

COLUMBIA UNIVERSITY · SCHOOL OF INTERNATIONAL AND PUBLIC AFFAIRS

JOURNAL OF
INTERNATIONAL
AFFAIRS

SPRING 2005

VOLUME 58, NUMBER 2

\$10.00

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PAYING FOR PROSPERITY: HOW AND WHY TO INVEST IN AGRICULTURAL RESEARCH AND DEVELOPMENT IN AFRICA

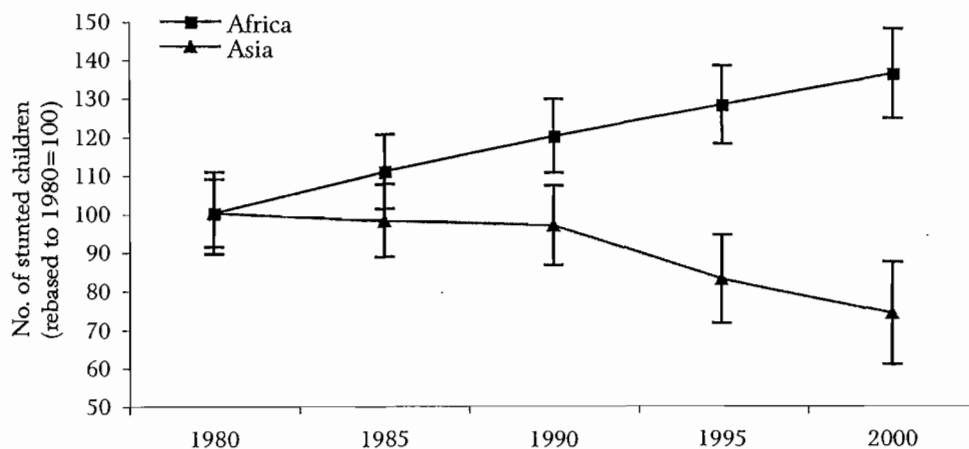
William A. Masters

Pursuing the Millennium Development Goals (MDGs) brings us back to one of humanity's oldest problems: how to prosper in tropical Africa. The earliest humans probably came from there and chose to migrate across Eurasia where populations grew much faster and eventually became rich. Present-day Africans continue to face biophysical obstacles involving low and variable rainfall, weathered soils and persistent diseases. These obstacles are ancient but not unchanging. Indeed, one of the oldest observations about Africa in Western literature is that "out of Africa there is always something new," meaning that its environment changes so rapidly that people must struggle to keep up.¹

This essay documents the dramatic changes that have led to worsening malnutrition in Africa amid an increasing abundance of food in Asia and elsewhere. To prosper in the face of these trends, Africa would need sharp growth in crop yields. Such growth is rarely initiated or sustained without adoption of new crop varieties to raise the payoffs from farmers' land and investments of labor and farm inputs. To make a green revolution, farmers and local entrepreneurs must introduce many agronomic and other innovations, but there must also be specialized investments to develop and spread new seed varieties.

Crop breeding and related innovations are distinctive in part because they rely on a worldwide network of seed banks and field trials to identify potentially valuable traits. These materials must then be tried locally in many different combinations to find the approaches that best fit local farmers' circumstances. Such efforts can help farmers overcome otherwise insurmountable obstacles, but the source of each breakthrough is rarely predictable, and when improved technologies are adopted their benefits accrue primarily to consumers in the form of lower-cost, higher-quality foods. Firms can capture only a small fraction of those benefits in private profits, even when the technologies are fully patent-protected. Local governments and foreign aid donors also have difficulty capturing political support for these results, particularly when the rest of the world has a relative abundance of food.

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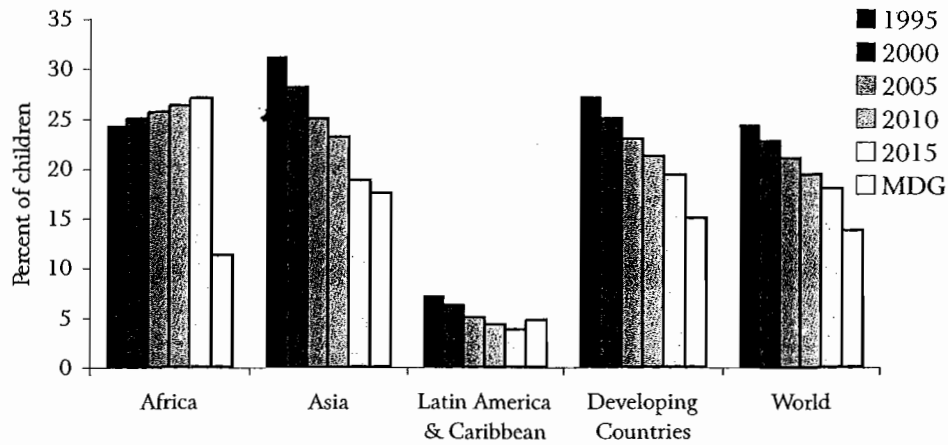
Source: Calculated from data in M. de Onis et al., "Is Malnutrition Declining?" *Bulletin of the World Health Organization* 78 (2000):10; 1222-33.

Figure 1. Numbers of stunted children in selected regions, from 1980 to 2000. Vertical bars are standard errors, computed from survey data in each period. Scales are rebased to be comparable; the regions are very different in size. Estimated totals for 2000 are 127.8 m. in Asia and 47.3 m. in Africa.

This essay argues that the technological innovations needed in Africa could flow faster if institutional changes were made within the donor community and among African governments. A particular proposal described here calls for a specific way to document the gains from past research, so that innovators can be paid proportionally to the gains for which they are responsible. Such "prize" payments would complement other sources of innovation and help open up a vibrant new market for innovation.

A wide range of responses to local challenges would be needed to help Africans meet the MDGs. This essay focuses on one particular response in order to clarify the magnitude and time scale of the broader continent-wide challenge. The essay builds its argument almost entirely through aggregate numerical evidence about long-term trends across all of Africa, contrasted with trends in other regions. The aggregate does not represent the experience of any particular person and it hides many important details, but it does help us to focus on appropriate actions for Africa as a whole. Most readers will be familiar with at least one time and place at which particular African farmers have confounded the continent-wide trends described here, and any well-traveled specialist will have seen dozens of unusual cases. Those experiences are real, but they have not been frequent or extensive enough to outweigh the effects of other factors on a continent-wide scale.

Each piece of evidence presented here is the result of some census, survey or official estimate, reflecting the real-life experiences of millions of households. By adding up the data from many people we can identify influences that may be too small to



Source: UN Standing Committee on Nutrition. *Fifth Report on the World Nutrition Situation* (New York: UN SCN, 2004)

Figure 2. Projections and MDGs for malnutrition by region, 1995-2015. Data show estimated percentage of children aged zero to five who are underweight, defined as greater than two standard deviations below median NCHS weight for age.

see in any particular case but which may affect millions of households in similar ways, thereby altering their fate. We aim to understand these influences so as to change them, to find the interventions that might be most helpful.

1. POVERTY AND UNDERNUTRITION

Figure 1 provides an illustration of the magnitude of Africa’s recent impoverishment, based on data from a collection of household surveys compiled by World Health Organization (WHO) researchers. These data are expressed in index terms to show changes in the number of children whose growth has been severely stunted by undernutrition and disease since 1980. Those counted here have a stature that is less than two standard deviations below the National Center for Health Statistics (NCHS)/WHO reference levels of height-for-age. In other words, they have suffered so much deprivation that they are physically shorter than about 97 percent of healthy children at a similar age. Like most data from Africa, there is considerable uncertainty about the exact numbers. Therefore, this figure presents not only the regional average but also a confidence interval around the point estimate, which was derived from the variance in the survey data.

The number of stunted children is rising in Africa and falling in Asia, but Asia is a much larger region and so has a larger absolute number. And until very recently, Asia also had a larger fraction of its population affected by this kind of extreme deprivation. Figure 2 shows the incidence of undernutrition in percentage terms. Here the data are shown in terms of the proportion of children who are underweight, using weight-for-age as a combined measure of stunting (height-for-age) and wasting (weight-for-height).

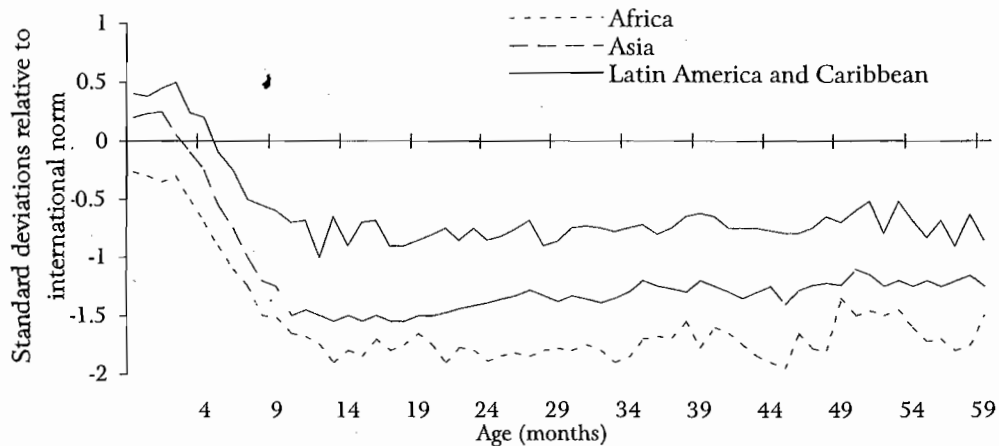
Table 1. Worldwide disease burden attributable to major health risk factors, 2000.

	DALYs (M)	% total
Disease burden attributable to undernutrition		
Underweight	138	9.5%
Iron deficiency	35	2.4%
Zinc deficiency	28	1.9%
Inadequate fruit and vegetable intake	27	1.8%
Vitamin A deficiency	27	1.8%
	254	17.5%
Disease burden attributable to risk -factor exposure		
Unsafe sex	92	6.3%
Smoking and oral tobacco	59	4.1%
Alcohol	58	4.0%
	209	14.4%
Disease burden attributable to cardiovascular condition		
Blood pressure	64	4.4%
Cholesterol	40	2.8%
Body-mass index	33	2.3%
Physical inactivity	19	1.3%
	157	10.8%
Disease burden attributable to environmental conditions		
Unsafe water, sanitation and hygiene	54	3.7%
Indoor smoke from solid fuels	39	2.6%
	93	6.4%

Source: WHO, World Health Report (2002). <www.who.int/whr>. Data shown are from web annexes at <www.who.int/whr/2002/material/en>.

By these projections, Africa will miss its MDG targets in 2015, and the nutritional status of its children is actually going in the wrong direction. Such deprivation is gradually being overcome elsewhere, although it remains the world's most important underlying cause of illness and death, as shown in Table 1.

