

WORLD FOOD PRIZE SYMPOSIUM October 2001

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Thank you very much, George. I appreciate very much being asked to speak here. I don't actually consider myself to be an expert in agriculture. And, in fact, the work that I want to talk about was not done really under the auspices of The World Bank but was done as part of some work I did for an organization called the Partnership to Cut Hunger in Africa. And that's another group that's trying to work together with a number of partners in the United States to see what can be done.

Secondly, I guess I ought to say that I am not the lead economist; I am a lead economist. There are probably a hundred lead economists in the Africa Region of The World Bank. I guess the rest are follower economists. But it's not a terrific honor. And I guess I just want to also say that I'll try to be quick. I'm aware of the fact that the time-winged chariot is at my back. You know, it's one thing to speak too long and to squeeze out your other colleagues – you get a couple people angry with you – but if you squeeze out a whole group from having lunch on time, that turns out to be a terrific risk.

What I want to talk about really is not the risks to sustainable development in Africa, because I don't sustainable development is occurring, so it's not really at risk. But what are at risk, what is at risk are Africa's people. Forty years of economic stagnation, of war, of rapid population growth and now of HIV/AIDS has put millions of people at risk every year from malnutrition-related deaths. And many of these deaths are avoidable. So the question is: What should we, the community that's interested in this, do about it?

I'm going to talk about five things. First, just the basic syllogism, which suggests sort of the model for how I'm looking at this. And some of these things have been said before, so I'll try to go through some of it fairly quickly. Second, I want to talk a little bit about the changing developing environment in Africa and in the world. Third then, I want to talk about the seven strategies that I put forward. They're not the only strategies. They may not... some be the real strategy, but I think all of them are important. Fourth, I want to look at three critical issues that complicate this question. And then lastly I'm going to have a couple conclusions and policy recommendations.

The basic syllogism, which I think has been already presented, is that cutting hunger in Africa must center on reducing income poverty and that reducing income poverty requires rapid economic growth. All evidence, although there has been some debate about the question of growth versus distribution issues, but all evidence, I think, points to the strong relationship between growth and poverty reduction. And if growth is not absolutely the only thing that will lead to poverty reduction, it is absolutely necessary.

And finally, that rapid poverty reducing economic growth requires intensified agricultural growth. I think our earlier speakers talked a little bit about that, and I'll just state

quickly why I think that's so. First, the majority of the poor live in rural areas, so that their incomes are directly affected by what happens in the rural economy. Secondly, as has already been mentioned, agricultural growth has a larger income multiplier than nonagricultural growth. So anything that you do in agriculture will have a bigger impact on the society as a whole. Third, that agricultural growth will tend to keep food prices low and thus raises the real income of the poor. This is an important thing. Seventy percent of what the poor people buy or use in their consumption bundles is food. So if real food prices are low or reduced, then their real income increases; they can buy more food given what ___ incomes they have. So keeping food prices low is an very important issue.

Now, another part of this syllogism is that demand factors are at least as important as supply in generating agricultural growth. In the past we've spent a lot of effort worrying about supply factors, and they are important; but we also have to keep in mind the issues on the demand side.

And then something that may or may not be true but I think is important is that the most dynamic sector of research in agriculture will be nontraditional exports. And let me give you an example. Nigeria is the world's largest producer of cassava. Nigeria exports no cassava. Out of a hundred or more cassava products, products that can be produced from cassava, Nigeria produces one, gari (?). There is an enormous opportunity – I don't know, maybe "enormous" is too strong a word – but there's certainly an opportunity for improving and increasing value-added by developing agro-processing and marketing opportunities in cassava and cassava-related products that will increase demand for cassava and therefore increase income among Nigeria's farmers. And there are lots of different products for which this is a possibility.

Let me just say a little bit about the changing development environment in Africa. There are basically three positive trends and then two negative trends. The first one is the rise of democracy. There are now probably half countries are reasonably democratic. They have governments that change with elections. They have parliaments that work. There is an improved system of human rights. And there's improved voice and accountability in government. There has been a substantial amount of economic reform, particularly at the macro-economic level. You can go to almost every country in Africa now, and you no longer have to fill out currency forms, which you had to do before. There are various things that have been done, but the reforms are still not nearly as deep as they need to be. Nevertheless, these are positive changes and not likely to be turned back. There's increased urbanization, which means there are increased markets for agricultural products.

