Unlocking Africa’s Agricultural Potential to Create Wealth

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Your Excellencies, esteemed Ambassadors here in Rome,

African Permanent Representatives to Rome-based international agencies,

Heads of other international institutions and non-governmental organizations,

Distinguished Ladies and Gentlemen,

I am very thankful to the FAO Director-General, my brother and friend Jose Graziano da Silva, for giving me this opportunity to give this public lecture. I am delighted to be with you in Rome today as we all share our commitment to addressing agriculture and food security issues in Africa. These issues are critical not only to economic development across the continent but to the future of food production in the world over the next generation.

There's been much progress on extreme poverty globally. The population living on less than $1.9 per day declined from 44% in 1980 to under 10% by 2015 (World Bank).

But we must not get carried away: we are not winning the war against global hunger. According to the State of Food Security and Nutrition in the World, 2017, the number of hungry people in the world increased from 777 million in 2015 to 815 million in 2016.

Climate change is worsening the situation, especially in sub-Saharan Africa, where it's been estimated by International Food Policy Research Institute that the continent will add an additional 38 million hungry people by 2050 due to climate change.

The challenges facing the world require focused and compassionate leadership. We owe it as a responsibility to ourselves, and for generations to come, to use every opportunity at our disposal to make the world a better place. I earnestly believe that we can end the dire situation of one billion people hungry in the world. We can end and we must end global poverty,
which equally affects over a billion people, whose daily income cannot even buy a hamburger.

We must not get used to abnormal things: Not to have food is abnormal. Not to have electricity is abnormal. A lack of universal health care is abnormal and a lack of social services is abnormal. The distorted lens of abnormality cannot and must not become the norm.

Let's take the case of nutrition. Malnutrition affects millions of children. Africa has some 58 million kids that are stunted, meaning they are too short for their age. Yet, economies post ever rising GDP growth rates. Well, nobody eats GDP. **There is no question that stunted children today will lead to stunted economies tomorrow.**

We have the solutions for addressing malnutrition. Food stamps helped stamp down hunger and malnutrition in America. It removed the indignity of hunger in the midst of plenty. While there's been a lot of research on its costs and benefits, the best way to know is to ask the hungry children who can now learn because they have food.

A hungry and rumbling stomach drains the brain and destroys the cognitive ability of children. We should not just build roads or standard infrastructure, **We must** build grey matter infrastructure.

Brazil did such a great job scaling up school nutrition programs under its famous Zero Hunger Program. And I highly commend the dogged determination of the Minister who made it happen, Dr. Da Silva, who is now the Director General of FAO.

Around the world, several countries have launched similar programs. But none has been at the scale of Brazil. One reason for the success of Brazil was that it's then President Lula, grew up under hunger and decided that food must become a fundamental human right, enshrining it in the constitution. We can banish hunger and malnutrition in the world. And this should start with having better global governance on food and nutrition, backed by political leadership with a heart for the poor.

**Global funding for nutrition itself is stunted.** The share of global ODA spent on nutrition is very low and declined to only 1%. There's an urgent need to scale up financing to end world's hunger and malnutrition. The private sector should incorporate healthy and nutritious foods into the food supply chain. The public sector should double up support for food and
nutrition intervention programs at scale. And national governments should make access to quality and nutritious food a basic human right - with their rights protected by constitutions.

To tackle the challenge of malnutrition in Africa, the African Development Bank launched the African Leaders for Nutrition - working with the Bill & Melinda Gates Foundation, the Dangote Foundation, Big Win Philanthropy and the Global Panel on Food Systems and Nutrition. We want to help build what I have defined as ‘grey matter infrastructure’ in Africa, and in the process, bring an end to stunting, which currently affects some 54 million children.

The future of food in the world will depend on what Africa does with agriculture. I am sure you must be saying did I hear right? Yes, you did. Africa holds 65% of the uncultivated arable land left to feed 9 billion by 2050. Its’ vast savannas are the world's largest agriculture frontier, estimated at 400 million ha. But only 10% of this is cultivated. That’s a mere 40 million hectares.

Africa accounts for 75% of the world's cocoa production, with 65% of this being produced in Cote d'Ivoire and Ghana, but the continent is a price taker and receives only 2% of the $100 billion annual revenues from chocolates globally. The reason is because Africa exports just raw cocoa beans.

This pattern is the same for other commodities in which Africa is a major producer. Africa produces 146 million tons out of the 268 million tons of cassava in the world – or 55%, 5.4 million tons of the 5.6 million tons of cowpeas globally – or 9.62 million out of the 28 million tons of millet globally – or 43% and 29 million tons of the 69 million tons of sorghum globally - or 42%.

