RETHINKING THE AGRICULTURAL AND RURAL TRANSFORMATION OF AFRICA IN THE NEW GLOBAL CONTEXT:
Challenges, opportunities and strategic options

OVERVIEW
Overview

I. Rethinking the transformation - the urgent need for it to be a success

1. Africa has great wealth – natural and human - but such wealth coexists with extensive and chronic poverty. Africa is still to achieve a successful transformation – in terms of low to high agricultural productivity, which is an essential component of high income and industrialized economies. The vast wealth was clearly stated thus: “Africa has about 12 per cent of the world’s oil reserves, 42 per cent of its gold, 80–90 per cent of chromium and platinum group metals, and 60 per cent of arable land in addition to vast timber resources.”1 Africa has also experienced two decades of unprecedented growth at an average annual rate of 4.5 per cent.2

2. The population of Africa reached over one billion in 2015. Despite the resource potential and the recent growth performance, some 366 million still live on less than $1.25 per day.3 Millions more are vulnerable: 58.3 per cent live on less than $2.00 per day, experience low income, and have insecure and informal employment.4 From 2000 to 2012, labour productivity was estimated to have grown at only 1.5 per cent per year.5 Moreover, high youth unemployment – estimated to be between 20 and 30 per cent — scars much of Africa, giving urgency to the political imperative of gainfully employing Africa’s fast-growing youthful population.6 Over the last five decades, East Asia has far surpassed Africa in terms of per capita incomes, although in 1960, such levels were virtually the same for Africa and East Asia.

3. The main message of ECA’s report on agricultural and rural transformation is that Africa must succeed in agricultural and rural transformation (henceforth referred to as “the sector”). Such success must be at the centre of the agenda, if Africa is to realize its significant potential, which is to become food secure and industrialized. The report referred to above shows how the necessary success can be achieved.

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2 World Bank, Overview: Poverty in a Rising Africa, vol. 1 (Washington, D.C., World Bank, 2016), p. v, see http://www/wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/10/15/090224b08314901d/1_0/Rendered/PDF/Poverty0in0a0rising0Africa000overviewv0.pdf.
4 The term “vulnerable” refers to those who are self-employed or are engaged in a family business and earn a low wage. They either live in poverty or are under constant threat of falling into poverty.
7 Some 70 per cent are below 30 years and 20 per cent are between 15 and 24 years (2009). On average, 72 per cent of the youth population in Africa lives on less than $2.00 per day. The incidence of poverty among young people in Burundi, Ethiopia, Nigeria, Uganda and Zambia is over 80 per cent. Source: World Bank, Africa Development Indicators 2008/09: Youth employment in Africa: the potential, the problem and the promise (Washington, D.C., World Bank, 2009), p. 1. In addition, according to the Economic Report for Africa 2013 (Addis Ababa, ECA, 2013), youth unemployment is about twice the rate of adult unemployment.
8 The report on agricultural and rural transformation is in preparation.
IV. Report on agricultural and rural transformation

A. Rethinking: approach, methodology and scope

4. The analytical framework that guides the analysis and strategic policy options of the report on agricultural and rural transformation is anchored in the approach set out in Why Nations Fail,9 which argues that there are a number of factors to take into account when measuring the economic success of a country, including: institutions, economic rules and incentives. The theory presented links inclusive economic, political institutions and prosperity. A central approach developed in Success in Agricultural Transformation10 proposes five conditions that are common to all cases of successful agricultural transformation:

a. Macro and political stability;

b. An effective technology-transfer system;

c. Access to lucrative markets;

d. An ownership system including a system of rights that is based on the principle of individuals reaping the rewards for their respective initiative and toil;

e. Employment-creating non-agricultural sectors.

5. Within the analytical framework outlined above, on the basis of the report on agricultural and rural transformation, a typology of Africa11 and its agricultural and rural sector is presented. In addition, the extent to which smallholders operate within an environment of extractive or inclusive economic institutions is assessed, followed by a synthesis of six country studies on Botswana, Côte d’Ivoire, Ethiopia, Ghana, Mauritius and Morocco. An analysis is provided on the extent to which the five necessary conditions for success exist; important additional country-specific conditions are identified that are indispensable in achieving successful transformation.

B. Focus of the report and its target readership

6. The focus of the report is on how to ensure success in the agricultural and rural sector. The report targets policymakers, policy analysts and major stakeholders in Africa, and maintains that it is essential to help achieve basic livelihood goals, which include:

a. Food security for all;

b. Employment-creating non-farm rural and non-agricultural sectors, especially to reduce high youth unemployment and underemployment;

c. Greater resilience to shocks both natural (climatic) and man-made, such as droughts, floods, armed conflict, and food price hikes.

10  Isabelle Tsakok, Success in Agricultural Transformation: What it means and What makes it happen (Cambridge, Cambridge University Press, 2011). The book tests five conditions in about 30 countries. The methodology of testing follows Popper’s scientific method of conjectures and refutations. Unlike the prevailing method, which looks for confirmation of hypotheses using a regression and correlation analysis, Tsakok presents a methodology that formulates a testable hypothesis, designs tests and looks for refutations of the hypothesis.
11  The typology divides African countries into agriculture-based, resource-based and diversified economies.
C. Successful agricultural transformation

7. **The hallmark of successful agricultural transformation**: Successful agricultural transformation refers to two simultaneous developments:12

   a. Increases in productivity (output per unit of input variously defined) sustained over two to three decades at least;

   b. Sustained increases in income for the majority of farm and rural households.