The data shown in Table 1 are estimates from the WHO's most recent effort to assess the burden of disease attributable to various risk factors, measured in disability adjusted life years (DALYs), which is the sum of years of life lost to premature mortality and the number of years of productive life lost to disability. Each factor is not mutually exclusive. For example, those who are at risk due to being underweight are also at risk due to deficiencies in specific nutrients and exposure to pathogens. But the relative magnitude of each individual risk gives a good sense of its incidence. Astonishingly, despite the rise of HIV/AIDS, the severity of tobacco and alcohol-related risks and the increasing prevalence of cardiovascular conditions associated with excessive consumption relative to nutritional needs, by far the most important risk factor is simply being underweight.



Source: R. Shrimpto et al., "Worldwide Timing of Growth Faltering: Implications for Nutritional Interventions," *Pediatrics* 107 (2001): e75. Reproduced with permission, © 2001 AAP.

Figure 3. Children's nutritional status by age and region in the 1990s (average of 39 country surveys).

The enormous burden of undernutrition reflects not only the number of people affected, but also the nature of its effects. First, undernutrition strikes early: Figure 3 shows how African children, whose average weight at birth is only slightly below international norms, typically remain adequately fed during their first four months. But then, as they grow and need more nutrients than they can obtain from maternal breastmilk, average African children fail to gain weight as quickly as they would if they were healthy. By 14 months of age, they are nearly two standard deviations below international norms. The average African one-year-old is lighter than over 95 percent of healthy children at a similar age, with body size constrained by about 10 months of inadequate nutrition relative to need. After 14 months we do not observe any further decline in the prevalence of being underweight, partly because the smaller children do not survive, and partly because the food needs of older children are more easily met from low-cost grains and tubers as opposed to the more nutrient-rich infant foods.

The health burden of undernutrition is closely linked to its early onset, which causes not only early mortality but also later vulnerability to other conditions among the survivors. Fogel documents how improved nutritional status helped drive economic success in the now-industrialized countries, and Table 2 illustrates the channels through which undernutrition and other risk factors are still causing illness and death in the low-income countries.² In addition to the directional arrows shown on the table, there is undoubtedly some reverse causality to the extent that specific diseases and injuries influence exposure to each risk factor.

A particularly challenging aspect of undernutrition in Africa is that most of its victims have no choice but to be farmers. The workers in their households lack enough education or other capital to support the household entirely through off-

Table 2. Attribution of disease burden to major risk factors in high-mortality developing countries. Arrows are roughly proportional to attribution rates. Risk factors and diseases associated with undernutrition are in italics. The selected risk factors cause diseases in addition to those relationships illustrated, and additional risk factors are also important in the aetiology of the diseases illustrated. Data shown are totals for the 69 countries defined by the WHO as having both high child mortality and high adult mortality, which includes all 46 countries of Sub-Saharan Africa.

Risk factor	% DALYs	Disease or injury	% DALYs
<i>Underweight</i>	14.9	HIV/AIDS	9.0
Unsafe sex	10.2	<i>Lower respiratory infections</i>	8.2
Unsafe water, sanitation and hygiene	5.5	<i>Diarrhoeal diseases</i>	6.3
Indoor smoke from solid fuels	3.7	<i>Childhood cluster diseases</i>	5.5
<i>Zinc deficiency</i>	3.2	<i>Low birth weight</i>	5.0
<i>Iron deficiency</i>	3.1	<i>Malaria</i>	4.9
<i>Vitamin A deficiency</i>	3.0	Unipolar depressive disorders	3.1
Blood pressure	2.5	Ischaemic heart disease	3.0
Tobacco	2.0	Tuberculosis	2.9
Cholesterol	1.9	Road traffic injury	2.0

Source: WHO, World Health Report (2002), Annex Table 14. <www.who.int/whr>.

farm employment, so at least some workers must remain in the countryside to grow their own food. But their farms have inadequate land, livestock and other assets to meet all of the household's nutritional needs. As a result, most African farmers earn a large fraction of their income from off-farm activities and remittances and are net food buyers in most years. They grow some of their own food, but must supplement it with as much purchased food as they can afford.

The predicament of the rural poor is perhaps best captured by the evidence in Figure 4, which shows children's stunting rates by their families' wealth and location. The poorest three quintiles (60 percent) in rural areas are actually more malnourished than their counterparts in urban areas. Often their entire area is a net importer of food, so they might face higher real prices for food than the urban poor and they may also have lower real incomes, even controlling for wealth quintile. It is only the very wealthiest rural people who have better nutrition than their counterparts in urban areas.

The data presented in Figure 4 describe the magnitude of chronic malnutrition associated with extreme poverty. A rising number of Africans lack the resources to buy or grow enough food. In pursuing the MDGs, a key challenge is determining

how to help them do so.

2. THE AVAILABILITY OF FOOD

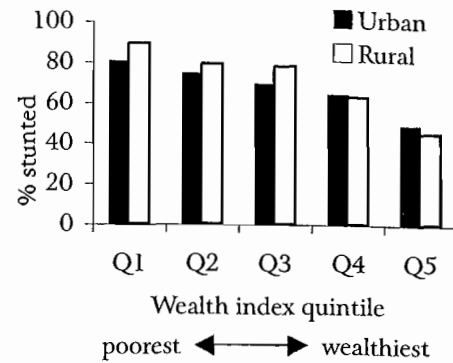
The best aggregate data on food markets are compiled by the Food and Agricultural Organization (FAO) from official national statistics. In contrast to the household survey data on nutrition presented above, the FAO data typically cover *all* countries rather than a sample, but their observations may be less accurate. Only the broadest trends can be considered meaningful, perhaps the most important of which is the reversal of fortune between Africa and Asia over the past 40

years. In the 1960s, more food per person was available in Africa than in Asia, but since then Africa has fallen far behind.

The food-production side of the story is illustrated in Figure 6, using the FAO index of total food output. The index is rebased to show percentage changes from 1961, and adds up various foods weighted by their economic value as opposed to their nutritional content as in the previous figure.

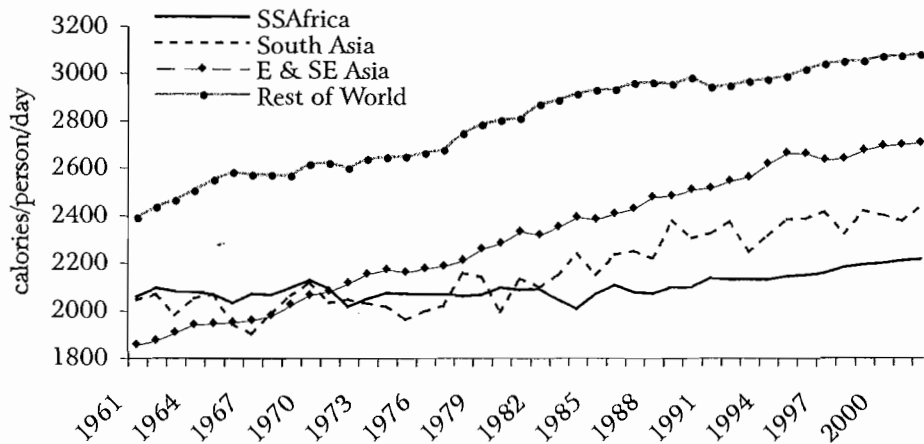
African food production per capita actually rose in the 1960s, but it declined precipitously from about 1970 to 1985 just as output per capita started to grow in Asia, first in East and Southeast Asia and then in South Asia. Africa's food output stabilized after 1985, but remains well below its level of the early 1970s.

Low food output might not be a problem for farmers if they were producing



Source: FAO, *The State of Food Insecurity in the World 2004*. Rome: FAO, 2004.

Figure 4. Stunting by residence and wealth.



Source: Figures 5-14 are calculated from data in FAOStat, except where noted. <<http://apps.fao.org>> (2004).

Figure 5. FAO estimates of total food consumption per capita.

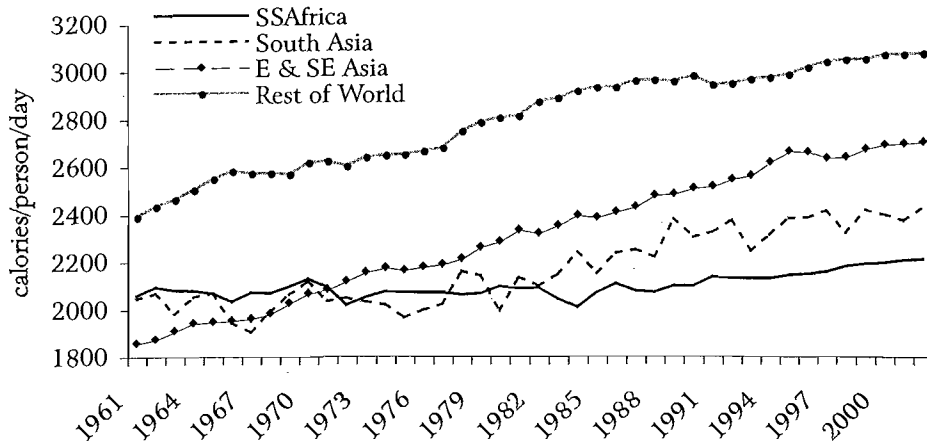


Figure 6. Food output per capita by region, 1961-2003.

enough other goods such as cotton, coffee, tea or tobacco. Figure 7 shows the trends in output of these non-food farm products using the same scale as Figure 6. Clearly, the distinctive success that occurred in Asia was specific to food output. Asian production of non-foods grew much more slowly. Within Africa, the swings in production are actually larger for non-foods, but this can be attributed mainly to the limited size and diversification of the non-food farm sector. In any case, the timing of changes is similar, with growth in the 1960s giving way to over a decade of decline through the 1970s, followed by a limited recovery in the 1980s and 1990s.

The data in Figures 6 and 7 refer to quantities produced. Households' access to purchased food is also influenced by prices and trade. Figure 8 summarizes Africa's net trade with the rest of the world in dollar terms. The figure shows that through the 1960s Africa was roughly self-sufficient in basic grains (cereals) and a steady net exporter of other farm goods, both foods and non-foods. During the commodity-

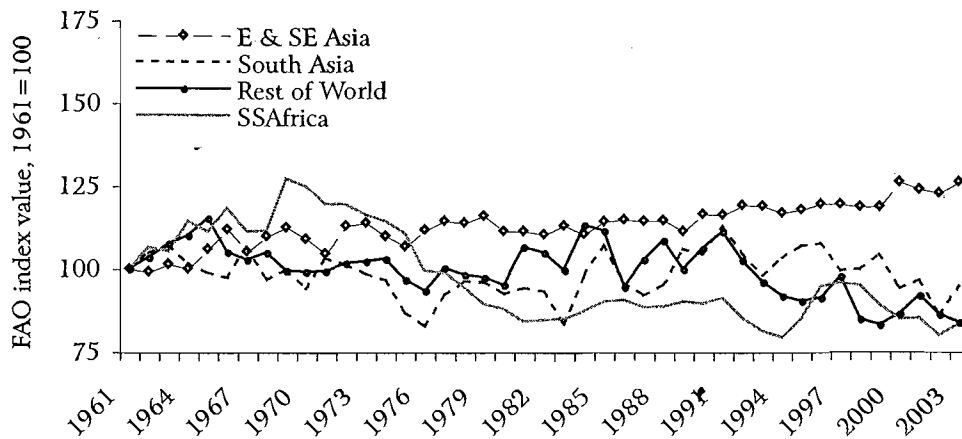


Figure 7. Non-food farm output/capita by region, 1961-2003.

