

HIGHLIGHTS



Drivers of Success for Agricultural Transformation in Africa

Brussels Development Briefing no. 33

Brussels, 2 October 2013

On October 2nd, 2013, CTA organized the 33rd Brussels Development Briefing – part of a series of bi-monthly development briefings on ACP-EU rural and agricultural issues. Around 120 participants gathered in Brussels to discuss the challenges and opportunities of agricultural transformation in Africa.

Partners in the Briefing:

- CTA
- European Commission (DG DEVCO & DG AGRI)
- ACP Secretariat
- Concord

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Isolina Boto



Klaus Rudischhauser



Michael Hailu

Isolina Boto, Head of the CTA Brussels Office and coordinator of the Briefings, welcomed the participants and introduced this Briefing part of a series of policy dialogues which take place every two months to discuss topical issues of relevance to the African, Caribbean and Pacific countries. The Briefings aimed at bringing the latest knowledge on the topic as well as different perspectives to it. A key part is the presentation of some best practices where lessons can be learned from. She reminded the audience that since 2011, NEPAD joined CTA, the European Commission, the ACP Group and Concord in co-organizing a key topic each year of importance to African agriculture.

Klaus Rudischhauser, Deputy Director of General Policy and Thematic Coordination for DG DEVCO of the European Commission, stressed the importance of agricultural development and nutrition in the EU Agenda for Change. He stressed the role of the private sector as a key driver for development and the need to look at trade, regional integration

and regional markets to improve farmer's livelihoods. Rudischhauser also highlighted some of the challenges that Africa faces including energy infrastructure key to promote processing. Within the 11th EDF and the new financial framework, agriculture is a priority sector in 15 countries and the EU will remain a major actor in agriculture and nutrition.

Martin Bwalya, Head of the NEPAD Comprehensive Africa Agriculture Development Programme, stressed the significance of this Briefing in the CAADP process. He argued that we can learn from many lessons of successes and failures in Africa in the last decades and that the last 10 years have brought significant changes in advancing African agriculture. What is needed now is demonstrating results in the implementation and marking impact in terms of economic growth and inclusiveness.

Michael Hailu, director of CTA, reminded the audience that placing agriculture at the center of Africa's socio-economic growth and development agenda is the decision African Heads of State



H.E. Mary M. Muchada



Steve Wiggins



Martin Bwayla

and Government made when they signed up on the CAADP in Maputo, Mozambique in 2003. Africa is spending US\$30 billion to \$50 billion annually on imports of agricultural products, and in doing so losing huge opportunities, not just in foreign exchange but most importantly in terms of lost jobs. Most African countries have a comparative advantage in agriculture and should take advantage of the economic and agricultural growth to make farming more profitable and create job opportunities while strengthening domestic and regional markets.

CTA partnership with CAADP includes sharing knowledge management approaches and tools, promoting dialogue between CAADP and other groups such as the farmers, supporting policy processes and strengthening value chain development to increase diversification and value-addition.

Panel 1: Agriculture: A Driving Force for Economic & Social Transformation in Africa

The panel chaired by Ambassador of Zimbabwe, H.E. Mary M. Muchada, provided an overview of the potential of agriculture in Africa as an engine for growth and sustainable development

Steve Wiggins, Researcher at ODI spoke on African agriculture in a changing global context.

The record of growth of food production per capita in Africa compares poorly to Asia and South America but almost everywhere in Africa growth has accelerated since the early 1980s, more than 3% a year over the last fifty years in North and West Africa, with higher rates since the early 1980s. For almost thirty years now, West Africa has seen growth that averages more than 4% a year — that is doubling production around every 18 years. The great majority of the production increases come from increased production per unit area, not from expanding the arable area. Over the last fifty years arable land in Africa has increased by an annual average of just 0.75%; while production increased at 2.56%.

Ghana's agricultural growth was modest in the 1960s, then turned negative in the late 1970s and early 1980s. Yet after the economic reforms that began in 1983 agriculture was to grow for the next 25 years at rates of more than 5% a year making Ghana for this period one of the six fastest growing agricultures in the world. Not only did agriculture prosper, but poverty in Ghana came down notably in the 1990s and 2000s, not least in rural areas and especially in cocoa-growing areas. Food supply per capita has increased while the prevalence of underweight children aged under five has been falling. The reforms of the early 1980s that began with currency devaluation, control of rampant inflation and reform of the cocoa marketing board, seem to have led to the turn-round in Ghana's agriculture and indeed the economy as a whole.

But most would agree that two things need to be done to stimulate agriculture: (i) create an enabling environment for investment and innovation; and (ii) invest in rural public goods which pay off as the evidence from agricultural development in Asia shows. The combination of these encourages investment and innovation by private firms, not least by small-scale farmers.