8. This concept of success has both a positive and a normative component. The positive and measurable component is represented by increases in sustained productivity; the normative and measurable component is the broad-based income increase for most farm and rural households.

9. Successful industrialization is dependent on successful agricultural transformation: “No country has succeeded in its industrial revolution without a prior (or at least a simultaneous) agricultural revolution. Neglecting agriculture in the early stages of development is neglecting development.”13 This claim is anchored in repeated experiences worldwide, including in numerous countries after World War II, and, less recently, in the United Kingdom of Great Britain and Northern Ireland, which was the first country to have had both an agricultural and industrial revolution. Further examples include Japan, the first country in East Asia to industrialize; and the United States of America, once a developing country, now a superpower.14 The message is clear: if Africa wants to industrialize successfully, it must transform its agricultural and rural sector successfully. There is no alternative.

10. China’s on-going transformation exemplifies the pivotal role of broad-based increases in agricultural productivity. Under Mao Zedong’s Great Leap Forward, China failed to successfully industrialize, although “catching up with the West” was the central political and economic goal. This failure was despite the fact that China invested heavily (some 25-30 per cent per year of total output social value); built a substantial industrial base; and grew at an average of 6 to 7 per cent per year. Heavy industry grew at an average of 11 per cent a year.15 Under Mao’s strategy, China adopted the “squeeze” agricultural approach, which was widespread at that time in the developing world. The “squeeze” was implemented largely through China’s pervasive price control including most agricultural commodities and their marketing. Terms of trade were severely anti-agriculture. After 30 years of such a strategy, poverty was still extensive: GNP per capita, which stood at $52 in 1952 was only $210 in 1975. Total factor productivity growth between 1952 and 1981 was only 0.5 per cent per year. The strategy of collectivizing and taxing agriculture, and the shift to industrialization was unsustainable. It led to the dramatic re-orientation of China’s strategy by Deng Xiaoping after Mao’s death in 1976. The “household responsibility system” was officially endorsed in 1979. It brought about the shift from import-substitution to export orientation; from central planning to market-orientation.16 The agricultural sector (as well as the rural non-farm sector) grew and productivity soared. By the 1990s, the rural non-farm sector contributed 25 per cent to China’s exports, which were growing at 14 per cent

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13 C. Peter Timmer, Food Security and Scarcity: Why Ending Hunger is So Hard (Philadelphia, Center for Global Development/University of Pennsylvania Press, 2013), p. 4. It is clear that oil-exporting economies, such as Saudi Arabia, and city States, such as Singapore, are excluded in this generalization.
per year in the period 1982-1992. Not only the rural sector but the entire economy were transformed. Promoting industrialization at the expense of agriculture totally undermined successful agricultural as well as economy-wide transformation.17

D. Successful industrialization requires broad-based growth in agricultural productivity

11. Why industrialization has remained elusive to Africa: For decades, Africa has been exporting commodities without adding much value prior to export. The Economic Report on Africa 2013 goes into further depth on the subject, commenting that primary commodity production and exports entail huge forgone incomes through lack of value addition, the export of jobs to countries that can add value, and exposure to high risks due to dependence on exhaustible commodities and fluctuations in commodity demand and prices. Instead of relying on exports of raw materials, the continent should add value to its commodities to promote sustained growth, jobs and economic transformation.18 This is problematic since adding value through agro-processing, whether for food or non-food, is always the first rung of the industrial ladder that developing countries climb. The hallmark of any industrialization, including commodity-based industrialization, is value addition and the development of market linkages, both domestic and foreign. Many important factors have been identified as responsible for those two processes being weak in Africa, in particular: insufficient public investment and policy support; failure to upgrade the many links in any value chain; and widespread skill shortages. The Economic Report on Africa 2015 explores the factors and processes in greater detail.19

12. Broad-based growth in agricultural productivity is the bedrock of any value addition. A variety of factors have undermined the growth of productivity of smallholder agriculture – in food and non-food, for domestic and foreign markets. Experiences worldwide provide evidence that without sustained and broad-based agricultural productivity growth, there cannot be value addition (in countries where agriculture is or was important)20 nor can there be the dynamic development of backward and forward linkages. As noted, “The greatest deficiency of the current growth episode is its inability to promote structural transformation of the economies of the region.”21 Africa is not alone: that has been the experience in other agriculture-based developing countries and also in countries where broad-based agricultural productivity growth has been mediocre at best, an example of which is the Philippines. 22

13. Low productivity still prevails in Africa’s agricultural and rural sector: Africa’s agricultural and rural sector is the dominant sector in many countries. Low productivity prevails despite isolated success cases, including the examples of hybrid maize in Eastern and Southern Africa; cassava transformation in West and Southern Africa; and smallholder cotton in Mali.23 Between 55 and 60 per cent of Africa is agriculture-based. In the 1980s, agriculture contributed 20 per cent or more of gross domestic

