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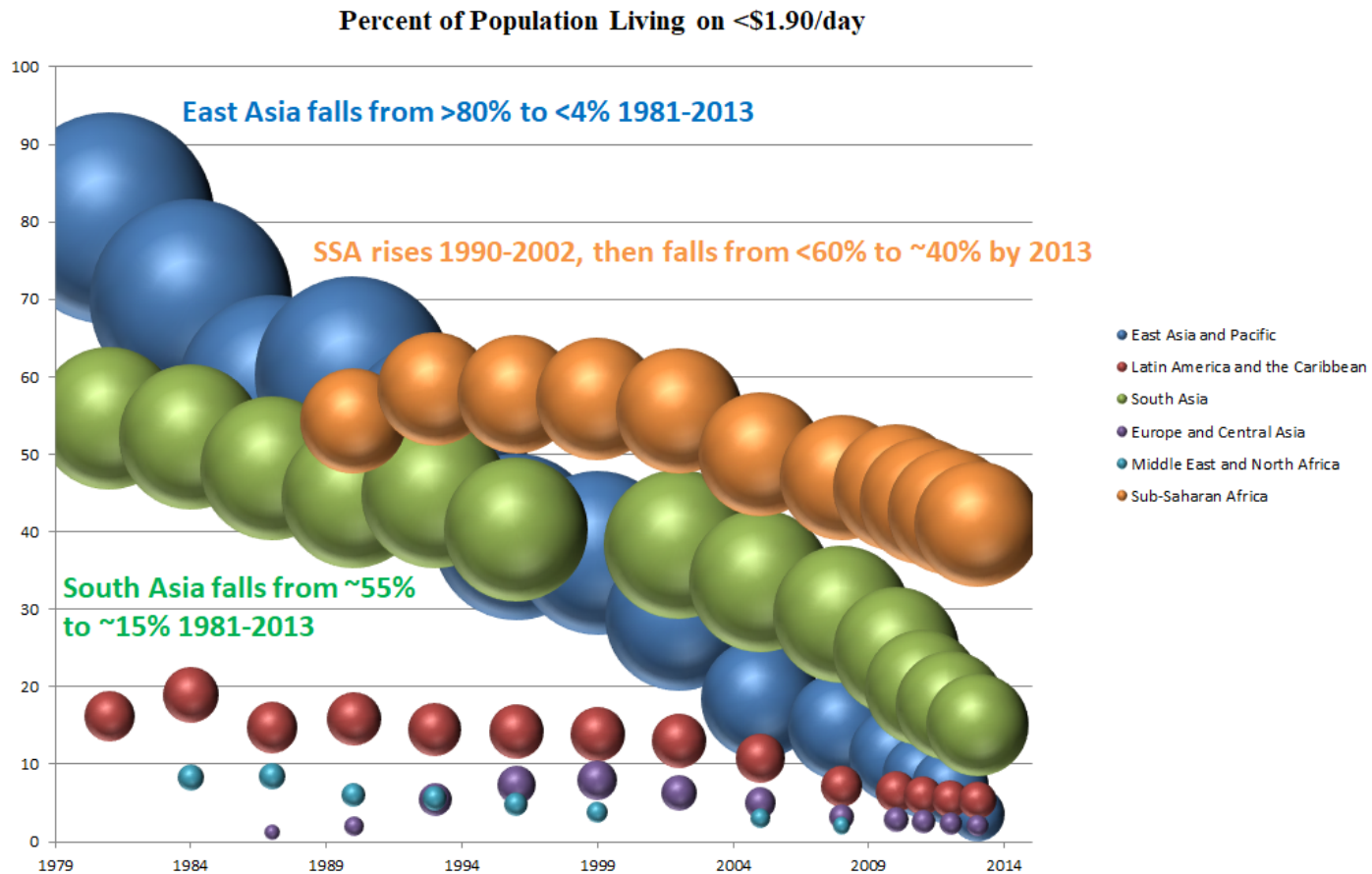
Overcoming Persistent Poverty in Africa: How Business Can and Does Help



Christopher B. Barrett
Cornell SC Johnson College of Business
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Waikato Management School



