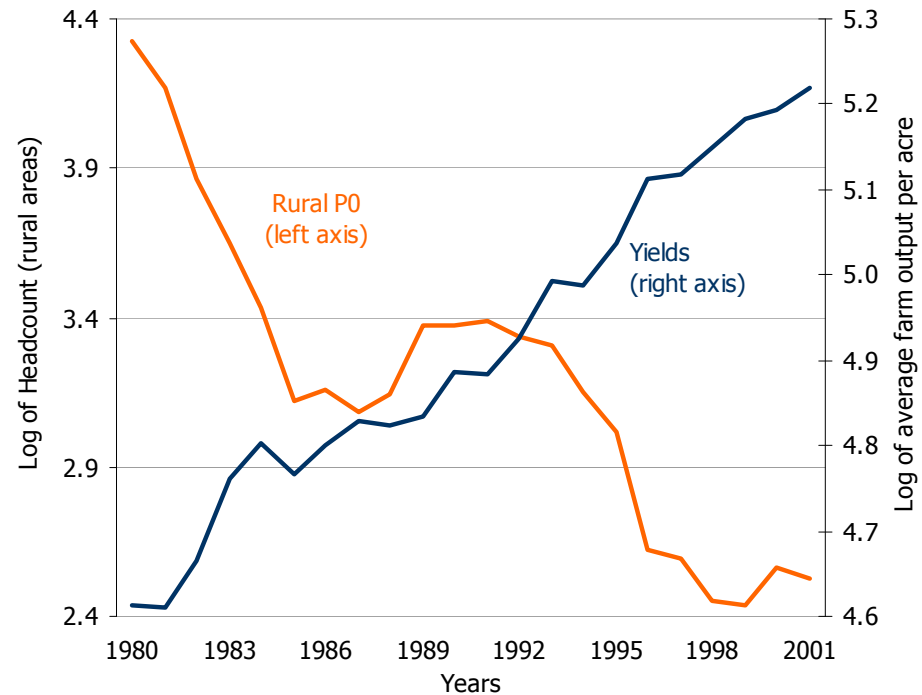
Agricultural productivity growth has driven poverty reduction in Asia

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Headcount index and average farm yields Rural India 1959-1994



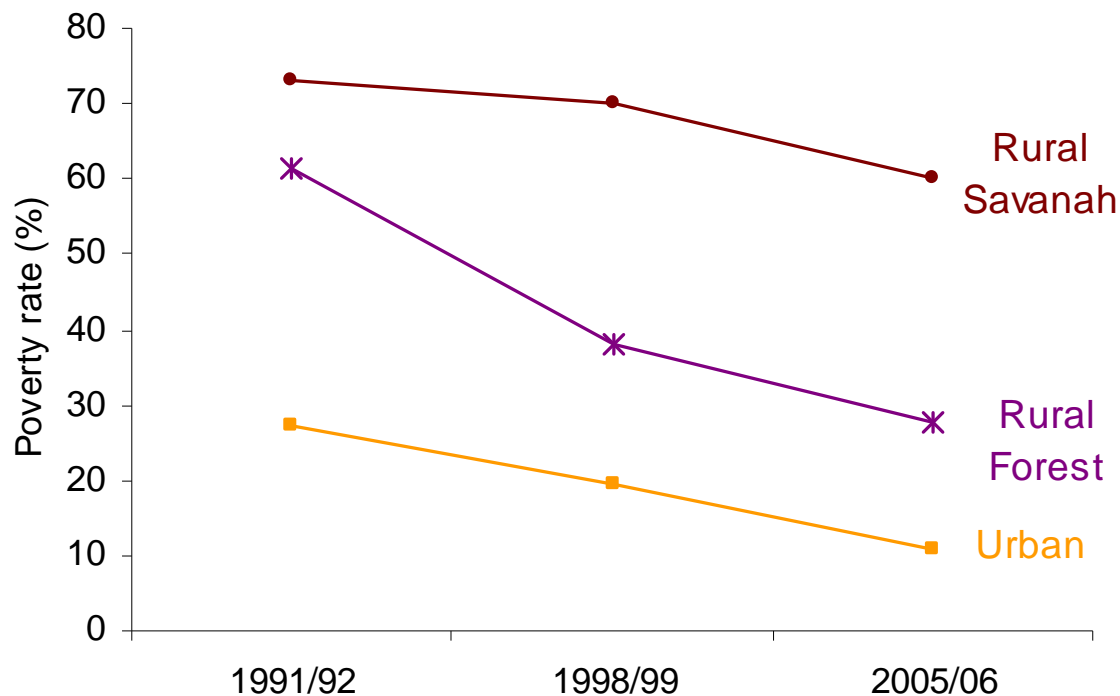
Headcount index and average farm yields Rural China 1980-2001





Ghana – a story of poverty reduction

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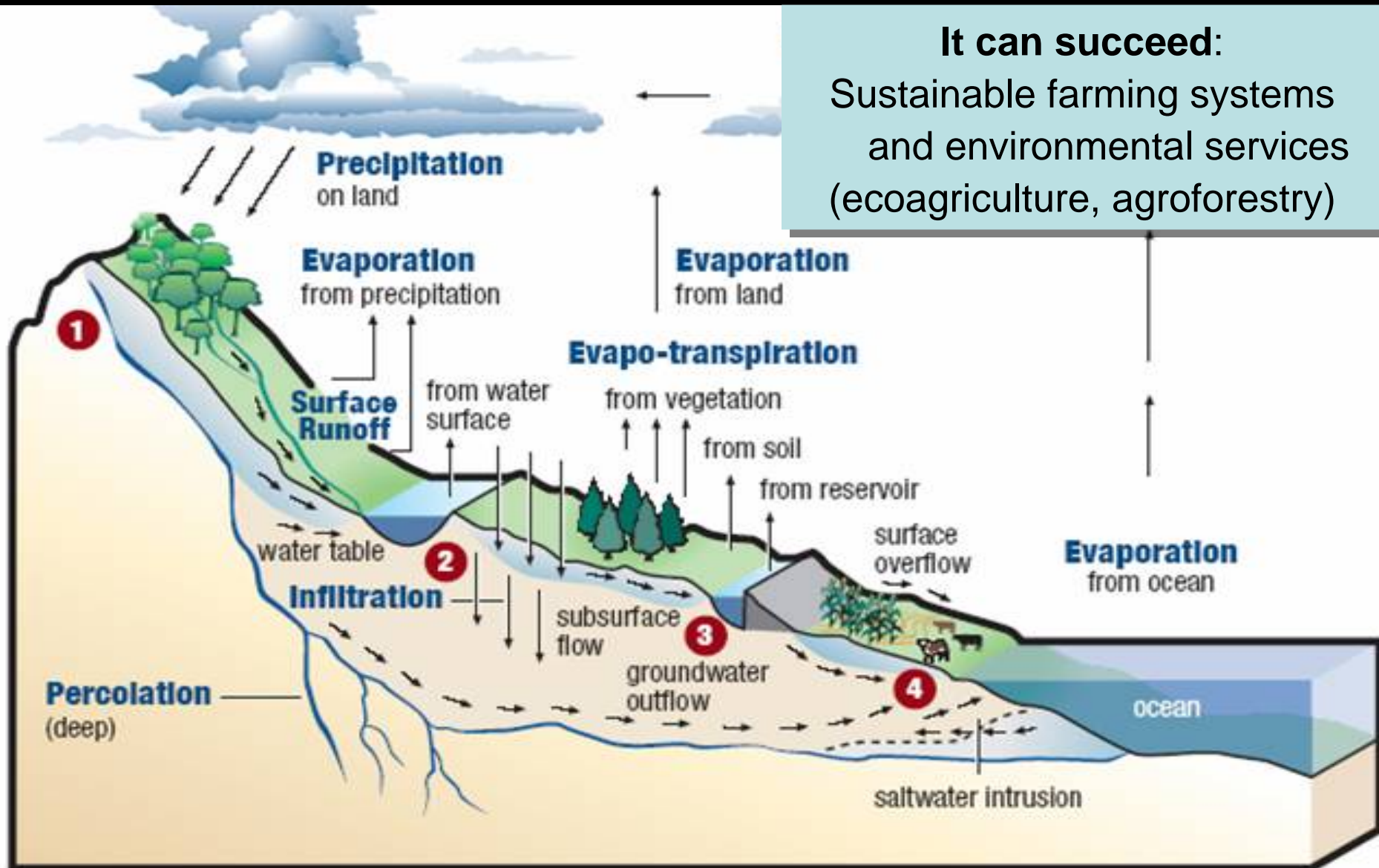
- ❑ Rural poverty halved with increased agricultural productivity, higher cocoa prices, reduced food prices, and income diversification