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20 Agriculture-based economies are defined as economies where the agricultural GDP (per cent of GDP) was around 20 per cent at the start of their industrialization. Except for oil-exporting countries, such as Saudi Arabia, or city States, such as Singapore, most countries were agriculture-based at some point.
product (GDP). For Sub-Saharan Africa alone, the agriculture-based countries constitute almost 70 per cent of the total. A number of factors contribute to the situation in Sub-Saharan Africa, including widespread poverty, food insecurity and vulnerability, low productivity employment and extensive underemployment. The root cause is not only stagnation but negative agricultural productivity growth over a period of decades. The annual average growth rate in total factor productivity from 1961 to 2005 was 0.28 per cent, declining from a value of 1.00 in the period 1961–1970 to 0.94 in the period 2000–2005. This means that, on average, agricultural total factor productivity was 6 percentage points lower in the period 2000–2005 than the level in the period 1961–1970. More recent data show improvement. Concern is nevertheless well founded: despite the recent decade of high growth in Africa, the overt dependence on traditional agriculture can only support limited growth.

14. **Rural transformation depends on agricultural transformation**: Low productivity agriculture cannot promote a vibrant rural non-farm sector. As forcefully stated in the business plan of NEPAD Rural Futures Programme: “...the reality in Africa is that, with a stagnant and low-productivity agriculture, there is little local demand to drive growth in the rural non-farm economy, and the backward links from urban centres and industries remain weak except in a few well connected areas... Overall, Africa's rural non-farm economy needs a demand lifter to kick start growth.”

15. The five conditions necessary for success require a holistic approach: In all cases of successful transformation, there is a pattern that is captured in the five necessary conditions. In all cases of failed transformation, one or more of the five conditions was absent. The requirement that five conditions should simultaneously exist shows that a piecemeal approach – putting in place only one or a few of these conditions – is not good enough. Putting in place all five conditions and maintaining them for decades is indeed challenging, but that is what is required for success. The six country cases selected illustrate this fundamental point.

16. Any single condition has rightly been considered “obvious”: There is wide consensus among development practitioners and policy analysts that any one of the five conditions is an important contributor to growth. For example, with respect to the first condition, macro and political stability, Africa’s recent good growth performance is rightly attributed to good economic management, lower inflation and the decrease in violent conflicts, among other things. In terms of the second condition, with respect to access to effective technology transfer, the publicly funded technology research in cassava invigorated cassava breeding lines across Africa, triggering productivity increases and produc-

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24 Hans P. Binswanger-Mkhize and Alex F. McCalla, “The changing context and prospects for agricultural and rural development in Africa,” in Prabhu Pingali and Robert Evenson, eds. Handbook of Agricultural Economics, vol. 4 (Amsterdam, Elsevier, 2010), pp. 3571-3712. They argue that the 2000s is a period of optimism for Sub-Saharan Africa as output growth not necessarily productivity growth became positive in the period. In that publication, figure 29 shows that the average annual agricultural growth was 3.5 per cent (between 2000 and 2005), up from 3.3 per cent (between 1990 and 2000) and 2.3 per cent (between 1980 and 1990). For comparison, over the period 1980-2005, the yield expansion index of Asia was 260 and that of Sub-Saharan Africa was 190.


tion gains across Africa’s cassava’s belt. The third condition, access to lucrative markets, is critical, as shown by the repeated calls to improve Africa’s infrastructure to unlock the potential of markets (local, regional, and foreign). Furthermore, experiences worldwide with respect to land reform and redistribution are constant reminders that the fourth condition, an ownership system including a system of rights that rewards individual initiative and toil, is essential for farmers to have both the incentives and the means to achieve higher productivity. Increasing access to land and giving tenure security to all smallholders in Africa is rightly considered a principle that must be implemented if land is to play its role in the national development process. The fifth condition, employment-creating non-agricultural sectors, is uniformly missing in cases of failed transformation. This is evidence demonstrating that, in order to achieve successful transformation, the policy approach needs to be overarching; successful transformation will not be achieved if the policy approach is limited to narrowly sectoral applications. It needs to be holistic and thus economy-wide. Agriculture cannot thrive unless the demand outside the sector for its outputs and factors, including for its labour, also increases. Unless the workers who undertake agricultural labour, which necessarily becomes surplus as agricultural productivity increases, are gainfully employed in non-agricultural sectors, agriculture will be contributing to urban poverty.

17. A holistic approach does not mean everything has to be done at the same time: A holistic approach has been a key characteristic of successful countries. Conceptually, holistic means understanding the interdependence of and synergism among different parts that together form a whole, and formulating an economy-wide strategy accordingly. Practically, it means that piecemeal measures, which are not integral components of an overall strategy, are of limited effectiveness at best. A holistic approach does not mean doing everything at the same time, which would be impossible. What is possible and what has been done is that successive governments have taken decades to establish the five conditions and maintain them.

