



PLOW Learning Resource: Agriculture and Pro-poor Growth

Important Note:

This learning resource was developed as part of the Professional Development for Livelihoods Advisers Website (PLOW) which was operational between 2006-2008.

PLOW was funded by the Department for International Development (DFID) and supported the professional development of DFID livelihoods advisers. PLOW hosted 17 learning modules of which this is one. Modules were produced using guidance provided by the Livelihoods Technical Competence Framework that described technical competencies, knowledge, and experience required by DFID Livelihoods Advisers.

PLOW modules were designed to help advisers get up to speed on areas of the competency framework, to prepare for new postings, or to refresh existing knowledge on particular subject areas. They were produced and developed by a partnership comprising the Programme of Advisory Support Service (PASS) and Livelihoods Connect based at the Institute of Development Studies (IDS). Each module was written by an expert or experts in the subject and provided:

- an overview of the subject in a briefing note;
- key texts;
- a summary of recent policy debates;
- points on where to find other resources; and
- a glossary of key terms used in the briefing note.

Although the learning modules produced were written with the DFID Livelihoods cadre in mind they were accessible to a global audience through the website.

Twelve of the original PLOW modules are now hosted on the Evidence on Demand website. This PLOW module was produced between 2005 and 2008 and has not been updated since. Some of the material that it draws upon may no longer represent current thinking and some of the links to resources may no longer exist. Nevertheless, we believe that it is still a useful resource that provides useful reference material.





Agriculture and Pro-poor Growth

Theme Editor: **Andrew Dorwood¹**
DFID Editor: **Jim Harvey**

Agriculture has played a major and critical historical role in poverty reduction, most notably in the Asian green revolution, which provided the foundation for the largest pro-poor growth processes the world has seen. However agriculture has demonstrably not been successful in driving pro-poor growth in today's poor rural areas in South Asia and in Africa, where global poverty is concentrated, most severe and, in Africa, worsening. In these areas not only has agriculture not driven pro-poor growth, but its failure to grow has held back wider growth and poverty reduction.

In the pursuit of pro poor growth in poor rural areas it is therefore critically important that we understand:

- The ways in which agriculture has driven and can drive pro-poor growth;
- How these have changed since the successes of the green revolution;
- If significant pro-poor agricultural growth can be achieved, and, if so, how.

Contents:

- [Briefing Notes](#)
- [Key Texts](#)
- [Policy Debates](#)
- [Further Reading](#)
- [Glossary](#)

¹ Andrew Dorward, Director of the Centre for Development and Poverty Reduction at Imperial College, has had a varied career in development, research and training, working in a range of countries with a primary focus on Africa. For more information see <http://www3.imperial.ac.uk/lifesciences>



Briefing Notes

Contents:

- [Contributions of Agriculture to Pro-Poor Growth](#)
- [Necessary Conditions for Pro-Poor Agricultural Growth](#)
- [Policies for Pro-Poor Agricultural Growth](#)

Contributions of Agriculture to Pro-Poor Growth

Agricultural growth can make a number of contributions to broader development and poverty reduction in poorer countries:

- It increases domestic income and employment of those engaged in agriculture which in turn stimulates demand and markets for local goods and services;
- It releases capital and labour to other sectors of the economy which can then respond to growing local markets and demand;
- It can improve the balance of payments through increased export earnings and/or reduced food imports;
- It can play a major role in keeping food prices down;
- Improved food security (from increased incomes and food availability and lower food prices) can improve nutritional status and productivity of labour
- Crop and livestock production can also provide safety nets for the poor when other parts of the economy are hit by macro-economic and other shocks (and agricultural growth may mean that they are themselves also less vulnerable to shocks).

These beneficial effects are particularly important where agriculture accounts for a large proportion of GDP and employment, as is generally the case in the national or sub-national rural economies where poverty incidence and severity are highest and where most of the extreme poor are still found.

