



BACKGROUND PAPER

Marketing and Agribusiness Development

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1. INTRODUCTION

In June 2014 the Heads of State and Governments of the African Union member countries endorsed the Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods, providing an unparalleled political opportunity to rethink the paradigms for African agricultural and structural transformations. In particular, the Malabo Declaration viewed agricultural transformation as in part driven by farm productivity increases, but also included rural employment generation especially for women and youth, increased agricultural trade, positive nutritional outcomes, and systemic institutional change as necessary and critical components of agricultural transformation. The Malabo Declaration also acknowledges the importance of public and private sector engagement required to mobilize and efficiently use the resources required to achieve sustained, inclusive growth. The challenge ahead is translating this vision into reality on the ground, where women and men achieve shared prosperity.

The theme of this paper is Market and Agribusiness Development. The content of the paper includes a) a summary discussion of the emerging trends and drivers of agribusiness development in Africa, b) a review of challenges to agribusiness development, and c) outlined in the fourth section are approaches that USAID has implemented to foster marketing and agribusiness development through systems changes. We conclude with some points for discussion, rather than recommendations, because the discussion on what works in Africa, for Africa, driven by Africans is not ending, but rather must continue to expose and chart Africa's road map to agricultural transformation.

2. EMERGING TRENDS AND DRIVERS OF AGRIBUSINESS DEVELOPMENT IN AFRICA

Over the past four decades, African food markets have expanded as much as eight-fold and have generated a systemic transformation. With most of that growth occurring in the past two decades, Haggblade (2011) projects that the African food market will grow another six-fold in the next four decades, or a dozen-fold in a human lifespan—a monumental achievement. Five salient points characterize the transformation in Africa that is driving the agrifood systems change that is taking place:

- A. **Africa is urbanizing rapidly** and is projected to continue to do so well into the future. Urbanization in Africa has caught up with the average urban share in population of all developing countries. East Africa's urban share in 2010 was 23 percent, versus 44 percent in West Africa and 59 percent in Southern Africa (UN 2011), and West Africa's share is roughly 50 percent up from 33 percent in 1990 (Hollinger and Staatz (2015).
- B. **Urban shares of food consumption and food markets are higher than the shares of urban populations.** Already we are seeing urban markets become the primary drivers of food systems shifts, even in places where the share of the urban population is lower than those that are rural because of the income concentration in urban areas. These urban markets have come to exceed export markets in quantitative terms and may, as incomes rise, become more important. Tschirely et al (2015) has shown that the share of food imports appears to decrease as incomes increase because imported staples such

as rice and wheat decrease in the diet while products that have low import shares, such as fresh vegetables, fruits, dairy and meats, tend to increase.

- C. **Urbanization in Africa is less concentrated than generally believed.** Urbanization is not simply taking place through the movement of people to megacities of over 1 million people. The number of people moving to small and medium sized cities has actually been larger (Tschirely, Haggblade and Reardon 2013). This has implications for market development. First, Christiansen and Todo (2013) find that countries with lower concentrations of urbanization tend to show more inclusive growth patterns and faster poverty reduction than those characterized by the dominance of one or a few very large cities. Second, these small and medium cities also have closer relationships with their surrounding rural areas and are less dependent on food from abroad or distant rural markets. Interventions in market and road infrastructure in these small and medium cities therefore offer opportunities to develop inclusive supply chains which provides numerous non-farm jobs.

- D. **Growth in the African middle class has surged.** The share of Sub Saharan Africa's population in the middle class rose from 24 percent in 1990 to 33 percent in 2008 (Ncube, Lufumpa, and Kayizzi-Mugerwa 2011). This means that between 1990 and 2010, the middle class grew from 119 million to 271 million people—more than doubling in just two decades. An increasing middle class has generated a demand for diverse foods, as predicted by Bennett's Law (Bennett 1954). This trend toward greater diet diversification is more advanced in urban areas because of income differences but even in rural areas we see that there is a growing share of income expenditure on non-staples.