But there are also two negative trends. One is the population growth continues. Although there is some sense that fertility rates have begun to decline, nevertheless, for most countries, despite AIDS, population growth is still quite rapid, and it's beginning to put pressure on more and more land. And then, lastly, a thing that my colleagues are going to talk about some more is the whole question of HIV/AIDS and how it affects the economic environment.

There are also a number of changes that have taken place globally. Clearly, a lot of what we talk about at this conference is different than we would have talked about 15 years ago, because of globalization and its impact on the world economy and its impact on relationships

between economies and what people do in each economy. And globalization offers tremendous opportunities for African countries to find niches where they can produce things more cheaply and more effectively than other countries and therefore raise their income.

There is also the opportunity for new technologies, in things like informatics, which is particularly important, and biotechnology, but also in things like business organizations. There's a whole new way of doing business and marketing that didn't exist before.

Third, the end of the cold war has had an impact on the way in which politics takes place, international relations takes place in Africa. Now, I wrote this largely before September 11th, and some things have changed as a result of that. It's hard for me to really see exactly how it's going to play out. But clearly there are a number of different responses that might take place as a result of the terrorists, the newfound emphasis on terrorism and the war on terrorism. Some of those may, in fact, reduce our interest and our abilities to deal in the third world, and some of them may actually increase it.

And related to that, of course, is a changing foreign assistance climate in the U.S. and elsewhere. Again, up until this year and maybe continuing, the level of foreign assistance to Africa, and the level of assistance overall, has been declining, even despite the fact that these economies in some ways are performing better than they had before. And the other changing environment with respect to assistance has been, at least in Africa, the increased understanding and willingness to put Africans at the center of development and not have the development agencies be responsible for developing strategies and implementing them. That's a profound change and may have some real impacts down the road.

So now I want to talk, turn to the seven strategies that I'd like to put forward. The first one is changing the paradigm. I think the most important single change step is to change the way people think, and that's at all levels – producers, politicians, scientists, educators. In order to understand what needs to be done, one has to get into one's mind the way the world works. And for too long Africans have been focused and stuffed in an old view of the world, and that needs to change.

You know, Robert Kennedy – and I'm going to mess up this quote – but he quoted Shakespeare to the effect that, "Some people see things the way they are and say, 'Why?,' and I see things that never worked and say, 'Why not?'" And I think the issue is not to be looking at constraints but to be looking at potentials and opportunities. So one has to begin thinking about an open economy rather than a closed economy. One has to look at all the opportunities that exist in the world economy where growth in trade is about twice the rate of growth in the world economy as a whole. That is, the world is getting increasingly dependent on trade, and there are increasing opportunities to sell things.

I want us to move from short term to long term. This is particularly difficult in Africa where everyone is beset by short-term problems – short-term political problems, short-term economic problems – where governments change, where ministers change. I know people who have been working with certain ministries in certain countries where they would have a different minister every six or eight months; there's no continuity. I went to a conference once a long

time ago and ran into a man who was the deputy governor of the Central Bank of Malaysia, and he had been in that job for 25 years. He sort of knew what he was doing, and he had the ability to think on a long-term basis. But that's not the case for most people who work in Africa. And that needs to change.

From controlled markets to free markets, from industrialization to agricultural-led development: There has been a misunderstanding of the fact that development in the past has seemed to be associated with industrial development. And then to take that cart and put it before the horse and think that industrialization is a necessary condition for development rather than something that accompanies it. And so there has to be a shift back to the idea that agriculture is the leading sector for poor countries.

And then lastly from comparative advantage to competitive advantage. I'll talk a little bit about what I mean by that.