3. Managing natural resources and the environment

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It can succeed:
Sustainable farming systems
and environmental services
(ecoagriculture, agroforestry)

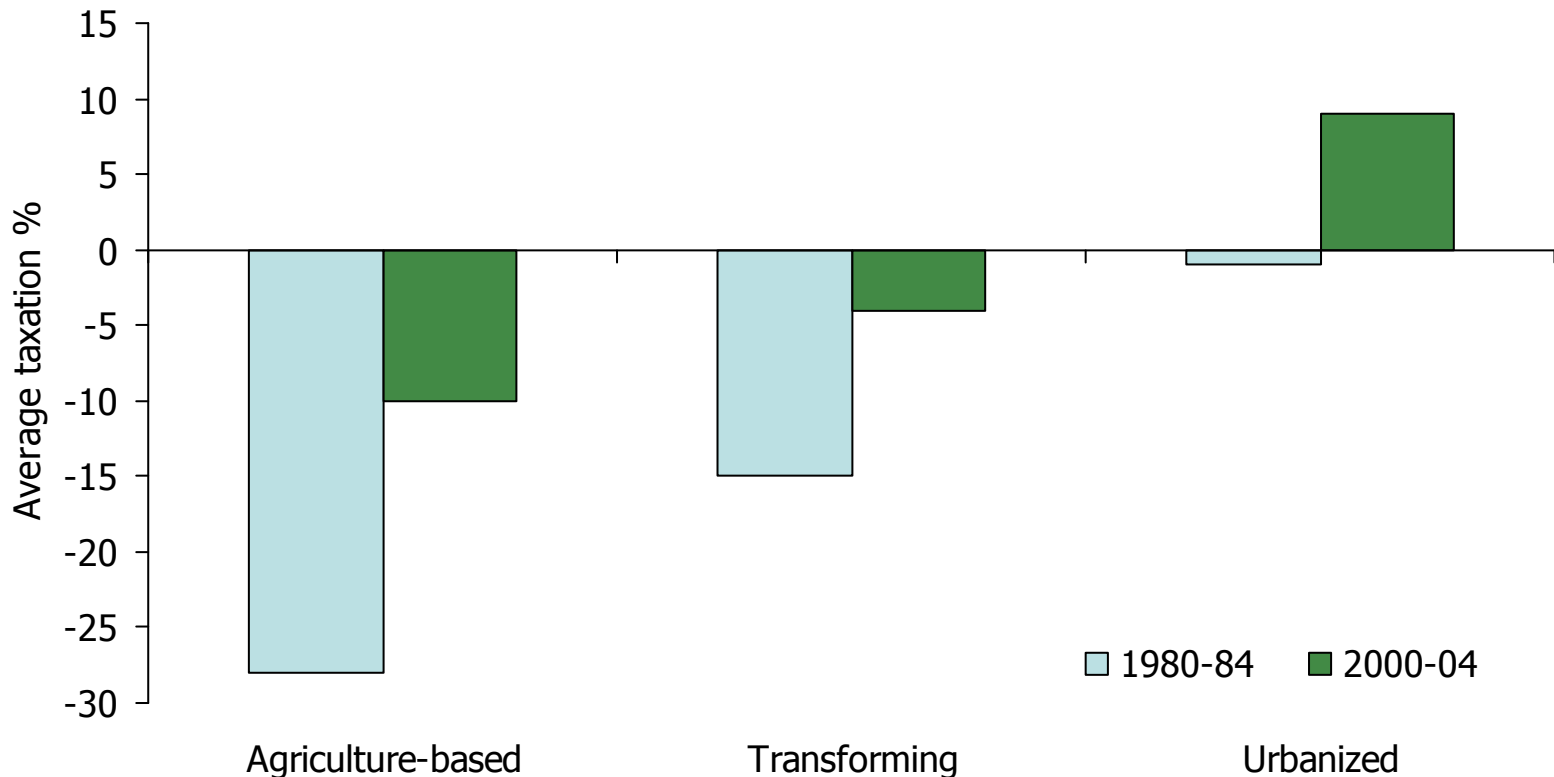




Improved opportunities

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Agriculture continues to be “taxed” in ag-based and transforming countries, but at much lower levels



