

**ASSURING FOOD AND NUTRITION SECURITY IN AFRICA BY 2020:
Prioritizing Action, Strengthening Actors, and Facilitating Partnerships**
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SUMMARY NOTE

Parallel Session: **Implementing Action in Key Areas: Fostering Economic Growth and Improving Markets and Trade**

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Title: **Economic Growth and the Challenge of Reducing Poverty and Undernutrition in Africa**

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The Challenge of Poverty and Hunger in Africa

Four features characterize the daunting challenge of ridding Africa of extreme poverty and hunger. First, poverty and undernutrition in Africa is widespread and deep. When viewed against the success the world has had overall in reducing poverty over the last three decades, African poverty level is staggering. At the turn of the millennium, nearly half of the African population consumed less than US\$1 a day, twice the average global rate of extreme poverty. While the world as a whole has made remarkable progress in reducing extreme poverty over the last three decades, reducing it by nearly two-thirds between 1970 and 1998, the trend in Sub-Saharan Africa has been in the opposite direction, doubling the proportion of the extreme poor over the same period. As a consequence, the share of the world's extreme poor living in Africa in 1998 had risen to 66% from 11% in 1960 (Sala-i-Martin, 2002). The prevalence of adult malnourishment mirrors the extreme poverty situation. Slightly more than a third of African adult population is undernourished and the trend in the last decade was worsening in contrast to other developing regions. Malnutrition rate for children under five is at similar levels.

The single most influential factor behind the stark contrast of the above long-term trends in poverty reduction, between Africa and the rest of the developing world, is economic growth. It was sustained at significantly higher rates in the other regions, particularly Asia, while in Africa average economic growth declined sharply particularly between mid-1970s and mid-1990s. For the four decades, since 1960, Africa's average per capita growth rate was 0.8% compared to about 3% for the rest of the developing world. A frontal and large-scale growth effort is therefore necessary if the Millennium Development Goals (MDG) of halving the poverty level by 2015 is to be achieved.

Secondly, African poverty is predominantly rural. Given the significance of subsistence consumption in the rural areas, food and income failures often occur simultaneously — occasionally in disastrous proportions (famine) — making the rural poor highly vulnerable to risks associated with vagaries of weather, volatility of external market conditions and poor capacity to manage disasters. The challenge in this regard is two-fold: (i) ridding the region of chronic rural poverty through a growth strategy that creates opportunities of the rural poor to earn a decent income while simultaneously enhancing their capabilities to take advantages of these opportunities; and (ii) carefully targeted safety nets for managing transitory poverty and extreme undernutrition.

Thirdly, notwithstanding the predominance of rural poverty in the region, urban poverty and food insecurity is also rapidly becoming an issue. One of the longer term challenges the region will have to face is urban poverty in light of the rapid pace of urbanization in Africa, projected to rise from 34% of Africa's population currently to 46.2% in 2020 (UN-Habitat, 2001).

Finally, the poverty situation in Africa is hamstrung by inequality, not just in terms of rural-urban differentials but also rural inequality, and in some cases institutionalized inequality whether by history of race/ethnic relations or regional differences in political influence. Distributional issues therefore are important not just in the sense of pro-poor growth efforts but also in a more fundamental way in the politics of growth.

Reducing Extreme Poverty Through Broadly-Shared and Sustained Growth

Notwithstanding the scale and gravity of the problem, Africa can meet the challenge of eradicating extreme poverty, with commitment and actions to scale up and sustain broad-based economic growth. This optimism finds ground partly from

Africa's own successful cases of long-term sustained growth such as Botswana and Mauritius; and partly from the experience of successful newly industrializing countries (particularly in Asia), which have broken out of the poverty cycle through sustained growth and more recently broken out of a crisis to resume growth. About half of the countries in Africa (accounting for 80 percent of the population) experienced robust growth between 1960 and 1973 and the region as a whole achieved nearly 5 percent growth in per capita income (Ndulu and O'Connell, 1999). However, a decade and a half of strong performance followed by a decade and a half of crisis in growth resulted in mark timing and lack of progress. **One of the main challenges of Africa's development is therefore that of engendering persistence in growth to sustain improvements in livelihoods.**

The main diagnosis underlying issues to be addressed is that the policy environment and weaknesses in governance combined to create a capital-hostile environment in the region limiting accumulation, and diverting limited resources to unproductive use thereby slowing down productivity growth. It is significant that Africa has not only attracted a miniscule share of global private capital but has also suffered a significant flight of its own private financial wealth and human capital due to the same reasons. This situation combines with a lack of demographic transition to depress income per capita growth and slow development of human capital limiting productivity growth. The experience has also been that collapse in productivity growth is accentuated during the periods of stagnation, following the onset of external shocks. This points to the need for managing reversible shocks prudently.

Given the very low-income growth rates that most African countries began with when embarking on reforms during the last decade and a half, the initial focus on raising overall growth was and continues to be a sensible policy. The success of countries such as Uganda in reducing poverty significantly during a decade of rapid growth is a vivid case of a successful turnaround. There are, at least, 17 other African countries that are now on that path, posting growth rates of at least 5 percent. The main challenge will be sustaining this pace of growth.