But producing raw materials is not enough. It is time for Africa to move to the top of the global food value chains, through agro-industrialization and adding value to all of what it produces.

The secret of the wealth of nations is clear - rich nations process all of what they produce – whether in agriculture, minerals, oil and gas or services – while poor nations export their produce as raw materials. While demand for raw commodities is elastic, demand for processed and value-added commodities is relatively inelastic. The price of cotton may decline, but never the price of textile and garments. The price of cocoa may decline but
never the price of chocolates. The price of coffee beans may decline but never the price of brewed specialty coffee at Starbucks.

The reliance of the continent on exports of raw commodities exposes it to the high variability and instability of global commodity prices. Such external commodity price shocks have continued to negatively affect the economies, creating domestic fiscal deficits and balance of payment deficits that have always led to decline in public expenditures, inflation and currency devaluations.

African countries need policies to unlock the huge potential of these commodities by developing agricultural value chains and agro-allied industries that process and add value. This will allow them to become more competitive in global value chains, raise incomes for their farmers, instead of being stuck at the bottom of global value chains.

There is absolutely no reason for Africa to be food insecure. Africa must become a breadbasket for the world. Unlocking this enormous potential of Africa's agriculture must be at the top of global food security agenda.

It is this vision that drives our new engagement on agriculture at the African Development Bank. The Bank will be investing $ US 24 billion, over ten years, in agriculture, to implement its Feed Africa Strategy.

I know some may think, will that not mean large commercial farmers? Images of ugly incidences of land grabbing may resurface in the minds of others. Will the smallholders not lose out? Let's not start with negative narratives that have held Africa back. Africa must unlock its agricultural potential by using all it has: smallholders, medium and large-scale commercial farms.

African agrarian systems should support more dynamic and market oriented agriculture with a commercial orientation, while building equity, fairness and collective wealth from the soil, is what's needed.

We must stop romanticising poverty. I have never seen a self-proclaimed subsistence farmer - and I come from a rural background, with a father and grandfather who were farmers. What I see are hard working poor farm families who desperately look for opportunities to escape the indignity and pain of excruciating poverty.
In my academic research I wrote extensively on the efficiency of smallholder farmers, so I am pro-smallholders. But I also know they are efficient only given the constraints under which they operate. They are “efficiently poor”.

What we must do is expand production possibilities of smallholder farmers, remove binding constraints around them - including limited access to technology, markets, infrastructure, finance, among others - and make agriculture, the source of their livelihood, a wealth creating sector, not a sector for perpetuating inter generational poverty and misery.

Inequality and insecurity of access to land is a major challenge, especially for women who form majority of the farming population. It goes without saying that security of land ownership expands investments in land and farm improvements and access to finance through the use of land as collateral.

The challenge of access to land for women is not a technical issue: it is a political issue. National governments should promote, ensure and expand the access of women to land. Women's secure access to land, with titles, should not be a favor; it must become a fundamental right. For no bird can fly with one wing. African economies will progress faster with greater equality between men and women.

Technologies to achieve Africa’s green revolution exist. For the most part, they are all just sitting on the shelves. The release of water efficient maize varieties now allow farmers to harvest good yields in the face of moderate drought, boosting resilience. Today, rice varieties exist that can yield 8 tons per ha. Cassava varieties exist with yields of up to 80 tons per ha. Heat tolerant and disease resistant livestock and technologies for ramping up aquaculture exist.

The challenge is a lack of supportive policies to ensure that they are scaled up to reach millions of farmers. There is no reason why Africa should be spending $ US 35 billion a year importing food. All it needs to do is to harness the available technologies with the right policies and rapidly raise agricultural productivity and incomes for farmers, and assure lower food prices for consumers.

The African Development Bank has launched a $ US 1 billion initiative called “Technologies for African Agricultural Transformation (TAAT) – jointly with the World Bank, the Bill and Melinda Gates Foundation,
International Fund for Agricultural Development (IFAD), AGRA and other partners, to scale up available agricultural technologies – but across agro-ecological zones.

For why should a crop variety that is appropriate for a given agro-ecological zone have to be tested again in every country, within the same agro-ecological zone for four years each? A technology that could reach 10 countries in four years takes 40 years. TAAT takes a bold approach to scale up technologies across agro-ecological zones. In short, this is about technologies without borders.

Across 31 countries, for 15 commodity and enabler compacts, TAAT is engaging seed companies, public and private extension and financial institutions to reach 40 million African farmers with yield boosting technology in a sustainable manner via value added chains.