F. The five conditions and the extent to which they exist in the six countries studied

18. The only country studied in which the five conditions exist is Mauritius: that the other five countries studied were distinctive and had known periods of high growth, however, they did not have the five conditions. For example, after years of conflict, Ethiopia has experienced high growth since the mid-1990s. Under Houphouet-Boigny (1960-1993), Côte d’Ivoire was hailed as a model country. Ghana, considered a star in Sub-Saharan Africa at independence in 1957, is regaining that reputation in the 21st century. Botswana is rightly praised as an African success story. In an unstable geopolitical region, Morocco has known political stability and has made significant strides in reducing poverty. It is noteworthy that when the four Sub-Saharan countries were politically stable and had some measure of macro stability, the economy made good progress. Such growth has been constrained, however, and is fragile as the foundations of a successful transformation are still to be anchored. The five conditions are required to strengthen every link and add value along the long chain: production–storage–processing–marketing cum distribution chain. Specifically:

31 The workers will also leave the land if productivity and incomes remain low. This “labour push” (as opposed to “labour pull” through better non-farm opportunities) happens in the case of failed transformation. Rural poverty then becomes urban poverty, which is a politically destabilizing factor.
a. **Macro and political stability:** The maintenance of macro stability remained elusive, except for Morocco. The existence of political stability has been a determining factor of the growth performance of the overall economy in all four Sub-Saharan countries and therefore also on agriculture. Without political stability, no progress was possible;

b. **Effective technology transfer system:** Despite repeated efforts by Governments and donors, the agricultural technology transfer system remained largely ineffective in all five countries (Botswana, Côte d’Ivoire, Ethiopia, Ghana, Mauritius). There were weaknesses at different points: complete lack of funds preventing even limited technology development; poor links among research, extension and farmers; problematic access to higher productivity technology; difficulties in access to lucrative output markets which provide both the incentive and means to adopt suitable technologies. The dualism pervasive in Morocco’s agricultural sector has meant that the majority of farmers – smallholders – remain underserved;

c. **Access to lucrative markets:** chronic underinvestment in the public goods and services that make up efficient and transparent competitive markets—including roads and transport, communications, market information, personal security and enforcement of contracts—has fragmented markets, isolated rural areas and weakened the bargaining positions of millions of smallholders, leaving them at the mercy of volatile and un-remunerative prices. In Morocco, smallholders have virtually no access to lucrative foreign markets. For domestic markets, even large farmers are constrained;

d. **An ownership system including a system of rights that rewards individual initiative and toil:** The ownership system is problematic for various reasons, generating insecurity, conflict, confusion and waste. Whatever the case, incentives to invest in land for short-term commercial or longer-term environmental reasons are undermined. For example, under indigenous and customary tenure, access is insecure. In Ethiopia, for example, competing demands on land threaten the access of smallholders who have no title and no recourse to fair compensation upon eviction. In another example, tensions in Côte d’Ivoire between the “indigenous” and the “immigrants” have repeatedly erupted in violent struggles. Access to land is inequitable as in Botswana; or problematic and costly as in Ghana. In Morocco, smallholders are constrained by complex land tenure structures while large farmers enjoy security of land tenure on their large farms;

e. **Employment-creating non-agricultural sectors:** Economy-wide growth generating wage-increasing employment has not been sufficient to absorb the substantial backlog of unemployed and underemployed, including rural migrants, in particular youth people. Indeed, the need to increase the availability of more productive and remunerative formal jobs is fast becoming a political imperative, and not just in the African countries studied.

19. All five conditions were common to cases of successful transformation worldwide. The challenge is therefore to adopt an economy-wide strategy that will enable successive governments to invest in the public goods and services that will build these five conditions over time. What specifically is entailed is discussed in Part II of the report on the six country cases.

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**Notes:**
G. The case of Mauritius – successful diversification and transformation

20. From a low-income sugar island to a diversified upper middle-income country: Mauritius, a tiny island isolated in the Indian Ocean, has distinguished itself (until the late 1980s) as an agro-based African country that is successfully transforming, despite the fact that it has no mineral wealth such as that found in Botswana or natural resource abundance such as that found in Ghana or Côte d’Ivoire. At independence in 1968, per capita income per annum was about $ 260. The contribution of sugar cane, long the backbone of the economy, dwindled from 17.8 per cent of GDP in 1976 to 1.1 per cent of GDP in 2012. During the same period, agriculture’s contribution, which comprises forestry and fishing, decreased from 22.5 to 3.5 per cent of GDP, respectively. Agricultural sector employment shrank to only 8 per cent of the total in 2012. The cane cluster played a pivotal role in the economy’s overall transformation through diversification within the cane cluster itself—conversion of bagasse into electricity and through the production of special sugars; and through its powerful linkage effects. The growth and transformation of Mauritius has generated broad-based socioeconomic benefits, including improved life expectancy at birth, reduced infant mortality, 100 per cent access to health care services, safe drinking water, and reduced illiteracy, including for females. Absolute poverty — an estimate that was reset by the World Bank in October 2015 at $1.90 per day — has been eliminated.33 The achievements of Mauritius are substantial. Nevertheless, the country continues to prepare itself for a more globalized and competitive world environment and the challenges of climate change.