- E. **Employment profiles are also shifting** with women increasingly working outside the home and men working further from home across cities. These trends are driving the purchase of easy to process cereals, along with processed and prepared foods. Consumers, even in rural areas, are beginning to purchase a larger share of their foods rather than relying on (traditionally) home produced foods. Dolislager, Tschirley, and Reardon (2015) find that the rural poor in Eastern and Southern Africa spend 29 percent of their food expenditure on processed food (17 percent is low processed milled grains, 48 percent is in non-grain low-processed foods, and 35 percent is in high-processed food).

These demand side drivers are leading to increases in the food processing sector and the restaurant / fast food segment is also growing quickly. The post-farmgate segments of the supply chain—the midstream (processing and wholesale/transport) and downstream (retail and food stalls) segments—together comprise 40–70 percent of food costs to urban Africans. (The share depends on the product and country.) That means that these segments are as important as farmers for national food security. And these segments are undergoing rapid change. These food supply chains have featured investment by the private sector, particularly among small and medium enterprises, along with substantial investment by larger African and foreign firms—in retail, wholesale, first- and second-stage processing, packaging, branding, and logistics. They urgently need major attention to address hard and soft infrastructural needs, such as developing industrial-strength electricity grids, surfacing roads, and instituting regulation and policy reforms to improve their “business climate.”

Moreover, the rural parts of the developing food supply chains form the backbone of rural nonfarm employment, which comprises 35–40 percent of rural household incomes in Africa (Haggblade, Hazell, and Reardon 2010). In turn, rural nonfarm employment and income from marketed crops are the main sources of cash for African farmers to make productivity investments (Davis et al. 2009). Also, on the supply side, this means major potential income gains for farmers, as producing and selling meat, dairy, or fruit to towns and cities earns a farmer 5 to 10 times more per hectare than grains. However, for this opportunity to be realized, substantial public and private investment is needed in transportation, logistics, packaging, storage, cooling, and processing, as well as in wholesale markets in large, medium, and small cities and towns. It will also be important to help a broader set of farmers access inputs, rural services, and extension information to take advantage of this growing market.

There is a need for good public policy and substantial investments to leverage urbanization and dietary diversification to develop food supply chains to feed millions in growing cities and rural households, and to increase the incomes of poor rural households who produce food and are employed in food supply chain activities. Rural suppliers need to sell to sources of dynamic, growing demand. Typically, rural purchasing power is too limited to propel a rural area out of poverty, characterized by rural suppliers just producing for themselves and their local market alone. At present and into the future, while export markets are attractive, domestic urban markets are quantitatively far more important and will be increasingly so.

3. CHALLENGES

As noted in the last section, there are remarkable opportunities for market and agribusiness development. And, yes, Africa is on the move. But the hard reality is that there are significant challenges to marketing and agribusiness development to unlock African potential for agricultural transformation that will build on and accelerate inclusive agricultural growth. This section outlines key categories of challenges observed, and provides examples drawn primarily from Africa to clarify observed constraints.

3.1 Limited Enabling Environments for Improved Agricultural Private Sector Growth and Trade

From seed to table, agricultural market systems entail countless individual transactions between parties; whether an inputs supply contract, a secured financing scheme, or an oral agreement for a day's labor in the field. Each of these transactions, or relationships between parties, are affected by formal "rules of the game" (i.e., laws, regulations, and administrative decisions) as well as informal social or cultural constructs. When these transactions occur efficiently and predictably based upon rules clear to all parties throughout the market system, benefits that can accrue to the farmer through lower production costs, or the consumer with lower prices.