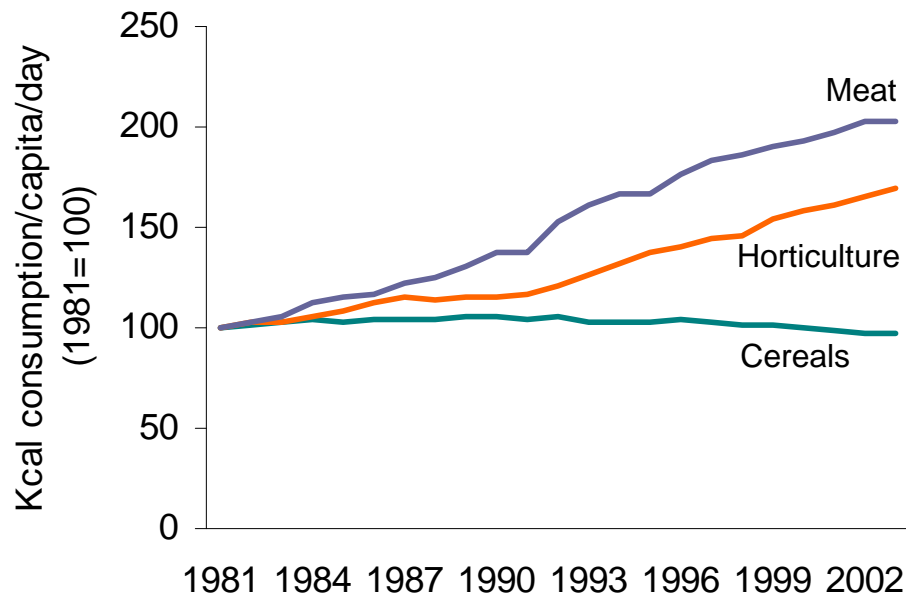


Improved Opportunities

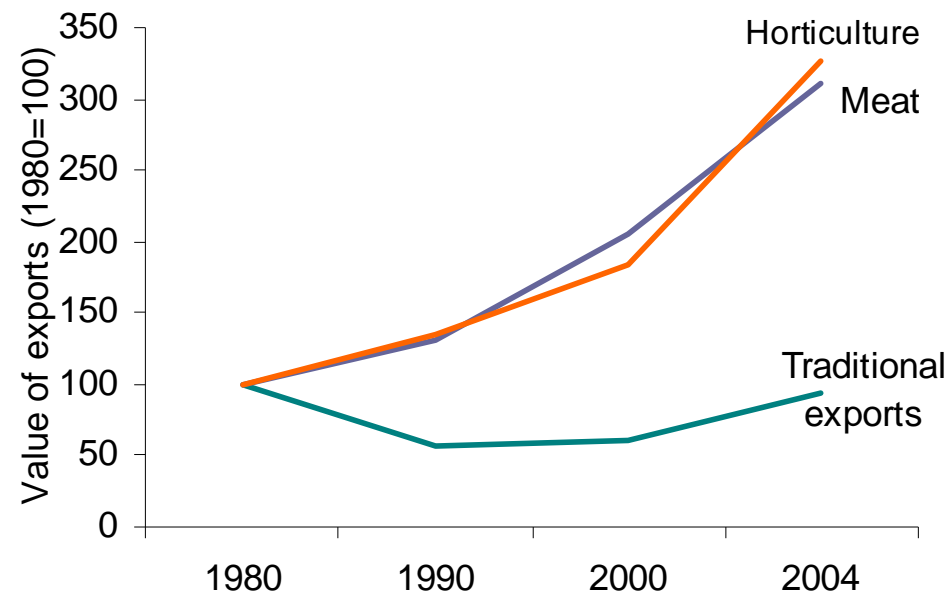
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Changing diets – a new agriculture of high value products and non-traditional exports

Developing country consumption



Developing country exports





Improved Opportunities

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Functional Foods: In addition to nutrients, added health benefits!

Box 2. Small but Growing Functional Food Market in Developing Countries

- **China:** The total functional foods market is approximately US\$6 billion per year, which is expected to double by 2010.
- **India:** With its strong tradition of eating healthy foods, India ranks among the top ten nations in buying functional foods and the market size is expected to nearly double in the next five years.
- **Brazil:** The sector is relatively young, growing rapidly and has significant room for further growth. Sales value is projected to reach US\$1.9 billion by 2009, which translates into a growth rate of 29 percent per capita spending on functional foods during this period.
- **Peru:** The sector for health foods, in general, is still in early stages, but has potential for growth because of rich biodiversity in roots and tubers containing diverse sugars and carbohydrates, which can respond to the demand for low-fat and sugar-free products.
- **Russia:** The value of functional foods market was estimated at US\$75 million in 2004, with an annual growth of 20 percent expected. The dairy industry took the lead in the functional foods movement and the largest growth is expected in this sector.

Source: Sun 2006; Ismail 2006; Benkouider 2005; Gutierrez 2004; Drujinina 2005; Spiridovitch 2005.



Improved opportunities

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- Technological innovations: conservation farming, agroforestry, new and improved varieties/breeds,
 - State of the art remote sensing and monitoring/verification
 - Information technology in financial, marketing and extension services
- Institutional innovations - many at early stages
 - Stronger producer organizations
 - Market-based, payments for environmental services (PES)
 - Public-private-CSO partnerships (Value chains, extension, rural finance)
 - Weather and price risk insurance (Malawi)