H. Other country-specific conditions considered critical

21. Necessary but not sufficient conditions – key additional country-specific conditions: Challenging as the establishment of the five conditions is, the authors of the studies identified additional measures that they considered of major importance for the transformation of their respective economies, including:

a. The existence of national leadership, and an indigenous and independent policymaking body;

b. The development of specialized institutions to improve finance, legal framework for commerce and production;

c. The development of an agenda to create an environment of sustained support, improved equity, food security, and continuous learning for smallholders and small rural entrepreneurs;

d. The implementation of structural changes and reforms in several areas, the key ones being to:

   i. Promote public and private investment in the agricultural and rural sector;

   ii. Level the playing field, in particular throughout the marketing system, in order to improve the equity of income generation and distribution, strengthening the weak bargaining position of agricultural producers vis-à-vis both private and public sectors;

   iii. Increase food security through the establishment of food reserves and social safety nets;

33 The Mauritius national poverty line is set at 7,320 Mauritian rupees (MUR), or half of the median household income adjusted for demographic characteristics (Sobhee and Rajpati, June 2013, p. 18). At the average exchange rate for the period 2000-2012, where $1.00 = MUR 30, it is around $8.00 per day.
iv. Develop a public–private partnership system of broad-based—geographical and social—knowledge generation and learning;

e. The assurance of good governance with high levels of political accountability and transparency;

f. The development of institutions to address foreseeable challenges of a public goods nature: creating inclusive institutions that strengthen the nation’s ability to respond effectively to:

i. Climate change impacts and natural disasters;

ii. Outbreak of crop and livestock diseases;

iii. Sudden shocks of a man-made nature.

22. The Malabo Declaration –sustained commitment at the highest level: The Malabo Declaration on Accelerated Agricultural Growth and Transformation (June 2014) fully endorsed the centrality of an agriculture and agribusiness-led growth as the main strategy to achieve targets on food and nutrition security and on shared prosperity. Sustained commitment at the highest level will be required for at least two decades (until 2025) to meet the goals of “at least doubling the current agricultural productivity levels by the year 2025…”; “to enhance investment finance…”; and implement other necessary policy and institutional measures. Markets must do the “heavy lifting”, but, as observed by Timmer: “Markets working alone leave many in poverty. Government policy and markets have to work together to bring poor households into a growing economy that is based on a productive, sustainable and stable food system…It is the key to ending hunger and keeping it ended.”

I. Governments and markets must work together: the five conditions and beyond

22. The five conditions jointly promote successful agricultural transformation: The five conditions jointly generate an environment of stability and opportunity within which all farmers want to and can invest to increase agricultural productivity and financially benefit from such investment. As observed by one analyst: “Once there are investment opportunities and efficient incentives, farmers will turn sand into gold”. In other words, the five conditions give farmers the opportunities, incentives and the means to make agriculture productive and profitable. Specifically:

a. **Stability** is generated not only by responsible macro management of the economy, but also (and perhaps more fundamentally) by a system whereby law and order are enforced and social conflict can be resolved fairly and peacefully. Forward-looking business decisions require a stable framework;

b. **Access to an effective technology** exists when sustained public investment has built a system of agricultural research, extension, and farmer training capable of generating high-quality services to all farmers, irrespective of income class. Smallholders must have access to the latest technologies if they are going to go beyond traditional, low-productivity subsistence agriculture.

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34 African Union Summit in Malabo, 26-27 June 2014, see http://pages.au.int/sites/default/files/Malabo%20Declaration%202014_11%2026- pdf.
In a context of climate change and rapid globalization, access to such a system can make the
difference between conflict-free and conflict-ridden adaptation;

c. **Access to lucrative markets** is central to farmers wanting to produce commercial surplus. Beyond
subsistence, farmers do not just want more output, but more income. Given the economies of
scale involved, a well-functioning marketing system (both hardware and software components)
can be put in place only by governments, and the interdependencies and externalities among
market agents along the value chain;

d. **The ownership system, including rights** has proven to be of critical importance for empowering
farmers the world over. Agriculture is one of the riskiest sectors, and with climate change, rain-
fed agriculture promises to be riskier still. The extensive poverty of smallholders further aggra-
vates their vulnerability. Worldwide, with land tenure security, farmers have been able to take
investment risks, and to raise needed collateral to gain access to credit;

e. **Employment-creation of non-agricultural sectors facilitates** labour mobility away from agricul-
ture. such mobility is essential for increasing productivity (in terms of labour and land) in agricul-
ture. Even more, such farm to non-farm labour mobility is productivity-increasing for the entire
economy if it is a response to labour pull into jobs that pay at least as well as in agriculture.

f. **The public foundations of private agriculture**: These five conditions jointly constitute the public
foundations of private agriculture. They show how governments and the private sector must
work together to develop competitive and lucrative markets. The range of policy and institu-
tional measures that must be drawn upon go well beyond the narrow set of policies typically
considered “agricultural”. They are economy-wide. Thus the task of agricultural transformation is
(and should be) not solely the responsibility of the Ministry of Agriculture. The Government must
coordinate and be in the driver’s seat. 37

