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Overcoming Persistent Poverty and Malnutrition in Africa: How Business Can and Does Help

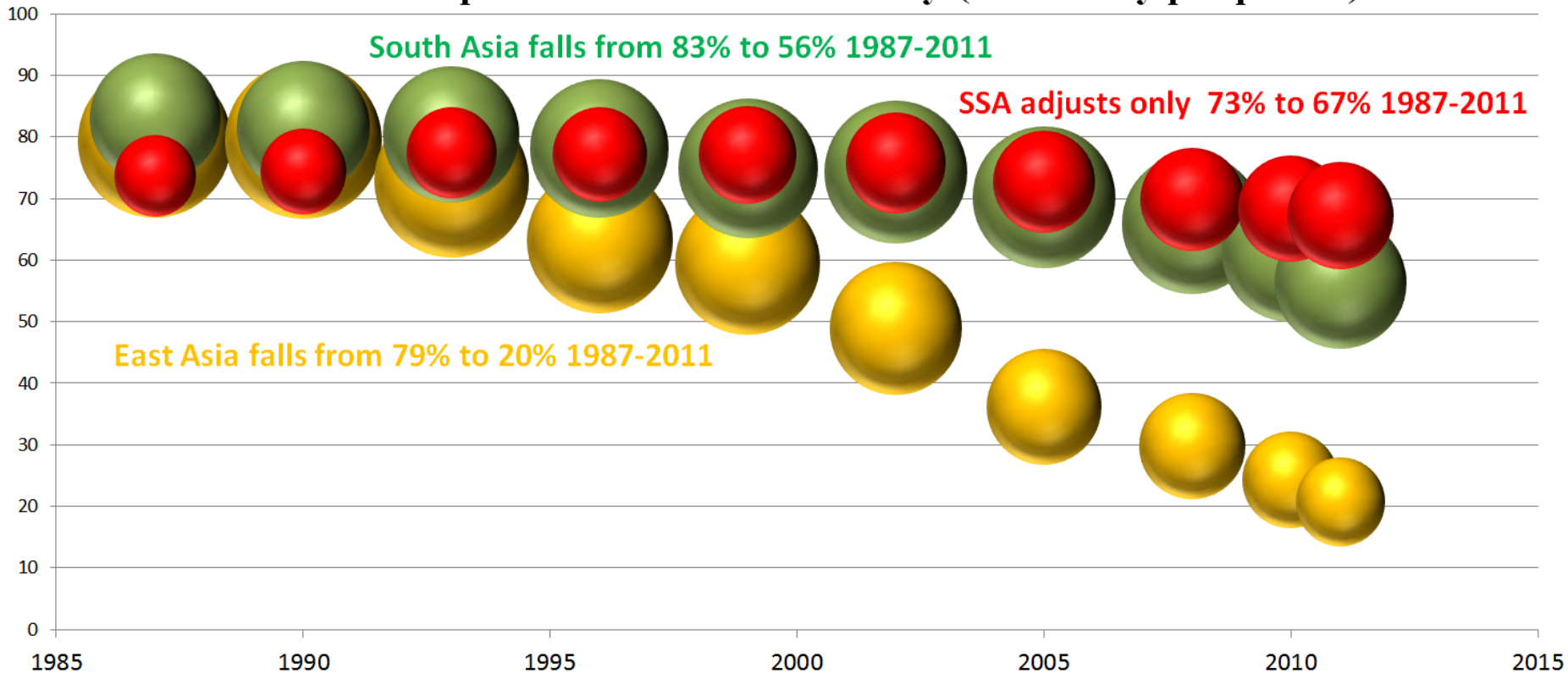


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May 3, 2017
Cornell Club of Boston