Agricultural progress in Asia preceded industrialisation and facilitated it.

Mr. Wiggins called for creation of a coalition that supports long-term economic and agricultural growth. Such a coalition would be comprised of ordinary citizens, farmers, and businesses leaders who would partner with governments to achieve broad agricultural growth.

Martin Bwayla, Head CAADP, spoke on catalyzing agricultural performance as a force for economic and social transformation.

Widespread inequality on the continent attributed to a negative global perception of Africa that many argue persists today. NEPAD and CAADP were set up as a political response to combat the poverty and food security challenge recognized as undermining economic growth for many African nations to overcome. In the last ten years moving African countries have been moving from traditional programmes aimed at resource mobilization to defining the country CAAADP implementation

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Charity Mariene



Hans Balyamujura

process and looking at planning, quality of investment and capacity development, policy environment and institutional development. Mr. Bwayla used the groundwork laid by NEPAD and CAADP to advocate for a policy environment that provides desired incentives to both state and non-state actors. In other words, a Public-Private Partnership (PPP) that would share risks and benefits between those involved. Bwayla also stressed the importance of establishing a regional trade agenda, which would help to create jobs, spur economic growth, and increase wealth retention.

Achievements include a coherent vision and agenda in agriculture and actors and partners; mobilized around it. Challenges remain such as heavily public sector, interministerial linkages are improving but still weak, multiplicity of initiatives not coordinated that allow optimum value; malnutrition and food insecurity.

Focus for the next 10 years needs to be in transformation of agricultural value chain, enhancing the special role of farmers, ensuring sustainable food systems and addressing the new challenges of population growth, climate change and nutrition while consolidating governance in natural resources.

Charity Mariene, Agricultural Counsellor at the Embassy of Kenya, addressed job creation and entrepreneurial development in farming communities.

Agriculture contributes about 24% of the GDP, 75% of industrial raw materials, 65% of Kenya's total exports, 18% of formal employment, and 60% of the total employment. Kenya Vision 2030 identified the sector as one of the key drivers of the economy in order to sustainably achieve average economic growth rate of 10 percent, reduce poverty levels to 25% and boost food security to 30% by the year 2030. The development of agriculture is also important for poverty reduction since most of the vulnerable groups like pastoralists, the landless, and subsistence farmers, also depend on agriculture as their main source of livelihoods.

Kenya is still below the 10% annual growth rate target envisaged in Vision 2030 and a majority of people are still food insecure. Agriculture remains the mainstay of the economy, yet low productivity in agriculture and weak manufacturing sector in the face of rising imports and stagnating exports, remains a major concern. In order to achieve the growth targets, Agriculture and Manufacturing must be integrated. The low productivity of agriculture is caused by use of inappropriate technology, inaccessible farm inputs, weak extension support services, poor access to farm inputs, poor access to finance and credit low value addition in the production chain and in developing marketing support mechanisms for farmers, pastoralist and communities involved in fishing and over reliance on rain-fed agriculture.

Kenya has embarked on the implementation of a comprehensive agricultural revitalization program aimed at expanding, enhancing productivity, transforming agriculture and facilitating market access. The establishment of a commodity exchange market for agricultural products and, through the capital market authority will boost trade. Harnessing talents of the youth for entrepreneurship is also a priority.

Hans Balyamujura, Co-Founder/CEO, Zed Group Limited – Absa, brought the private sector perspective.

There has been significant increase in active lending to commercial African agriculture among the commercial banks and micro finance institutions but according to him unfortunately the reach among the farmers remains far too short for significant impact on African agriculture. Most of the finance institutions are using value chain approaches to ease the access to finance and there has been a marked increase in competition among the finance institutions. This is great for the consumer but not positive for the transformation of agriculture in that there is limited movement towards the segment that needs access to finance the most, the 'Missing Middle' of any African value chain. By conservative estimates, Africa has at least 120 million smallholder farmers making independent farming decisions on a daily basis and the majority is linked into non-integrated value chains and carries the bulk of the risk in the value chain. For significant

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Bernard Rey



Ousmane Badiane

transformation we have to reach the majority of the African smallholder farmers in value chains that directly relate to the smallholder.

Overcoming the lack of adequate and reliable collateral has seen the growth in value-chain-based finance but this value is to a large extent determined by the policy environment within a country. For example, the local market price of soya bean is determined by supply and demand on the local market. In cases of overproduction the price on the local market will drop unless the market can export the surplus. However, in some cases governments impose export bans to ensure food security and as a result the price on the local market drops and the value-based finance is put at risk with limited recourse. Such situations are limiting the rate at which the financiers can expand this approach. Greater stability and better coordination of agriculture and agricultural trade related policy will lead to more stable and predictable value chains. This will ease the access to finance quicker than processes to give the small scale farmer formal title to land.