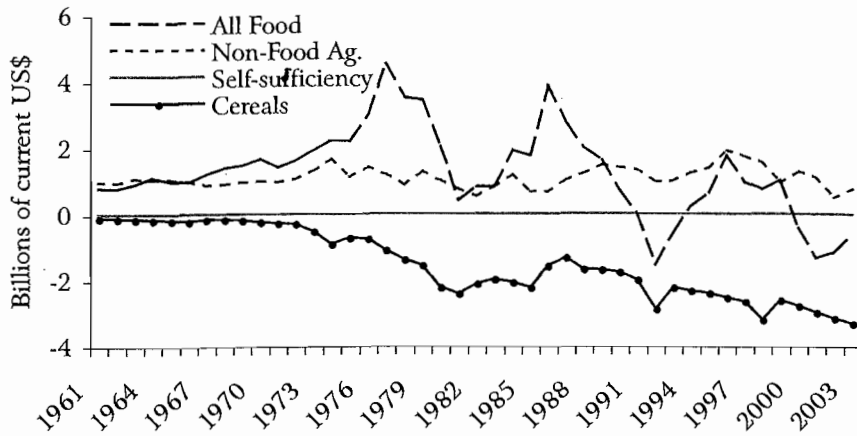


Figure 8. Net agricultural trade of Africa, 1961-2003.

price boom of the 1970s, Africa's earnings from those exports grew quickly but much of that earnings growth was spent on rising imports of basic foods, particularly cereal grains. Net exports oscillated but the trend was down, and Africa is no longer a net exporter of agricultural products.

Without the growing net imports of cereal grains illustrated in Figure 8, food availability in Africa would have been even lower than it actually was—and those imports come first to the cities, which helps account for the better nutrition of the urban poor than of the rural poor. The rise in imports closely followed the fall in Africa's own production per capita between 1970 and the early 1980s when a limited but significant recovery in production, plus further growth in imports of cereals after 1987, helped stabilize then raise total availability of calories per capita—but not enough to prevent growing malnutrition among the poor, particularly the rural poor. The composition of these calories is shown in Figure 9.

The slight increase in aggregate food availability in Africa shown in Figure 5 con-

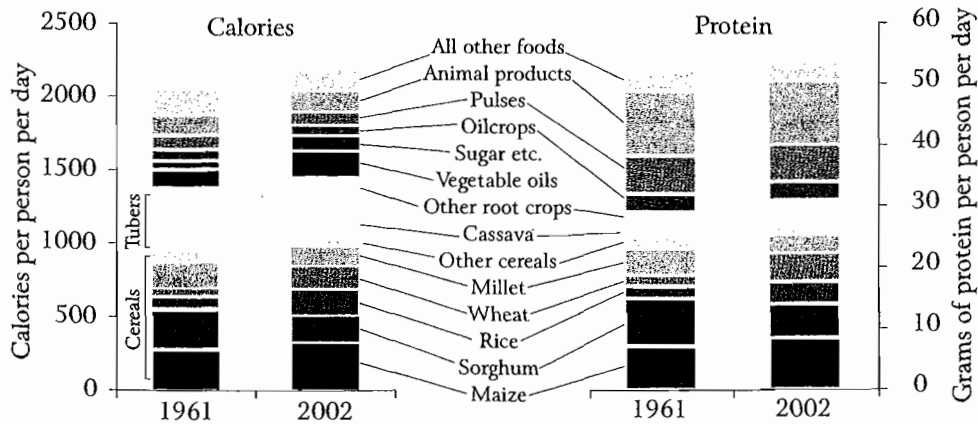


Figure 9. Sources of nutrition in Sub-Saharan Africa, 1961 and 2002.

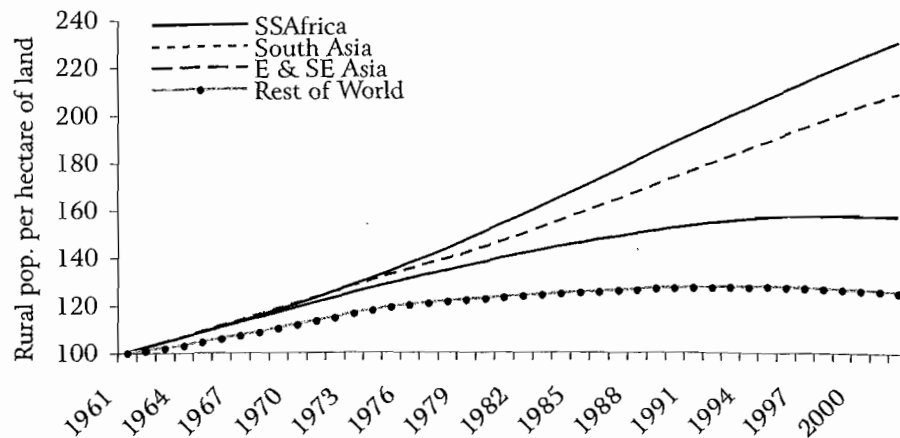


Figure 10. Rural population density by region, 1961-2002.

sisted almost entirely of cereal grains. Cereals account for almost half of calories and an even larger fraction of all protein, and their availability grew only because of the very large growth in cereals imports shown in Figure 8.

Clearly a significant improvement in nutrition and health cannot be sustained through imports alone, because Africans—especially resource-poor rural Africans—don't produce enough other goods to sell in exchange. Increased consumption would require a sharp and sustained increase in production, similar to that which occurred earlier in Asia. The following sections trace some of the key factors that underlie Africa's unusual circumstances, leading up to the specific interventions recommended in section nine at the end of this essay.

3. RURAL POPULATION AND DEMOGRAPHY

A key element in the per capita averages presented above is the number of people. In the 1970s and 1980s, Africa experienced unprecedented and uniquely high rates of rural population growth and a decline in what had been previously abundant land area available per farmer. Though Africa's cities are among the fastest-growing in the world, and there is also out-migration to Europe and elsewhere, the combined size of both is too small to absorb all of the rural population growth.

Changes in the level of rural population density are illustrated in Figure 10, in terms of population per hectare rebased to show proportional changes from 1961. During the 1960s, all low-income regions had roughly similar rates of increase in population density. But the increase slowed in Asia, first in the East and then in the South. By the turn of the millennium, Africa's rural population density had more than doubled and was still rising, whereas in East and Southeast Asia rural density had peaked at less than 60 percent above its 1961 level.

A long-term perspective on rural population growth is provided in Figure 11,

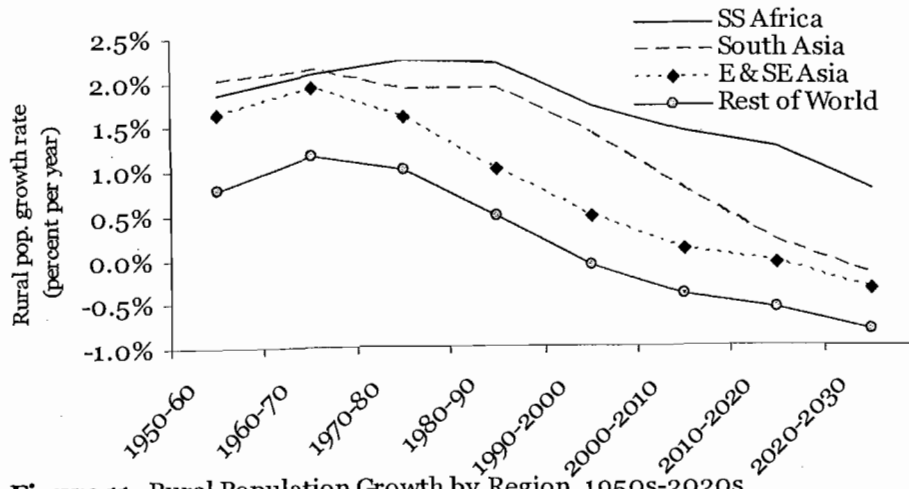
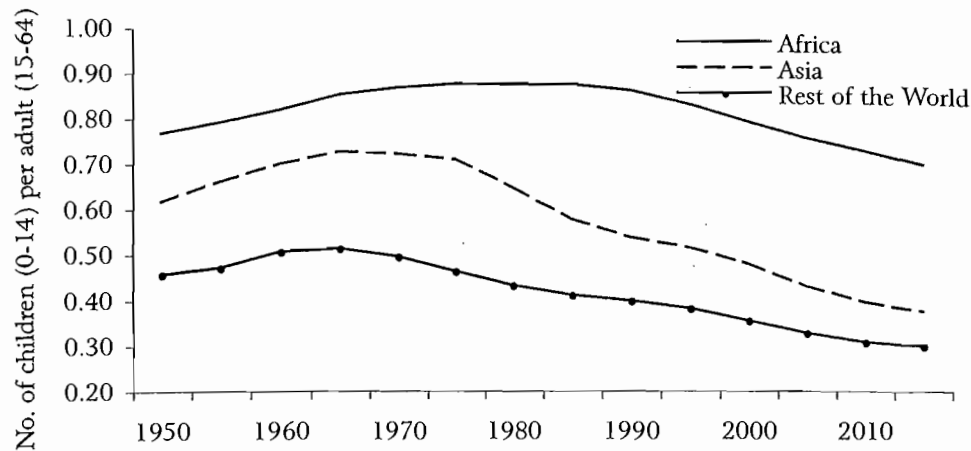


Figure 11. Rural Population Growth by Region, 1950s-2020s

using the medium variant of the latest UN population projections. Rural population growth reflects the interaction of fertility and mortality with age structure and migration. In the 1950s and 1960s, a sharp decline in the mortality of children affected Asia and Africa similarly, generating a significant rise in the rate of rural population growth to around 2 percent per year. But Asia was able to reverse this decline in the 1970s, while Africa's rural population growth rates stayed above the 2 percent level for over 30 years.

