



PRO-POOR GROWTH – THE CRITICAL RURAL NON-FARM MULTIPLIERS AND HOW TO ACHIEVE THEM

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INTRODUCTION

Three Objectives

- 1. Agriculture's dominant role in employment/rural-urban income disparities, poverty**
- 2. Technology's dominant role in globalization, particularly agriculture**
- 3. Change in agriculture priorities from low to middle income countries**

AGRICULTURE'S IMPACT ON EMPLOYMENT, RURAL-URBAN INCOMES DISPARITIES, POVERTY

1. Employment growth

- a. The economic means of poverty reduction**
- b. The other means is social welfare**
- c. Poverty specialists emphasize social welfare**
- d. Result has been improved education and health, but declining incomes and nutritional status – e.g. Africa**

AGRICULTURE'S IMPACT ON EMPLOYMENT, RURAL-URBAN INCOMES DISPARITIES, POVERTY

- 2. Rural employment growth is the means to reduce:**
 - a. Rural poverty**
 - b. Urban poverty – due to impact on migration**
 - c. Rural-urban income disparities**

AGRICULTURE'S IMPACT ON EMPLOYMENT, RURAL-URBAN INCOMES DISPARITIES, POVERTY

3. Agriculture drives rural employment growth

- a. Agricultural growth is labor efficient**
- b. For every 10% increment in output there is only 3 to 6% increase in employment**
- c. About half of all rural employment is in the rural non-farm sector**
 - i. About half of those are landless**
 - ii. About half have land too small to provide even half their employment or poverty level income**
 - iii. They produce mostly labor intensive non-tradables**

AGRICULTURE'S IMPACT ON EMPLOYMENT, RURAL-URBAN INCOMES DISPARITIES, POVERTY

- iv. Farmers spend 40% of incremental income on the RNF sector**
- v. For every job created in farming, more than 3 created in the RNF sector; of the latter, 2/3rd are consumption related, 1/3rd production related.**
- vi. Since this impact depends on rising farm incomes**
 - Production must grow much faster than population**
 - Typically it takes 4 to 6 percent growth rates to have major impact on employment.**

AGRICULTURE'S IMPACT ON EMPLOYMENT, RURAL-URBAN INCOMES DISPARITIES, POVERTY

- 4. When all sectors grow quickly, e.g. 8% for Urban Industry, 5% for Agriculture**
 - a. For low-income countries about 80% of increased employment is Ag driven**
 - b. For middle-income countries close to half is Ag driven**
 - c. For middle-income countries Ag still dominates employment growth**

GLOBALIZATION

- 1. Globalization makes higher (4 to 6%) Ag growth rates possible**
- 2. Especially for low income countries rapid Ag growth**
 - a. Requires that production increase faster than domestic demand**
 - b. That requires export markets**
 - c. (The problem for Ag. is not the macro policy agenda per se, but budget cuts decimate smallholder agricultures that require critical public goods.)**

3. Globalization

a. Driven by technology

b. Makes for intense competition

c. Losers lack cutting edge research and application

i. Africa loses traditional markets to Asia

ii. The more domestic research the more is borrowed

iii. Research concerned with

- **Cost of production and quality**

- **Therefore production and marketing**

d. Associated with massive new markets, especially in Asia

e. Price elasticities become more elastic

COMMODITY PRIORITIES – CHANGE WITH LEVEL OF DEVELOPMENT

- 1. Low income countries (most of Africa) dominated by**
 - a. Traditional tropical exports**
 - b. Cereals**
 - c. Base for roots large, but**
 - i. Demand tends to be inelastic**
 - ii. Exceptions**
- 2. Middle income countries more than half Ag GDP**
 - a. Livestock**
 - b. Horticulture**

CONCLUSIONS

- 1. In low income countries**
 - a. Ag growth a major factor in GDP growth**
 - b. And, employment growth**
- 2. In middle-income countries**
 - a. Ag growth is modest factor in GDP growth**
 - b. Still dominate poverty growth**
- 3. It is growth in farm incomes that drives employment**
 - a. 1/4th directly in agriculture**
 - b. 3/4th in the rural non-farm sector**

CONCLUSIONS

- 4. Globalization makes high Ag growth rates possible, but:**
- 5. Requires cutting edge research and application**
- 6. New focus on aggregate impact calls for differentiated strategies**
 - a. Low income: cereals and traditional tropical exports**
 - b. Middle income: horticulture and livestock**
 - c. Exceptions**

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