Growth and stability from smallholder agriculture are also particularly beneficial to the poor because of (a) the high proportion of agricultural income gained directly by the rural poor as a result of their employment as farmers and agricultural labourers; (b) the location of such agriculture in rural communities (so that such growth provides many 'multiplier' or demand linkages directly to non-farm sector of the rural economies where the poor are situated) and (c) reduced food prices are particularly pro-poor as food accounts for a major part of the expenditures of poor people and reduced food prices therefore lead to disproportionate increases in real incomes of poor people who do not derive a large proportion of their income from food production. There is an apparent paradox in this: healthy pro-poor agricultural growth should stimulate even faster growth in the non-agricultural sector, and hence declining *relative* importance of agriculture in the economy. However this should not lead to a downplaying of the importance of agricultural growth for the poor, which has to be achieved with limited and often declining use of land, water and labour. Recognising and promoting the contributions of agriculture to non-agricultural growth are critical for pro-poor rural growth, even where direct agricultural income is responsible for a relatively small part of poor people's total income (see [Box 1](#), Farm and Non-Farm Activities in Pro-Poor Rural Growth).

Necessary Conditions for Pro-Poor Agricultural Growth

For agriculture to drive pro-poor growth and deliver these benefits, certain conditions must be met:

- Productivity must be increasing (in land scarce areas land productivity must grow faster than labour productivity, so that farm labour demand increases; in land abundant / labour scarce areas labour productivity must rise most at critical labour bottlenecks to allow increased cultivated area and increased labour demand at other times when labour is not so scarce);

- Farmers must have access to the technical and business support, seasonal finance, input supply and output marketing services needed to profitably invest in increased productivity, with increased accountability to and 'voice' for farmers in the delivery of these services;
- Assets, particularly land, should be relatively evenly distributed;
- Increases in staple food productivity should benefit poor food consumers by depressing prices, but prices should not fall so far or so fast, or be so unstable, as to undermine the profitability of farmers' investments in increased productivity - otherwise the whole process of growth will be choked off;
- The structure of the rural economy must allow increased incomes from agricultural growth to stimulate demand for and investment in local, labour intensive production of goods and services by the poor. This will normally be the case at early stages of growth or development where smallholder agriculture is the major productive sector. As agriculture and the rural economy grow, horticulture and livestock production for local markets will become increasingly important.

The extent to which these conditions exist or can be encouraged in the areas where today's rural poor are concentrated is the basis for current debates between the agricultural 'optimists' (who argue that smallholder agricultural growth still offers the best prospects for pro-poor growth) and the agricultural sceptics (who argue that the difficulties facing such growth are too severe to make it a viable proposition).

Policies for Pro-Poor Agricultural Growth

The conditions necessary for pro-poor agricultural growth in turn highlight policy actions needed to facilitate and stimulate pro-poor agricultural growth where it is not currently happening or where it is weak or only weakly pro-poor.

Productivity : Increasing productivity needs information, knowledge, science and technology that serve the needs of small farmers (though they should not necessarily be directed at the poorest farmers). This must be backed up by improving access to inputs, finance and output markets. For some cash crops this can be left to the private sector. However private sector performance in providing these services to food crop production in poor rural areas has been disappointing. Small agribusiness and farmer organisation development and investments in market development are key. Extended access to irrigation may also be necessary. Reasonably stable macro-economic conditions, governance and property rights are also very important.

Equitable access to assets: Reasonably equitable access to land is particularly important in encouraging pro-poor labour intensive change in agriculture and the transmission of benefits to the rural poor (see PLOW Module Land and Property Rights) Access to financial capital is a major constraint to agricultural growth. Access to education and social capital can help people to step out of agriculture into more remunerative non-farm activities. Access to health services can help improve people's productivity.

Price stability for staple foods : The need for price stability in staple foods, for both producers and consumers, was an objective of agricultural policy in the past and its importance is increasingly being recognised again, but there is no consensus on how this is best achieved. Similar difficulties are faced in developing market and price systems that give staple food producers a sufficient return to justify investment in new technology, that promote production efficiency, that protect the interests of poor consumers, and that avoid over-production and gluts.