The African Development Bank is also providing US$ 20 million to tackle the challenge of the Fall Army Worm. The support will allow at least 15 million farmers in the six countries of the Southern Africa Region with Fall Army Worms control technologies. A similar effort is currently underway for Western and Central Africa Regions targeting the 2019 wet season in those regions. The Bank’s support expects to reach 50 million farmers with Fall Army Worms by the end of 2019.

Limited access to finance and high interest rates have continued to hamper the development of agriculture. Agricultural development banks set up to address this in the past have been colossal failures due to elite capture, poor business models, lack of understanding of agricultural value chains and non-sustainable subsidized interest rates.

Commercial banks, awash with liquidity, rarely lend to the agriculture sector and when they do the interest rates are extremely high while the credit duration is short, leaving the sector without access to affordable long-term finance.

At the core of the problem is the perceived high risk of lending to the agriculture sector. New innovative approaches are needed to de-risk agricultural lending. Using first loss guarantees in many countries, successes have been achieved in leveraging commercial banks to ramp up lending to the sector, including in Kenya, Uganda, Tanzania, Mozambique and Ghana, among others.
Those successes led me to use similar instruments in Nigeria, where, as Minister of Agriculture from 2011-2015, I had to engage with all the commercial Banks, together with the Governor of the Central Bank. We developed the Nigeria Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL), designed to reduce risks to lending by fixing the agricultural value chains and the financial value chains. A risk sharing facility of $ US 350 million was established to help leverage the banking system to lend to farmers and agribusinesses.

It was a huge success leveraging $ US 3.5 billion in lending commitments. The share of total bank lending to the agriculture sector rose from 0.7% to 5% over a 4-year period, while non-performing loans were less than 1% - an achievement that has continued.

One of the major reasons that the system worked was that it was based on encouraging lending all along well defined agricultural value chains. If banks lent to cassava farmers, for example, they also lent to the cassava processors, connecting the farm to the agribusinesses and markets. The development of the agricultural value chains helped to significantly reduce the transaction costs and risks embedded in those chains.

Consequently, it became easier for banks to lend to fixed agriculture value chains, creating a closed loop. Today, NIRSAL is a fully independent non-bank financial institution.

The African Development Bank is now expanding this model to several African countries, and just one month ago, we established the system in Togo, following similar launches in Ghana, Tanzania, Kenya and Liberia.

Today, the extent of rural poverty in Africa is totally unacceptable. Rural to urban migration is taking its toll, as most of the rural areas are becoming deserted in the desperate rush of millions of youth to find jobs in the cities, or worse, to migrate through perilous journeys for forays into Europe.

Rural economies have become zones of economic misery. I cannot think of any agenda more important in Africa today than to seriously tackle the underdevelopment and misery in these rural areas. We must transform the rural areas to zones of economic prosperity.

And that must start with agriculture and the food industry. Take a look at the location of the food industrial processing firms in Africa: they are located in the urban areas, close to the ports, not in the rural areas. So, while industrial
food processing may rise, this does not benefit the rural areas, nor provide markets for farmers.

What is needed is what I call Staple Crop Processing Zones or SCPZs. These zones will be vast areas within rural areas set aside and managed for agribusinesses and food manufacturing industries and other agro-allied industries. They will be enabled with right policies and infrastructure such as roads, energy, irrigation, rail, ICT and ports to help reduce the business costs for food processing and agro-allied industries.

Governments will provide fiscal incentives for the food processing and agro-allied industries to move into the SCPZs, which, like Export Processing Zones, will be managed by dedicated agencies.

The SCPZs will provide several advantages for rural economies. They will create markets for farmers’ produce. Raw materials will no longer be moved out of rural areas, but finished value-added products. Post-harvest losses will also be substantially reduced. And, well-integrated agricultural value chains will develop, with supportive logistics, especially warehousing and cold chains.

The structure of agriculture itself will change, with the emergence of younger, commercial and entrepreneurial farmers. They will create jobs across rural areas and reduce rural to urban migration. They will attract finance, services and other ancillary businesses to the rural economy.

The fiscal space will expand, and as a consequence, rural economies will receive the boost they deserve in order to be transformed into zones of economic prosperity. The zones will allow African countries to substantially reduce food imports, and become net exporters of processed foods and commodities in local, regional and global value chains.

While agribusiness and agro-allied industries are critical for revamping the fortunes of Africa’s rural economies, this should be done in ways that avoid land grabbing and the loss of rights of communities over their land. There must be responsible agribusiness investing.