The uniquely rapid and sustained rural population growth that Africa experienced after 1960 occurred despite the world's fastest rate of urbanization. The FAO data on Africa's urban population show it growing more than eight-fold from 1961 to 2003, while the urban population of Asia grew roughly half as much. But Africa's initial *level* of urbanization was so low, at only 12 percent of total population in 1961, that even very rapid urban growth could absorb only a fraction of the total number of new workers each year. Continued economic growth will eventually allow an absolute decline in the rural population, and when its percentage rate of growth falls below zero there can be a rise in acreage available per farmer: Figure 11 projects that this transition will occur at some point during the next decade in East and Southeast Asia and during the following decade in South Asia, but will not occur in Africa for at least another generation.

Africa's rising rural population and concomitant falling land area per farmer help explain the continent's decline in food availability during the 1970s and 1980s, and represent an enormous hurdle for productivity growth to overcome in order to generate rising food availability per person. This rural demographic hurdle will remain higher in Africa than elsewhere for many decades, and is somewhat similar to the child-dependency demographic drag that is imposed by the age structure of the population.



Source: UN Population Division, World Population Prospects: The 2002 Revision. <<http://esa.un.org/unpp>>

Figure 12. Past and projected child dependency by region, 1950-2015.

As illustrated in Figure 12, Africa's child dependency rate was already high in 1950, and it continued to grow to nearly 90 percent during the 1970s and 1980s while Asia's child dependency rate started to decline after 1975. The decline in Africa's dependency rate did not begin until the 1990s. The survival of Africa's children is clearly a good thing, but the magnitude and duration of this change is such that the continent will remain dominated by young children for many decades to come. Looking forward, the eventual reduction in the number of children per worker, like the eventual reduction in number of rural workers, will help facilitate growth in output per capita—but the demographic burden will remain larger in Africa than anywhere else.

Changes in age structure influence not only the fraction of people who are working but also the fraction who are subject to childhood undernutrition and disease. And with a rising number of these children being in rural families, farm productivity in particular must rise all the more just to keep up. These trends can help account for Africa's dismal performance in the 1970s and 1980s, and continue to set a uniquely high hurdle for farm productivity to exceed for any per-capita gains. Demography is not destiny, however: overcoming even the greatest obstacle is possible if people respond with even more powerful initiatives directed at the problem, such as the specific proposal sketched in section nine of this essay.

4. FARM OUTPUT AND INPUT USE

The recent experience of farm productivity in Africa is illustrated in Figure 13, showing the aggregate FAO data on cereal yields since 1961. At the start of this period, before the modern "green revolution" in Asia, Africa already had appreciably lower yields, reflecting the region's lower and more variable rainfall as well as its lower use of labor per hectare and more weathered soils. The productivity gap is

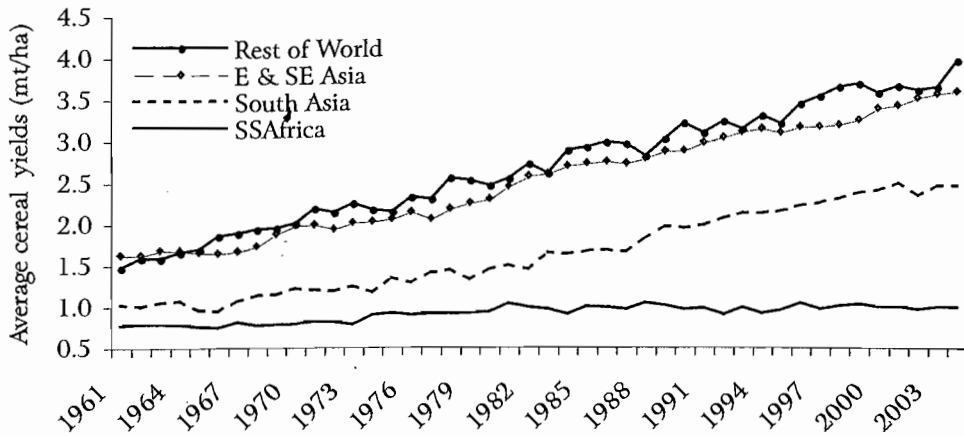


Figure 13. Average cereal yields by region, 1961-2004.

actually understated by the graph, in that Africa's cereals are principally maize, sorghum and millet, whereas other regions grow more wheat and rice, which have a higher economic value per ton. African farmers were able to raise their yields per hectare from about 0.75 metric tons per hectare (mt/ha) to about 1 mt/ha during the 1960s and 1970s, but Asian farmers achieved even faster growth rates and, more importantly, they were able to sustain their yield growth through the 1980s and 1990s.

Beyond the farmer's own labor and water, a principal determinant of crop yield is soil nutrients; sustaining high yield levels requires soil amendments, if only to replace nutrients taken up by previous crops. Figure 14 shows the evolution of fertilizer use across regions as a simple sum of the quantities of the three largest nutrients.

The fertilizer data are shown on a logarithmic scale to bridge the nearly hundred-fold gap between the lowest and highest rates of fertilizer use per hectare. The use of a log scale also helps reveal the remarkable convergence in fertilizer use

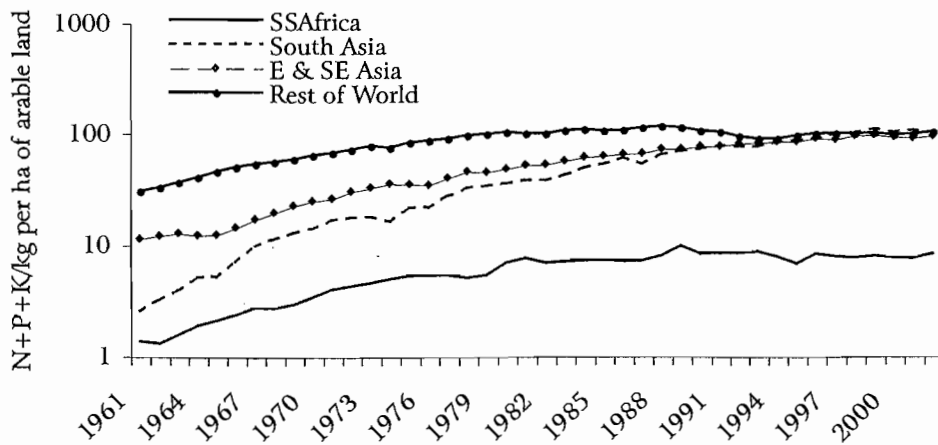


Figure 14. Fertilizer use by region, 1961-2002.

William A. Masters

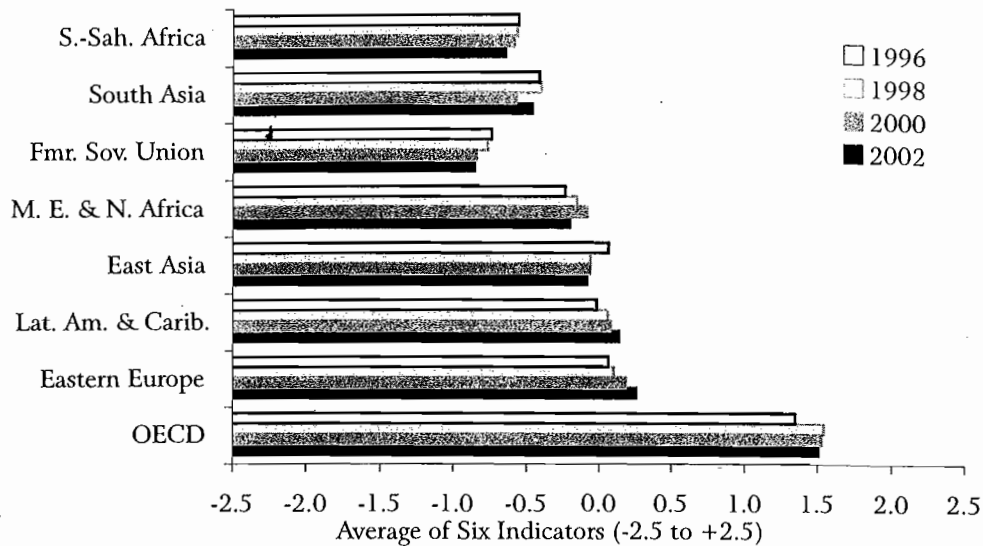
between Asia and the rest of the world. Africa is the outlier, having had some growth in fertilizer use during the 1960s and 1970s but no further growth after 1989.

Fertilizer is not the only factor in crop yields, of course, and in any case fertilizer application rates are not themselves a policy choice. Fertilizer use decisions are made independently by individual farm families, responding to their own circumstances. Key influences include relative prices, cost of credit and ability to bear risk. All of these can and should be improved by donor intervention and government policies. But the cost factors alone are unlikely to explain the fertilizer use patterns illustrated in Figure 14, because observed price responsiveness in Africa and elsewhere is much too small to explain the more than ten-fold gap in fertilizer use rates between Africa and the rest of the world. To close that gap, African farmers would need not just more favorable relative prices but also higher and more stable physical productivity from increased fertilizer use.

Plants' response to fertilizer is constrained by a number of other factors, including soil moisture, soil structure, pests and weeds. Farming conditions in Africa differ from those of Asia and elsewhere, including higher peak soil temperatures as well as lower and more variable rainfall with fewer irrigation opportunities. These physical factors are associated with biological differences including more weathered, degraded soil structures and relatively greater pest and weed pressure. Such differences limit African farmers' ability to use technologies developed in Asia or elsewhere, and they also limit the yield increases that can be obtained from more labor or fertilizer using traditional methods.

Although many inputs are needed to raise yields, many of the most widespread and sustainable external interventions to help African farmers have begun with new seed varieties. New varieties offer a different "blueprint" for plant growth, including changes in plant architecture such as shorter stems, growth habits such as earlier maturation and vulnerability to stresses such as pests and weeds. These changes in genetic potential then increase farmers' own changes in husbandry practices—particularly the application of farmers' increasingly-abundant farm labor to soil and water conservation as well as pest and weed control.

Farmers who attempt to apply increasing amounts of labor or fertilizer without complementary genetic improvements often find it difficult to sustain a yield response. Traditional plant varieties were selected for traits that suited their historical circumstances, such as tall stems to shade out competitors and slow maturation to maximize year-long growth potential. More intensive management of these plants typically has a low payoff, whereas new varieties make it worthwhile to invest more in the control of soil moisture, pests and weeds. The resulting increase in plant growth draws more nutrients from the soil, which in turn makes it profitable for farmers to replenish soil nutrients with fertilizer. This virtuous cycle between plant growth and farmers' use of fertilizer and other inputs underlies much of Asia's



Source: D. Kaufmann, A. Kraay, and M. Mastruzzi, "Governance Matters III: Governance Indicators for 1996-2002," World Bank Policy Research Working Paper 3106 (2003), < www.worldbank.org/wbi/governance >.

