

IMPLICATIONS OF THE FINANCIAL CRISIS FOR AGRICULTURAL GROWTH IN DEVELOPING COUNTRIES



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IMPLICATIONS OF THE FINANCIAL CRISIS FOR AGRICULTURAL GROWTH IN DEVELOPING COUNTRIES

1. IMPACT CHANNELS
2. LESSONS FROM PAST CRISES
3. IMPLICATIONS FOR LONG TERM GROWTH / POVERTY REDUCTION
4. LESSONS FOR POLICY AND ASSISTANCE RESPONSES

IMPLICATIONS OF THE FINANCIAL CRISIS FOR AGRICULTURAL GROWTH

IMPACT CHANNELS

1

RECESSION – EXPORT DEMAND - TERMS OF TRADE – AG. INCOMES

2

LIQUIDITY TRAP – FDI – REMITTANCES -TRADE CREDIT – AG. FINANCE

3

FOREX AND FISCAL DEFICITS – AG EXPENDITURE / INVESTMENT

4

DOMESTIC AND ASSISTANCE POLICY RESPONSES ???

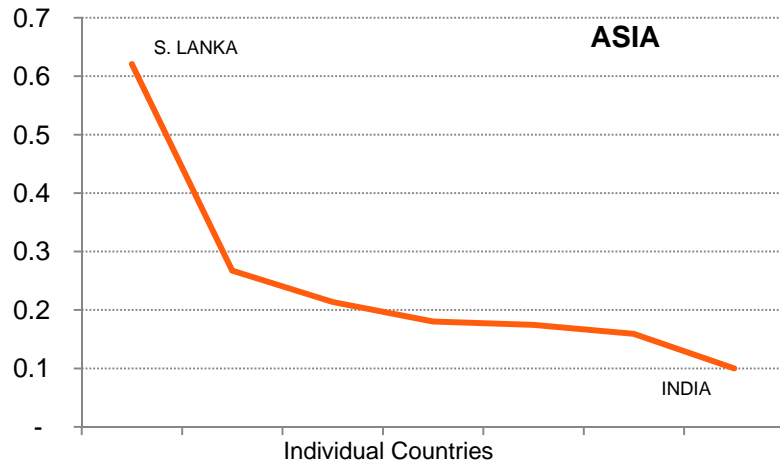
SECTOR GROWTH DURING PAST ECONOMIC CRISES

	NON AGRICULTURAL SECTOR	AGRICULTURAL SECTOR
Indonesia: 1998	-16.1	-1.3
Malaysia: 1998	-5.0	-2.8
Thailand: 1998	-12.1	-1.5
Korea: 1998	-5.8	-6.4
Mexico: 1982-86	-0.7	0.4
Honduras: 1982	-2.5	4.5
Mexico: 1994	-7.8	1.8
Honduras: 1994	-2.8	0.9
Nigeria: 1981-84	-3.8	-3.5
Zambia: 1998	-1.9	1.2

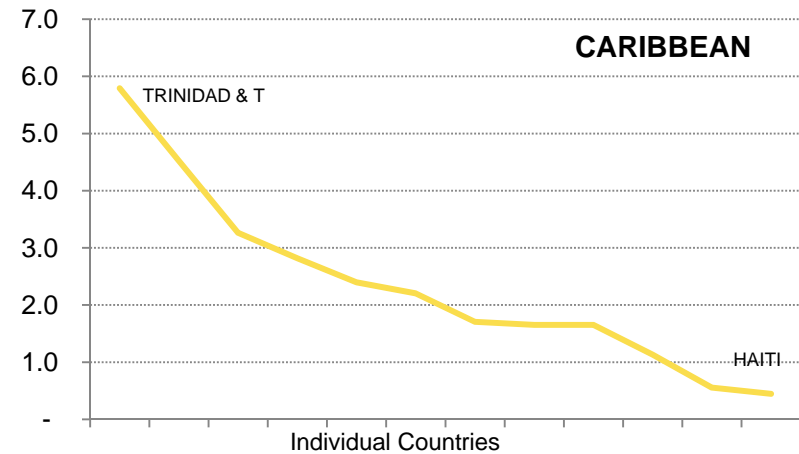
Source: D. Heady based on data from UN (2009): National Accounts Main Aggregates Database