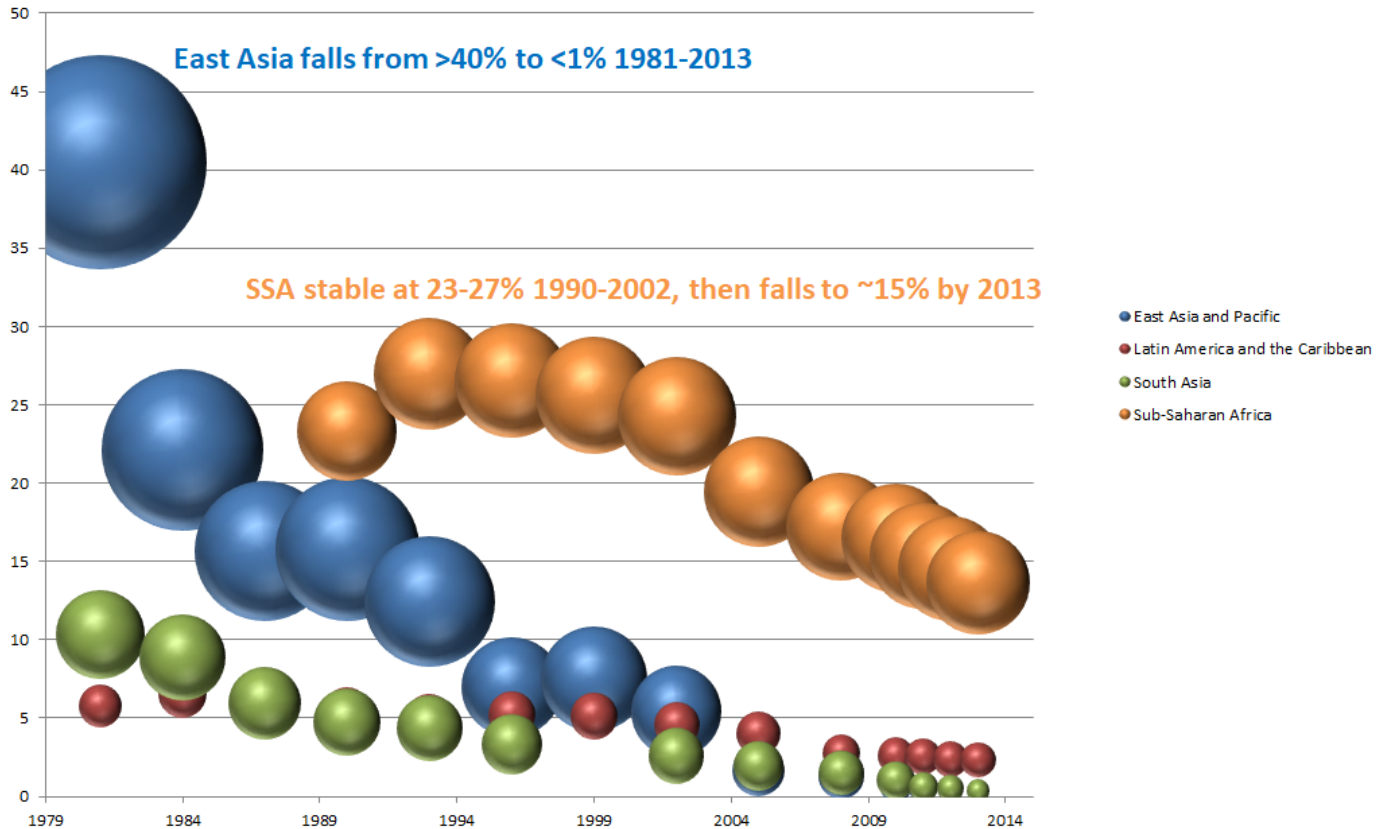
Rapid, large-scale poverty reduction is possible ... just look at East Asia.





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

Percent of Population Ultra-Poor, Living on <US\$0.95/day



In 1990 Africa was home to 26% of the world's ultra-poor ... by 2013, grown to >83%



At the same time, Africa is on the move.

7/14 world's fastest growing economies are in Africa.