Figure 15. Average Governance Ratings by region, 1996-2002. Data shown are average of survey data and other indicators reflecting six underlying aspects of national governance: Voice and Accountability; Political Stability and Absence of Violence; Government Effectiveness; Regulatory Quality; Rule of Law; and Control of Corruption.

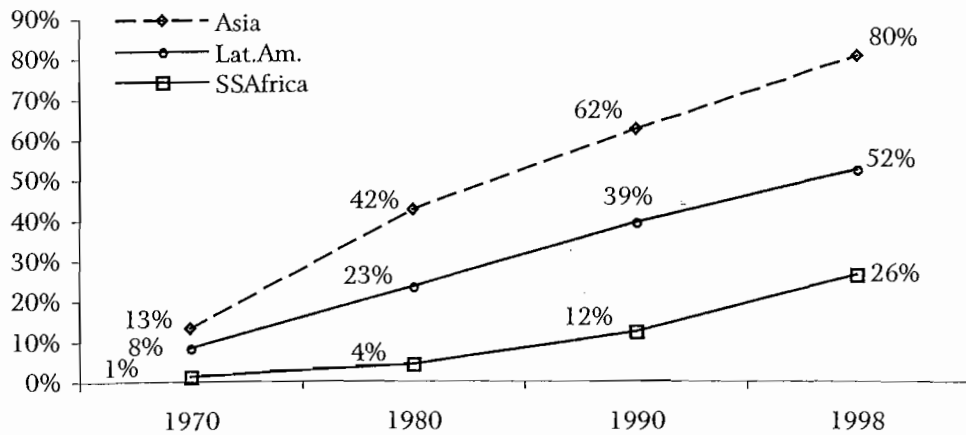
remarkable poverty-alleviation success story—and raises the question of how similar increases in crop productivity could be achieved in Africa.

5. DETERMINANTS OF FARM INPUT USE

The particular concern of this essay is how donor-country actions might help African farmers meet their goals. For this purpose, it is useful to distinguish between two broad categories of donor actions. One set of interventions focus on market institutions, prices, and government policies. These actions aim to influence farmers' use of known techniques by changing their incentives to choose one activity over another. A different set of interventions focuses on science-based research and technology development, in order to change the set of activities that are available to the farmer. Both kinds of intervention are important: without appropriate incentives farmers will not use new techniques, and without appropriate techniques they cannot respond to incentives.

Farmers certainly need both incentives and technologies, but it is not yet clear which has more often been the limiting factor in Africa as compared with other regions. Figure 15 shows the aggregate result of the World Bank's latest and most comprehensive attempt to measure the quality of market institutions around the world. These ratings have been widely used in attempts to determine the relative influence of institutions and incentives for economic performance. They show clear-

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Source: Calculated from data in R. E. Evenson and D. Gollin, *Crop Variety Improvement and its Effect on Productivity*, (Cambridge, MA: CABI, 2003).

Figure 16. Adoption of new varieties (percentage of cropped area).

ly that Sub-Saharan Africa and South Asia have similarly weak market institutions and show no marked improvement over the past decade. Under these conditions, individuals have limited incentives to invest in or choose more productive activities. In contrast, political institutions are much more favorable to market development in East Asia, Latin America and the Caribbean, and are most favorable of all in the industrialized countries of the OECD.

Figure 15 aims to summarize much of the available data on the quality of each region's institutions and incentives, while Figure 16 aims to do the same for the contribution of modern science to the region's farm technology. The techniques whose adoption is shown here are the "green revolution" crop varieties developed through international exchange of materials, cross-breeding and local seed multiplication.

The data shown in Figure 16 reveal a dramatic difference between Asia and Africa. The figures refer to all of Asia, which is shown to be at least 25 years ahead of Africa in its adoption of green revolution crop varieties. This lag reflects the number and appropriateness of the various new varieties released, as well as the size and quality of the seed multiplication sector.

The new types of seed whose use is shown in Figure 16 originate in traditional varieties, which are then cataloged and exchanged among breeders looking for various traits such as plant architecture, disease resistance and food quality that might suit local farmers' needs. An important international-exchange aspect of this effort is driven by transnational institutions funded through the Consultative Group for International Agricultural Research (CGIAR), while the local development and dissemination of new varieties is done mainly by national institutions.

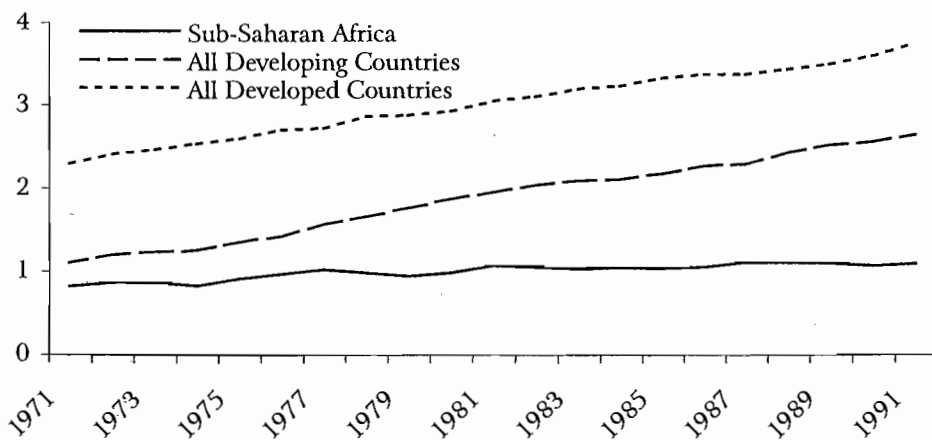
6. DETERMINANTS OF AGRICULTURAL RESEARCH EFFORT

Where and when profitable new varieties have been available to farmers, they have quickly adopted them. What distinguishes Africa in this regard is not the farmers' response but that fewer and less appropriate new varieties have been available, either because the breeding system has not yet developed well-adapted varieties or because the seed-multiplication system has not yet been able to disseminate them. The shape of the continent-wide adoption curve for new crop varieties is normal but has been delayed a full generation behind Asia.

The delay in availability of new crop varieties in Africa can most readily be explained by much lower and slower-growing investment in agricultural R&D per unit of land. The best data on agricultural research efforts across countries have been collected by the Agricultural Science and Technology Indicators (ASTI) project at the International Food Policy Research Institute (IFPRI) in Washington DC. Figure 17 shows their estimates of expenditure, measured in comparable terms across countries and aggregated up to the regions shown. Clearly, at the start of its period of rapid rural population growth, Sub-Saharan Africa had less investment per unit of farmland than other regions, and that gap widened as other regions' investments grew much faster than Africa's.

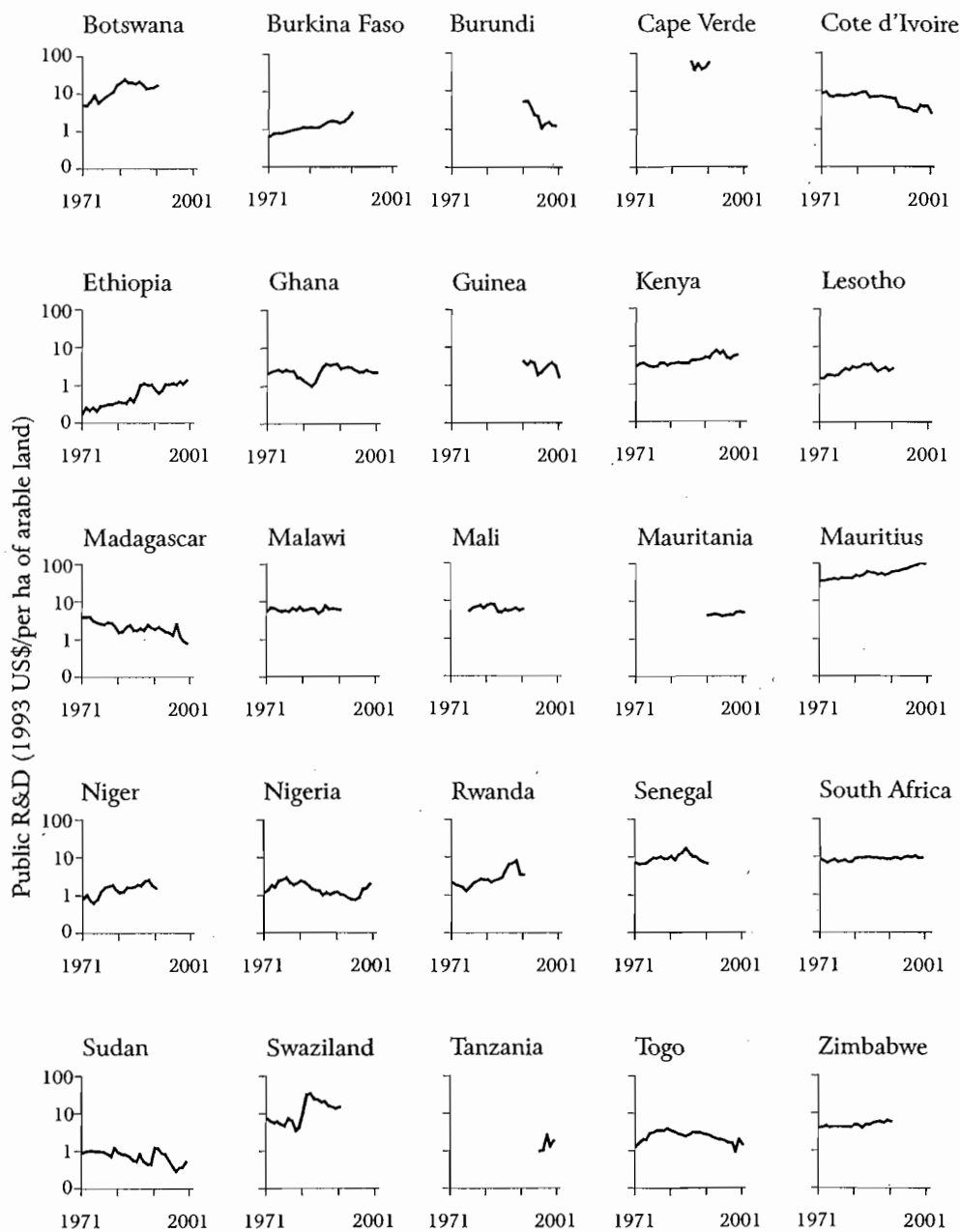
The full time series of data shown in Figure 17 for 1971 through 1991 is not available for later years, but investment levels have been estimated for some countries in some years. Figure 18 shows those data in detail, using a logarithmic scale to span the more than 100-fold difference between the highest-investment countries (Mauritius and Cape Verde) and the lowest (Ethiopia and Sudan). Of these countries, only Mauritius has had any significant increase in agricultural R&D levels per hectare, and several countries such as Madagascar have seen large declines.