Improved Opportunities

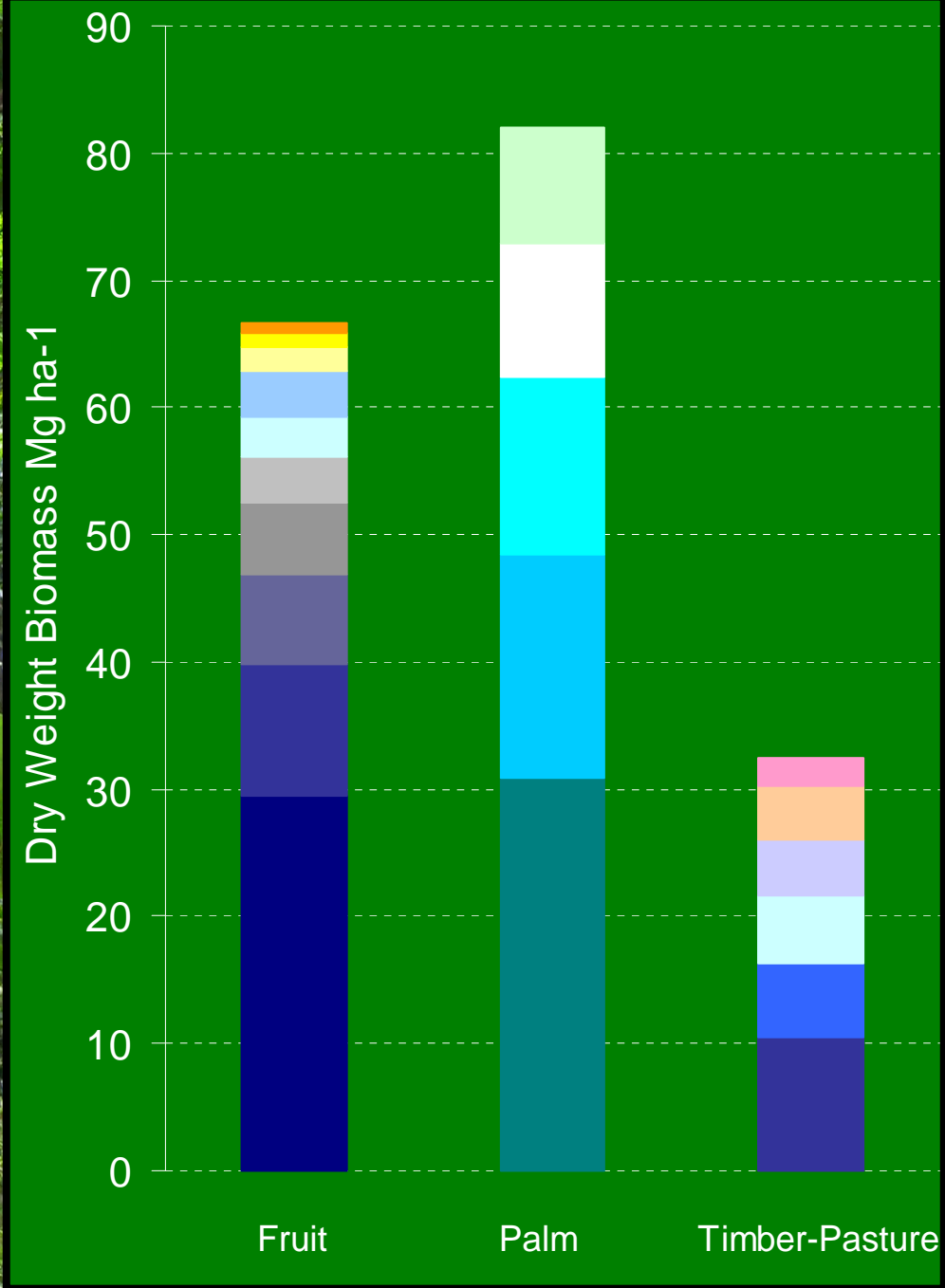
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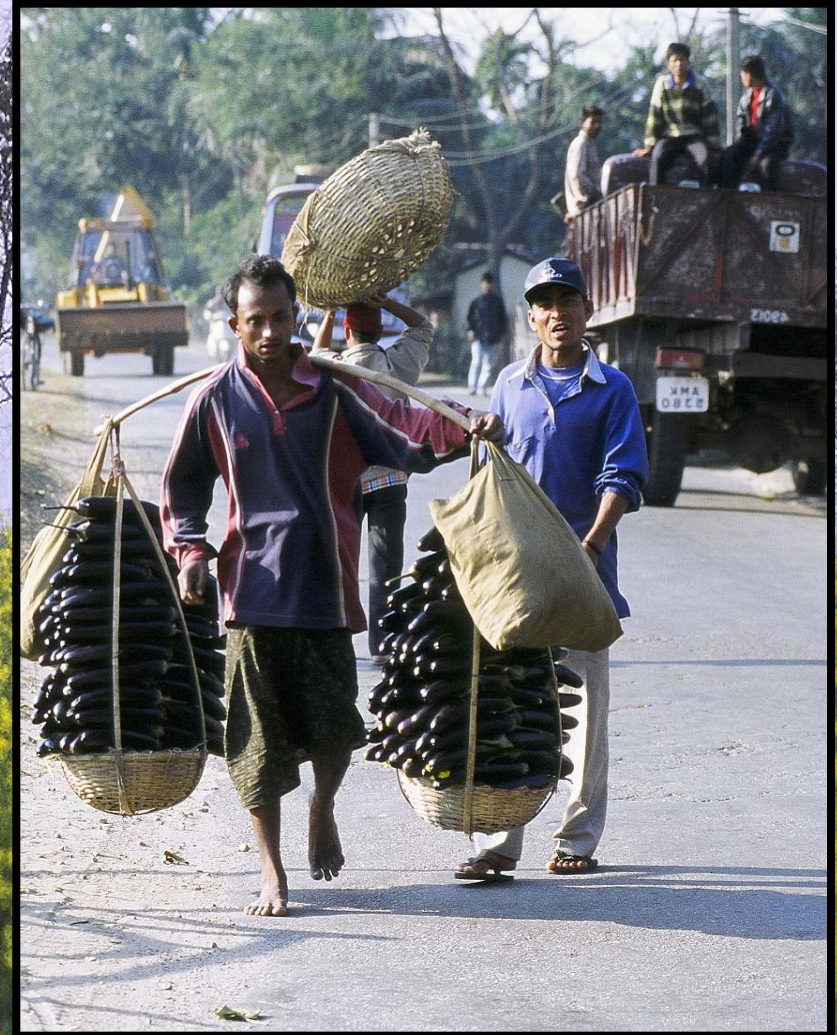
Fix Degraded Lands for Enhanced Productivity & Environmental Services



Protein, micronutrients, fibre, vitamins







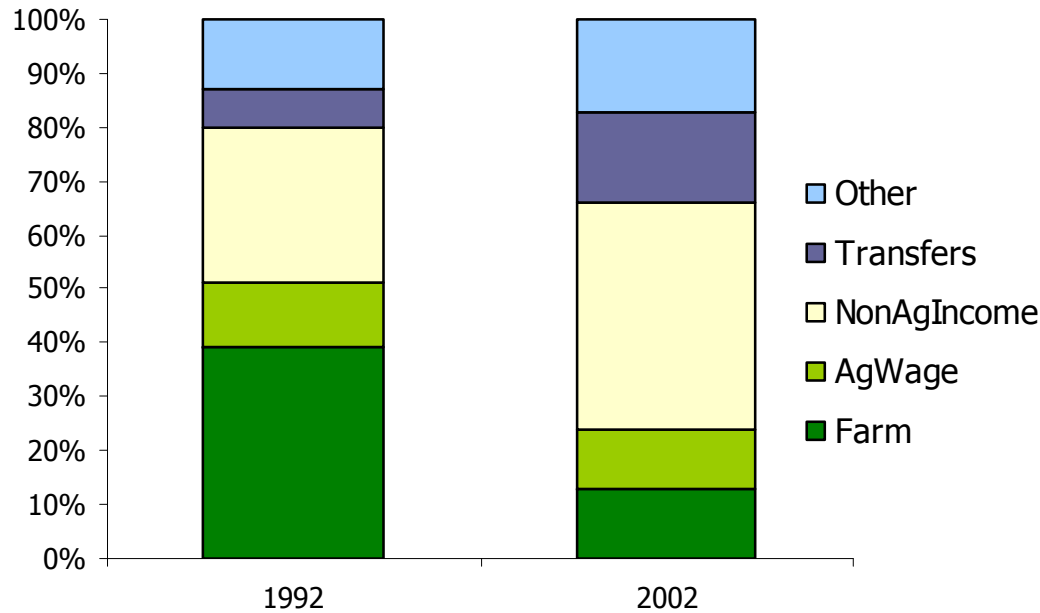
India, UP Sodic Lands - Rehabilitation



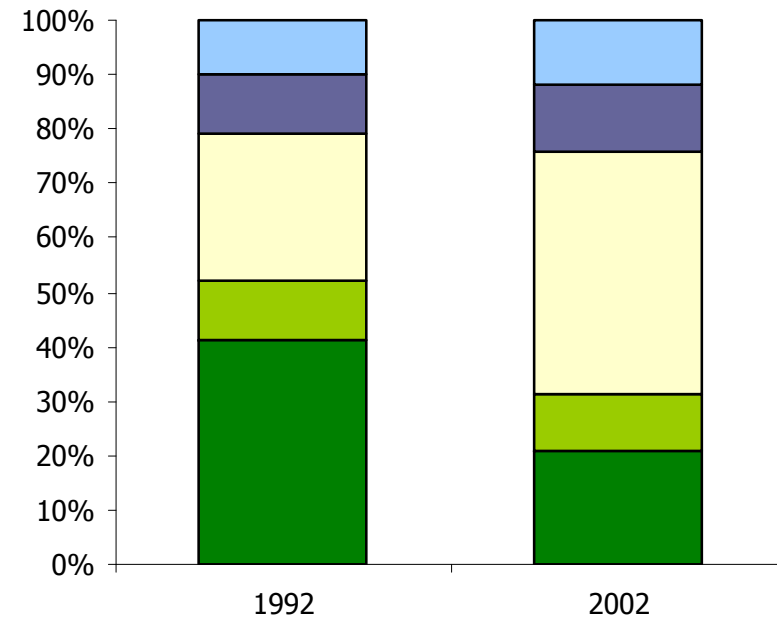
Opportunities: Expanding sources of income in the rural non-farm economy