VULNERABILITY OF AGRICULTURE TO GLOBAL MARKET CHANGES

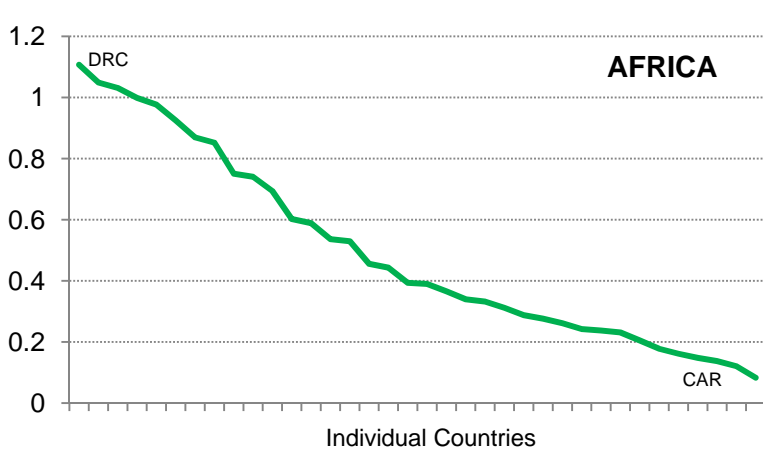
RATIO VALUE AGRIC TRADE TO AGRIC GDP
2000 - 2006