These rules, collectively referred to as the enabling environment for food security, can have dramatic impact on the efficiency of inputs markets, production, market linkages, to consumption. Property regimes that do not enable the use of agricultural products, future harvest, or production contracts as collateral can drive up the cost of capital for borrowers. Countries with weaker dispute resolution systems and minimal history of contractual arrangements, as in the grain traders of Mali, discourages the development of larger,

commercially scalable producers.¹ In Ghana for example, overlapping inspection and licensing mandates for food imports leads to extraordinary delays in cross-border trade of food. On food import control alone, Ghana has over 18 different laws covering food imports for either revenue or food safety concerns.² In Zambia, the regulatory framework creates burdens that constrain the ability of farmers to formally acquire larger parcels of rural land. Even after registration procedures are completed, it can still take from two months to one year to be issued a new title for real property. The unpredictability of timing, coupled with the fact that the land registry is centralized in Lusaka, poses a substantial obstacle to agribusinesses located in rural areas seeking to transfer titled land.³

Enabling environment constraints have direct impact on the set of incentives that shape positive or negative decision-making. The extent to which property rights and contracts are enforced has direct bearing on the predictability of return for an investor, whether a large corporation or a smallholder farmer. Where farmers or firms do not feel confident in their long-term protection of their exclusive right to use their property, few incentives exist to invest in capital improvements that net long-term gains to productivity and profits. For example, in the Democratic Republic of the Congo farmers noted concerns over competing claims of those who had abandoned property as a factor affecting infrastructure investment.⁴

In the aggregate, the impact of the enabling environment on investment, trade, farm income and food prices can be significant. Enabling environment constraints often have a disproportionate impact on smallholders and micro, small, and medium enterprises (MSMEs), for whom the increased cost of doing business can be prohibitively expensive. Enabling environment reforms seek to make rules fairer and more accessible for all and minimizing special advantages. Empirical studies indicate a correlation between the enabling environment, growth, and investment, further emphasizing the importance of a sound enabling environment as a foundation for agricultural-led growth.⁵ The enabling environment and, more broadly, the rule of law, have been cited as two of the top three key factors that foreign investors consider when contemplating significant investment.⁶

3.2 Accessing Inputs Remains a Key Priority

Agriculture provides income for nearly two out of every three people in sub-Saharan Africa and nearly 33% of gross domestic product. Realizing the vision of a hunger-free Africa will require significant improvements to the land and labor productivity for agricultural commodities. Access to value-enhancing inputs such as seeds and fertilizers can boost yields and generate a positive marginal return when applied properly. Yet despite recent gains, the

¹ USAID EAT Project (2011) *Mali VcCLIR Assessment*

² USAID EAT Project (2013) *AGRI Index Pilot Report*

³ USAID EAT Project, *AGRI Index Final Report* (2015). The raw data from the AGRI Index referenced in this document can be found as part of the USAID Development Data Library, available at <https://www.usaid.gov/data>.

⁴ Interviews undertaken as part of a USAID factfinding study for an AgCLIR Assessment of the DRC in 2010. A farmers interviewed from post-conflict South Kivu expressed concerns over uncertain property title, affecting willingness to invest in capital outlays for irrigation infrastructure.

⁵ Manuel, Clare, *Is There a Causal Link between Investment Climate and Growth? A Review of the Evidence*, DFID LASER Project (June 2015); indicating insufficient data for a finding of causality, but a correlation exists between investment climate reforms and growth/investment.

⁶ *Id.*

use of seeds, fertilizers, and other productivity-enhancing inputs remains lowest in sub-Saharan Africa than any other region by a significant margin.

The benefits of improved inputs are manifold, and well understood throughout the agricultural development community. Improved seeds can boost yields, reduce growing seasons, protect against disease, and mitigate agro-climatic risks through varieties tailored to local needs. Fertilizer blends tailored to the soil and crop requirements and applied properly can dramatically improve yields, particularly where targeted and with ample water. Yet despite the many arguments for increased utilization of improved inputs, uptake continues to lag.⁷ Price sensitivity, low risk tolerance, insufficient trainings in proper use, and low market prices at harvest are a handful from a litany of challenges affecting adoption of fertilizer and improved seeds.

