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Key drivers of success for agricultural transformation in Africa
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Successes in agriculture and structural transformation in Africa

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Executive Summary

The ongoing growth recovery among African countries has started to make up for decades of stagnation. Sustaining growth and broadening its impact to raise living standards will require countries to transit from recovery to economic transformation. Transformation requires countries: (i) to further raise agricultural and rural labor productivity, while (ii) diversifying into higher valued goods in higher productivity, urban-based manufacturing and service sectors. Historically, that process has raised overall economic productivity and progressively lifted rural incomes towards levels in the urban sector. During most of the 5 decades since independence, African countries have, in contrast, experienced productivity-reducing structural change, driven by negative diversification reflected in labor migrating from: (a) an underperforming agricultural sector with rising productivity into (b) a non-agricultural sector characterized by falling productivity and dominated by oversized, lower-productivity service sector (Badiane, 2011).

Until very recently, agricultural labor productivity has stagnated despite a rapid decline in the sector's employment share, thus the rapidly declining GDP share of agriculture in most African countries. At the same time, productivity has fallen in the non-agricultural sector, along with rising employment. In that process, labor migration out of agriculture has outpaced growth in the non-agricultural sector, further undermining productivity growth. Historically, the problem is as much of non-growth in agriculture as it is of labor absorption outside agriculture.

The problem in the non-agricultural sector originates from the oversized, low-productivity service sector that is absorbing most of the labor leaving the relatively higher-productivity agricultural sector. Judging from their level of economic development, the size of the agricultural sector among most African countries is nearly 20 percentage points below expected levels, while the opposite is observed for the service sector (Badiane, 2011). This sectoral growth imbalance has delayed structural transformation and slowed productivity and income growth across Africa.

A key strategic question is how African countries can capitalize on the remarkable agricultural and economic growth recovery of the last 15 years to boost the transformation of their economies.

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