Structure of the rural economy : The changing and complementary relationship between pro-poor farm and non-farm growth means that policies for pro-poor agricultural growth need to:

- a) Build on positive farm and non-farm linkages (for example focusing on labour and staple food market interactions); and
- b) Change as agriculture grows to reflect both the changing opportunities and constraints in agriculture itself and the changing links with the non-farm economy. This latter point is very important in stressing the importance of historical and contextual understandings (see PLOW Module History of Agricultural Policy) when applying lessons across continents or countries. These and other policy issues are discussed under Policy Debates.

Box 1 Farm and Non-Farm Activities in Pro-Poor Rural Growth

There are complex, interrelated and changing roles of agriculture and own-farm and non-own-farm activities in poor people's livelihoods, roles which go beyond polarized debates about the importance of the agricultural and non-agricultural sectors.

Where many poor households earn a relatively small proportion of their income directly from agriculture, very substantial increases in agricultural productivity are needed for significant direct impacts on the incomes of these people. In such circumstances the greatest potential for growth might be expected in the non-farm sector, where most of their income is earned. Furthermore, non-farm incomes often play a critical role in financing farm employment and investment among the less poor, and therefore income growth in the non-farm sector can benefit farm activities.

This might suggest prioritisation of non-farm sector development in pro-poor growth strategies. Other observations, however, demonstrate the importance of the farm sector, and own-farm production, for poor people's livelihoods in poor rural areas. First, poor rural economies tend to have relatively few opportunities for the non-farm sector to drive growth so non-farm growth opportunities depend largely upon (and support or complement) agriculture as the main driver of growth (through production of exportable products and staple foods, see reading 2). Second, food prices and production are critically important to the real incomes of the poor (and in the absence of reliable integration with wider markets, local production may have a critical role on food prices and food security). Third, at critical times of year own-farm labour can have higher average and marginal returns to labour than off farm employment. Fourth, demand for farm labour has a major impact on local labour markets (if own-farm labour use were to contract this would release a flood of labour into the local labour market, depressing wages and returns to labor in all activities). Finally, reduction in own farm food production by the poor would have a major impact on, and present major challenges to, local food markets. Smallholder production, and its continued development, is therefore critically important to the poor, but so is the non-farm sector. Both must develop together so that if all goes well the non-farm sector can, with time and improved markets, increasingly take over from smallholder agriculture its current dominant influence on real wages and food security.

Key Texts

Agriculture, Rural Development, and Pro-Poor Growth

Paper presented at World Bank Workshop on Operationalizing Pro-Poor Growth, World Bank, DFID, BMZ, AFC with IFPRI and GCED (2005) February 2005

This paper synthesises a number of background and country papers from an umbrella project on *Operationalizing Pro-Poor Growth*. It reviews the historical and theoretical arguments about agriculture's contribution to growth, and then examines the experience of 12 Asian, African and Latin American countries in the 1990s. Here it finds much support for the conventional PPAG arguments. However it notes particular difficulties faced by the poor in benefitting from growth in the non-farm economy and recognises the validity of some of the concerns of the 'agricultural sceptics'. Different sets of policy recommendations are put forward, emphasising the importance of contextualising policy to countries' circumstances and stages of economic growth and development.

http://siteresources.worldbank.org/INTARD/Resources/PPG_final.pdf

Agricultural Development and Pro Poor Economic Growth in Sub Saharan Africa: Potential and Policy

Kydd, J. G., A. R. Dorward, et al., 2004. Oxford Development Studies 32(1): 37-57.

This paper examines the linkages between agriculture and non-farm activities at both the livelihoods and rural economy level. It discusses the challenges to PPAG in Africa and argues that dominant arguments for and against a role for PPAG pay insufficient attention to important institutional issues. Agriculture has a critical role to play, largely by default, as there are few other candidates with the same potential for supporting broad based pro-poor growth and there are economic and social costs of rural stagnation and of providing safety nets in situations of enduring poverty in the absence of PPAG. Policy therefore needs to focus more on agriculture, with a commitment to five key policy themes: diversity; institutional development; trade; research; and governance.

Policy Debates



Policy debates in agriculture and pro-poor growth revolve around two questions:

- [Can agriculture drive pro-poor growth in today's poor rural areas?](#)
- [What policies are needed to get pro-poor agricultural growth going in today's poor rural areas?](#)

Can agriculture drive pro-poor growth in today's poor rural areas?

