



CONCEPT NOTE

HIGH LEVEL CONFERENCE ON

Feeding Africa

An Action Plan for African Agriculture Transformation

1. INTRODUCTION AND BACKGROUND

Africa at a Critical Juncture

Despite recent widespread economic growth and increased productivity in Africa, over 120 million Africans are out of work and more than 672 million live on less than US\$ 2 per person, per day. Of the unemployed, 60% are young people. In addition, the enormous potential for agricultural production on the continent notwithstanding, more than one in four of Africa's 856 million people are undernourished, making Africa the world's most food-insecure region, with women and children particularly at risk. In absolute terms, it is estimated that 32.4 million of African children under-five are underweight (weight for age), including 9.8 million severely underweight, 14.3 million wasted (low weight for height), and 66.1 million stunted (low height for age). The prevalence of moderate and severely underweight children under-five is 36% in Africa. The economic, social, and moral burden of imperiled livelihoods, extreme poverty, and malnutrition on the continent is such that Africa risks losing recent gains made if these ills are left unattended.

As African nations search for pathways out of poverty for millions and to improve quality of life and indices of human development for its teeming population, the agricultural sector that accounts for 63% of rural household incomes and, on average, for 25% of Africa's Gross Domestic Product (GDP) is a critical sector. Between 2001 and 2008, the agricultural GDP grew at 3.4% while overall GDP in Africa grew 6% annually. The underperformance of the African agriculture sector in Africa has a direct relationship with national poverty through low rural incomes, high prices of food nation-wide, low contributions to GDP growth, limited potential to generate economic opportunity in the farm and non-farm sector and a reduced role in stimulating and sustaining economic growth.

Challenges to Agricultural Transformation in Africa

Limited use of modern agro-inputs and mechanization: Improving agricultural productivity (irrigated and rain-fed agriculture) requires, among other things, an increase in the use of agro inputs of seeds, fertilizer, and agro-chemicals. The use of agricultural inputs remains very low. In 2002–2003, Sub-Saharan African farmers used on average 9kg of fertilizers per hectare (ha) of arable land compared to 100kg/ha in South Asia, 135kg/ha in Southeast Asia and 73kg/ha in Latin America. The challenge is to facilitate farmers' access to critical productivity-enhancing inputs. There is also a five-fold increase over the use of agricultural machinery in Asia compared to Africa; mechanization is known to reduce to cost of production, and increase acreage on the average. Similar challenges also apply to other sub sectors, such as fisheries and livestock

Limited access to credit: Agriculture in Africa is constrained by its limited access to financing. This is particularly true for women farmers. A perceived combination of high risk and modest returns, together with the high cost of extending traditional banking infrastructure, has deterred commercial banks from lending to the sector. Lately, there have been some successful private sector-led approaches using innovative financing tools. For example, the Alliance for a Green Revolution in Africa (AGRA) has leveraged banks in Kenya, Tanzania, Uganda, Ghana, and Mozambique to lend to small farmers and input retailers. In Nigeria, a risk-sharing facility by the Central Bank of Nigeria has leveraged funds from the balance sheets of commercial banks to agriculture value chains.

Weak access to markets: Agricultural markets world-wide are characterized by market structures, both quantitative – aggregation, storage, and processing facilities, and qualitative – quality standards, information services, logistics for distribution of agricultural products. Many of these structures do

not exist in many African countries or at best weak. The over-dependence on **primary commodities** (which are susceptible to global price shocks) as markets which drives economic growth in most African countries is no longer **sustainable** and neither is it acceptable.

Gender inclusiveness: Agricultural value chains can only be efficient if both women and men and fully engaged and bottlenecks to their participation removed¹. Women make more contributions to agriculture in sub-Saharan Africa through labor input², yet women's productivity is lower than that of male farmers. Women's access to formal credit sources such as bank loans remains extremely low due to a lack of regular income, inability to guarantee the loans, limited access to information and higher rates of illiteracy. Gender inequality has a high economic cost, leads to waste of human resources and overlooks opportunities for innovation.