The average and standard deviation of the African observations, contrasted with



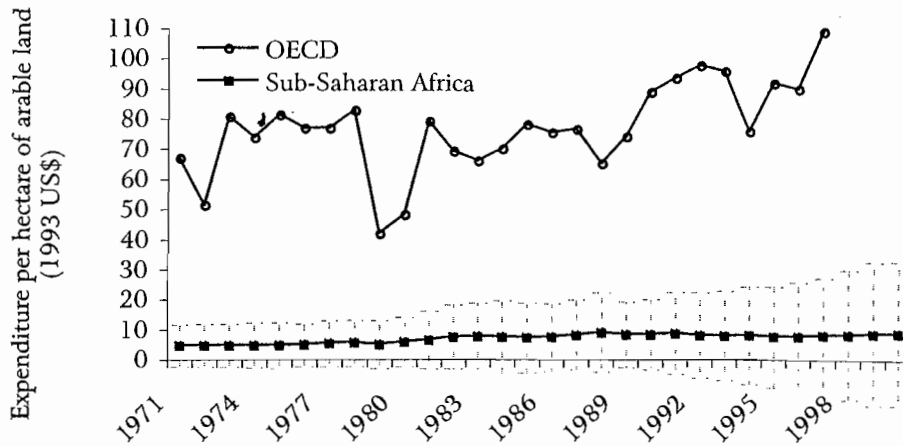
Source: Calculated from data in R. E. Evenson and D. Gollin, *Crop Variety Improvement and its Effect on Productivity*, (Cambridge, MA: CABI, 2003)

Figure 17. Public research expenditure per unit of land, 1971-91 (1985 PPP dollars per hectare of agricultural land).



Source: IFPRI, Agricultural Science and Technology Indicators database, 2003 <<http://www.asti.cgiar.org>>.

Figure 18. Public agricultural research and development spending per hectare in 25 African countries, 1971 to 2000 (log scale).

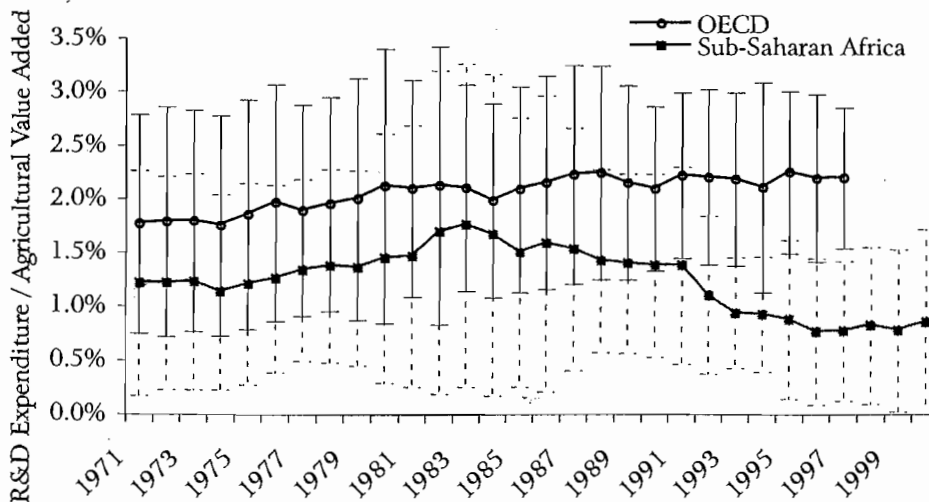


Source: Agricultural R&D is from IFPRI (2003), <www.asti.cgiar.org>; hectares of arable land are from FAOStat (2004), <<http://apps.fao.org>>.

Figure 19. Public agricultural R&D per hectare in SSA and the OECD, 1971-2000. Error bars show standard deviation across the SSA sample. For OECD, the s.d. ranges from 68 to 210. Sample size varies from n=13 to 21 for SSA, and from n=8 to 15 for OECD.

comparable data for OECD countries, are shown in Figure 19. All values are expressed in constant PPP dollars. The change over time in Africa is not meaningful since the composition of the sample changes. What is remarkable is to compare the per hectare data on Figure 19 with the percentage data in Figure 20, which shows public R&D expenditure as a fraction of agricultural value added.

Africa's rate of reinvestment of agricultural value added in R&D is consistently one-half to one-third that of the OECD and the resulting absolute level of invest-



Source: Agricultural R&D is from IFPRI (2003), <<http://www.asti.cgiar.org>>; agricultural value added is from World Bank (2004), <<http://www.worldbank.org/data/wdi>>.

Figure 20. Public agricultural R&D intensity in SSA and the OECD, 1971-2000. Error bars show standard deviation across sampled countries. Sample size varies from n=13 to 21 for SSA, and n=8 to 15 for OECD.

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ment per hectare is only one-tenth that of OECD countries. Even if Africa were to match the OECD's percentage rate of reinvestment of agricultural value added, it would still have less than one-fifth of the OECD's level of R&D per hectare.

7. THE ROLE OF PUBLIC FUNDS FOR AGRICULTURAL INNOVATION

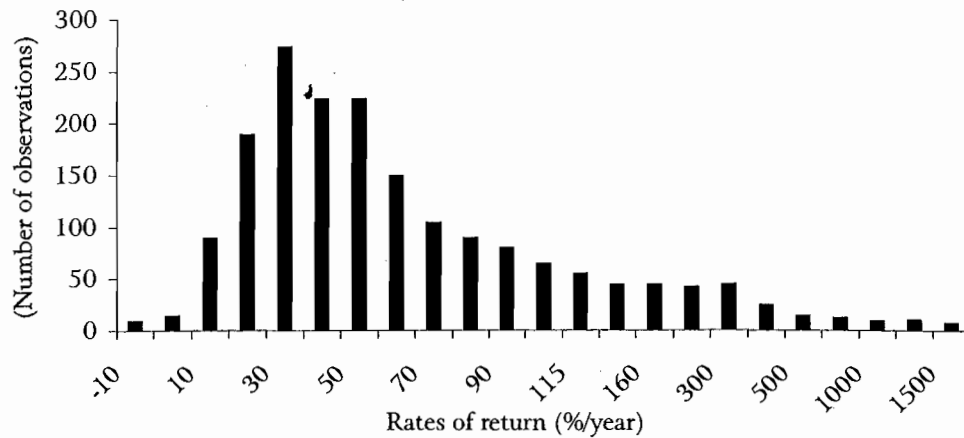
To change the technologies available for African farmers, a key financing challenge will be to raise foreign support for agricultural R&D above what Africans could themselves afford, even if they reached the OECD's levels of reinvestment as a fraction of output. Scaling-up foreign R&D investment in this way would have a large and sustained economic impact, as well as massive humanitarian benefit in the form of better nutrition. We know this because high levels of agricultural R&D have had high payoffs everywhere else, with no sign of diminishing returns in Africa or elsewhere.

Figure 21 shows the distribution of rates of return estimates found in a recent meta-analysis of the literature on R&D impacts around the world.³ These findings are similar to and include the results of a previous survey of R&D impacts in Africa.⁴ The distribution shown covers a total of 1,852 estimates of the average annual percentage return on various kinds of research investments, research-and-extension programs or extension activities undertaken around the world. Most of these programs were funded through government laboratories, universities and non-profit institutes, and the reported costs and benefits were computed using a wide variety of techniques. Having access to so many diverse studies allowed the authors of this meta-analysis to control for various possible influences on the estimates, and they found no significant difference in returns between R&D in Africa and anywhere else.

At the lowest end of the distribution there are some failed research programs, with returns below 10 percent per year. But most programs pay off handsomely and a few offer blockbuster returns. Investment in agricultural research and extension offers sustained high returns, first because there exist technological opportunities to raise productivity, and second because those opportunities are not fully exhausted under existing political institutions.

The technological opportunities with the highest returns often involve new varieties of crops and livestock, to which farmers and others respond with new management techniques involving land, labor and purchased inputs. The new varieties typically originate in research institutions, because the most successful breeding efforts involve controlled experiments and field trials. In contrast, new management techniques often originate with farmers themselves, who have more direct control over their own resources and can observe the payoffs to various activities.

The institutions that generate new crop varieties are typically science-based enterprises, and they are mainly government-funded or non-profit organizations. Even in countries with extensive private R&D in other fields, the fundamentals of



Source: J. M. Alston, M. C. Marra, P. G. Pardey, and TJ Wyatt. "Research returns redux: A meta-analysis of the returns to agricultural R&D," *Australian Journal of Agricultural and Resource Economics*, 44, no.2 (2000): 185-215.

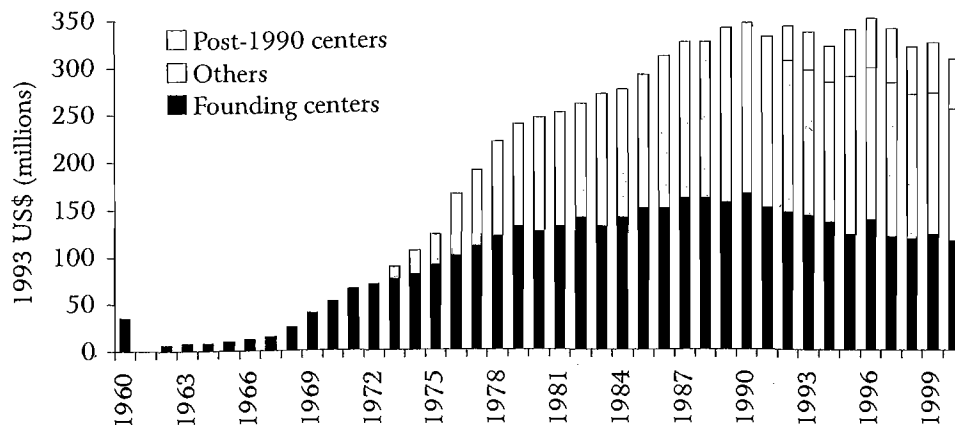
Figure 21. Estimated rates of return to agricultural research and extension (%/year).

crop breeding remain mainly a public-sector enterprise with many public-good characteristics—whereas private firms often dominate the specific fields of application and the multiplication and distribution of known crop varieties, as well as the development of new crop chemicals, machinery and other inputs.

The public-goods nature of crop genetics arises from the spillovers and externalities that new varieties often generate, both positive and negative. The US and UK have been most aggressive in extending patent law and upholding the legal rights and liabilities of private plant breeders, but even so the private firms involved remain closely tied to universities and public laboratories to capture positive spillovers, and they remain closely monitored by government regulators to limit negative externalities.

There remain high returns to agricultural R&D not only because of spillovers beyond private firms but also because of spillovers beyond any other entity that might mobilize political support for more public funding. The aggregate economic gains generated by agricultural research can readily be measured using survey data, tracing its impact first in terms of the adoption of new varieties such as the evidence shown in Figure 16, then in terms farmers' changes in input use such as Figure 14 and crop yields such as Figure 13, as well as food availability, household consumption and real income.