J. **Key lessons on leadership and land from the country cases**

25. **Episodes of progress required committed political leadership**: It is striking that in all countries studied,
substantial progress was made under leadership committed to development, and that such hard-
won progress quickly evaporated when such leadership disappeared. A major case in point is the
performance of Côte d’Ivoire under Houphuet-Boigny and during the subsequent years of crisis,
until 2011. According to the Mo Ibrahim Index of African Governance (2015),38 Côte d’Ivoire showed
the greatest improvement in the overall governance index – up 8.5 to 48.3 – under the leadership of
President Ouattara (since 2011, re-elected for another 5-year term in October 2015). The economy
has also rebounded with a growth rate of 9 per cent (2012-2013), with real GDP per capita increasing
by more than 20 per cent (2012-2014).39 The case of Ghana (discussed below) reinforces the same
point. The important lesson here is that the ability to resolve conflict and reconcile in a peaceful and
sustainable fashion is fundamental to any development. Since leaders come and go, the challenge is

37  The need for coordination is often pointed out and thus seems “obvious”. It is, however, not trivial and bears repeating because systems
and incentives must be in place for effective coordination. It is not just a matter of accepting intellectually that coordination is necessary. A
recent example of the importance of this message is the European Union presentation of its experiences in the development of industrials
parks, “EU Experience on Industrial Parks”, at the Africa Industrialization Day Workshop, held at Addis Ababa on 24 November 2015.
that the index is still low compared to that of Mauritius, the top performer, at 79.9.
divoire/overview.
institutional: countries should strengthen institutions to achieve peaceful, democratic transitions of political power. Institutions do make a lasting difference; economic measures alone do not.

26. *If politics is in command, it should support broad-based wealth creation:* The critical importance of a supportive political environment for development has been reiterated and warnings have been repeated that problems of persistent poverty cannot be "solved" by purely technocratic solutions. Societies cannot simply "engineer" their way to growth. The political economy and institutions must be conducive to wealth creation. The basic challenge—to lay the foundations for the successful transformation of the sector, a long-term process—requires a supportive political economy. Its holistic and long-term nature can only be maintained if the politics are "right". Politics matter because, as observed by an analyst, they are "the fundamental and decisive process that has shaped the definitions, designs, implementation and outcomes of 'development' everywhere… Understanding the importance of getting politics right is developmentally prior to getting prices right." Thus the challenge of putting in place the five necessary conditions is not only technical, but political-cum-institutional. The additional conditions that have been recommended for each country are also political and institutional. Only within a supportive political framework can a holistic approach be worked out and implemented.

27. *The comeback of the developmental State:* If politics is in command, governments are in the driver's seat. The question, then, is what kind of government. The situation is defined as follows: "Capable and farsighted democratic leadership will be central to constructing developmental states in Africa. To become developmental states, African countries must build transformative institutions and primarily a competent and professional bureaucracy. Transformation institutions are at the heart of state capacity. They should be inclusive and operate transparently."42

28. *Land policy can have a transformative impact on incentives, productivity and value addition:* It is ironic that Africa has land abundance but its smallholders do not benefit from this abundance. Instead, millions toil under onerous land access and tenure arrangements. Take the example of Ghana: land distribution is highly inequitable and women farmers are severely discriminated against. Most land is held under customary tenure. Access to such land depends on the decision of chiefs, which can be highly arbitrary. Most farmers are share croppers, or under short-term contract. While the specifics vary among countries, the result is the same for all countries studied except for Mauritius. Smallholders have a precarious relationship to the land they till. Furthermore, young people from rural areas are unlikely to want to invest and stay on the land if such conditions persist. Removing such conditions can be transformative, as shown in the case of East Asian economies, including Japan and the Republic of Korea. Land reform was implemented swiftly and without shedding blood and was complemented by other measures that made smallholder farming productive and profitable. Land reform alone, although necessary, was not enough. A land policy is required that would, complemented by other supportive measures, do the following:

a. Increase the equity of distribution, including to women;

b. Give land tenure security to millions;

40 Although the ignorance hypothesis still rules supreme amongst most economists and in Western policy making circles—which almost to the exclusion of everything else, focus on how to engineer prosperity—it is just another hypothesis that doesn’t work" from D. Acemoglu and James A. Robinson, Why Nations Fail: The Origins of Power, Prosperity, and Poverty (New York, Crown Business, 2012), pp. 66-67.
c. Improve the efficient functioning of land rental markets;

d. Introduce measures to make the land a more productive, income-earning asset.

29. Taken together, such land policy measures would constitute powerful pro-poor and pro-development tools. It is no accident that Mauritius, the only case of successful transformation among the countries studied, has no problem of land tenure insecurity. Mauritius has broadened the ownership of agricultural and sugar lands. Private property rights are enforced. There is no danger of government expropriation of land. Following the Mo Ibrahim Index (2015), Mauritius scored the highest on the Safety and Rule of Law Index at 82.7.

K. A timely focus: the five conditions and industrializing through trade

30. **Laying the foundations of success by expanding access to lucrative agricultural markets:** The following are three simultaneous developments:

   a. The “supermarket revolution” in our fast globalizing world;

   b. Rapid urbanization;

   c. A growing middle and entrepreneur class in Africa.

31. All present a major opportunity for African smallholders and a decisive challenge to African Governments. It is an opportunity to forge links among myriad smallholders and agro-food-fibre value chains, which have domestic, regional and international reach. Linking smallholders to lucrative intermediate and final consumer markets is extending a life line to them, by giving them both the incentives and the means to increase their productivity and output. Such links, however, are numerous, ever evolving, and hard to forge. Global value chains are highly concentrated, have enormous market power and thrive on economies of scale and scope. They have exacting standards: they require scale of farm production, dependable quality, and delivery in a timely fashion. Isolated and constrained by lack of quality services, smallholders with dependable marketable surplus are costly to reach. The well-recognized challenge to Governments is to help smallholders overcome the disadvantage of market isolation and technological backwardness.