And let me just give you an example of what the new paradigm that I'm talking about might look like. If you were to look at a couple of companies and look at the conditions in these two countries, and you had one country which had lots of land and lots of sunshine and lots of rain and low cost for labor, lots of abundant labor, and you had another country which has very little land, little sunshine and high cost of labor, and you say, okay, which of these countries would you like to invest in to produce flowers? So the normal response – you probably know that I'm going to give you the opposite answer – is to think about the country with the land, the sunshine, the rain and the cheap labor. But in fact it's the other country, the Hollands of the world, the Netherlands of the world, that are the real producers of the world market, dominate the world market in flowers. You look at two countries, Netherlands and Uganda – they're at opposite ends of the spectrum. Uganda is just developing a flower industry.

Now, the next slide is very complicated, so I'm just going to pass through it very quickly. Those of you in the back row, let me just point out the things you can't see. If you look at the Dutch flower industry and say, "What does it have?," it has 9,000 nurseries, it has 1900 exporters, it's close to European markets, it has workers who are highly productive, land is expensive, labor costs are high, but it has excellent transportation and excellent infrastructure. And it's focused on technology. There's a huge amount of technological change that takes place. It produces a differentiated product. Every year there are new varieties of tulips and roses and other kinds of flowers. It has a high local demand and it, of course, dominates the world market.

Now, if you compare that to Uganda, which of course is much clearer, because there's a lot less information about Uganda, there are 17 growers in Uganda as opposed to 9,000. They export one product, sort of like Henry Ford – a rose. And all their competition is based on price. They have cheap labor, and they have all the natural conditions, but they have tremendous transport costs, they have infrastructure problems, and they basically have little local consumption.

So for Uganda to become an effective producer or competitor in the world market, it needs to develop the stuff that it doesn't have. And most of that is knowledge based. Most of

the competition in the world economy is going to be knowledge based. And so there is an important niche for the Ugandans to develop, and that is to develop new technologies, new varieties, new markets, new ways of doing business that will enable them to compete. They don't have to compete very much, because they don't have to take the whole Dutch flower market away; they just take small little niches of it, just a little piece of it. And they can take advantage of the things that they do have that are in abundance.

Now, in response to this, not only have they begun working on some issues of infrastructure, but they have just started a Department of Floriculture in the University of M____. So this takes a long-term investment, it takes a lot of emphasis on things that build knowledge, but the opportunities are there to begin developing a lot of value-added in products that can compete in the world market.

The second strategy is to reform the role of the state. And we'll talk a little bit more about this in a different context. For economies to grow, the state must perform certain limited functions effectively. They must provide economic stability; there must be policy stability. In Nigeria in the last four or five years, fertilizer subsidies have been introduced, pulled back, introduced and pulled back at least twice in four years.

There needs to be a clearly delineated role for the state. What is it the state should be doing, and what is it the state shouldn't be doing? The state must focus on making markets work and protecting free market institutions, particularly contract enforcement, and help with market information, and open the economy. Another note that I didn't put down there but may be the most important of all is: Do the important things well. Do basic education well, do road maintenance well, do primary healthcare well. These are not complicated, but they're things that have not been done very well in most places in Africa.

Third is to develop a public/private partnership. Governments that are effective in development realize that the private sector is not a competitor but a partner. They realize that the things they want to do depend on revenue and that revenues come from the private sector. So if the private sector grows, then tax revenues grow, and they can become larger and more effective. So if you see the private sector as your partner rather than as your competitor, you're likely to be able to be more effective. And just a few things, areas where there's opportunity for public/private partnership: in agricultural research and extension, we're looking for new private sector ways of doing extension; for information technology, infrastructure, an export policy and a biotechnology policy. But there's a whole range of areas where this public/private relationship can be developed.

Fourth is invest in knowledge and technology... I said before that the most important resource in the new world economy is knowledge, and therefore the most important investment – and I'm going to say the most important ... and so obviously contradict myself – is in education. African countries have struggled to keep up with the rapid growth of school-age population, and the result has been a decline in the quality of education. So there has to be a new emphasis on quality as well as quantity.