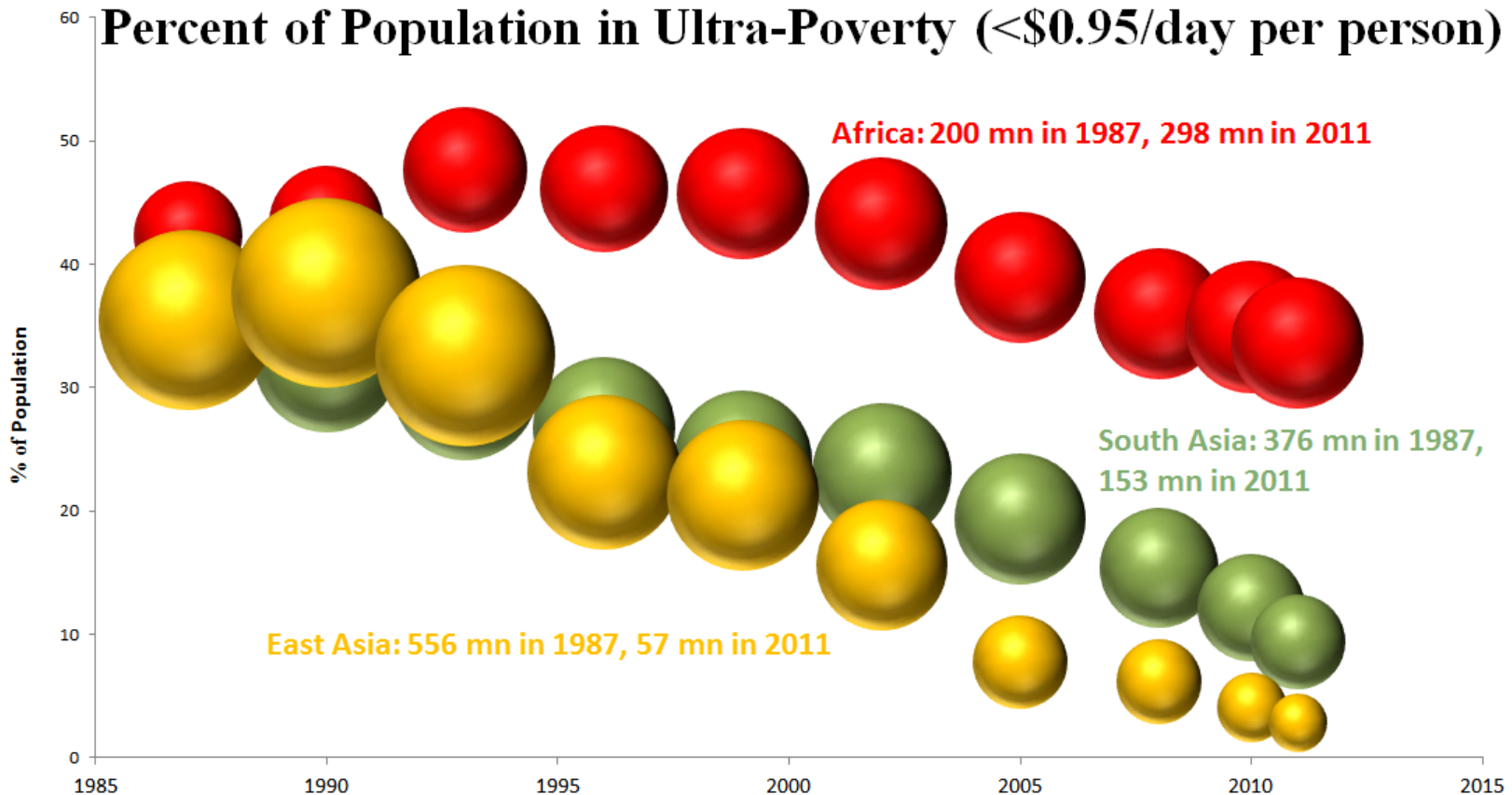
Rapid, large-scale poverty reduction is possible ... just look at East Asia.

Percent of Population in Extreme Poverty (<\$1.90/day per person)





Big challenge now is persistent, concentrated ultra-poverty ... in sub-Saharan Africa.



In 1987 Africa was home to 17% of the world's ultra-poor ... but share grew to 57% by 2011



Reasons:

Humanitarian/ethical

- Golden rule

Security/geo-political

- Prospective insecurity

Environmental

- Conservation of forests,
biodiversity/wildlife

Health

- Controlling pandemics

Economic

- Future markets/suppliers





How do people escape chronic ultra-poverty?