Legal and regulatory constraints affecting the sale, trade, certification, or transfer of improved inputs can negatively impact the supply of fertilizer and seed. High regulatory costs translate into higher costs for the farmer. Lengthier delays in regulatory approvals for inputs delays time to market for these products, which materially affects farmers who would desire to use the latest inputs technologies tailored for their market, which translates into efficiency lost. For example, in Kenya, it costs US \$1,509 to reach full regulatory compliance for seed certification.⁸ In Mali, four separate field trials are required for the introduction of new seed varieties, delaying time to field by a minimum four growing seasons.⁹ In Ghana, seed variety registration costs nearly 500% of their GDP per capita; in Uganda, seed variety registration costs nearly 600% of the GDP per capita. High costs for variety registration raises the costs of new seed technologies, which creates a chilling effect on new seed technology introduction.

3.3 Access to Smallholder Finance

Access to reliable sources of finance remains a chief constraint particularly for agricultural producers throughout sub-Saharan Africa. Accessing low-cost operational finance can be important in ensuring a supply of funds to operate during the growing season. Access to lower-cost pools of capital financing and leasing services is important to help support farmers and agribusinesses undertake the investments required to increase productivity and profitability. In Africa, agriculture represent nearly 33% of GDP, yet represents only 5.8% of debt financing.¹⁰ Out of a total estimated smallholder market size of approximately \$450 billion, smallholder finance represents nearly \$417 billion in unmet demand for financial services.¹¹

Numerous conditions have demonstrable impact on the availability of funds for smallholder farmers. Risk-sharing guarantees have been effective mechanisms for incentivizing agricultural sector lending. Priority sector lending policies encouraging or mandating banks to lend a fixed percentage of their portfolio to the agricultural sector have demonstrated poor results, and should be phased out as a policy instrument. To encourage higher volume lending, more work must be done to address the underlying risks associated with the agricultural sector. Through products and interventions that address unique risks presented by the agricultural

⁷ USAID EAT Project Policy Brief, *Building an Enabling Environment for Seed Sector Growth* (2011).

⁸ USAID AGRI Index data.

⁹ *Id.*

¹⁰ USAID FS Share Project (2012)

¹¹ Dalberg Advisors (2012)

sector, such as price volatility, thin markets, weather risks, and other prominent agricultural risks, the costs associated with lending can drop precipitously.

Certain policy and enabling environment constraints across Africa affect the cost and availability of finance for the agricultural sector. The efficacy of the judicial system, the quality of the contracts enforcement regime, and secure property rights have each been proven to have a statistically significant impact on the interest rates offered by banks, loan maturity, and the willingness of banks to lend. The development of laws and implementing regulations to enable supporting institutions such as movable collateral registries and warehouse receipts systems reduce the lending risk to banks, and can secure improved financing terms for agricultural borrowers, especially for non-perishable commodities such as grains and coffee.

3.4 Women's empowerment in the agricultural sector

Women play a vital role across all levels of the food system in Africa; transformation of Africa's agricultural sector must necessarily address the constraints that limit women's full and effective participation in the food system. While estimates vary among countries, women play a significant role in marketing and agribusiness development, including in production, trading, processing, and marketing of agricultural products, especially for key food security crops. It is estimated that women traders in West Africa handle 60 – 90 percent of domestic produce production and distribution to consumers.¹²

Patent and latent biases that preclude full and effective participation by women in the agricultural sector can pose significant barriers to achieving all of the Malabo 2025 commitments. In East Africa, women who engage in cross-border agricultural trade must pay bribes in excess of those required of men to pass through border posts.¹³ It is reported that at the border between Mozambique and Malawi near Mangochi, where regulations waive licensing requirements for traders carrying less than 25 bags of maize, customs authorities perceive women to be in violation as smugglers and face harassment.¹⁴ Even something as fundamental as facility design can frustrate women's participation in agricultural trade. Studies have demonstrated positive impact when facility upgrades include security upgrades and appropriate restroom facilities.¹⁵ As primary conduits for intra-African cross-border trade, treatment that affects women's participation in the agricultural sector has important consequences for the ability to transform Africa's agricultural system to enable inclusive and sustainable growth.