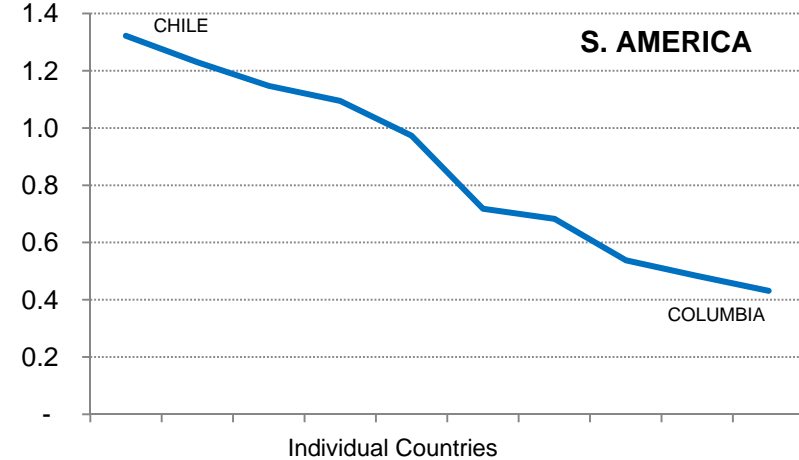
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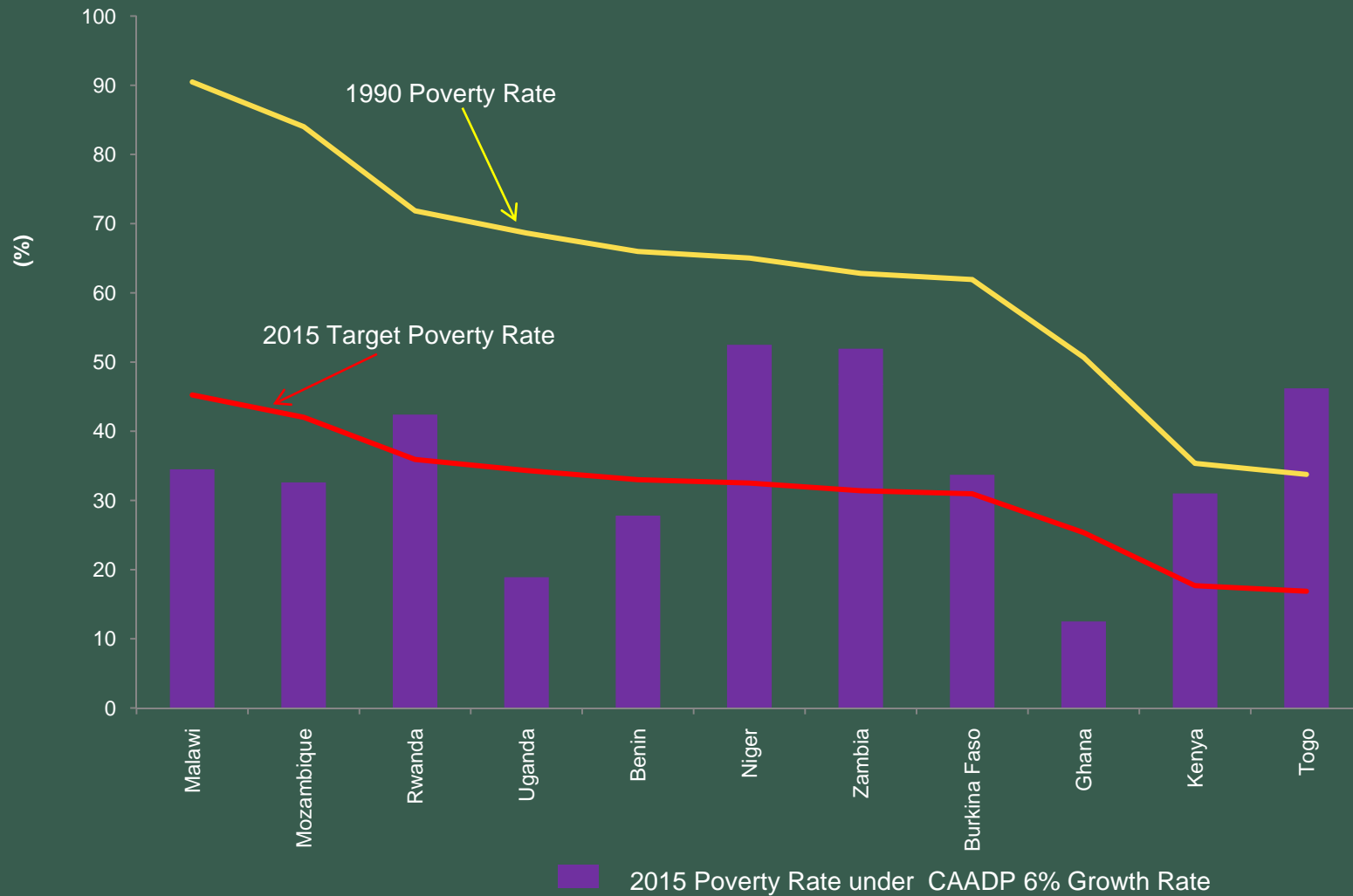
RATIO VALUE AGRIC TRADE TO AGRIC GDP
2000 - 2006