The African Development Bank has already started investments to develop these SCPZs in a few African countries, including Ethiopia, Togo, Democratic Republic of Congo, and Mozambique and we expect to reach about 15 countries in the next few years.
I am convinced that in the very same manner that industrial parks helped China, so will Africa’s SCPZs help create new economic zones in rural areas that will help lift hundreds of millions out of poverty. The unprecedented transformation of the main source of their livelihoods, agriculture, from a way of life into a viable profitable business will unleash new sources of wealth.

We must invest in the youth of Africa. They are not just the future but also the present of Africa. I do not believe the future of Africa’s youth lies in migrating to Europe. Their future lies in an Africa with more rapid and inclusive economic growth, which creates quality jobs. The African Development Bank is implementing its Jobs for Youth in Africa, designed to support countries to create 25 million jobs over ten years and stem the migration to Europe.

We need to make agriculture more attractive to the youth. The youth are disinterested in agriculture and run far from it as possible. And one can understand why: all they see portrayed around them about agriculture is poverty, misery and drudgery.

With the rapid pace of growth of the use of drones, automated tractors, artificial intelligence, robotics and block chains, agriculture as we know it today will change.

It is more likely that the future farmers will be sitting in their homes with computer applications using drones to determine the size of their farms, monitor and guide the applications of farm inputs, and with driverless combine harvesters bringing in the harvests.

There is an urgent imperative to radically modify the curriculum in many of our universities to embrace these trends, and especially to focus on agribusiness entrepreneurship for young people.

The African Development Bank has launched a huge innovative program – Enable Youth – to develop the next generation of agribusiness and commercial farmers for Africa, now in many countries. In the past two years, the Bank has devoted close to $300 million to the program.

There is an urgent need to support African agriculture to adapt to climate change. The taps for global climate finance may be flowing, but they are only dripping for Africa. Of the $ 820 billion in climate finance flows for
2015 and 2016, only $16 billion or 2% was for Africa. To put it bluntly: Africa is being short-changed by climate finance.

Boosting climate resilience requires greater investments in irrigation and more efficient water management, climate smart agriculture and crop and livestock insurance. In addition, priorities should focus on market based risk transfer institutions to reduce effects of climate change on public finances, social protection and strategic food reserves.

The Africa Risk Capacity mechanism that insures government's against catastrophic risk events is showing success. The challenge for countries is the payment of the insurance premiums. The African Development Bank is currently paying the insurance premiums for a few African countries.

The African Development Bank is building strong alliance of partners for Africa to achieve food and nutritional security in the next ten years.

I am here in Rome to say that it is time that we change the lenses with which we look at agriculture in Africa. Agriculture is not a development activity or a social sector. Agriculture is a business and must be treated as such to unlock wealth. Think about it: the size of the food and agribusiness market in Africa will be worth a whopping $1 trillion by 2030.

I call for a revitalized and stronger strategic alliance between the African Development Bank, FAO, IFAD and the World Food Program, to unleash the potential of agriculture as a business across Africa.

Africa is tired of being poor. Millions of African farmers are tired of being poor, destitute and short-changed.

As the first President of the Bank with an agriculture background, I am determined to work with you to help transform the agriculture sector in Africa. If not now, when? With the Director General of FAO being a passionate driver for zero hunger, the President of IFAD a former finance minister who is passionate about agriculture, and the President of WFP a former governor of a U.S. agriculture State of South Carolina, and myself as President of the Bank, we could not ask for a better collective global force to help transform African agriculture.
John Lennon’s words resonate: “the future was yesterday and we are already late”.

That is why I am excited today to have signed a supplementary agreement with the Director General of FAO, Dr. Da Silva, to support our joint work in Africa. The African Development Bank and FAO have agreed to commit $20 million to a collaborative investment and technical assistance facility for African countries. We will grow this to $100 million in the next five years.

We have the moral obligation, duty and responsibility to rise together and end hunger in Africa. And we must go much further: turn agriculture into a business for creating wealth.

Indeed, just a week ago, we lost Kofi Annan, former UN Secretary General – a great friend and mentor of mine - whose bold call for the MDGs tugged our consciences and higher aspirations to end poverty and hunger in the world.

Now we must rise together and fulfill the SDGs. Without Africa, the SDGs cannot be implemented. The success of the SDGs in Africa therefore, will make them a global success.

So, together let us put our hands on the tractor's steering wheel, plow, sow and reap bountiful harvests from Africa to help feed the world.

Thank you very much.