3.5 Resilience and Adaptation

Agricultural market systems require not only sound rules, but also an efficient system capable of adapting to changing realities affecting the market system. Some of the changing realities

¹² USAID EAT Project Policy Brief (2012), *Women in Cross-Border Agricultural Trade*, citing UNIFEM (2009), *Sharing the Findings of the Baseline Studies on Women in Informal Cross-Border Trade in Africa*

¹³ USAID EAT Project Policy Brief (2012), *Women in Cross-Border Agricultural Trade*.

¹⁴ *Id.*, referencing Bata et. Al (2011), *A report on a Joint Rapid Assessment of Information Cross-Border Trade on the Mozambique-Malawi Border Regions*.

¹⁵ *Id.* In St. Vincent, women surveyed regarding the key constraints affecting their participation in agricultural trade cited a lack of women's restroom facilities as a key constraint limiting their participation. While not specific to trade, in Kenya, cluster-randomized trials found that women's restroom facilities caused a 58% increase in women's participation in public schooling over a 2 year period, further demonstrating the impact of poorly designed facilities and the potential impact for a more gender-sensitive approach.

were outlined at the beginning of the paper and include rural to urban migration, consumption patterns, employment shifts. Climate change represents another changing reality. The pace of information technology communications is another. For example, adapting to scale new technologies like low-cost smartphones can have a transformative impact with the power to unlock rural finance, mobile-based extension services, and even price discovery through a mobile interface with web-based commodity exchange platforms, but the system must enable the adoption of new technologies. Sustainable transformation of the Africa's agricultural systems requires stakeholders capable of navigating change effectively. Adaptation to changing circumstances requires data-driven reforms based upon facilitated, meaningful dialogue across all stakeholders.

Improved Data and Analysis

Evidence-based policy formulation throughout Africa has received wide political support in large part through implementation of the CAADP process. In practice, however, the results do not yet match ambitious commitments.¹⁶ Limited access to reliable data and insufficient analytical capabilities constrain effective decision-making by stakeholders. Numerous government and donor-led interventions are beginning to develop more reliable data especially for inputs utilization, technology commercialization pathways, and agricultural finance, yet critical gaps persist.

Institutional Capacity

The capacity, competence, and capability of ministries and other key government institutions affects the pathway and pace of reform efforts. Ambitious objectives require substantial institutional strengthening to enable government institutions to fully execute their mandate. Substantial modifications to or an expansion of the core competencies of an institution requires sufficient resourcing to fulfill the mission's mandate. Poorly resourced institutions have direct negative impact on the performance of the sector. For example, in Uganda, the Agrochemicals Board – the only body authorized to approve the mandatory Suitability of Premises license for chemical suppliers - is required to meet quarterly, but due to resource limitations the board regularly misses its quarterly meetings. Fertilizer and agrochemical suppliers must wait an additional three months to obtain an inspection due to a limited number of inspectors available.

4. APPROACHES TO AGRIBUSINESS DEVELOPMENT THROUGH SYSTEMS CHANGES

USAID has refined its approach to supporting agribusiness development over the decades. Through the U.S. Government's Feed the Future Initiative, it concentrated investments on promoting changes in agricultural market systems through a targeted value chain approach. Recent thinking about how best to foster marketing and agribusiness development in Africa takes into account the trends and challenges outlined in earlier sections of this paper. A sharper focus on sustainable food security outcomes has necessarily highlighted the importance of private sector engagement and inclusive policy dialogue that leads to improvements in the agribusiness enabling environment and ultimately increased investment in the agricultural sector. This section presents descriptions of the value chain or market systems approach and outlines key elements of "facilitation"--an approach to implementing

¹⁶ USAID EAT Project *Institutional Architecture for Food Security Policy Change: Cross Country Study* (2015).

market systems development. Examples of these approaches further illustrate how a focus on systems changes can drive agribusiness investment.