NOTES: Agricultural trade is the value of agricultural exports plus value of agricultural imports
 SOURCES: Agricultural trade: Food and Agriculture Organization, FOASTAT 2008
 Agricultural value added: World Development Indicators, 2008

LONG TERM CHALLENGE NO. 1

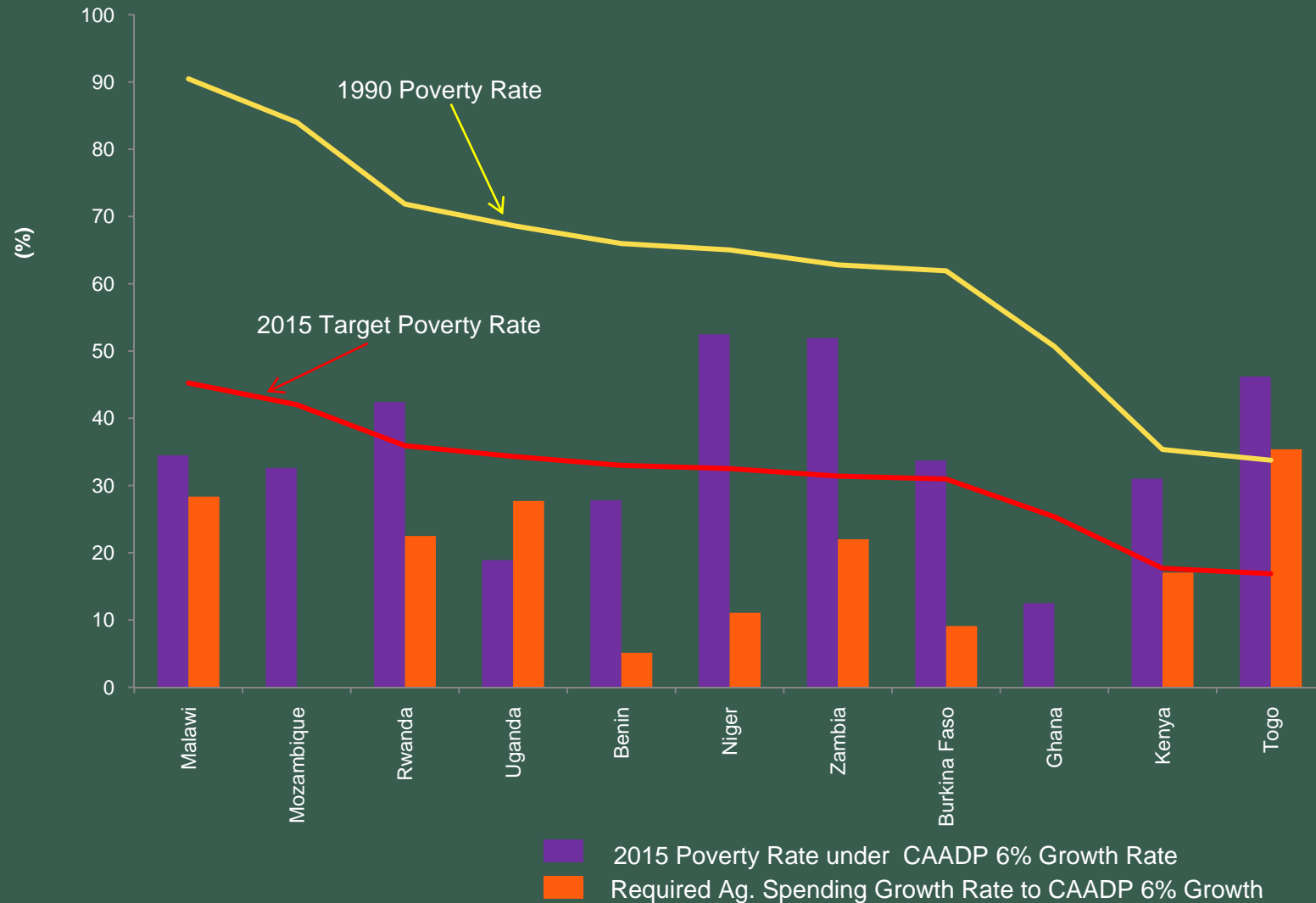
BRIDGING THE GROWTH GAP TO MEET THE POVERTY MDG TARGET



Source: Poverty Rates from World Bank, Pov Cal Net, 2008;
CAADP Poverty and Agricultural Spending Rates from various IFPRI country CAADP Growth Options Studies