Balyamujura concluded by reminding us that while we should expect the commercial banks and other financial institutions to play a greater role, there is a need for the governments, NGOs and international development organisations to understand the agricultural markets and coordinate their development efforts within selected value chains with a clear understanding that there are

multiple value chains. These are not necessarily value chains of agricultural produce and inputs but could be financial and health services, public administration, government policy...

The **debate** raised the need to consider also how climate changing is affecting agricultural development in Africa and in the rest of the world. The panelists agreed that this was an important issue that could not be overlooked, but maintained that progress in agricultural developed was the most pressing matter at hand. Mr. Wiggins believed that if agricultural development were pointed in the right direction in Africa then there should be no reason why they could not meet agricultural output goals while at the same time meeting climate standards.

Panel 2: Proven Successes & Best Practices in African Agriculture

This panel chaired by Bernard Rey, Deputy Head of Unit/Food security, DG DEVCO, European Commission presented proven actions in African agriculture and best PPPs practices based on the successes of CAADP in the last 10 years.

Ousmane Badiane, Director for Africa at IFPRI, spoke about the drivers of agriculture and structural transformation in Africa. Economic growth over the previous decade (between 2000-2010) has been

steadily growing and spreading geographically in Africa. However there have been instances where the agricultural sector has not grown alongside the economy as a whole, and other industries, such as manufacturing or services have done far better.

Badiane conceded that one of the main issues going forward into the next decade would be fully incorporating the agricultural sector into the overall economy. Wealth creation in the agricultural sector remains low in Africa and has remained that way for some time. Labor productivity and employment numbers have also declined in the agricultural sector, but growth in other sectors of the economy point to some hope for progress. The ongoing growth recovery among African countries has started to make up for decades of stagnation. Sustaining growth and broadening its impact to raise living standards will require countries to transit from recovery to economic transformation. Transformation requires countries: (i) to further raise agricultural and rural labor productivity, while (ii) diversifying into higher valued goods in higher productivity, urban-based manufacturing and service sectors. Historically, that process has raised overall economic productivity and progressively lifted rural incomes towards levels in the urban sector. During most of the 5 decades since independence, African countries have, in contrast, experienced productivity-reducing structural change, driven by

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negative diversification reflected in labor migrating from: (a) an underperforming agricultural sector with rising productivity into (b) a non-agricultural sector characterized by falling productivity and dominated by oversized, lower-productivity service sector.

Until very recently, agricultural labor productivity has stagnated despite a rapid decline in the sector's employment share, thus the rapidly declining GDP share of agriculture in most African countries. At the same time, productivity has fallen in the non-agricultural sector, along with rising employment. In that process, labor migration out of agriculture has outpaced growth in the non-agricultural sector, further undermining productivity growth. Historically, the problem is as much of non-growth in agriculture as it is of labor absorption outside agriculture.

The problem in the non-agricultural sector originates from the oversized, low-productivity service sector that is absorbing most of the labor leaving the relatively higher-productivity agricultural sector. Judging from their level of economic development, the size of the agricultural sector among most African countries is nearly 20 percentage points below expected levels, while the opposite is observed for the service sector. This sectoral growth imbalance has delayed structural transformation and slowed productivity and income growth across Africa. A key

strategic question for Badiane is how African countries can capitalize on the remarkable agricultural and economic growth recovery of the last 15 years to boost the transformation of their economies.

Kalilou Sylla, the Executive Secretary of the West African Farmer's Organisation (ROPPA), made a presentation based on their recent work on monitoring the progress of Maputo Commitments towards agriculture in West Africa. Since the Maputo Agreement came into effect African governments have committed to allocate at least 10% of national budgetary resources to agriculture and rural development. Several countries are still working to meet this goal, a landmark many consider to be a good step forward on the path to expanding the agricultural sector.

The most notable success is the institutional change through ECOWAS leadership and the joint coherent actions from ECOWAS and UEMOA. The region has an agricultural policy ECOWAP since 2005. The regional integration has allowed for a better work of regional institutions and technical support resources which contributed to the growth of the region. Mr. Sylla also brought up the large amount of foreign aid that is pouring into Africa on an annual basis. He argued that this aid was not necessary for economic growth to occur on the continent and stressed that money can be found within Africa.

Four countries meet the 10% commitment to agriculture budget but with external support and any countries rely on the round table of donors to finance their agriculture. The farmer's organizations have been involved in the policy processes but less in the implementation stage. If we exclude the regional leadership, the region hasn't seen so much progress in poverty reduction, productivity increase or higher budgets to agriculture.