4.1 Value chain/market systems approach

The value chain/market systems approach¹⁷ aims to develop market systems that are competitive, inclusive and resilient:

1. *Competitive*. System actors are able to effectively innovate, upgrade and add value to their products and services to match market demand and maintain or grow market share.
2. *Inclusive*.¹⁸ The system delivers a sustainable flow of benefits to a range of actors, including the poor and otherwise marginalized, and society as a whole, while specifically addressing the unique needs of women, youth and others who are disadvantaged.
3. *Resilient*. System actors are able to address, absorb and overcome shocks in the market, policy environment, resource base or other aspect of the system.

What Is a Market System?

A market system is composed of:

1. Inter-connected value chains that have common producers, markets and/or inputs
2. Inter-connected systems that include the market and other systems such as the environment (linkages to climate change), health (linkages to nutrition) and the public sector (linkages to the business enabling environment)
3. Households and communities, which are also systems that connect to markets as producers, consumers and/or markets

Unlike value chain systems, market systems represent an expanded model. They recognize that moving a product from production to consumers requires catalyzing a transformational process. This goal is to create a market system that is resilient, competitive and able to adapt over time to changes in market constraints and opportunities.

The approach begins with an understanding of the market system in its totality:

1. The actors that operate within a value chain, from input suppliers to buyers
2. The strength and efficiency of vertical and horizontal linkages between actors, including levels of cooperation and competition

¹⁷ See www.microlinks.org/vcwiki for a definition and explanation of the value chain approach and its key features.

¹⁸ A useful resource is the new WEAI INTERVENTION GUIDE: Practitioners' Guide to Selecting and Designing WEAI Interventions. LEO Report #10, 2015. <http://acdivoca.org/sites/default/files/attach/technical-publications/LEO-WEAI-Intervention-Guide.pdf>. It addresses the WEAI in relation to market systems approaches.

3. The availability and affordability of supporting services provided through markets, including technical, business and financial services
4. The incentives created by the formal and informal enabling environments in which each value chain operates
5. The interconnections between value chains and other systems such as health and the natural environment. (Such a broad scope is needed to understand the principal constraints and underlying causes to competitiveness.)

The approach takes a systems perspective with a focus on end market demand and the identification of leverage points where interventions can catalyze the dissemination and adoption of innovations, including improved technologies, practices and services at the firm and/or farmer levels, innovative business models at the market system and/or value chain levels, and a more broad-based distribution of benefits all along the chain. The approach also leverages the interconnections between and among value chains and functions (e.g., input supply) that serve multiple value chains.

4.2 Facilitation

Facilitation is an approach to implementing market systems development. It is key to achieving the sustainability of expected outcomes. It aims to stimulate systemic change without taking a direct role in the market system. It involves working through local actors and ensuring that they are drivers of the change process. In essence, facilitation is about developing local systems. Key features of this implementation approach include:

- Ensuring an enabling environment that incentivizes investment and upgrading
- Using end markets to drive transformation while mitigating risks
- Transforming relationships (e.g., from mistrust to trust) to allow for effective cooperation and competition, and developing new commercial relationships for women and youth that promote their inclusion in the value chain
- Targeting leverage points in the market and production systems that catalyze wider spillover effects, thereby spreading innovations to direct and indirect beneficiaries
- Empowering the private sector to innovate and invest in supply chains (e.g., key inputs, post-harvest infrastructure, logistics and research) made up of large numbers of smallholders
- Ensuring that local actors drive and sustain value chain upgrading and development¹⁹
- Continuous and collaborative learning that enables adaptations in activity design throughout implementation

¹⁹ <http://www.usaid.gov/policy/local-systems-framework>.

5. AGRIBUSINESS EFFORTS ARE PICKING UP STEAM

Over the past few years a growing number of agribusiness efforts have been initiated between the commercial private sector, through joint public-private partnerships, and governments and international development partners. Some examples of these include the following.