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Mexico: Sources of income rural population



Bangladesh: Sources of income rural population



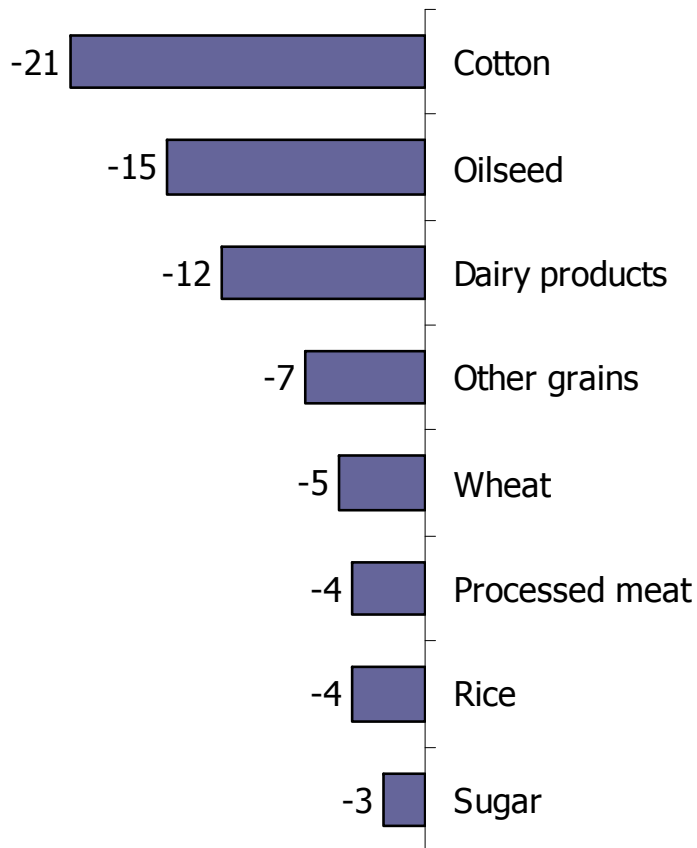


But Major Challenges

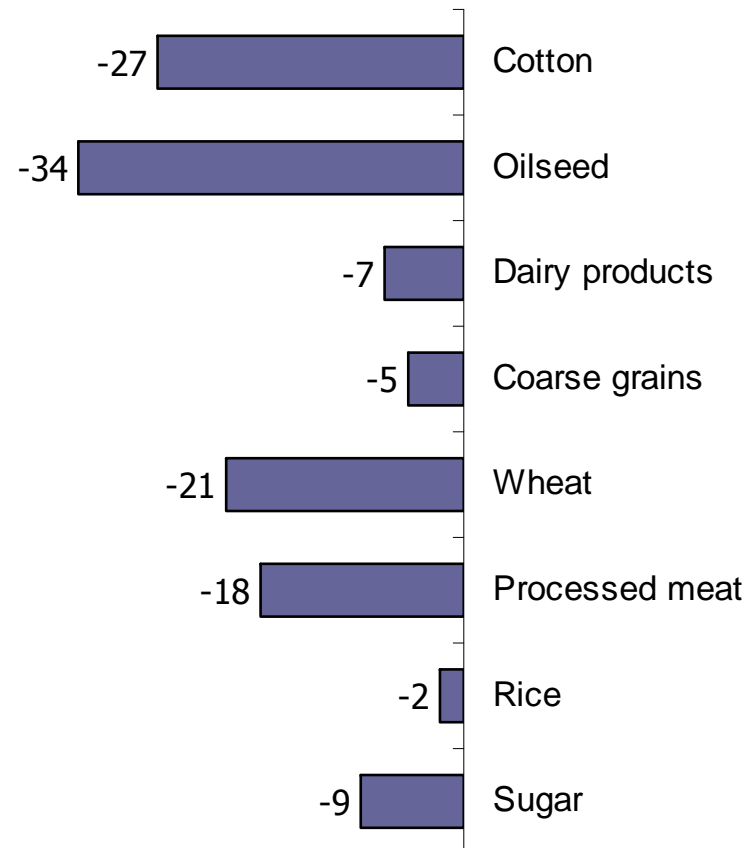
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Global trade distortions remain pervasive

UNTIL RECENTLY 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)