The extent to which agriculture can drive pro-poor growth in today's poor rural areas, drawing on the lessons from the green revolution, is the subject of considerable debate. The arguments of 'Agricultural Optimists' have been outlined in the Briefing Note in terms of the strong pro-poor contributions that smallholder agricultural growth can make, through both direct and indirect impacts on the incomes and expenditures of the poor and on the development of the non-farm economy.

'Agricultural Sceptics' do not, on the whole, challenge agriculture's historic contribution to pro-poor growth. They focus attention on the conditions necessary for agriculture to make that contribution again. They argue that poor rural areas today face much more serious challenges for both agricultural growth and its links to the non-farm economy and that taken together these challenges mean that smallholder agriculture cannot be a practical and cost effective focus for pro-poor growth. (Please refer to PLOW CD for full Word Version)

See History of Agriculture Briefing Note

Agriculture, growth and poverty reduction. Agriculture Working Paper 1 DFID (2004)

Read <http://dfid-agriculture-consultation.nri.org/summaries/wp1.pdf>

Reaching the poor, a call to action: Investment in smallholder agriculture in sub-Saharan Africa. Peacock, C., A. Jowett, et al. (2004). London, FARM-Africa.

Socio-Economic Analysis and Policy Implications of the Roles of Agriculture in Developing Countries, FAO (2004)

Visit Project www.fao.org/es/esa/roa/

DFID Agriculture Consultation

Launching the DFID consultation New Directions for Agriculture in Reducing Poverty, Simon Maxwell: <http://dfid-agriculture-consultation.nri.org/launchpapers/simonmaxwell.html>

New Directions for Agriculture in Reducing Poverty: the DFID Initiative, Michael Lipton: <http://dfid-agriculture-consultation.nri.org/launchpapers/michaellipton.html>

A Policy Agenda for Pro-Poor Agricultural Growth Dorward, A. R., J. G. Kydd, et al. (2004) World Development 32(1): 73-89.



What policies are needed to get pro-poor agricultural growth going in today's poor rural areas?

Contents:

- [Technology](#)
- [Crops](#)
- [Favoured or less favoured areas](#)
- [Direct or indirect gains](#)
- [Specific conditions](#)
- [Role of the state](#)
- [Land reform](#)
- [Role of livestock](#)
- [HIV/AIDS](#)
- [Trade policies](#)
- [Instruments](#)

Many of the critical questions for PPAG policy can be presented in terms of choices between alternative 'best buy' options:

On technology: how important is irrigation? What are the priority crops for research, and the balance between varietal improvement and agronomic management?

Agriculture, Rural Development and Pro-Poor Growth

Paper presented at World Bank Workshop on Operationalizing Pro-Poor Growth, World Bank, DFID, BMZ, AFC with IFPRI and GCED 2005

http://siteresources.worldbank.org/INTARD/Resources/PPG_final.pdf

Growth and Poverty Reduction: The Role of Agriculture, DFID Strategy Paper, 2005

(Please refer to PLOW CD for full PDF Version)

DFID Agriculture Consultation

Launching the DFID consultation New Directions for Agriculture in Reducing Poverty, Simon Maxwell:

<http://dfid-agriculture-consultation.nri.org/launchpapers/simonmaxwell.html>

New Directions for Agriculture in Reducing Poverty: the DFID Initiative, Michael Lipton: [http://dfid-](http://dfid-agriculture-consultation.nri.org/launchpapers/michaellipton.html)

[agriculture-consultation.nri.org/launchpapers/michaellipton.html](http://dfid-agriculture-consultation.nri.org/launchpapers/michaellipton.html)

Rural Poverty Report: the challenge of ending rural poverty IFAD (2001) Oxford/ Rome, Oxford University Press/ IFAD.

Technology and its contribution to pro-poor agricultural development Agriculture Working Paper 4, DFID, 2004

Agricultural Sustainability Agriculture Working Paper 12, DFID 2004

See PLOW Water Resources Management Theme

Which markets and crops offer the greatest pro-poor growth opportunities (food, traditional or non-traditional crops - for domestic, regional or international markets)?