5.1 New Alliance for Food Security and Nutrition

The multi-stakeholder approach to implementing the New Alliance for Food Security and Nutrition is an example of a facilitated approach. Launched in 2012 following increased recognition that agricultural transformation in Africa is a shared interest of the public and private sectors and presents unique opportunities for new models of partnership and mutual accountability, the New Alliance for Food Security and Nutrition set out to:

- Reaffirm continued donor commitment to reducing poverty and hunger
- Accelerate implementation of key components of the Comprehensive Africa Agriculture Development Programme (CAADP)
- Leverage the potential of responsible private investment to support development goals
- Help lift 50 million people out of poverty in Africa by 2022
- Achieve sustained inclusive, agriculture-led growth in Africa

The New Alliance is a partnership in which stakeholders commit to specific policy reforms and investments, outlined in Country Cooperation Frameworks that aim to accelerate implementation of African country food security strategies.

These commitments, along with a set of Enabling Actions, address key constraints to agriculture-led growth in Africa, including those that prevent smallholder farmers, particularly women, from increasing their productivity and accessing markets.

Partners agree to hold themselves accountable to these commitments, reporting annually on progress. Strong commitment and implementation at the country level is key to New Alliance success.

5.2 Grow Africa

The Grow Africa Partnership was founded by the African Union (AU), the New Partnership for Africa's Development (NEPAD), and the World Economic Forum in 2011. Grow Africa works to increase private sector investment in agriculture, and accelerate the execution and impact of investment commitments. The aim is to enable countries to realize the potential of the agriculture sector for economic growth and job creation, particularly among farmers, women and youth. Grow Africa brokers collaboration between governments, international and domestic agriculture companies, and smallholder farmers in order to lower the risk and cost of investing in agriculture, and improve the speed of return to all stakeholders.

Grow Africa is an African-owned, country-led, market-based, and inclusive platform for cross-sector collaboration to increase inclusive and responsible investment in African agriculture, and thereby generate agriculture-driven economic growth that contributes to reducing poverty and hunger

The Grow Africa Partnership Platform comprises over 200 companies and governments in 12 countries. These companies have made formal commitments with the government in the respective country to invest in agriculture. Ten of these countries are part of the New Alliance for Food Security and Nutrition, a partnership in which stakeholders – public and private sectors, and donors - commit to specific policy reforms and investments, outlined in Cooperation Frameworks that accelerate implementation of African country food security strategies.

5.3 African Fertilizer and Agribusiness Partnership (AFAP)

The African Fertilizer and Agribusiness Partnership (AFAP) works with the public and private sectors to invest in fertilizer markets so African smallholder farmers can grow food and profits. Using an innovative partnership contract, AFAP joins industry and development interests to inspire productivity, food security and prosperity in Africa. AFAP has two main goals for the countries in which it works: increase the number of fertilizer users by 15 percent; and at least double total fertilizer use.

5.4 Africa Enterprise Challenge Fund (AECF)

The AECF is a challenge fund working with the private sector on a risk-sharing basis to reduce poverty in rural Africa. AECF is a matching grant fund, a feeder fund, a social venture capital fund, and a nascent impact investment fund. AECF is a provider of grants, debt, equity and financial guarantees. Additionally, AECF offers investment brokerage/match making, business development services, market facilitation, and knowledge management and learning.

5.5 African Network for Agriculture, Agroforestry and Natural Resources Education (ANAFE)

ANAFE is a network of 136 educational institutions in 35 African countries whose objective is to strengthen the teaching of multi-disciplinary approaches to land management. The ANAFE Secretariat is hosted at the International Centre for Research in Agroforestry (ICRAF) headquarters in Nairobi. This provides a vantage for network management, linkages with the research and development activities of ICRAF and its partners, and convenient communication facilities.

Administratively, the network is attached to the World Agroforestry Centre (ICRAF). Day-to-day activities are supervised by an Executive Secretary. Members contribute to the cost of managing specific activities. ANAFE works closely with Agriculture, Agroforestry and Natural Resource Management initiatives in Africa.