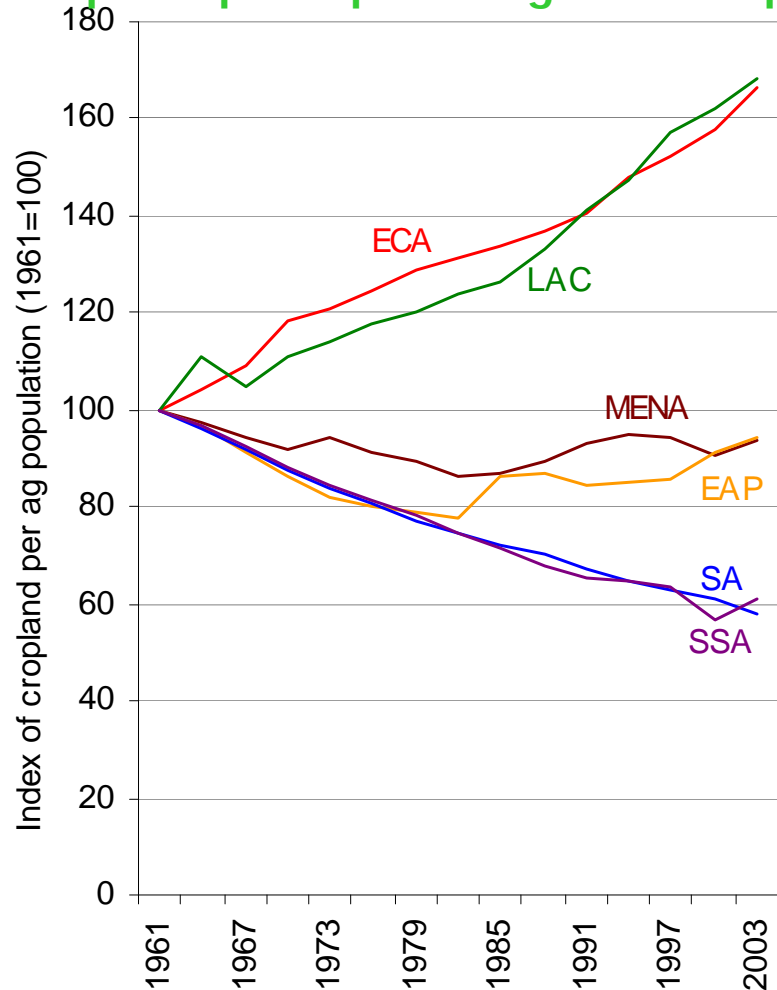


Challenges

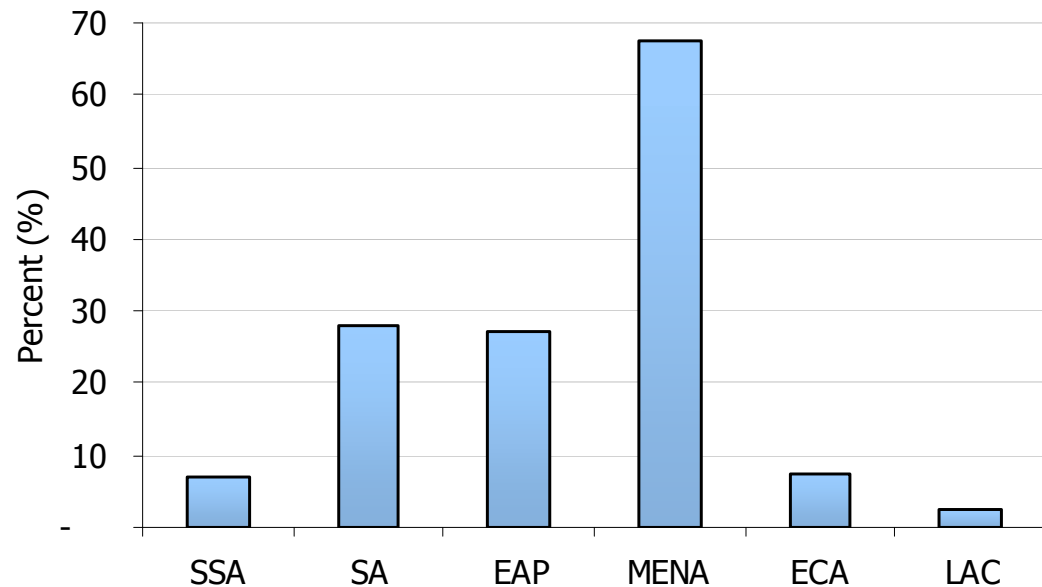
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Increasing land and water constraints

Cropland per capita of agricultural population



% of population in absolute water scarcity





Challenges

❑ Making growth pro-poor

- Connecting smallholders to new markets
- Improving assets of the poor, especially women

❑ Implementation bottlenecks

- Underinvestment in core public goods
- Weaknesses in governance (new state roles, coordination, decentralization)

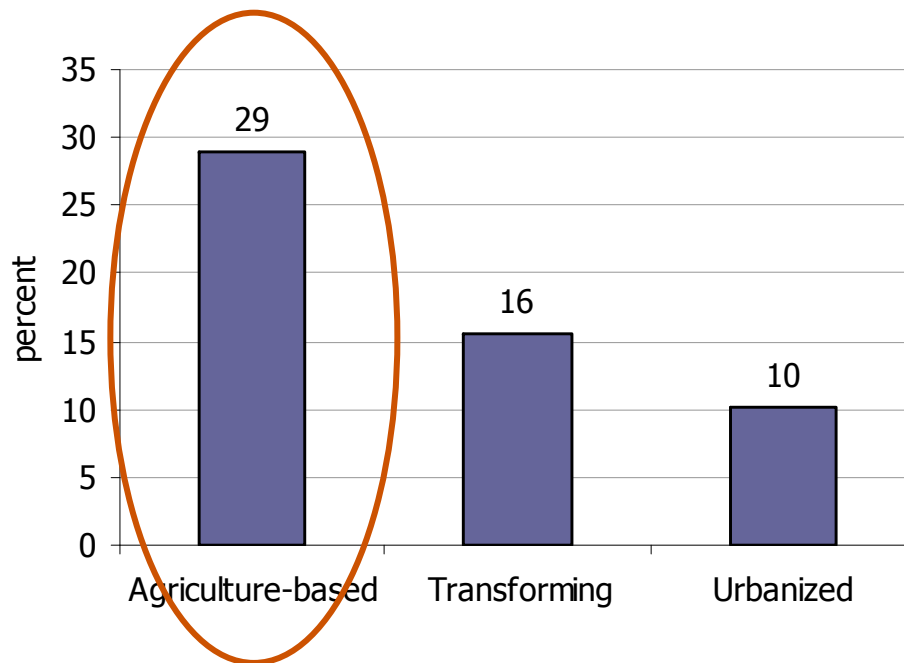


Challenges

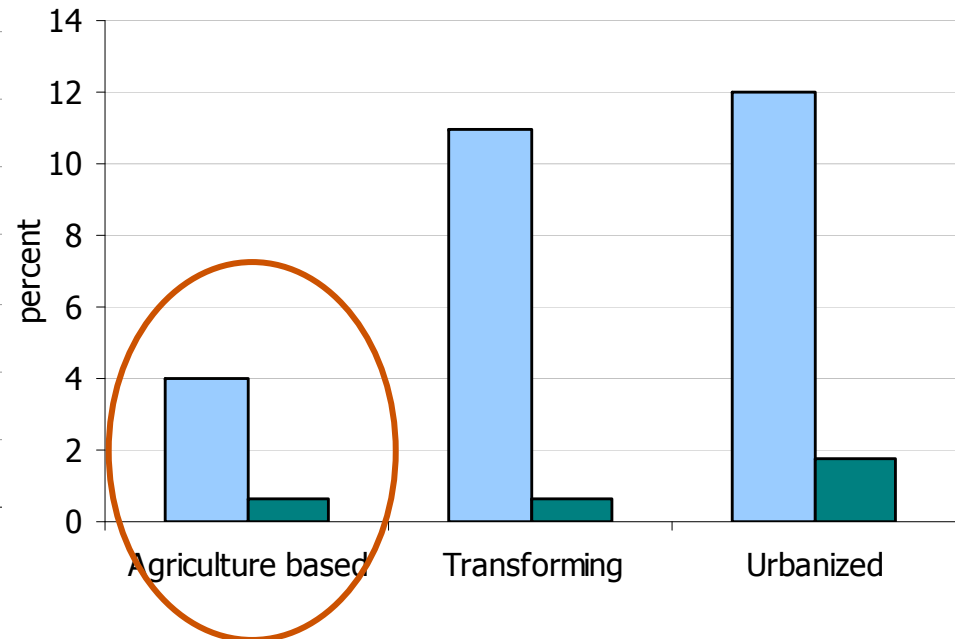
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Agricultural-based countries spend too little on agriculture (and R&D)

Ag GDP/GDP



Public Spending on Ag (% of Ag GDP)
Spending on Ag R&D (% of Ag GDP)