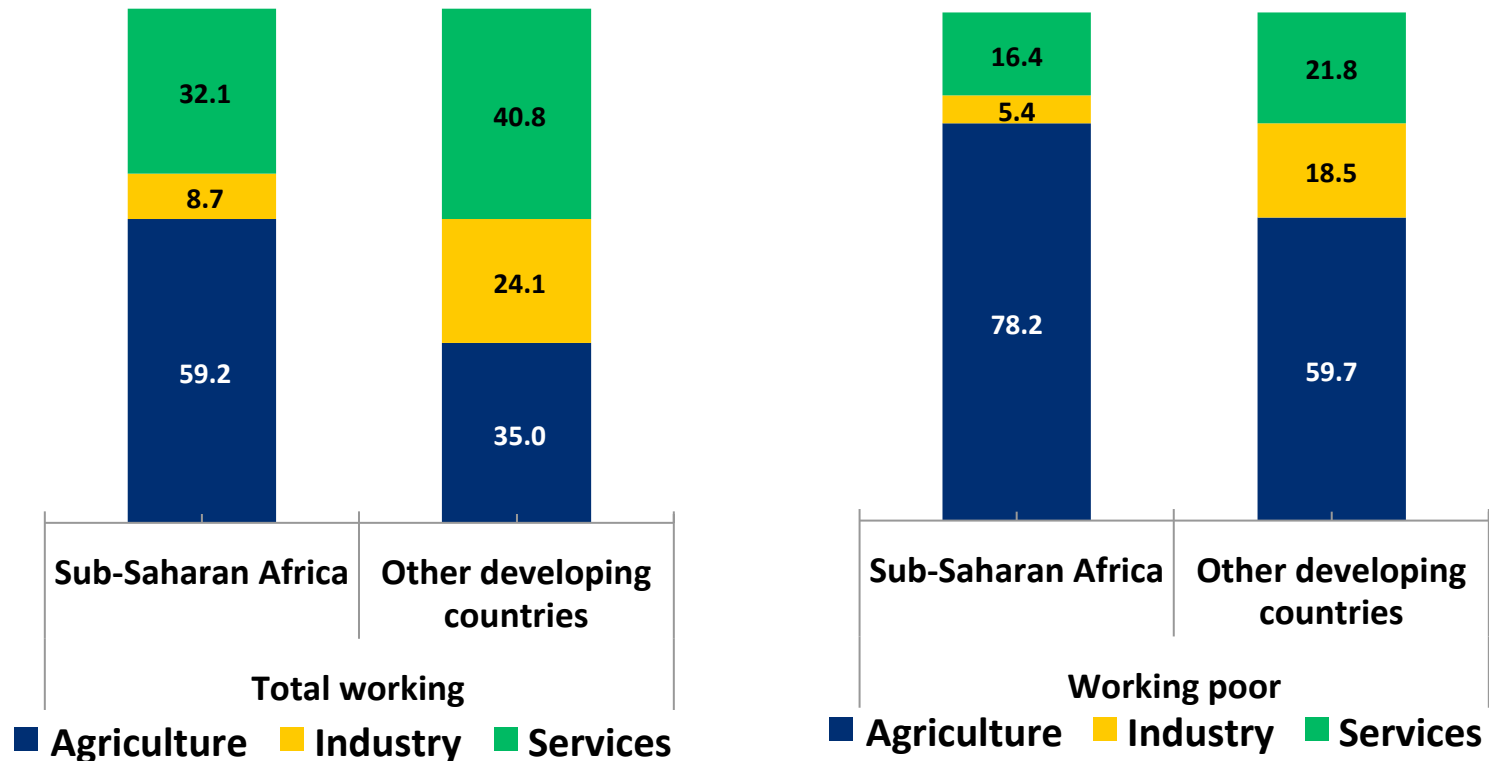
Agriculture is at the heart of much of that growth.

Fastest real GDP growth, 2010-15		
1	Ethiopia	10.5
2	China	8.3
3	Papua New Guinea	8.1
4	Lao PDR	8.0
5	Ghana	7.7
6	Myanmar	7.7
7	Dem. Rep. Congo	7.6
8	Panama	7.5
9	India	7.3
10	Zimbabwe	7.1
11	Rwanda	7.1
12	Mozambique	7.0
13	Cambodia	7.0
14	Tanzania	6.8

Annual average real
GDP growth, 2010-15.
Data source: World Bank



Almost 4 out of 5 of SSA's working poor employed in agriculture.
Poverty is overwhelmingly rural still.