Africa has Enormous Agricultural Potential

On a global scale, Africa has the most undeveloped arable land which is equivalent to 25% of the world's fertile land. With the removal of barriers to agricultural development, it is estimated that Africa's agricultural output will increase from US\$ 280 billion per year³ to as much as US\$ 880 billion by the year 2030. It is envisioned that growth of this magnitude has the potential to play a catalytic role in the demand for upstream products, including fertilizers, seeds and pesticides. In addition, increased output can spur downstream activities such as grain refining, biofuels and other types of food processing. In combination the resulting upstream and downstream activities could bring in additional US\$ 275 billion in revenue by 2030.⁴ Africa's agriculture and agribusiness - food and beverage markets are projected to reach US\$ 1 trillion by 2030. At the present market size of US\$ 313 billion, this projection offers the prospect of increased jobs, greater prosperity, reduced hunger and improved capacities for African farmers to integrate into the global economy.

Undoubtedly, Africa has enormous agricultural potential. What has been lacking is the right agenda, backed with an enabling policy and regulatory environment, to unlock these potentials. To create an agricultural transformation for Africa, Governments must enable the private sector to take advantage of technological improvements backed by friendly policies of efficient agro-input delivery, access to credit and markets as well as other pro-poor and pro-business policies. It is imperative that these potentials are fully harnessed for the overall benefits of the Africa to alleviate unemployment, especially of youth and women and youth, create rural prosperity, and improve food and nutrition security.

A New Direction in Africa's Agricultural Sector

To harness these opportunities, transformative policies that ensure easy access to improved agricultural technologies, credits, and markets will have to be put in place. In addition infrastructure and fiscal incentives are needed to attract private sector investment in primary production, processing, and marketing. Pro-poor and private sector-friendly policy reforms backed by an empowered public sector procedures has a tremendous power to rapidly develop the African agricultural sector.

¹ Gender in value chains, agriprofocus

² http://www.fsnnetwork.org/sites/default/files/gender_agriculture_value_chain_guide.pdf

³ Figures as at 2010

⁴ Mckinsey – *Lions on the move: the progress and potential of African economies*

The commercialization of Africa's agriculture sector is at the fore of regional debates, demonstrating political will in this regard. Within the auspices of the African Union, Africa leaders recently met in Malabo Equatorial Guinea and committed themselves to a set of goals to be achieved by 2025. These commitments were on Accelerated Agricultural Growth and Transformation and define the next 10 year vision of CAADP⁵. These will can be further strengthened by incorporation of innovative financing mechanisms and private sector engagement in agricultural development on the continent.

Box 1. Commitments and Goals by African Heads of States and Government in 2014 Malabo-Equatorial Guinea:

- 1. Recommitment to the principles and values of the CAADP process**
- 2. Recommitment to enhance investment finance in agriculture**
 - (a) Uphold 10% public spending target
 - (b) Operationalize the African Investment Bank
- 3. Commitment to ending hunger by 2025**
 - (a) At least double productivity (focusing on Inputs, irrigation, mechanisation)
 - (b) Reduce PHL at least by half
 - (c) Nutrition: reduce and underweight to 5 % and stunting to 10%
- 4. Commitment to halving poverty, by 2025, through inclusive agricultural growth and transformation**
 - (a) Sustain annual sector growth in Agricultural GDP at least 6%
 - (b) Establish and/or strengthen inclusive public-private partnerships for at least Five (5) priority agricultural commodity value chains with strong linkage to smallholder agriculture
 - (c) Create job opportunities for at least 30% of the youth in agricultural value chains
 - (d) Preferential entry and participation by women and youth in gainful and attractive agribusiness
- 5. Commitment to boosting intra-African trade in agricultural commodities and services**
 - (a) Triple intra-Africa trade in agricultural commodities and services
 - (b) Fast track continental free trade area and transition to a continental Common External tariff scheme
- 6. Commitment to enhancing resilience in livelihoods and production systems to climate variability and other shocks**
 - (a) Ensure that by 2025, at least 30% of farm/pastoral households are resilient to shocks
 - (b) Enhance investments for resilience building initiatives, including social security for rural workers and other vulnerable social groups, as well as for vulnerable ecosystems
 - (c) Mainstream resilience and risk management in policies, strategies and investment plans
- 7. Commitment to mutual accountability to actions and results**
 - (a) Through the CAADP Result Framework – conduct a biennial Agricultural Review Process

2. TRANSFORMING AFRICA'S AGRICULTURE

Goals of An African Agricultural Transformation Agenda: In line with the Malabo commitments, the goals of the transformation agenda will include:

- i) Transformation of Africa's rural communities into thriving hubs of food, fiber, and feed production and processing through an increase in agricultural productivity/production and linkage to domestic and foreign markets

⁵ African Union, 22nd Ordinary Session, 30 – 31 January 2014, Addis Ababa, Ethiopia, Concept Note: Launch of the "2014 Year of Agriculture and Food Security, Marking 10th Anniversary of the Adoption of the Comprehensive Africa Agriculture and Development Programme (CAADP)"

- ii) Self-sufficiency of African Nations in food production, and bringing down the prices of food for rural and urban populations via policy reforms that stimulates efficient local production, processing, and marketing, and discourages food importation
- iii) Massive employment of youths and women by the creation of millions of small and medium scale agricultural enterprises
- iv) Poverty eradication and improved livelihoods via increased incomes from agricultural activities; and
- v) Government-enabled strong private sector participation in agricultural transformation.

Key Priorities Areas for an African Agricultural Transformation Agenda

From recent success stories of agricultural transformation in Nigeria, Ethiopia, Mali, and other African countries, the following areas were key to agricultural transformation and are priorities investment areas; they include:

- i) **Efficient Input Delivery Systems:** Improved agricultural technologies and systems to deliver them to farmers are the drivers of efficiency and development in the agricultural sector of the world. An e-wallet platform, based upon cell phone or smart card (Near Field Technology) has been demonstrated to reach African farmers directly with inputs of seeds and fertilizer. This is preceded by development of a database for farmers and establishment of a deep network of agro dealers - if they do not already exist. The economics and logistics of setting up farm inputs markets will greatly strengthen and expand food and nutrition security of African farming households. Accelerated implementation of the now effective African Fertilizer Financing Mechanism (AFFM) will be an important plank of an efficient input delivery systems.
- ii) **Innovative Lending Programs for Farmers:** The critical success factor for the deployment of inputs to farmers is lending by banks to the whole value chain, including seed companies, agro-dealer networks, and farmers. For example, under the Nigerian Incentive Based Risk Shared Agricultural Lending (NIRSAL) Program, banks lent over US\$ 240 million to agro input suppliers. A similar system will be put in place with AFDB providing assistance to Central Banks of the respective countries based upon Nigeria's NIRSAL and other programs developed for East Africa by AGRA.
- iii) **Building robust and strong crop, livestock, and fishery value chains:** Strong crop, livestock, and fishery/aquaculture value chains are required to take full advantage of enhanced access to inputs and credits; the following value chain development activities will be prioritized:
 - a) ***Dissemination of the right combination of variety/breed and soil/crop/livestock management package:*** Production packages of variety, soil, crop, livestock, and fisheries management, will be identified with IARCs and NARs for each of the agricultural zones and disseminated to farmers via public and private extension services to achieve high productivity. Improved technologies include high yielding and nutrient rich new crop varieties, hybrids - especially adapted to the semi-arid parts of Africa, scaling up of water and soil conservation programs for the Sahel, low cost irrigation, improved dairy production for milk, etc. and

regional networks to exchange information on the aforementioned technology will be prioritized.

b) ***Output markets for increased value chain efficiency:*** to create market outlets for farmers, a diversity of players – secondary processors, aggregators, farmer cooperatives, small and large traders, marketing corporations and companies, commodity exchanges etc., are required. These players need to be supported with expertise to build supply chains, finance, basic infrastructure of storage and transport to connect key agricultural areas to distribution corridors, accurate and timely information on markets and prices, and appropriate information (investment plans) on opportunities to drive greater private sector investment in agriculture.

c) ***Farmer education and commercialization of small- to medium-scale agriculture:*** Public and private extension systems are critical for reaching farmers with modern agricultural technology and ICT. Furthermore, a change in mindset by small and medium farmers to treat agriculture as a business is required. This includes training of farmers in small business management and technical aspects of agriculture, improved access to inputs and information, provision of financial services, and marketing of surplus production.

d) ***Engaging the private sector:*** an agribusiness sector that is organized and can serve as an advocate for favorable policies and also take advantages of opportunities offered by new technologies is required for scaling up and sustainability of value chain development initiatives.