LONG TERM CHALLENGE NO. 2

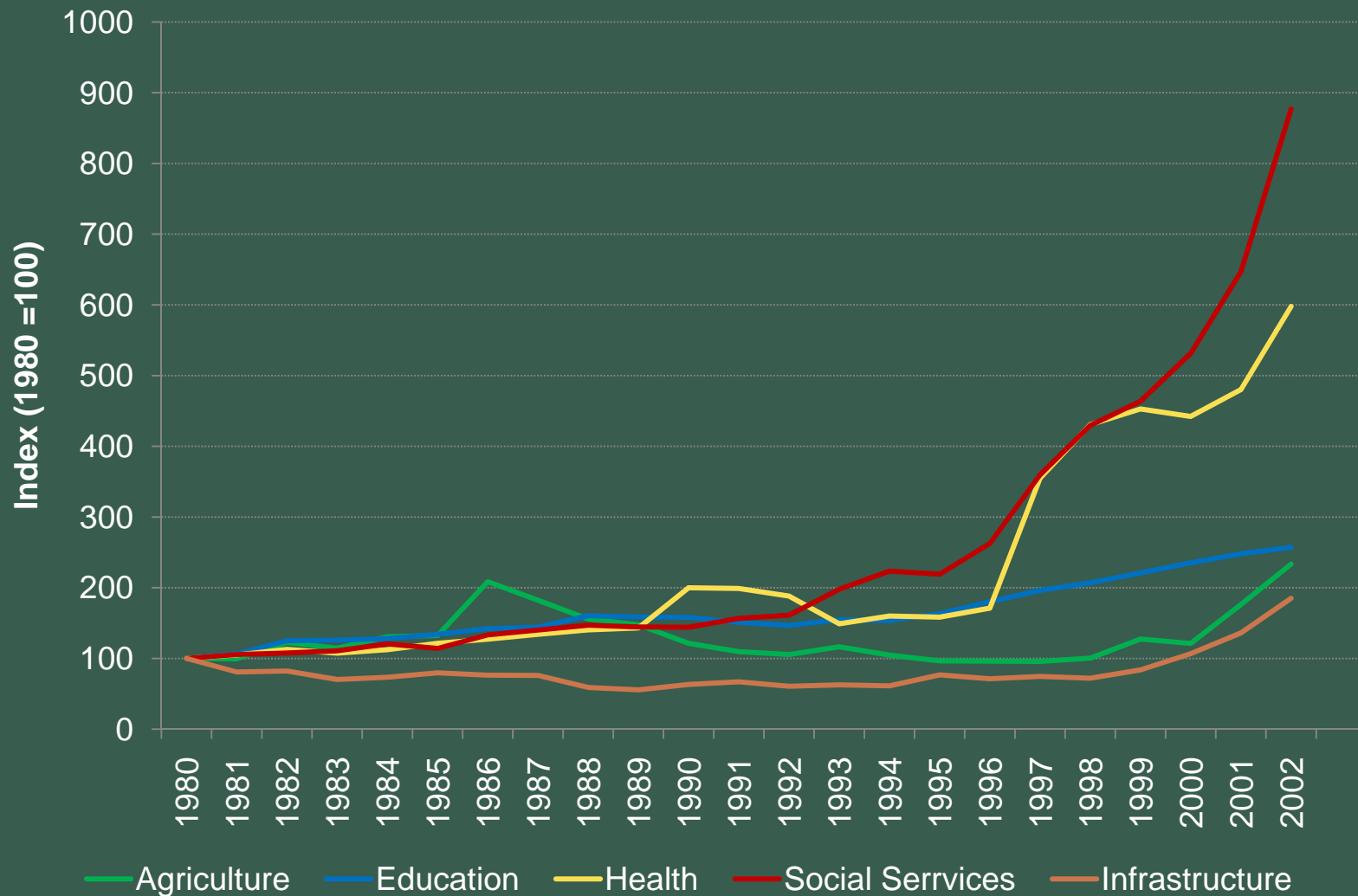
BRIDGING THE EXPENDITURE GAP TO MEET THE POVERTY MDG TARGET



Source: Poverty Rates from World Bank, Pov Cal Net, 2008;
CAADP Poverty and Agricultural Spending Rates from various IFPRI country CAADP Growth Options Studies

EMERGING RESPONSES AND THE LONG TERM CHALLENGES

FURTHER PUBLIC EXPENDITURE BIAS ?



Source: Data from IMF, Government Financial Statistics, various years

EMERGING RESPONSES AND THE LONG TERM CHALLENGES

THE RISK OF POLICY REVERSAL ?

Country	Reduced taxes on food & import tariffs on grains & inputs	Incentives for expanding production (credit)	Agricultural input subsidies	Export prohibition	Price setting, controls
Benin					
Burkina Faso					
Ethiopia					
Ghana					
Kenya					
Malawi					
Mali					
Niger					
Nigeria					
Rwanda					
Senegal					
Uganda					
Zambia					

RESPONDING TO THE CRISIS

GROWTH REMAINS THE GOAL

1

COMPENSATE FOREX AND FISCAL LOSSES

2

ENSURE AGRICULTURE FRIENDLY RESPONSES

➔ AVOID SECTOR POLICY REVERSAL

➔ DO NOT WORSEN PE BIAS AGAINST AGRICULTURE

3

PROVIDE GROWTH ORIENTED SAFETY NETS

➔ MAXIMIZE SHORT TERM GROWTH IMPACT OF SOCIAL INVESTMENTS

➔ TARGET: RAISE PRODUCTIVITY IN AGRICULTURE AND RURAL AREAS

CONCLUSIONS

1. MOST SERIOUS IMPACT IS AT MACRO LEVEL
2. SERIOUS RAMIFICATIONS FOR AGRICULTURE
3. REGIONAL DIFFERENCES
4. RESPONSE HAS TO FOCUS ON GROWTH IN COUNTRIES BEHIND MDG1
5. NEED FOR GROWTH ORIENTED SOCIAL PROTECTION