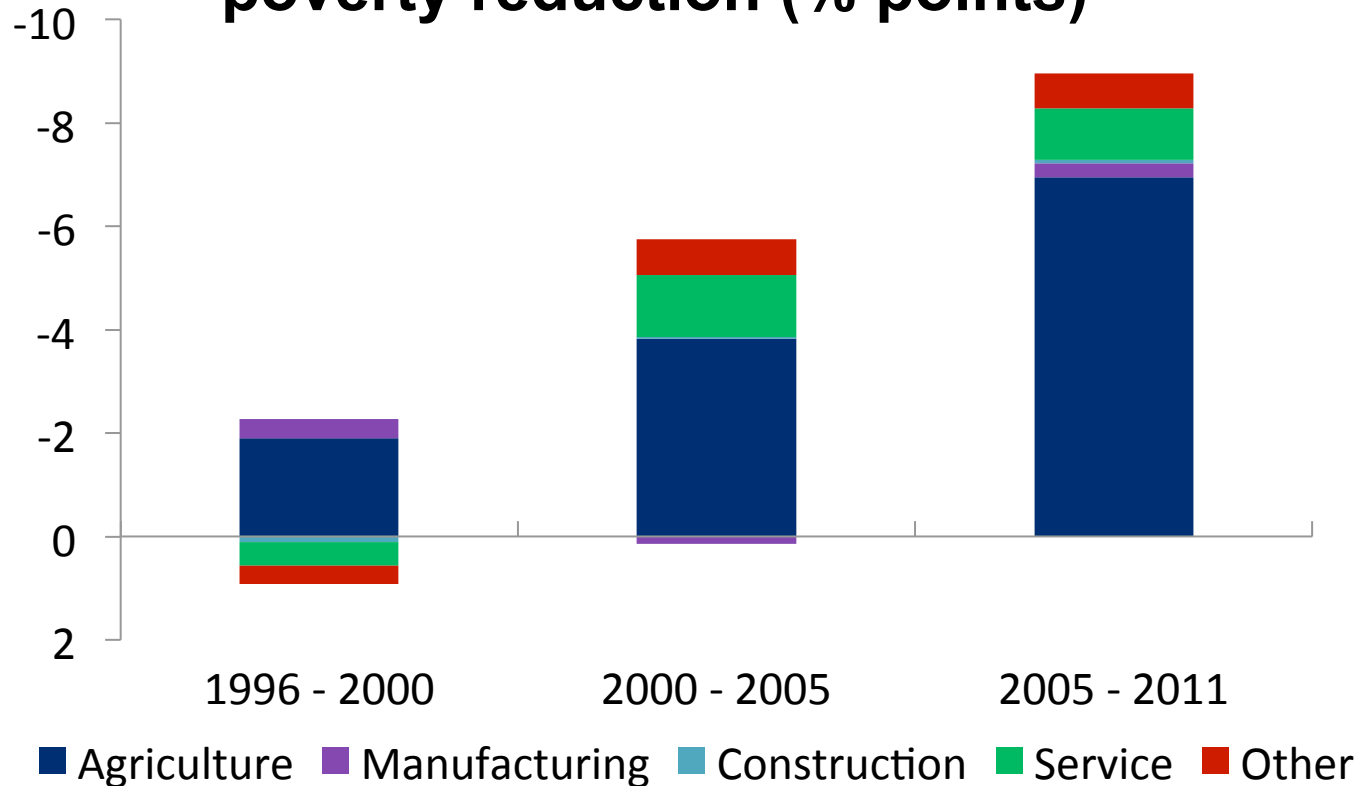


Source: World Bank, Africa's Pulse vol. 10. International Income Distribution Database.
Notes: The numbers correspond to working age (15-65) population weighted averages of the most recent survey between 2002 and 2012. Average of 33 (20) SSA countries and 66 (41) other developing countries for total working (working poor).