- iv) **Mechanization:** Promotion of private-sector enabled Agricultural Equipment Leasing Services through re-financing facilities to reduce cost of production and to boost productivity.
- v) **Agricultural Enterprise Processing Zones (AEPZs):** AEPZ program will create delimited areas, within major clusters of agricultural production that will be dedicated to driving the facilitation of modern processing capacity and used to attract investments in production, processing and infrastructure into such clusters under 3 prime principles: a) strategic partnerships with the Private Sector, International Development Partners, Regional, Local Communities and relevant Ministries, Departments & Agencies of the African Governments; b) an integrated ‘value chain approach’ giving due attention to critical upstream and downstream issues and facilitating desirable linkages; c) a ‘Private Sector led-Government supported’ approach to create environments that assure efficiency and cost effectiveness required to guarantee competitive operations and, ensure sustainability. Target commodities could include rice, maize, wheat, sorghum, fisheries and livestock products, as well as horticulture and floriculture.
- vi) **Youth in agribusiness programs:** Africa needs to very quickly create employment and prosperity for its teeming millions of young people, especially young graduates, by bringing them into the formal agribusiness economy linked to domestic and foreign markets. An effective way of doing this is to support young people (men and women) in setting up enterprises, with innovative financing along the agriculture value chain, accompanied by a mentorship program for youth. The African Development Bank in collaboration with IITA is currently financing the ENABLE Youth program in a number of countries which will be scaled up.

- vii) **New policy interventions to develop agriculture for export:** Agricultural development requires the right policy environment to flourish. Key policy interventions include: input distribution, innovative agricultural financing, establishment of marketing corporations, land reforms, and climate change mitigation policies, including weather indices and crop insurance. Policy reforms will be needed to promote value addition in the following strategic commodities: coffee, cotton, cocoa, cassava, cashew and oil palm.
- viii) **Regional agricultural trade:** As a core component in the Regional Economic Communities (RECs) Trade Protocols, agricultural trade is a key driver for regional integration and a powerful continent-wide engine for promoting Africa's inclusive economic growth - job creation, poverty reduction and food security. Common agreement in tariffs, such as the Economic Partnership Agreements are needed to integrate Africa.
- ix) **Mitigation of the effects of climate change:** Climate-smart agriculture that promote sustainable agricultural practices, especially water conservation measures, weather-index agricultural insurance, drought resilience, and conflicts management.
- x) **Strengthening institutional capacity building needs:** Increased capacity is required at the individual, organizational (all tiers of public sector agriculture), and systems (other actors) levels for effective implementation of policy reforms; key areas include:
 - Leadership and Project Management
 - Policy and Strategy Development
 - Resource Allocation
 - Monitoring and Evaluation
 - Knowledge Management
 - Linking Research and Extension Systems
 - Technical Divisions

3. A CALL TO DECISIVE ACTION

GOAL: The goal of the 3-day High Level Dakar Conference on agricultural transformation in Africa is preparation of a strategic action plan for agricultural transformation in Africa. The essence is to build a strong and sustainable agricultural sector for food and nutrition security, youth employment, poverty alleviation, and rural transformation.

PARTICIPANTS: The conference will bring together the Ministers of Finance, Planning and Economy, the Ministers of Agriculture and Rural Development, select Ministers of Industry and Trade as well as Governors of Central Banks. They will be joined by business leaders, private sector operators, academia, investment agencies and civil society organizations and experts across the continent and beyond, to deliberate on innovative approaches to convert the tremendous potential of the sector into real opportunities.

ROAD MAP: High level Panel discussions and parallel work streams, co-hosted by organizations and institutions with strong track record in the priority area (see Conference Agenda), will be held and a road map prepared to deliver on the priority areas outlined in section 2. The Ministers of Finance, Agriculture, Trade and Investment, Central Bank Governors, Private sector and Academia leaders will be invited to discuss and endorse a roadmap for Africa's Agricultural Transformation Strategy.

VENUE AND LOGISTICS: The High level Conference will take place at Abdou Diouf International Conference Center (CICAD) in Dakar, Senegal, from 21-23 October, 2015 (<http://j.mp/1Gu3vBH>) Registration and accreditation for the conference will all take place at CICAD starting from 08H00 on (20 October 2015). Additional information on the conference is available at the following address: <http://www.afdb.org/en/dakagri2015>. Registration requests to the conference can be sent by email to 2015_Dakar_Agriculture_Conference@AFDB.ORG

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