See Key Texts

The Role of Agriculture in Pro-Poor Growth in Sub-Saharan Africa Diao, X., P. Hazell, D. Resnick, J. Thurlow. 2005. IFPRI. Washington, D.C.

Concentration in food supply and retail chains Agriculture Working Paper 13, DFID, 2004

Rethinking Tropical Agricultural Commodities Agriculture Working Paper 10, DFID 2004

Overcoming Market Constraints to Pro-Poor Agricultural Growth in Sub Saharan Africa. Paper prepared for the Africa Commission Poulton C., Kydd J. and Dorward A., 2004.

Do 'favoured' (more productive and less remote) areas or 'less favoured' areas offer more cost effective returns to investment in pro-poor agricultural growth?

Returns to investment in less-favored areas in developing countries: a synthesis of evidence and implications for Africa Fan, S. and C. Chan-Kang, 2004 Food Policy 29(4): 431-444.

Does a focus on direct gains (to poorer farmers) or indirect gains to the poor (from growth among less poor smallholders and commercial scale operations) offer more cost effective returns in terms of pro-poor benefits?

Reaching the poor, a call to action: Investment in smallholder agriculture in sub-Saharan Africa. Peacock, C, A. Jowett et al. London, FARM-Africa. 2004

Rethinking agricultural policies for pro-poor growth Dorward A, Fan S, Kydd J, Lofgren H, Morrison J, Poulton C, Rao N, Smith L, Tchale H, Thorat S, Urey I, and Wobst P (2004)

How can and should PPAG policy on the above issues be tailored to specific conditions facing different crop and livestock producers in different areas and at different times?

Reaching the poor, a call to action: Investment in smallholder agriculture in sub-Saharan Africa. Peacock, C, A. Jowett et al. London, FARM-Africa. 2004

Rethinking agricultural policies for pro-poor growth Dorward A, Fan S, Kydd J, Lofgren H, Morrison J, Poulton C, Rao N, Smith L, Tchale H, Thorat S, Urey I, and Wobst P (2004)

See PLOW History of Agricultural Policy Briefing Note

A Policy Agenda for Pro-Poor Agricultural Growth Dorward, A. R., J. G. Kydd, et al. (2004) World Development 32(1): 73-89.

What is the role of the state in promoting market development? Should it promote liberalised markets? Is there a role for external interventions to 'kick start' and/or stabilise markets as occurred in many Asian green revolutions? Who should undertake this role today and how should the many problems be avoided or reduced?

Making Agricultural Markets Work for the Poor DFID 2004



Overcoming Market Constraints to Pro-Poor Agricultural Growth in Sub Saharan Africa. Paper prepared for the Africa Commission Poulton C., Kydd J. and Dorward A., 2004.

Competition and coordination in liberalized African cotton market systems Poulton, C., P. Gibbon, et al., 2004. *World Development* 32(3): 519-536.

What is the role of land reform in pro-poor agricultural growth and how should it be undertaken?

See PLOW Land Briefing Note

The relative importance of these questions will depend upon the different situations, opportunities, constraints and political and policy debates in different countries. Most of these options are not, of course, mutually exclusive, but with limited resources priorities have to be decided. Other important questions concern:

The role of livestock and impact of increasing demand for global demand for livestock products

See PLOW History of Agricultural Policy Briefing Note

The Role of Agriculture in Pro-Poor Growth in Sub-Saharan Africa Diao, X., P. Hazell, D. Resnick, J. Thurlow. 2005. IFPRI. Washington, D.C.

The impacts of and responses to the HIV/AIDS pandemic

Interactions between the Agricultural Sector and the HIV/AIDS Pandemic: Implications for Agricultural Policy Jayne T, Villarreal M, Pingali P, and Hemrich G (2004)MSU International Development Paper No. 25

The nature, impacts and responses to reform of trade policies in both North and South

Agricultural Trade and Poverty Reduction: Opportunity or Threat? Agriculture Working Paper 11 DFID 2004

The organisational, budgetary and policy instruments and systems needed for effective, coordinated and responsive action by governments, donors, NGOs, the private sector, civil society and farmer organisations