Growth in agriculture contributes most to poverty reduction

Ethiopia: Sectoral contribution to poverty reduction (% points)





Poverty traps

Poverty traps arise from self-reinforcing feedback that poor 'initial conditions' lead to optimal behaviors that perpetuate poverty.

Examples:

- malnutrition causes poverty, which itself leads to further malnutrition
- high risk exposure (e.g., conflict, climate) leads to risk averse livelihood strategies that lock in poverty
- discrimination keeps people from acquiring skills, thereby reinforcing harmful stereotypes
- shocks cause psychological trauma that dampens hope, reduces investment and effort



Key implication

Build the entitlements of the poor and provide a safety net.



What is the key entitlement?

The main asset of the poor is their own labor power.

The central task of development is to empower the poor to invest in their and their children's human capital and then to enhance and enjoy their labor productivity in order to realize their full potential.

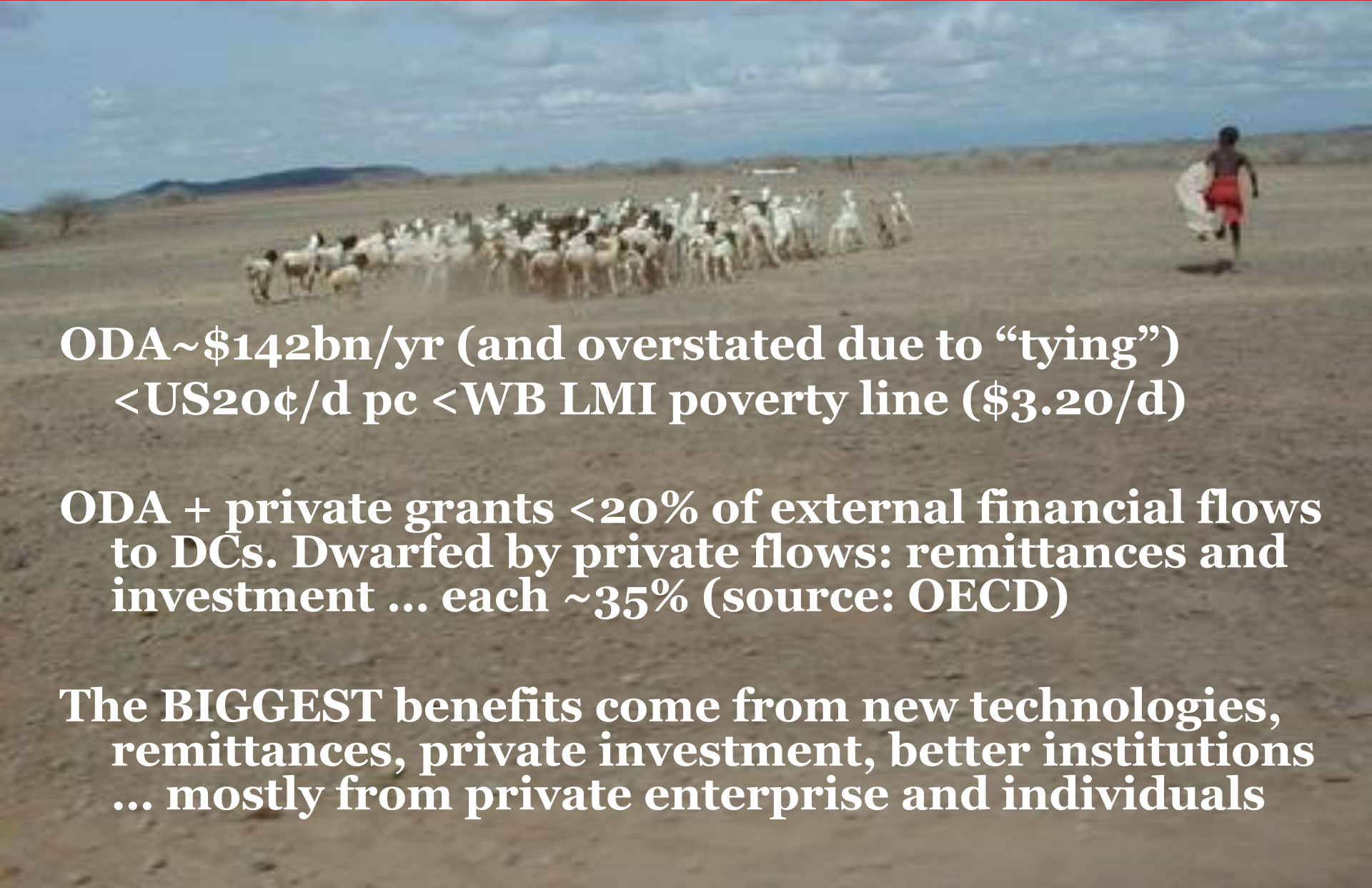




Promote the poor's access ...

- to new technologies: save lives and enhance livelihoods.
Example: the Green Revolution in cereals production.
- to finance: savings/insurance/credit to enable investment and shield against shocks