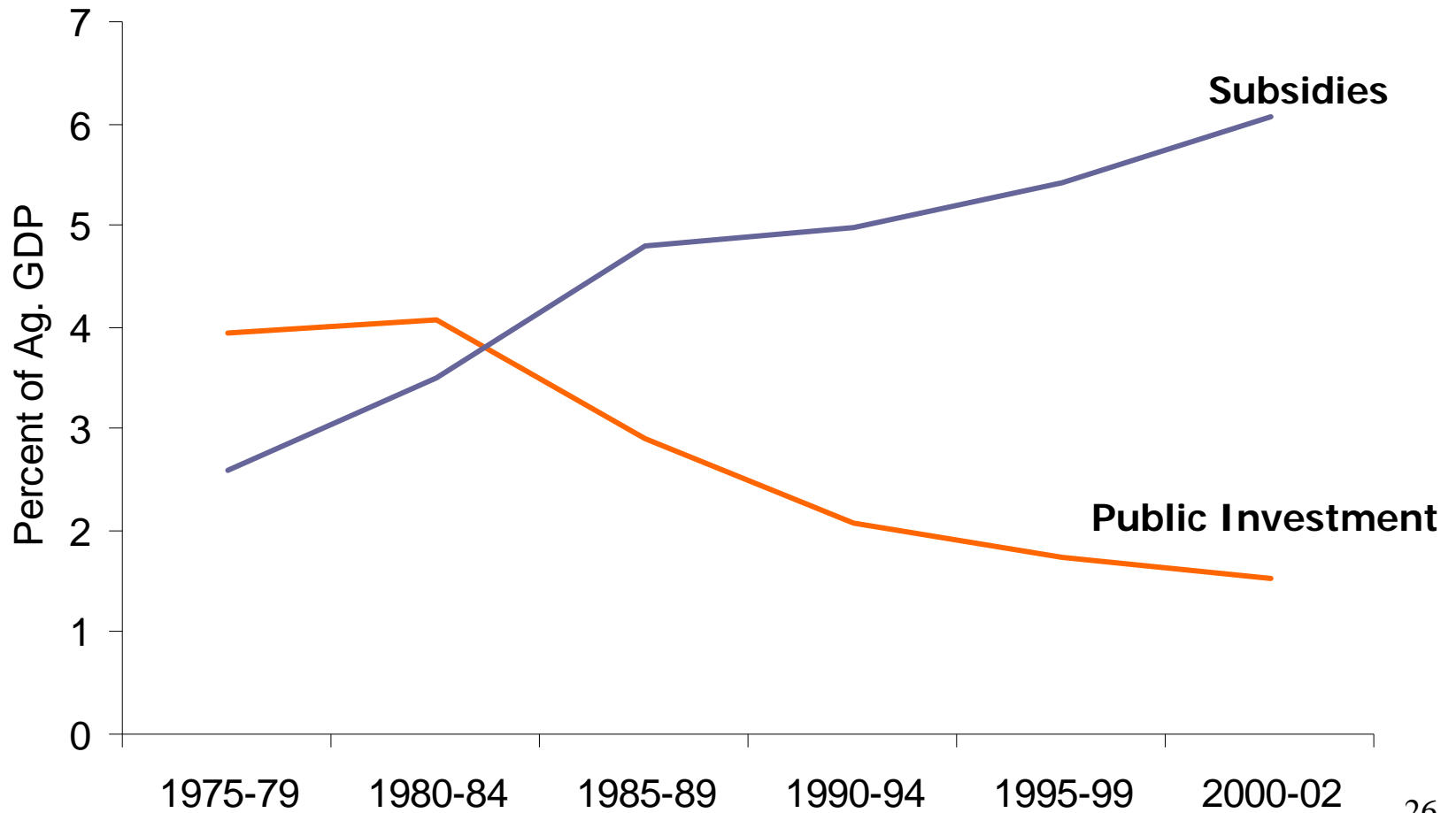
But quality of existing spending often poor



Challenges

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“Misinvestment” is also pervasive





Challenges

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Improving governance to implement agriculture-for-development agendas

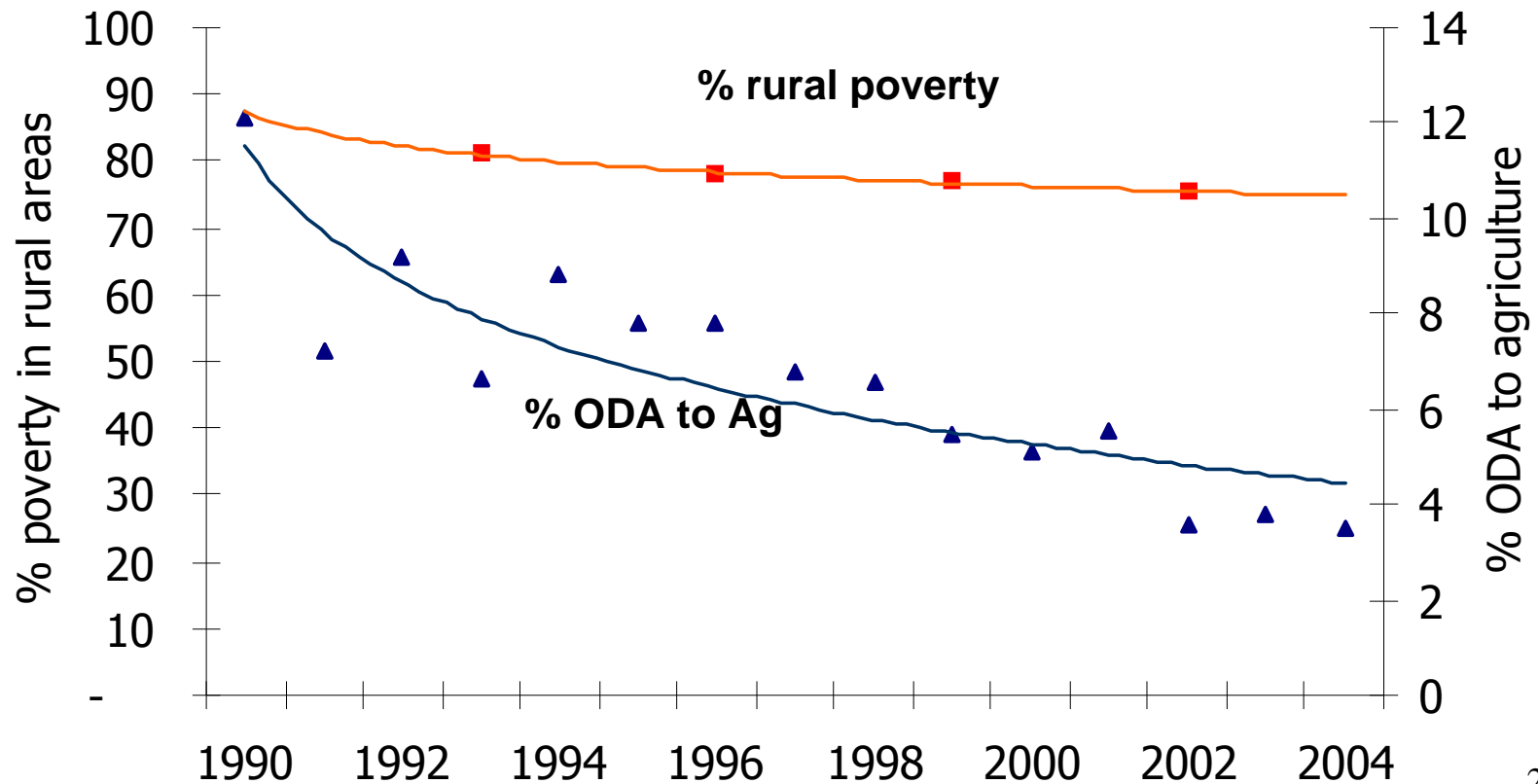
- ❑ **Double weakness of governance as a hurdle**
 - State weakest in poor countries
 - Capacity weak in agriculture vs other sectors
- ❑ **Improving governance at national and global levels**
 - National and local: cross-sectoral coordination, capacity of MinAg, decentralization
 - Global--coordinate for complex and inter-related issues (trade restrictions, climate change, animal diseases, biodiversity, standards)