Reaching the poor, a call to action: Investment in smallholder agriculture in sub-Saharan Africa. Peacock, C, Jowett A et al. London, FARM-Africa. 2004

Sector Programme Approaches: will they work in agriculture? Foster et al., 2002 *Development Policy Review* 2001 19(3): 321-338

Further Reading

Research and technical resources to explore Agriculture and Pro-Poor Growth themes in more depth

International Food Policy Research Institute (IFPRI)

Web: www.ifpri.org

Email: ifpri@cgiar.org

Washington based international research centre within the CGIAR network focusing on economic growth and poverty alleviation in low-income countries, improvement of the well-being of poor people, and sound management of the natural resource base that supports agriculture.

Future Agricultures

Web: www.future-agricultures.org

Future Agricultures, a consortium of three UK based organisations - IDS, ODI and Imperial College London (funded by the UK Department for International Development) - together with Southern partners focuses on the pressing questions of how to transform the agricultural sector to generate growth and reduce poverty.

DFID Agriculture Consultation

Web: <http://dfid-agriculture-consultation.nri.org/theme1/theme1.htm>

This site carries the outputs from the 6-week broad-based consultation (April -May, 2004) on the role of agriculture in growth and poverty reduction. The site provides key papers, summaries and debates.

Growth and poverty was a key theme and posed the questions : What is the role and contribution of agriculture within growth and poverty reduction? How might DFID's programme and policy best provide support?

World Bank

Web: <http://www.worldbank.org>

PovertyNet on the World Bank's website provides an introduction to key issues as well as in-depth information on poverty measurement, monitoring, analysis, and on poverty reduction strategies for researchers and practitioners. The topic Pro-poorgrowth and inequality includes a section on agriculture with further reading materials. To view http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPGI/0,,contentMDK:20263396~menuPK:524119~pagePK:148956~piPK:216618~theSitePK:342771,00.html#growth_and_poverty

Glossary

Business support Any non-financial service to business. They encompass training, consultancy/advisory services, market-related services, and others.

Farm/non-farm linkages In economics, 'linkages' refer to generally positive interactions between different industries or sectors. Farm / non-farm linkages arise for example where growth or efficiency gains in farming lead to higher real incomes for both farmers and (through lower food prices) consumers, and these higher incomes lead to increased demand for and hence employment opportunities in local production of non-farm goods and services. Growth in farming can also lead to increased demand for and employment opportunities in supplying farm inputs and services and in processing agricultural output. Increased non-farm employment and income then leads to further beneficial linkages, with a multiplier effect.

Food security The condition when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

Green Revolution The Green Revolution was a process that took place from the 1960s with the introduction of high yielding varieties of mainly rice and wheat with fertilisers into irrigated areas. This led to rapid transformations of agriculture and of rural economies in many parts of South, South East and East Asia and providing a foundation for subsequent non-agricultural growth in these areas. It has attracted considerable controversy due to early tendencies for larger farmers to benefit at the expense of small farmers, and due to loss of biodiversity, increased chemical use and in some areas falling ground water tables from overuse of tube well irrigation. More recent studies have shown that small farmers also benefited from adoption of green revolution technologies and that increased production has increased labour demands and with lower food prices real wages for the landless, with positive non-farm linkages. Some of the more negative changes associated with the green revolution were also due more to subsidies promoting mechanisation and cheap electricity than to the green revolution technologies themselves.

Multiplier effect In economics, a multiplier effect occurs when a change in spending causes a disproportionate change in aggregate demand so £1 of spending generates more than £1's worth of extra output and incomes. The multiplier refers to the effects of growth or efficiency gains in a particular industry through stimulating labour demand for producing inputs or for processing outputs, and for supplying goods and services to workers or consumers with higher real incomes as a result of expansion or efficiency gains in that industry. See farm/non farm linkages.

Output marketing services Output marketing-related services include advertising, promotion, and market research and information services.

Real wages The term 'real', when used in an economic context, means 'inflation adjusted'. When comparing nominal wages, or unadjusted wages, the figures seen will include any inflation incurred within the economy that year.

Safety Nets Safety nets is a term used to describe a collection of services provided by the state which prevent individuals from falling below certain levels of poverty.