



## High-level Conference on the development of agribusiness and agro-industries in Africa

8-10 March 2010, Abuja, Nigeria

# AFRICAN AGRIBUSINESS AND AGRO-INDUSTRIES DEVELOPMENT INITIATIVE (3ADI)

## Executive Summary

### What is 3ADI?

With a vision to spur the development of competitive, sustainable and inclusive agro-industries and agribusinesses in Africa as a pathway to increased economic growth and food security in the continent, UNIDO, FAO and IFAD are collaborating with the African Development Bank (AfDB), the African Union Commission (AUC), the United Nations Economic Commission for Africa (UNECA) and the Government of the Federal Republic of Nigeria to launch the *African Agribusiness and Agro-industries Development Initiative (3ADI)* during the *High-Level Conference on the Development of Agribusiness and Agro-Industries in Africa (HLCD-3A)*, which will take place in Abuja, Nigeria, in March 2010.

Towards this end, a Programme Framework and an associated Financial Facility to support agribusiness and agro-industrial development in Africa have been designed through a series of consultations with African experts and organizations. Together, the Programme Framework and Financial Facility constitute the backbone of the 3ADI which is expected to be considered and endorsed by African Heads of State and Government during HLCD-3A.

### 3ADI and the Sirte Declaration

Embracing the principles of the Comprehensive Africa Agriculture Development Programme (CAADP), the 3ADI emerges as a timely initiative, in the light of the recent *Sirte Declaration on Investing in Agriculture for Economic Growth and Food Security*, wherein African Heads of State and Government explicitly acknowledge the need for proactive measures and interventions to increase investments in agriculture and the continued improvement of sector policies for accelerated economic growth. The Sirte Declaration also expresses the commitment of African leaders towards one of the keystones of 3ADI, namely the provision of support to the promotion of institutional

reforms that will stimulate and facilitate accelerated expansion of agriculture related market opportunities.

The 3ADI is consistent with the emerging consensus in Africa that if agriculture is to be the main sector to stimulate economic growth then investments should go beyond improvements in on-farm productivity to also cover agribusiness and agro-industrial development. It also capitalizes on the positive economic, social and political forces that are prompting a renewed impetus for growth and development in Africa. These forces encompass the potential offered by domestic and regional agri-food markets, the opportunities for import substitution of higher-valued foodstuffs and the rapid rates of urbanization in the continent. Moreover, the Initiative builds on the existing political commitment to the role of agro-industries and agribusiness as economic engines for reducing poverty in Africa, as recognized by CAADP.

### The goal

The goal of 3ADI is to have an agriculture sector in Africa which by the year 2020 is made up of highly productive and profitable agriculture value chains that effectively link small and medium size agricultural producers to markets, supply higher-valued food, fibre, feed and fuel products, contribute to increasing farmers' incomes, utilize natural resources in a sustainable manner and generate increased and high quality employment.

The major objective of 3ADI is to increase private sector investment flows into the agriculture sector in Africa by mobilizing resources for agribusiness and agro-industrial development from domestic and international financial systems. The Initiative will support a well-coordinated effort by African governments, regional bodies, relevant UN and other international agencies, as well as the private sector to share knowledge and harmonize programmes in ways



that capture synergies, avoid fragmented efforts and enhance developmental impacts. It will also support an investment programme that will significantly increase the proportion of Africa's agricultural produce that is transformed into differentiated high-value products, such that by 2020 more than 50 percent of the continent's food products sold in local and national markets will be in processed form.

### Investing in African Agribusiness and Agro-industries

According to FAO estimates, cumulative global investments required until 2050 in agriculture and downstream support services will reach US\$940 billion [in 2009 US\$] in Sub-Saharan Africa alone. Of this amount, about 66 percent will be required for agribusiness and agro-industries capital outlays, covering items such as cold and dry storage (US\$ 78 billion), rural and wholesale market facilities (US\$159 billion), first stage processing (US\$207 billion), mechanization (US\$59 billion) and other power sources and equipment (US\$115 billion). These investments will have to be made primarily by the private sector. The public sector will thus be confronted with the need to create and maintain conditions that favour investment in agribusiness and agro-industries by the private sector [including farmers]. It is to the end of assisting African countries meet this challenge that the programme framework and financial facility that together shape 3ADI were designed.

### Expected results

The expected results of 3ADI fall into four main areas of support:

1. Skills and technologies needed for the post-production segments of agriculture value chains;
2. Innovative institutions and services;
3. Financing and risk mitigation mechanisms; and
4. Enabling policies and provision of public goods.

Specific interventions areas are identified for each of these four major areas of support. For example, with respect to enabling policies, 3ADI would provide support to African countries relating to sector strategies development, regulatory frameworks, grades and standards, agricultural mechanization, markets and trade infrastructure, and agricultural trade policies. Taken together, the programme's interventions are expected to re-orientate agricultural institutions and support services so as to create a versatile network of institutions capable of dealing with the needs of agribusinesses and agro-industries.

### Unleashing resources from the private and financial sectors

As highlighted above, the development of agribusiness and agro-industries in Africa will require a substantial infusion of fixed investment and working capital. Private investors and the financial sector in Africa have the capacity to provide the resources needed, but for many reasons, the agriculture sector is not attractive to private sector investors and financial institutions. The key to unleashing resources from the private and financial sectors is to increase profitability and reduce risk in any investments undertaken. The interventions supported by the 3AD Initiative can be expected to improve the profitability-risk ratio by improving productivity and efficiency and reducing the costs of doing business. Furthermore, the Initiative will promote mechanisms to mobilize additional resources and mitigate the costs and risks for prospective investors and financial services providers. These include the support to public-private partnerships, loan guarantees, investment funds targeting African agro-enterprises, value chain financing mechanisms, and risk mitigation products such as insurance and warehouse receipt systems.

### Programme approach

The programme approach for 3ADI has a strategic orientation that prioritizes African markets, resources, enterprises and governance structures. With its focus on agro-industries and agribusiness, it uniquely complements current efforts in the continent that focus on the agricultural sector as the engine of growth and socio-economic development. As earlier indicated, the Initiative adheres to CAADP, in particular its Pillar II, as an overarching institutional framework. It is also designed to integrate into Africa's regional organizations and alliances and to be synergistic and complementary to existing financial facilities.

The financial facility of 3ADI will have two financing windows that will respectively support public and private sector interventions envisaged in its programme framework. The public sector window will consist essentially of loans and technical assistance funding, while the private sector window will entail a commercial investment fund, the provision of partial loan guarantees and matching grants which should enable the leveraging of additional resources from domestic, regional and international financial institutions.

The definition and agreement on the specific mechanisms, hosting institution, eligibility criteria and other strategic and operational details for the financial facility will be developed and discussed as part of the ongoing 3ADI consultative process.