Challenges

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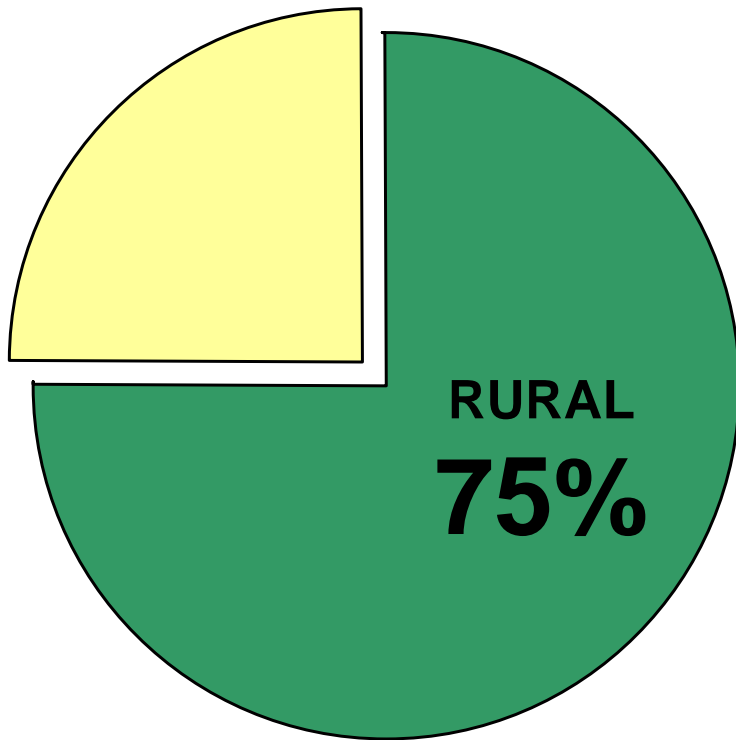
Donor support to agriculture also declined despite MDG to halve poverty





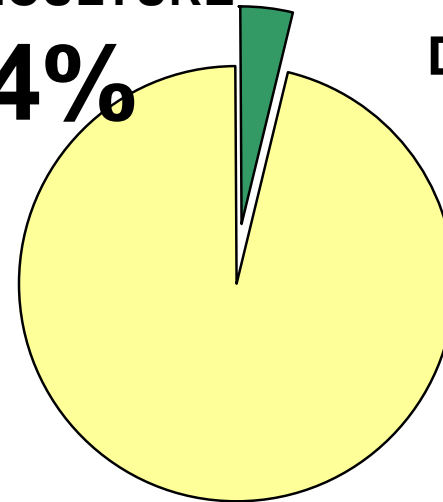
Reality vs Action

WORLD POOR



AGRICULTURE

4%

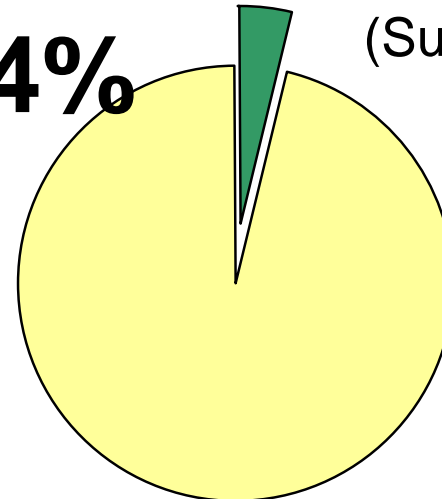


OFFICIAL DEVELOPMENT ASSISTANCE (12% in 1990)

(12% in 1990)

AGRICULTURE

4%



PUBLIC SPENDING (Sub-Saharan Africa)



So, what?

Agriculture remains fundamental for development

1. Accelerate **smallholder productivity increases for agricultural growth and food security** in Africa
2. Follow a **comprehensive approach to reduce sectoral disparities and poverty** in transforming countries of Asia
3. Enhance **sustainability, market opportunities, and environmental services** from agriculture
4. Pursue **multiple pathways out of poverty**: smallholder farming, labor market, RNFE, migration
5. **Improve the quality of governance** in agriculture at local, national, and global levels



WDR recommendations on “hot topics”

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- ❑ **Doha must progress** – with attention to transitional issues in developing countries
- ❑ **Subsidies can be used** – with attention to market development and equity
- ❑ **GMOs have unrealized potential for the poor** – with special attention to bio-safety and IPRs
- ❑ **IPRs** must be tailored to country and commodity specifics—with attention to humanitarian access
- ❑ **Biofuels will be important** – but need trade-offs analyses, more productive and sustainable technologies
- ❑ **Climate change** requires urgent attention—both adaptation and mitigation



Agriculture as a 'dual function' sector that both supports growth and provides social safety nets

Alternative instruments of rural social policy that provide agriculture with an improved environment

Political "space" for reform within the agriculture and water sectors

An enabling environment for competitive supply chains

Address the existing political economies reliance on subsidies and overprotection



The World Food Price Crisis

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- ❑ Changing food demand (quantity and quality) in China, India, and other countries which are experiencing rapid economic development.
- ❑ Rising energy prices and their impacts on both the costs of agricultural production and the demand of grains for biofuels.
- ❑ Severe weather shocks and impacts on production, weather-related risks, and investment in agricultural production.
- ❑ Speculation in commodity markets



The World Food Price Crisis continued

The World Bank is doubling its lending for agriculture in Africa over the next year to \$800 million, in order to raise supply.



WB & Gender

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“Gender and women’s empowerment is at the core of what we need to do in the field of development, and gender equality is also smart economics,” R. Zoellick.

“Progress in the area of women’s economic empowerment is still far, far too slow. Whether it is the question of employment, opportunity, pay, or access to finance, there is a tremendous amount of work to do to level the playing field for women.”

So ?



WB & Gender 2

- ❑ **The World Bank Group (WBG) will increase its support to women entrepreneurs through the International Finance Corporation (IFC), which will channel at least US\$100 million in credit lines at commercial banks for women entrepreneurs by 2012.**
- ❑ **By the end of 2010 at least half of all the Bank's rural projects in Africa will include gender actions, such as equitable land titling programs like the one being implemented in Ethiopia.**





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In the 21st century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability.

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