Nana Osei-Bonsu, CEO of the Private Enterprise Federation raised the case of Ghana and the need to engage in agricultural-based PPPs. Agriculture is a key economic sector to many African countries as it employs most of the rural population and contributes significantly to household income, gross domestic product (GDP), foreign exchange earnings, food and nutritional security. Ghana is no exception in this regard. In Ghana, the sector contributes about 25% to GDP and employs 55% (2006) of the working population. The importance of the sector cannot be over emphasized.

Successive governments of Ghana have initiated policies to spur the growth of the sector over the years but more needs to be done if Ghana is to meet the CAADP goals for food security, reducing poverty and malnutrition.

The various factors identified as the basis for agriculture not leading the industrialization and growth

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Ruth Rawling

of the economy is predicated on the absences and or deficiencies in agricultural infrastructure namely irrigation, power, transport and access to markets, storage facilities to stem post-harvest losses, lack of long term low cost funding in addition to the agrarian method of farming.

The policy framework that should attract local private sector investment into the sector has been weak at best and has not attracted the quantum of investment necessary to propel the sector as the source for providing that raw material base for a value chain industrialization to deliver comprehensive projects that would create jobs and improve livelihoods.

The new public private partnership policy may not be a panacea for all the agricultural challenges but if it is targeted to wining sectors through the provision of incentives to attract mobilization of long term capital for rural sensitive investments, that should breach the gap for accelerated private sector investment necessary to pursue a national commercial agriculture to meet the CAADP development goals. In conclusion, he suggested that emphasis should be accorded implementable policies that would attract the resources and private sector players into investing in commercial agriculture that ensures inclusiveness of small landholders, women and the youth.

Ruth Rawling, Vice President of Public Affairs for Cargill Europe brought the need to leverage private investments in African agriculture.

Ms. Ruth Rawling gave another perspective on agricultural development in Africa from the private sector. Cargill is a multinational corporation which employs 140 000 people in 60 countries around the world and active in Africa since 1981. Cargill employs 4,000 employees in 9 countries – especially Ivory Coast, Ghana, Zambia, Zimbabwe, South Africa, and Kenya. Key areas include cocoa, cotton, grain and oilseeds.

The main impact that Cargill has on the agricultural economy of African states is providing the resources necessary to process harvested crops and other agricultural goods. The two African crops Cargill primarily invests in are cocoa and cotton. In Ghana, the company has partnered with cocoa farmers by building processing plants and providing training through field schools. In addition, Cargill has certified 87 farmer cooperatives in the country that can allow for greater integration and cooperation between farmers. In Zambia, Cargill has partnered and supported over 100,000 cotton farmers and has been helpful in attempting to increase cotton yields across the country. Cargill works with about 100,000 farmers in Zambia and

29,000 in Zimbabwe to help them meet the production criteria for “Cotton made in Africa” through 400 cotton buying stations in rural areas. . This builds on the Competitive African Cotton Initiative – COMPACI – which aims to increase yields by over 30% for 265,000 cotton farmers in 6 countries. By providing assistance to small and medium size processing plants and establishing buying stations for cotton farmers, Cargill is investing in Africa’s agricultural infrastructure for the long-term. New initiatives include cassava for starch production in Nigeria and grain production in Mozambique.

One of the most successful initiatives has been our Cargill Cotton Women’s clubs where women train other women farmers. We now support about 800 of these clubs reaching about 32,000 women farmers.

The **debate** focused primarily on the issue of how Public-Private Partnerships (PPP) should be applied in the context of agricultural development in Africa. There was some consensus that these partnerships must also include local community voices as the only way to ensure positive impact. Another area discussed was the link between production and pricing. By reducing production costs, the price the consumers pay for agricultural goods will go down in the long-term. There was an acknowledgement

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that this was something that needed to be improved upon in African economic systems. The public and private sectors must set up an arrangement in which they share risk as well as benefits for any projects that improve economic and social conditions. Without clear financial benefits to be found, the private sector will not take on any risk and will not get involved or partner with the public sector on agricultural

improvement projects. The panel agreed that it was an important discussion that needs to continue into the future.

In concluding remarks, Bernard Rey reiterated the great interest for the EU and especially DEVCO of agriculture in relation to other sectors such as health education and other sectors. Michael Hailu stress the need for strengthening

regional markets, access to finance and value chains and not sacrificing the environment and look at sustainable intensification. We need to support documenting the successes of CAADP and sharing lessons learned.

As Steve Wiggins advocated, a coalition for shared growth is needed

Further information available online

- Brussels Briefings: www.brusselsbriefings.net
- Reader: <http://tinyurl.com/o2s3h7j>
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