5.6 Agriculture Fast Track (AFT)

The **Agriculture Fast Track Fund (AFT)**, an Enabling Action under the New Alliance, aims to facilitate agriculture infrastructure projects by defraying front-end project development costs and risks that commercial developers or other project sponsors are unable to shoulder alone. The AFT is a \$28 million multi-donor trust fund administered by the African Development Bank that offers grants to agri-businesses and investors to undertake project preparation studies and analysis necessary to inform investment proposals and attract financing. Currently supported by USAID, the Swedish International Development Cooperation Agency, and the

Danish International Development Agency, the AFT has approved \$6.5 million in grants to 12 companies. These grants are expected to leverage up to \$250 million in private investment that will benefit approximately 92,000 smallholders in New Alliance countries and improve the broader communities' access to markets and key services, as well as reducing transactions costs and creating jobs.

6. POINTS FOR DISCUSSION

There are five points we conclude with, not as recommendations, but rather as points for inclusive dialogue. Fundamentally, we do not see silver bullets to transform the landscape for market and agribusiness development. But the issues we raise could change the future of many millions of Africans.

Policy and Agribusiness Development. One of the primary levers that governments have to stimulate agribusiness development is policy. Policy can increase the efficiency of and returns to public and private investment, and stimulate private agribusiness development. Over the past several years, evidence and experience show that governments are making progress in delivering on policy change for agriculture and food security. For example, an estimated 30% of the 340 policy commitments made in the New Alliance for Food Security and Nutrition Country Cooperation Frameworks to stimulate private investment – domestic and foreign - have been completed, with another 50% on track. A key question for discussion is *how can government policy efforts and actions be more effectively aligned with the national agriculture investment goals and agribusiness constraints to contributing to and achieving those goals?* There are many policy issues that need attention to stimulate agribusiness development. Some have been discussed above. But the only real way to make policy efforts more effective is to have inclusive, transparent, dialogue with the people, the constituency, that are working to get things done at the local enterprise level so that the national goals can be achieved.

Infrastructure and market development. There is little doubt that a primary barrier to stimulating agribusiness development is the cost of doing business forced on enterprises by the poor or insufficient infrastructure for agriculture. This is a primary area for public-private partnership. The question is not whether progress is needed, but it is *how to make the needs and priorities for agriculture and agribusiness infrastructure a more significant part of the decision making and infrastructure investment planning?* While agriculture is a dominant part of most countries economies, its role in driving or informing infrastructure investment priorities has at best been marginalized. Both the economic and financial feasibility analyses for infrastructure remain ill informed about the benefits to and from agriculture,

Seeding the Business of Agriculture. Agriculture is too often thought of and defined as equaling production. And the business of agriculture is too often thought of and defined as not including production. The roots and foundation of any agribusiness along the value chain are in production. Why then, has the commercialization of the basic services for production: seeds, fertilizer, and mechanization businesses made such slow progress? The long term success of agribusiness developments in Africa will be shaped by and depend on making these services commercially viable. The question is: *what will it take to transform the input enterprises from state driven to private commercially viable agribusiness enterprises – at scale?* This

question will not be answered by the private sector alone. Nor does it imply that there is no role for the public sector. But this question has not been effectively resolved in the past 50 years and will continue to plague agribusiness development until it is.

Agribusiness – Walking the Talk. The potential for agribusiness to transform African agriculture has received much attention. Real successes and examples are emerging. And, as noted earlier in this paper, there are a growing number of opportunities. To deliver on this vision of agribusiness driving agricultural transformation, agribusinesses – large and small – need to walk the talk. They need to deliver on the investments, innovation, increased and improved services. They need to be accountable for delivering on the promises and commitments, and they need to be part of a mutual accountability for the agricultural sector, called for by the Heads of State and Government in the Malabo Declaration, to produce shared prosperity. The questions: *Can agribusiness deliver? What form of partnership with government and communities is needed to make this work? How can a mutual accountability system contribute to making this vision a reality?*

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