- to markets (esp. labor markets): fair, competitive exchange enhances the value of what the poor own/produce
- to safety nets: need reliable protection against grave dangers, esp. those that directly or indirectly imperil health

... empower the poor to invest in human (and other) capital and thereby flourish



**ODA ~ \$142bn/yr (and overstated due to “tying”)
< US20¢/d pc < WB LMI poverty line (\$3.20/d)**

ODA + private grants < 20% of external financial flows to DCs. Dwarfed by private flows: remittances and investment ... each ~35% (source: OECD)

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



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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:

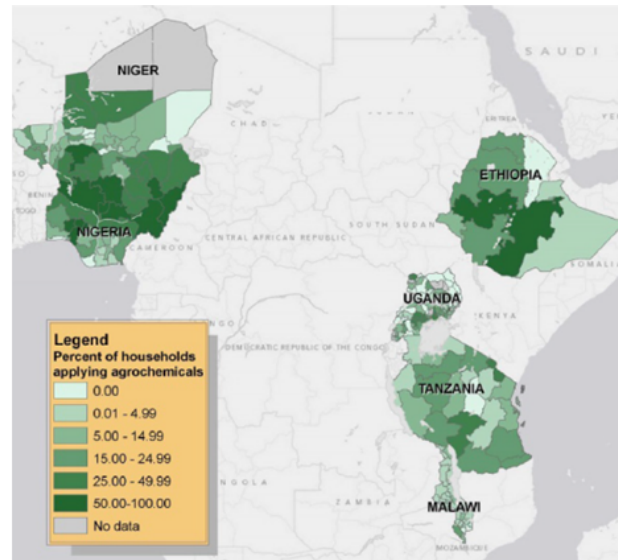
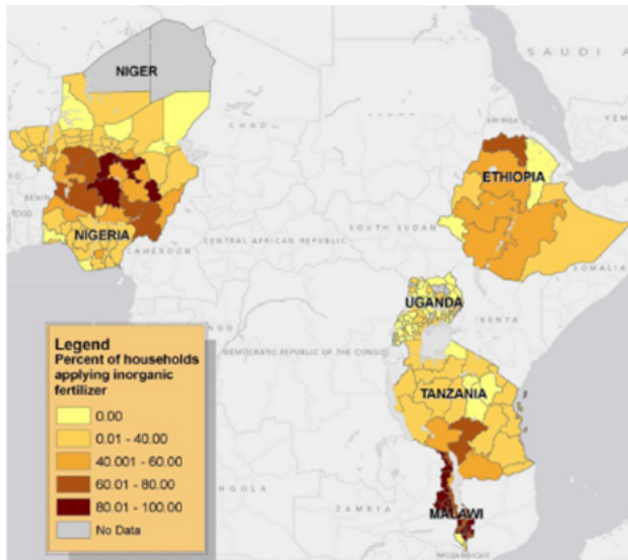
- Solar especially valuable for schools
- Village-scale pyrolysis for local bio-fuels
- Food and agro-input prices heavily affected by fuel costs





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 modern inputs
- Domestic mkts: >85% food produced/consumed domestically



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



**Agriculture is the ultimate private sector activity.
Ag-led dev't biggest poverty reducer globally.**



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**Thank you for your time,
interest and comments**