32. **Developing economies of agglomeration by forming industrial clusters of smallholders:** Reversing the serious disadvantages of smallholders and integrating them into thriving value chains of any scale is a task that requires sustained government leadership at all levels, including local and municipal. In East Asia, the region which has exhibited transformative growth in recent decades, many Governments have put in place spatial and trade policies that have facilitated the development of economies of agglomeration by increasing density, reducing distances and removing divisions among peoples and regions. By 2009, intraregional trade accounted for 55 to 60 per cent of all imports and exports within East Asia. In contrast, according to the Economic Report on Africa 2015, Africa “sources 88 percent of its imported inputs from outside the region….” Local government initiatives were also required, for example, the Shouguang Municipal Government played a pivotal role in developing the vegetable cluster. In the 1990s, the municipal government brought together research institutions, field stations, infrastructure, marketing and distribution links, and other forms of public–private


partnership. The task of developing industrial clusters of smallholders is multi-institutional, hence complex and time consuming. Even in China, whose transformation started in agriculture through the 1979 Household Responsibility System, and where there are several successful clusters (for example, in vegetables, garlic, sugar and flowers), many scholars consider the development of agricultural clusters still at an initial stage.45

33. **Trade-induced industrialization as a major component of transforming the economic geography of Africa:** By developing the economies of aggregation, the Governments of Africa will promote trade-induced industrialization and thus rewrite the economic geography of the continent. This is not news for it has been extensively researched. Africa-wide policies have been advocated and endorsed. The Agro-business and Agro-industry Development Initiative, for example, was endorsed at the highest levels in Abuja in 2010. The goal was that by 2020, African agriculture would be made up of highly productive and profitable value chains. Furthermore, according to 2015 ERA, valuable entry points were identified because of the trend for local outsourcing by core lead firms. Yet, regional integration was still viewed as a triumph of hope over experience: Africa’s regional approach to fostering trade-induced industrialization was so far considered to be a story of unfulfilled promise.46 This must change.

L. **Developmental States in the driver’s seat: implementation, implementation, implementation**

34. **The need for developmental States assisted by key institutions:** To effectively meet the central challenge of transforming Africa’s agricultural and rural sector, Africa must strengthen the machinery of Government itself—strengthen State institutional capacity, notably build a strong and competent bureaucracy, for the capacity of public institutions, especially given that, in the views of some, that the bureaucracy constitutes the “soft underbelly” of the State. Moreover, analysts assert that, in the absence of bold development plans, African economies remain for too long heavily dependent on foreign investment and development aid. Capable and farsighted democratic leadership is held to be central to constructing developmental States in Africa.47 Such States, in turn, must be assisted by inclusive institutions that inform and involve the whole population, including the marginalized and the poor. The focus of such institutions should be to:

Improve the calibre of Government:

- Promote legal and institutional mechanisms for civil society to make public servants accountable;
- Disseminate systems of information to increase transparency and accountability of public service;

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47 Economic Report on Africa 2011 (Addis Ababa, ECA, 2011), pp. 98, 101, 103, 107. Of particular relevance are the opportunities and challenges relating to Africa’s need for a developmental State. The attempt to introduce a developmental State is not new to Africa. The efforts of the following individuals have been significant: Kwame Nkrumah of Ghana; Julius Nyerere of the United Republic of Tanzania; Kenneth Kaunda of Zambia; and Leopold Senghor of Senegal.
• Develop systems to discourage, discover and punish corruption at all levels of public service while properly remunerating public servants.

**Mobilize foreign and domestic resources for development:**

• Attract foreign direct investment (FDI) to a diversity of higher value-added sectors. Most FDI goes to extractive industries in a relatively limited group of countries, although many African Governments have implemented investment-friendly frameworks to attract more FDI.

• Broaden the tax base. Although domestic resource mobilization has increased, this positive trend has been driven mostly by resource-related tax revenues that typically distract Governments from generating revenue from the more politically demanding forms of taxation, such as corporate income taxes on other industries, personal income taxes, value added taxes and excise taxes. In fact, non-resource related revenues have stagnated at best, while trade taxes have declined as a result of trade liberalization.

**Strengthen the information base for policymaking and monitoring, including with respect to:**

• Land and water availability and their utilization in different agro-ecological systems and under different major production systems (including livestock);

• Production and productivity indicators for all major food and cash crops, for domestic and foreign markets;

• Dissemination of up-to-date market information easily accessible to smallholders at local and major marketing levels;

• Cadaster systems for registering and titling land under different tenure systems;

• Climate change and the predictability of major catastrophic natural events;

• Early Warning Systems for catastrophic natural events;

• Strengthening resilience to shocks (natural, economic and political), through:
  • Social safety net systems;
  • Insurance mechanisms, financial and physical including stockholding.