It is noteworthy that a growing body of evidence now points to wide variations across countries in the **efficacy of growth in reducing poverty**. Related research concludes that inequality has a major influence on this efficacy. A typical (median) country that experienced both growth in the average living standards and falling inequality was able to reduce poverty 7 times faster than one which experienced growth with rising inequality (Ravallion, 2001). This relationship also holds for countries suffering declines in living standards. There is, therefore, need for paying attention to distributional consequences of growth, particularly regarding how growth can enhance the income earning opportunities of the poor more than of other income earning segments. This is particularly important for those countries, where rapid growth rates of 7–8 percent, required for achieving MDGs may not be attainable.

There is also evidence of a close link between income poverty and undernutrition in Africa. Recent work, done in IFPRI (Discussion Paper # 137), studies systematic causal relationship between income and undernutrition. It concludes that sustained income growth can produce a sizeable reduction in undernutrition. The effect of sustained 2.5% growth in per capita income for the next decade would be to reduce undernutrition by a range of 27–34%, depending on what happens to community and household infrastructure by 2015. Halving undernutrition by 2020 (MDG target) will probably require 7–8% growth (3%–4% per capita income growth). More modest growth rates would need to be complemented with proven direct health and nutrition-related interventions to accelerate reduction in undernutrition.

Actions for Scaling Up and Sustaining Broad-Based Economic Growth

In what follows, I highlight some of the priority actions needed for rebuilding African capital (physical and capabilities) and development environment for sustained broad-based growth and more specifically for reducing poverty and hunger.

(a) Building on progress made during the last decade — One area where the region has recently made considerable achievements is in macroeconomic stability. Macroeconomic stability has returned to the majority of African countries with significantly lower inflation, narrower fiscal and external trade deficits, and a larger number of countries have convertible domestic currencies for current account transactions than in the previous two decades. There is change towards and greater similarity in the positive attitudes by states towards macroeconomic stability, more open and liberal markets and the greater involvement of the private sector. Together with peace and security, and the nascent democratic changes, these are increasingly being accepted as necessities for growth, poverty reduction, and ultimately for the prosperity of the region.

(b) Improving governance and preventing or resolving politically motivated conflicts are necessary for a stable and accountable development environment. A major challenge here is for governments to pre-commit to effective development contracts and be held accountable for results first and foremost by the African citizenry. Governments should commit with credibility; administrative systems should be accountable; political and economic environment should minimize risk to enable longer time horizons for actors; and domestic politics should encompass most interest groups and that the political system is open to contestation. The *New Partnership For African Development (NEPAD)*, has endorsed improved governance as a top priority and within it, inclusiveness and prevention of conflicts to add to the long-held concern of fighting corruption. This focus on governance is seen as a way to improve collective reputation and the credibility of Africa as a region and to reduce impediments to attracting investment to the region and encouraging retention and return of Africa's own financial and human capital. It is encouraging that the leadership now is emphasizing need of support for the initiative by the broad range of stakeholders in each country; and giving priority to what Africans can do for themselves with external assistance and foreign private investment being supplementary to these efforts. An early endorsement of the African Peer

Review System as a key mechanism for region-wide peer pressure for performance is a very significant step. Its implementation will signal to the African citizenry and the world more broadly the commitment of African leadership to change for the better.

(c) Infrastructure — a precondition for scaling up and sustaining growth. Given the geographical spread out of economic activity, there is need to find cost-effective ways to provide basic infrastructure services as minimally required preconditions for growth. During the last decade and a half, there has been a major shift away from investing in infrastructure to a focus on social sectors as the core for poverty reduction strategy. There is need for a better balance in effort and resource allocation. The key here is to minimize distance to the markets and select cost-effective modalities of conveyance. Concentrations of production activities in accessible locations, minimizing barriers to cross-border trade are important complements to an infrastructure investment program. Coordination of these investment programs on regional and sub-regional scale would enhance connectivity within the region and facilitate access. This coordination should cover transport infrastructure, power and communication. A regional strategy to address infrastructure constraints should be a key part of a growth strategy for Africa.

(d) Agriculture continues to be the centerpiece of the development trilog of rapid economic growth, poverty reduction and food security (Peter Timmer, 2003). Agriculture looms large in typical African economies — both in terms of overall economic growth and livelihoods of the majority of the poor. Agriculture is a major domestic supplier of food and a source of income earning. A key policy challenge is making effort in agriculture worthwhile — profitability of agriculture. A five pronged approach is required: (i) better prices and policy environment; (ii) reduction in transactions costs — in investment, production and marketing; (iii) raising labor and land productivity — through technological innovation; (iv) securing rural property rights, particularly for land, to enable longer term investment in assets; and (v) investing in the capabilities of the rural poor to take advantages of new opportunities from reforms, transformation and growth.

(e) Diversification of rural incomes and opportunities for urban poor to earn a decent income. Nonfarm income is a rapidly growing source of rural income and can play an important role in managing transitory food insecurity and transformation of the African rural economy. The activities concerned are largely in the non-tradable sector, including food processing, infrastructure services and petty trade. The development of the small and medium scale enterprises is an important potential source of diversification of income sources not only for the urban poor but also in the rural areas.

(f) Collective engagement with the global development community for improved market access, particularly for agricultural products (including subsidies question), aid relations that provide space for African leadership in facing the development challenge, and resource support to supplement own effort to scale up the fight against extreme poverty and in achieving Millennium Development Goals.

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