Household surveys can measure these impacts, but without a practical way for innovators to capture them in either financial profits or political support, underinvestment persists and each project continues to generate above-average economic returns. It is this situation that generates the data shown in Figure 20, with a large number of studies (1,852 distinct estimates!) that consistently point to unexploited opportunities for highly productive investment.



Source: P. G. Pardey and N. M. Beintema, "Slow Magic: Agricultural R&D a Century After Mendel," *IFPRI Food Policy Report 31*, (Washington, DC: IFPRI, 2001).

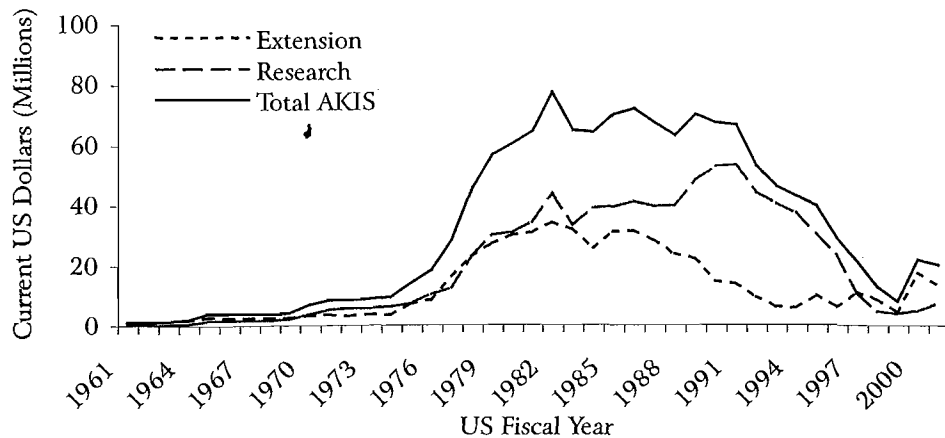
Figure 22. Worldwide expenditure of the CGIAR centers, 1960-2000.

Public agricultural research has yielded high economic returns in all kinds of environments, but it is particularly effective at alleviating poverty in the lowest-income settings—first when it lowers the real cost of foods consumed by the poor, but also when it raises the productivity of their land and labor in production of other things. One recent study of this question found that the amount of public agricultural R&D investment needed to permanently pull one person out of poverty was about \$144 in Africa and \$180 in Asia, much less than in other higher-income regions.⁵

8. INSTITUTIONAL INNOVATION AND THE FUNDING OF AGRICULTURAL RESEARCH

Opportunities for high-payoff agricultural research persist because existing political institutions consistently fail to exhaust the available opportunities for innovation. The central obstacle is that the gains from desirable new techniques would accrue mainly to widely-dispersed, low-income consumers. Those individuals typically have no way to connect a particular research investment with the benefits they might receive from it. And even if participants in the market knew all about the technologies from which they benefit, the possibility of a Pareto-optimal allocation of innovation is severely constrained by asymmetric information, free-ridership and other market failures.

The political obstacles that limit agricultural R&D are occasionally overcome, often by visionary leaders who establish unusual institutions to internalize spillovers, set priorities and control free-ridership. A remarkable example of such institutions are the international agricultural research centers (IARCs), of which the earliest was the International Rice Research Institute (IRRI) founded in the Philippines in 1960. Such a center was not established for Africa until the



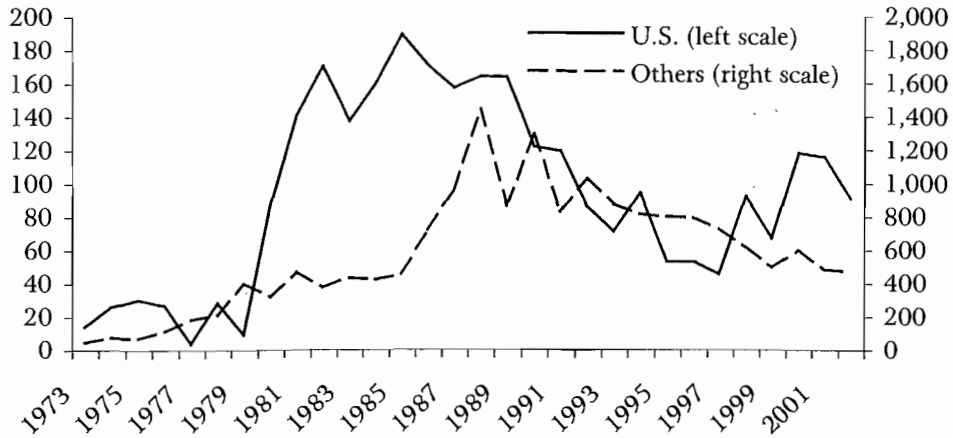
Source: USAID file data; Gary Alex, personal communication (February 2003).

Figure 22. USAID funding for research and extension activities in Africa.

International Institute for Tropical Agriculture (IITA) was founded in Nigeria in 1971, when the world-wide Consultative Group for International Agricultural Research (CGIAR) was established to sustain donor funding for all of the IARCs. The total expenditure of these centers over time is shown in Figure 22. Clearly, Africa came late to the party, and when it did it received much less support than the comparable Asian institutions—if only because in the early 1970s, Africa had relatively less need for new farm techniques than Asia. By the late 1980s and 1990s, when Africa needed it most, global support for the system had waned.

Investments in agricultural research and extension specifically for Africa did rise in the late 1970s, when the successes of IRRI and other green revolution institutions in Asia became apparent. Some of this occurred through the CGIAR, as shown in Figure 22, and some of it was aid to other research institutions such as the USAID programs included in Figure 23. But USAID and other donors aimed first to import the successful technologies that had been developed elsewhere in previous decades, rather than conduct new research to develop locally-appropriate material, and they funded extension programs that had no appropriate innovations to extend. In any case, these fledgling investments in agricultural research soon fell afoul of the Africa's public-sector crises of the 1980s and 1990s, when most public services in Africa faced bankruptcy or privatization.

The pattern of rise and fall in financing of agricultural research and extension reflects a more general rise and fall in support for all investments for agricultural production in Africa. Figure 24 shows data reported to the OECD from a partial classification of donor expenditure by objective. USAID's investments in all projects related to agricultural production in Africa rose sharply after 1980, from near zero to a peak of \$180 million in 1985, while the sum of all other donors' similarly-targeted investments rose later to a peak of \$1.4 billion in 1989. Both fell rapidly thereafter,



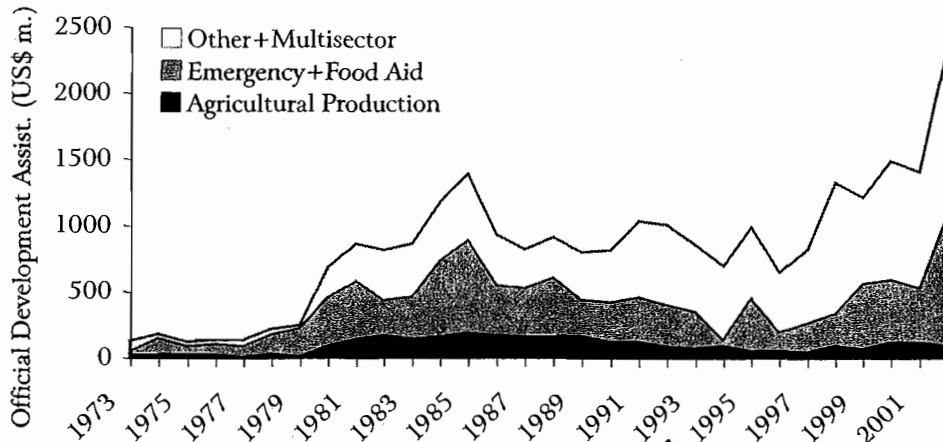
Source: Calculated from data in OECD Development Assistance Committee, *Geographical Distribution of Financial Flows to Aid Recipients* (2004), <<http://sourceoecd.org>>.

Figure 24. Foreign aid for agricultural production in Sub-Saharan Africa, 1972-2002 (US\$ m.).

and although US support recovered slightly after 1998 it remains only around \$100 million, with an additional \$400 million coming from other donors.

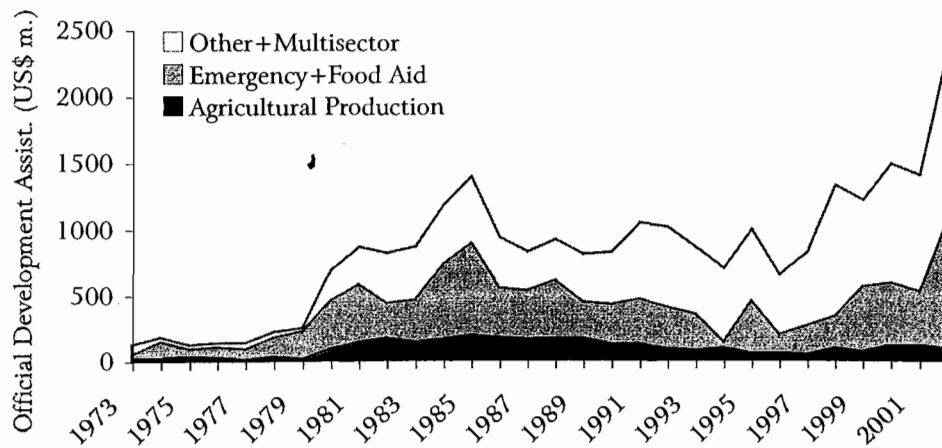
The combined total of donor support for all agricultural production is now less than one dollar per person in Africa. This situation is undoubtedly associated with a loss of support for public institutions in general, since many key agricultural services such as research are natural public goods that cannot profitably be provided in the private sector. But the rise and decline could also have been a response to the worldwide relative scarcity of food that emerged in the 1970s and was then alleviated during the 1980s and 1990s, thanks to farm productivity growth in Asia and elsewhere.

The rise and fall of US and other donors' support for agricultural production in



Source: Calculated from data in OECD Development Assistance Committee, *Geographical Distribution of Financial Flows to Aid Recipients* (2004), <<http://sourceoecd.org>>.

Figure 25. U.S. Overseas Development Assistance to Africa by sector, 1973-2002.



Source: Calculated from data in OECD Development Assistance Committee, *Geographical Distribution of Financial Flows to Aid Recipients* (2004), <<http://sourceoecd.org>>.

Figure 26. Non-US Overseas Development Assistance to Africa by sector, 1973-2002.

Africa is important, but is dwarfed by other kinds of aid. Figures 25 and 26 show total official development assistance (ODA) to Africa, first from the United States and then from other donors. The contrast is striking, as USAID gives an unusually large fraction of its assistance for emergencies and food aid. In any case, since the 1980s all donors' aid has been dominated by programs, policy reform and institution-building, as opposed to aid for agricultural production.