There's a need to reform universities. African universities have been a disaster area for the last twenty years. They have declined in their capacity to provide good education. And they've become politicized, and they have become financially bereft. And there are some new models for strengthening universities that are effective in some places. There's a growth of some private universities. But it's still an area that needs a tremendous amount of attention. And then lastly, strength in agricultural research as a way of increasing knowledge.

Fifth, and this is quite straightforward, invest in rural infrastructure. I know we were told earlier today about the decline in the amount of capital in rural areas, the decline in investment in rural areas. That's been a result both of what donors have done and what African governments have done and has been continuing for 20 or 30 years. There needs to be investment in roads, in water. Water is particularly important because women are the most important producers in most of agriculture in Africa, and just the time that they use gathering water is a tremendous constraint. To the extent that water can be made more available more chiefly and more easily, it frees up their time for doing other things. Invest in irrigation. Africa has the lowest level of irrigation in the world. And investment in rural electricity. All these are things that need to be done.

The sixth strategy is to empower farmers. This is happening. Part of the democratic change is taking place in Africa. The old system of government-run co-ops has been demented, and there are now new opportunities for private-sector, actual farmer-led organizations that increase the space for farmers to make individual decisions, that increase their influence over public-sector decisions and increase their participation in the policy debate, and increase their opportunity for collective action. One of the real issues that face agricultural development has how to provide credit and inputs and marketing services to a large number of very small, very risky farmers for whom the creditor has limited information. And so the effect, the ability of these farmers to group themselves into collectives, into cooperatives that then can approach financial institutions or approach input distributors on the basis that reduces the cost for everybody is an important issue.

And then lastly, develop more sophisticated marketing. And there's a lot of issues here. The fact is that if you were to look at African competitiveness with respect to a wide range of products, it's not so much the cost at the farm level that reduces competitiveness but the cost of moving things from the farm to a market and particularly to an external market. And so a lot of issues there with improving marketing, strengthening the rule of law, improving infrastructure again, stability of policy, improved market information which turns out to be extremely important and it's something you do cheaply, deepening financial markets, and then regional integration. There's a lot of agricultural trade that goes on between African countries informally, but there's an awful lot of factors that inhibit it and raise the cost.

I'm just going to do one more thing. Let me talk about three critical issues. The first is resource mobilization. We talked again – the need to shift resources from other resources to agriculture. The performance of “O” donors has been abysmal. The World Bank and USA in particular, who have been the leading funders of agricultural investment, have really shifted out of agriculture in the decade of the nineties. And that reflects the fact that African countries have

shifted out of agriculture in terms of their investment. But there's also a need to increase domestic saving and foreign private investment and to reverse capital...

The second is AIDS. I'm not going to say anything about it, because people who are following me are going to say something about it, so let me just skip through that slide. It's critically important, and it's going to be a critical inhibiting factor to development.

And then the last issue I want to talk about is governance. In the end, the responsibility for agricultural development and for growth and poverty reduction and reducing hunger is a responsibility of Africa and African governments. And they have not done that well. I think governance and getting states to be effective is the most important... issue, but I think this is the critical issue.

One of the problems is that politics in Africa is not issue-based. Now that we have elections, you can see more the politics play itself out more openly. But basically the candidates that vie for elections generally have platforms that are based on regional or ethnicity differences or personalities. You don't have a party that represents farmers and a party that represents workers. You don't have a party that represents capitalists. There's no issue-oriented politics, and because there's no issue-oriented politics, there's no effective way of articulating in a political environment the questions of public policy. That's going to change, I think, over time, but it will take time to develop a middle class that is focused on that. So right now that leads to politics that is more focused on dividing the pie than on generating it and growing it.

Even with new democracies, institutions are weak, and it is therefore important for us all to strengthen and help strengthen the institutions of democratic government. As long as the politics of Africa divert leaders from the critical issues facing the continent, Africa will not face its problems effectively, nor will it solve them.

What's happened in Africa in terms of its failure to deal with its issues is a failure of political will both of Africans and of the rest of the world. And until that gets changed, the problems of hunger in Africa will not be effectively resolved. And 15 years from now we'll look at a new set of World Food Summit goals, and we'll still be wondering why we haven't reached them.

Thank you very much.