- Early childhood health and nutrition
- Education
- Finance: savings, insurance, credit
- Technological innovations
- Market access



... empower the poor to invest in human capital and then to enhance their labor productivity



**Net humanitarian/development aid:
only ~7.5 ¢/day pc (overstated due to “tying”)**

**Private gifts (foundations, companies and NGOs):
only ~ 6 ¢/day pc**

**The BIGGEST benefits come from new technologies,
remittances, private investment, better institutions
... mostly from private enterprise and individuals**



For more information visit www.ilri.org/ibli/



Index-based livestock insurance to protect vs. drought

- Based on remotely sensed NDVI (NOAA product)
- Individuals buy policies to protect their herds
- Private underwriters, global reinsurers
- Commercial pilot in 2010; worked in 2011, 2015, 2017 droughts
- Scaled out to Ethiopia and nationally in Kenya; Takaful version
- Major, positive effects in both countries: 12-20x the marginal benefit/cost of cash transfer programs; reduced adverse coping.



Cell phones, internet, mobile money improving lives:

- Improved early warning systems, delivery of emergency aid
- Small farmers/traders can find best prices: ECX
- Agricultural extension/health message delivery
- Call centers and back office data entry
- “the spread of mobile money helped raise at least 194,000 households out of extreme poverty, and induced 185,000 women to switch into business or retail as their main occupation.”

– Suri & Jack 2016 *Science*





Energy availability is low and unreliable, costs high:

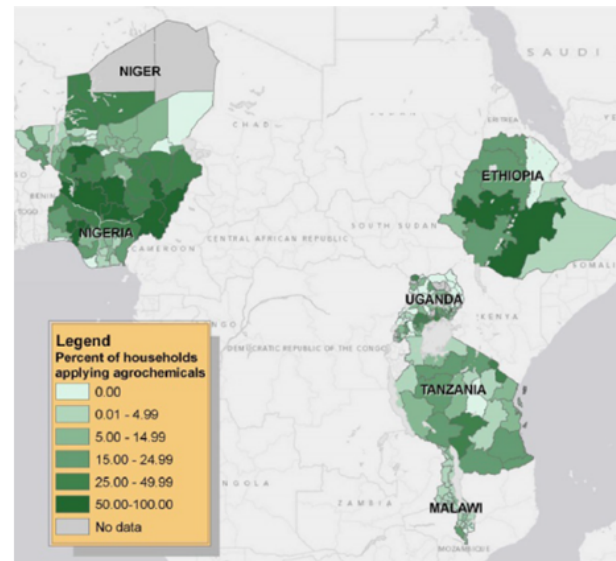
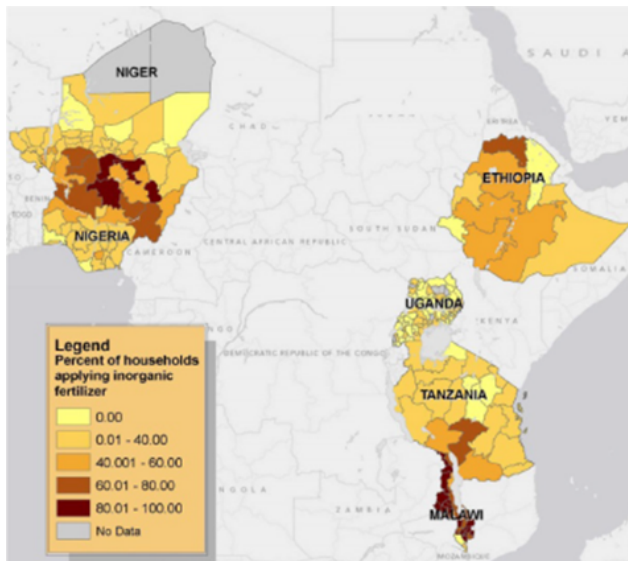
- Solar especially valuable for schools
- Village-scale pyrolysis for local bio-fuels
- Food and agro-input prices heavily affected by fuel costs





Commercialization of food value chains is beginning to transform parts of rural Africa:

- Contract farming and retail revolution ... rise of value addition and spread of higher-value commodities
- Rapid spread of fertilizer, agrochemicals and improved seed



Source: Sheahan and Barrett *Food Policy* 2017

“Most of the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters. Most of the world’s poor people earn their living from agriculture, so if we knew the economics of agriculture we would know much of the economics of being poor.”

- Theodore W. Schultz

Opening sentences of 1979 Nobel Prize in Economics lecture



Cornell is uniquely positioned to help address poverty through private sector initiatives.



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