An old adage tells us to teach a man to fish so he can eat for a lifetime, rather than give him a fish so he can eat for a day. Perhaps that idea is so often repeated because it is so difficult to do. Many providers of foreign aid often find it much easier to mobilize funding to alleviate immediate suffering than to invest in long-term solutions—and when they can make long-term investments, they often find it easier to promote access to existing technologies through markets and trade, rather than to develop new techniques.

For a donor to invest in the creation of new crop varieties for the poor requires first an understanding of the potential breakthroughs that might be achieved, and then a specialized science-based R&D effort directed at those targets. Farmers and others generate many different kinds of innovations, but by definition the particular kinds of innovations whose adoption is tracked in Figure 16 and whose economic value is measured in Figure 21 require some other kind of resource, beyond the existing toolkit available on the ground.

In practice, developing improved crops and better production techniques typically involves the international exchange of materials and ideas, which are then recombined in new ways that can be tested in thousands of local experiments across the target region, under target conditions. Experience in other regions provides examples of innovations that were successful elsewhere, but cannot provide the actu-

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al crop varieties, agronomic techniques and other innovations that would be needed in the target locations.

9. A NEW MECHANISM TO SUPPORT SUSTAINED R&D FUNDING IN AFRICA

The innovations needed for sustainable productivity growth in Africa *could* be developed and disseminated through existing contracting mechanisms. The scientific capacity exists for donors to increase R&D efforts and to disseminate the resulting technologies. But existing institutions have been unable to sustain funding for this type of activity, in part because they lack a reliable way to connect specific investments with specific results. Just as the CGIAR institutions were needed to fill an important gap in our technological capabilities in the 1960s and 1970s, a new kind of funding mechanism may be helpful for Africa today.

The specific proposal advocated here and in previous papers calls for donors to pay innovators in proportion to the social returns of the technologies for which they are responsible.⁶ A related strategy is advocated in Kremer and Zwane.⁷ This approach would offer innovators a share of the returns that are documented in the studies shown on Figure 21. Donors would begin the process by authorizing lines of credit to pay for successful new technologies. At the same time, an independent secretariat would be established to invite applications for payment from eligible innovators. The prize secretariat would specify the kinds of evidence needed to document net benefits, undertake random field audits to assure the quality of the data and conduct other kinds of due diligence on the applicants. Then, having helped overcome the market failures that limit R&D funding, the secretariat would submit its findings to the interested donors.

The proposal specifies a particular kind of research-prize system. Historically, prizes for technological achievements have often been used as a complement to patent rights and research contracts. A detailed analysis of past prizes as they inform the present proposal is made in Masters 2005.⁸ Since patents work only for marketable innovations and research contracts require the donor to know in advance which R&D programs it is willing to support, prizes fill the gap by creating competition for an innovation that would not otherwise be marketable.

Most prize payments are triggered by the achievement of a pre-specified technological hurdle, from the 18th-century British prize for measuring longitude at sea to the recently-awarded X-Prize for civilian space flight. Adapting the prize concept for African agriculture calls for an approach that specifies how value will be measured but does not specify what technologies will be rewarded. This approach allows innovators to discover which kinds of technique will generate the greatest measurable economic gains. This is possible in agriculture where gains are relatively easy to document using a combination of field trials, adoption surveys and market data.

Controlled experiments can be used to document many kinds of quantity

change, showing how a new technology might raise yields, save time, reduce pesticide use, improve food quality or do anything else that can be replicated in an experimental setting. Asking for data from controlled experiments allows a wide range of solutions to farmers' problems to be considered and compared in a transparent and accountable manner. Of course not all innovations can be subject to controlled experiments, but the approach allows a wide range of important innovations to be rewarded proportionally to their value and ensures that bundles of complementary innovations can be rewarded appropriately.

Using prizes and purchase guarantees for innovations that help the poor has recently been championed by Michael Kremer and others, particularly to create a market for tropical-disease vaccines and potentially also in agriculture.⁹ A popular book recently drew attention to the importance of the Longitude prize, and awarding the X-prize for space flight was widely covered in the popular press.¹⁰

The strengths and limitations of innovation prizes as a complement to patent protection and research grants has long been recognized in the economics literature.¹¹ Clearly, as borne out in many historical precedents, a prize system is unlikely to replace local innovators' other sources of core finance and working capital. Even at their most successful, the function of prizes is mainly to help lubricate the market for innovations, providing some resources directly to successful groups and also complementing other flows. Prizes reveal information about what works and where, guiding sponsors and researchers towards successful strategies that are more likely to be rewarded.

The unique virtue of a prize program is to provide rewards *ex-post*, letting other institutions provide the working capital. The prize secretariat would have no comparative advantage in becoming yet another funding agency for research; donors should use their many existing contracting mechanisms for that. But the prize secretariat would have a strong advantage in providing technical assistance and small grants for experimental data and farm surveys, to build capacity in the new skills needed to produce high quality applications. By offering that assistance, prizes would be more likely to reach innovators who happen to be good at R&D or diffusion, but are perhaps not very skilled at documenting their work.

Offering technical assistance and small grants for data analysis and farm surveys will no longer be necessary once the prize criteria are well accepted for innovation programs. Innovators will collect and analyze similar data as a routine matter, because that will be the only way for them to know if they are succeeding. But many innovators do not now collect this type of data, and they are not funded in proportion to their success on the ground. Funding occurs for other things: either marketable innovations (pursuing sales as opposed to adoption), or through grants and contracts (pursuing proposals as opposed to results). Indeed, this failure to pursue economic gains for farmers is why there is a need for the proposed prizes.

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When a prize system is first introduced, the first applications would be for innovations that have already been developed, with the only additional effort needed to win prize funds being the documentation of their impact. Some donors might wish to support such retroactive prizes, simply to draw immediate attention to these achievements, to channel funds to the successful groups, to inspire imitators and to establish confidence in the prize mechanism. Other donors might prefer to look forward, for example specifying prizes for technologies that were first described, released or disseminated after the prize announcement. In such cases the awards would go first to new techniques that happened to be “on the shelf,” with the prize offer providing stimulus mainly to the dissemination effort and the alleviation of adoption constraints. Over time, the prize award would help to pull technologies from further up the research pipeline, encouraging individuals and institutions to anticipate potential results and solve farmers’ problems, and thereby win prize awards. Prize awards would, as always, also play an important role in publicizing successes, encouraging innovators to pursue proven strategies and encouraging donors to provide direct contracts for successful lines of work. Clearly, existing institutions are not able to complete the market for innovation. Large excess returns from the limited research funding that does occur are readily observable in the data, which is why the proposed prize system is needed now.


10. CONCLUSIONS

This essay argues that much more and better-targeted R&D for agriculture will be critical to the economic future of the African continent. For Africa to overcome its rapid rural population growth and unusually harsh environment, Africans will need to find better ways of generating and disseminating locally appropriate innovations.

Twenty-five years ago a somewhat similar situation in Asia was met with an intense donor-country effort that included the creation of new institutions for international R&D, and the techniques they created underlie much of Asia’s subsequent poverty-alleviation success. International agricultural R&D has begun to have similar effects in Africa, but so far has been done at a scale far too small to meet the continent’s needs.

For donors to expand their efforts, new contracting mechanisms might be helpful. The specific prize mechanism advocated here offers one way to link payments more closely with research results, and thereby overcome some of the distinctive barriers that have held back R&D investment in the past.

In the world as a whole, a wide range of innovations are needed as we pursue the MDGs. Out of Africa, however, comes more specific news: after a long period of relative food abundance, undernutrition and low farm productivity have become one of Africa’s leading causes as well as consequences of poverty. Raising the availability of food and the income of farmers is possible, if we respond to this change quickly

and vigorously, with innovative approaches such as the prize mechanism described here. 

NOTES

Funding for the work presented here was received from the Africa Bureau of USAID, and from the Adelson Family Foundation of New York. Additional thanks for very helpful comments are due to Jerry Shively, Lowell Hardin and the *JIA* editors.

¹ This is a word-for-word translation of the often-quoted Latin proverb, "Ex Africa semper aliquid novi." The phrase comes to us from Pliny, who attributed it to Aristotle over 2,300 years ago. What Pliny actually wrote and how the proverb spread is traced in Harvey M. Feinberg and Joseph B. Solodow, "Out of Africa," *Journal of African History* 43 (2 July 2002): 255–61.

² Robert W. Fogel, "Economic Growth, Population Theory, and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy," *American Economic Review* 84 (3 June 1994): 369–95; and "Health, Nutrition, and Economic Growth," *Economic Development and Cultural Change* 52 (3 April 2004): 643–59.

³ Julian M. Alston, Michele C. Marra, Philip G. Pardey, and T.J. Wyatt, "Research returns redux: a meta-analysis of the returns to agricultural R&D," *The Australian Journal of Agricultural and Resource Economics*, 44 (2 June 2000): 185–215.

⁴ William Masters, Touba Bedingar, and James F. Oehmke, "The Impact of Agricultural Research in Africa: Aggregate and Case Study Evidence," *Agricultural Economics*, 19 (1–2, 1998): 81–86.

⁵ Colin Thirtle, Lin Lin, and Jenifer Piesse, "The Impact of Research-Led Agricultural Productivity Growth on Poverty Reduction in Africa, Asia and Latin America," *World Development* 31 (12 December 2003): 1959–75.

⁶ William A. Masters, "Research Prizes: A Mechanism to Reward Agricultural Innovation in Low-Income Regions," *AgBioForum* 6 (1&2, 2003): 71–74; and William A. Masters, "Research Prizes: A New Kind of Incentive for Innovation in African Agriculture," *International Journal of Biotechnology* (in press, 2004).

⁷ Michael Kremer and Alix Peterson Zwane, "Encouraging Private Sector Research for Tropical Agriculture," *World Development* 33 (1 January 2005): 87–105.

⁸ William A. Masters, "Prizes for Innovation in African Agriculture: A Framework Document," 2005, <www.earth.columbia.edu/cgsd/prizes>.

⁹ Michael Kremer and Rachel Glennerster, *Strong Medicine: Creating Incentives for Pharmaceutical Research on Neglected Diseases* (Princeton, NJ: Princeton University Press, 2004); Kremer and Zwane (2005).

¹⁰ Dava Sobel, *Longitude* (New York: Walker and Company, 1995).

¹¹ Barry J. Nalebuff and Joseph E. Stiglitz, "Prizes and Incentives: Towards a General Theory of Compensation and Competition," *Bell Journal of Economics* 14 (Spring 1983): 21–43; and Brian D. Wright, "The Economics of Invention Incentives: Patents, Prizes, and Research Contracts," *The American Economic Review* 73 (4 September 1983): 691–707.

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