**M. Delivering public goods and services for the prosperity of all**

35. **The main strategic policy recommendation** – invest in the delivery of public goods and services to secure the future of an integrated, productive and prosperous Africa: With the cohesive drive of developmental States, the central recommendation is to invest in public goods and services. Such sustained investment will, over time, successfully transform the sector while developing social safety net institutions. It is up to each developmental State, fully taking into account its historical and institutional legacy, and the main opportunities and constraints of the moment, to identify which public

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48 African Economic Outlook 2010: Special Theme – Public resource mobilization and Aid (Addis Ababa, ECA, 2010), pp. 9, 82-83.
goods and services to focus on and to determine how best to operationalize this central recommenda-
tion. The report details what such investments can be in specific country contexts.

36. **Give smallholders an asset base, land tenure security and an incentive framework that promotes productivity growth and profitability:** A priority public good and service is equitable access to land and tenure security to millions of smallholders. Why? Simply put, agricultural transformation requires that agriculture be commercially profitable and productive. Only if it is profitable, farmers will invest in its productivity. To invest, farmers need assets that they can use as collateral. Today, millions of smallholders toil under onerous conditions of access to land. With tenure insecurity and the inability to use land as collateral, millions of smallholder households are trapped in a vicious circle of low productivity and poverty. For the millions of young people from rural areas in search of productive employment and who will have to earn their livelihood in the agricultural and rural sector, such onerous conditions militate against their taking up agriculture in the hope of making a decent living. They cannot wait for their parents’ generations to cease farming or for the elders in communal systems to decide in their favour. They need land access and secure tenure now. Instead of leaving young people underemployed and frustrated in isolated villages, it is essential to develop rural areas within a comprehensive framework of territorial development. This territorial approach should build on a good understanding of local strengths and weaknesses.

37. **The objective should be food security for all, not food self-sufficiency:** The Morocco case in the period reviewed exemplifies the pitfalls of a food self-sufficiency approach, especially when it runs counter to a country’s natural endowment and comparative advantage. After over half a century of such an approach, and despite substantial fiscal and trade support for “strategic” commodities, Morocco still has a low productivity agriculture in these commodities. Morocco’s agriculture is dualistic: a minority thrives while the majority of farmers, millions of smallholders, toil in a low-income, high underemployment environment, vulnerable to the vagaries of a drought-prone rain-fed agriculture. Self-sufficiency ratios have increased, but the cost of the decades-long goal of increasing self-sufficiency in basic consumption items (in particular, cereals, milk, meat, sugar, and vegetable oil from oilseeds) has been in terms of:

i. Misuse and wastage of resources. In particular, they are water-using and not labour-intensive in a water-scarce and labour-abundant environment. In fact, Morocco has been declared a water-stress country. With climate change threatening even less water and greater heat, this policy direction, if continued, promises to be even more costly;

ii. Exacerbated dualism and the neglect of smallholders;

iii. Inflicting high opportunity cost in terms of income, output and employment foregone. A major problem is that subsidies go mainly to large farmers at the cost of delivering the various public goods and services needed by smallholders to transform agriculture.\(^{50}\)

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\(^{50}\) Hassan Serghini, Rethinking African Agriculture and Rural Transformation in the Global Context: Challenges, Opportunities and Policy Options – The Case of Morocco (June 2015). Serghini’s conclusion is: “In other words it should mourn the policy of food self-sufficiency and to engage without hesitation in a food security policy”, p. 106.
38. Morocco’s experience is a cautionary tale, as food self-sufficiency is a politically appealing goal in many countries. It promises greater national strength and independence. This, however, is often illusionary, especially in our increasingly interdependent, competitive world. National strength cannot be built on a weak agriculture and economy.

39. **A historical opportunity and challenge:** With the formation of NEPAD and the Comprehensive Africa Development Programme, Africa’s leaders have taken the first steps in a journey of a thousand miles. They have a historical opportunity to anchor the foundations of Africa’s Great Transformation. The extent to which and manner in which the present generation of Africa’s leaders and people lay down the foundations of Africa’s road from poverty to prosperity for all will shape Africa’s future in the coming decades.

40. **Content and organization of the report:** After presenting the challenges Africa must address in the New Global Context in Part I, the report details in its Part II, the range of public goods and services that are essential to building inclusive institutions and to developing an environment of stability, opportunity and incentive for all in the context of six countries: Botswana, Côte d’Ivoire, Ethiopia, Ghana, Mauritius and Morocco. Throughout, and it cannot be stressed enough, it is necessary that African Governments adopt a holistic and long-term approach. It is an entire strategic direction that they are to implement, not just piecemeal measures. Holistic means that a purely piecemeal application of these recommendations undermines their effectiveness. Long term means that instruments chosen must be sustainable. This approach, in turn, requires putting in place systems for monitoring and evaluating the impact of these policy instruments, so as to inform and enable timely policy adjustments.

41. Part III of the synthesis report identifies critical cross-country public goods and services at Africa-wide level that will enable Africa to develop and expand regional markets along the length and breadth of Africa. Africa’s leaders must seize this historic opportunity to lay the foundations of Africa’s Great Transformation in the 21st century.

42. Implement, implement, implement – a renewed call for action to ensure food, nutrition, health and prosperity for all, with lasting social and environmental legacies.